



ANNUAL REPORT 2019-20





VISION STATEMENT

"A friendly, efficient, world-class airport that is a gateway of choice in the Caribbean."

MISSION STATEMENT

"To operate a safe, profitable and environmentally friendly airport, providing world-class service with a uniquely Jamaican character."

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ORGANISATIONAL OVERVIEW

NMIA Airports Limited (NMIAL), is a wholly-owned subsidiary of the Airports Authority of Jamaica (AAJ) and was incorporated in September 2003 to manage and operate the Norman Manley International Airport (NMIA) under a thirty-year Concession Agreement with the AAJ. The AAJ was established under the Airports Authority Act in 1974 as an independent statutory body to manage and operate both the Sangster International Airport (SIA) and NMIA.

NMIAL is a limited liability company that is structured to ensure compliance with the Companies Act, 2004; the Public Bodies Management and Accountability Act, 2001 ("PBMA Act"); the Financial Administration and Audit Act, 1959 ("FAA Act"); Corporate Governance Framework for Public Bodies in Jamaica 2011, Revised 2012 (Corporate Governance Framework), as well as all other applicable laws, regulations, and codes of best business practice. NMIA is the major airport gateway linking Kingston and its catchment area to destinations worldwide. It is Jamaica's principal air cargo facility and the main airport for business travelers and the Jamaican Diaspora.

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

NMIA'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 & 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



Hon. William Shagoury
AAJ Board CHAIRMAN



Mr. Newlyn 'Neil' Seaton
CHAIRMAN



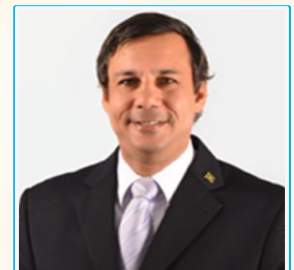
Mr. Leroy Lindsay



Mr. Mark Hart



Mrs. Julia
Moncrieffe Wiggan



Mr. Kent Gammon



Mr. Thomas Chin
Appointed May 2019



Ms. Donna Reid



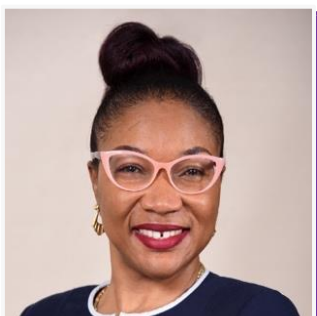
Mr. Lloyd Pommells

**Note: Mr. Ludlow Johnson's tenure with the Board ended effective May 2019*

EXECUTIVE TEAM



Mr. Audley Deidrick
CHIEF EXECUTIVE OFFICER - NMIAL
& AAJ PRESIDENT *



Ms. Verona Vacianna
GENERAL COUNSEL *



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



Mr. Carvell Mcleary
SNR. DIRECTOR HRM &
ADMINISTRATION

**Employment Ended
October 10, 2019



Mr. Dale Davis
CHIEF OPERATIONS
OFFICER

**Employment ended
October 10, 2019



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

**Employment ended
January 31, 2020



Mr. Samuel Manning
SNR. DIRECTOR
FINANCE

**Employment ended
January 31, 2020

*AAJ Executives

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



BOARD OF DIRECTOR'S REPORT

Newlyn 'Neil' Seaton
Chairman, NMIAL

The past fiscal year 2019/20 was one of major transitions for NMIAL, as the long-talked-about privatization of NMIA became a reality. Accordingly, on 2019 October 10, the airport was divested by way of a government-led Public-Private Partnership (PPP) process, and is now being operated by PAC Kingston Airport Limited (PACKAL), a subsidiary of Grupo Aeroportuario del Pacífico S.A.B. de C.V. (GAP), under a 25 (+5) year Concession Agreement with the AAJ. The Board wishes to congratulate the new operators of the airport and looks forward to seeing the further growth of NMIA, which builds upon the strong foundation left a team of committed and hardworking staff of NMIAL.

On behalf of the Board of Directors of NMIAL, I also wish to congratulate the Board, management, and staff of our parent company, the Airports Authority of Jamaica, for having attained 45 years of service to the nation during the past fiscal year. Since 1974, the AAJ has been very important to the growth and development of air transportation in Jamaica and has facilitated the involvement of many stakeholders in the pursuit of its vision to build and sustain a world-class airport system, which facilitates private investment and partnership and positions Jamaica's airports as the gateway to the Caribbean and the Americas. The Norman Manley International Airport (NMIA) has benefitted from the AAJ's guidance and facilitation, and for this, we salute all the past and present leaders, workers, and contributors to the organization's growth.

As a consequence of the NMIA PPP exercise, the scope and activities of NMIAL were changed during the year, which was anticipated in the organization's Corporate Plan for 2020/21 - 2023/24. I am pleased to outline NMIAL's achievements during the 2019/20 period and present the Audited Financial Statements.

NMIA HANDOVER

During the year, the Board continued to monitor and prepare for the eventual privatization of NMIA. Primary focus was placed on preparing the staff as well as the operations and facilities for the eventual transfer.



Minister of Transport and Mining, Hon. Robert Montague passes over the symbolic "key to the airport" to GAP's CEO, Raúl Revuelta at a "Handover Event" held at NMIA.

Concerning the staff, several initiatives continued over the period to equip employees for the separation exercise. These activities included a “Change Management and Transition Programme”, with activities such as: frequent staff and stakeholder meetings; Retirement & Financial counselling; and sessions on managing personal change.

A total of 312 employees were separated by NMIAL consequent on the change in airport operator, with some being re-hired by PACKAL for ongoing service at the airport. The separation process included redundancy, early retirement, and ex-gratia payments totaling \$1,112M.

With respect to the operations and facilities of the airport, the Board, management, and staff worked assiduously to ensure that on the 10th of October, the transition to PACKAL would be seamless. That was achieved. All operational systems, buildings, equipment, facilities, furniture, fittings, and documentation pertinent to the airport’s operation were handed over to the new PACKAL executives in keeping with the requirements of the Concession Agreement between PACKAL and the AAJ. We, therefore, wish to welcome Mr. Fernando Vistrain who was appointed CEO for PACKAL, even as we express thanks to Mr. Audley Deidrick for the commendable work done over the years in effectively managing the airport.

NMIAL was also pleased to present the new operators with an airport that was duly certified by the Jamaica Civil Aviation Authority, as at a ceremony held on 2019 October 8, NMIAL received the first formal certification in operational safety and security from the JCAA since this requirement was mandated by the International Civil Aviation Organisation (ICAO) in 2003. The Board is particularly happy with this achievement as much time, effort and resources were spent in ensuring that this target was met. The certificate is dated 2019 October 4 and will be passed on to the new operators of the airport, PACKAL.



October 2019:
Minister of
Transport and
Mining, Hon.
Robert Montague
presents the
NMIA Safety and
Security
Certificate to
NMIA’s CEO Mr.
Audley Deidrick
at a ceremony
held at the
Ministry of
Transport and
Mining.

NMIAL'S FINANCIAL PERFORMANCE

Regarding its financial performance, note should be taken that NMIAL's operations at the airport ceased as of the date of handover to PACKAL on 2019 October 10. Accordingly, significant declines in revenues, expenses, and net outcomes were anticipated. NMIAL's Operating Revenues for the year 2019-2020 was US\$25.6M versus US\$42.0M for the previous year, a decline of US\$16.5M or 39.14%. Operating Expenses amounted to US\$29.2M, versus US\$36.7M for the previous year, a decline of US\$7.6M or 20.57%.

It should be noted that an adjustment was made to the operating expenses for the 2018/19 audited results due to the inclusion of "Net impairment movement on financial assets" included in the Audited Financial Statements for 2020 March 31, resulting from the NMIA PPP transaction. NMIAL, therefore, made an Operating Loss (excluding Other Income) of US\$3.6M in 2019/20, which is 166.86% below the US\$5.5M reported for the previous year. Net Loss after Tax for the year was US\$982K versus US\$10.1M for the previous year, a decrease of 109.75%. NMIAL paid a Dividend of US\$450,000 to the government during the period.

Summary of Financial Performance and Projections

Key Performance Indicators (KPI's)	Actual 2019-20 US\$'000	% Change	Actual 2018-19 US\$'000	Budget 2019-20 US\$'000	Budget 2020-21 US\$'000
Operating Revenue	25,590	↓ -39.14%	42,044	23,790	654
Operating Expenses	(29,157)	↓ -20.57%	(36,709)	(31,160)	(177)
Operating Profits/(Loss)	(3,567)	↓ -166.86%	5,335	(7,370)	478
Other income/(Expenditure)	10,979	↑ 100.57%	5,474	11,268	(2,259)
Taxation	(8,394)	↑ 1043.60%	(734)	(149)	-
Net Profit	(982)	↓ -109.75%	10,075	3,749	(1,782)
Capital Expenditure	3,905	↓ -42.80%	6,827	10,957	-

NMIAL'S TRAFFIC (OPERATIONAL) PERFORMANCE

- Total passenger traffic (arrivals and departures) recorded an increase of 3.59% from 1,738,288 passengers in 2018-19 to 1,800,700 in 2019-20. NMIA accounted for 28.27% of total air passengers into the island.
- Total Airfreight (cargo and mail) volumes declined by 5.55% in 2019/20 when compared with the previous year, moving from 12,998,358kgs in 2018/19 to 12,279,001 kgs in 2019/20. NMIA handled 75.39% of air freight into the island.
- Aircraft movement increased by 2.28% in 2019/20 when compared to the previous year. A total of 21,950 movements were recorded in the reporting period, compared with 21,461 in 2018/19.

Note: Based on the handover of NMIA to PACKAL, NMIAL has not made traffic (operational) projections for the airport going forward as these functions are now subsumed within the AAJ and hence covered in its report.

CORPORATE GOVERNANCE

Although the work of providing oversight and leadership of NMIA would cease as of the NMIA PPP handover exercise, the Board remained focused and committed to the highest standards of corporate governance. During the period under review, the Board of NMIAL had nine (9) regular monthly meetings. The Committees met monthly as required, responded to matters within their remit, and advised the Board accordingly.

❖ BOARD STRUCTURE, COMPOSITION, AND TRAINING

The Board has responsibility for the leadership, control, and guidance of NMIAL's affairs. The Board's roles and functions are set out clearly in the NMIA Airports Limited Board Charter and Corporate Governance Guidelines. The Board has nine (9) Directors all of whom are non-executive. They bring an external perspective, constructively challenge and advise on strategy, and monitor the performance of Management. The Board benefits from the broad experience in aviation, law, business, and finance.

Early in the new fiscal year, being 2019 May, Mr. Ludlow Johnson's tenure as Director ended, and Mr. Thomas Chin was appointed to the Board effective 2019 May 13. We hereby express our sincere gratitude to Mr. Johnson for his keen and committed contribution to the work of the Board during his tenure, even as we welcome our new Board member.

NAME	ENTREPRENEURSHIP	GENERAL MANAGEMENT	FINANCE & AUDIT	STRATEGIC MANAGEMENT	HUMAN RESOURCE	LAW	RISK MANAGEMENT	AIRPORT PROFESSIONAL	AERONAUTICS	CORPORATE GOVERNANCE	LENGTH OF SERVICE (Approx.)
Mr Newlyn Seaton - Chairman	✓	✓								✓	4
Mr Kent Gammon				✓		✓				✓	3
Mr Lloyd Pommells		✓	✓							✓	2
Mr Leroy Lindsay								✓	✓	✓	3
Mrs Julia Moncrieffe Wiggan					✓	✓				✓	4
Ms Donna Reid		✓								✓	2
Mr Mark Hart	✓			✓					✓	✓	4
Mr Ludlow Johnson*	✓							✓	✓	✓	3
Hon William Shagoury	✓	✓								✓	4
Mr Thomas Chin**		✓	✓				✓			✓	1
* Tenure ended 2019 May											
** Tenure commenced 2019 May											

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

BOARD PROCESSES

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

BOARD EVALUATION

The Board continued to act with due regard to the recommended practices of the (i) Public Bodies Management and Accountability Act, 2001 (ii) Corporate Governance Framework for Public Bodies in Jamaica 2011, Revised 2012. A formal annual evaluation of its performance and that of its Committees and individual Directors was not done for the year being reviewed.

BOARD COMMITTEES

The members of the Board Committees are chosen by the Chairman of the Board. Based on the proposals that are submitted by the Management of NMIAL, the Board Committees have the responsibility to review those proposals for submission to the Board for their action.

Currently, there are five (5) Board Committees: Audit and Risk; Finance; Human Resources Management & Corporate Governance; Projects and Procurement; and Business Development and Operations. The members and role of the committees are outlined below:

AUDIT & RISK COMMITTEE

The Committee's work includes advising the Board on: Practices and procedures which will promote productivity as well as the quality and volume of service; The adequacy, efficiency, and effectiveness of the accounting and internal control structure and systems of NMIAL; Reviewing the quarterly and annual internal audit reports by the Chief Internal Auditor on the outcomes of audit activity; Ensuring that External Audits are carried out and the Audited Financial Statements are presented to the Board annually.

The Members are:

Mr. Leroy Lindsay -Chairman	Mrs. Julia Moncrieffe-Wiggan
Mr. Kent Gammon	Mr. Thomas Chin

The Risk functions include: Overseeing the establishment and implementation of a Risk Management framework in identifying and managing risks and controlling internal processes; and Identifying and evaluating risk exposures and assess the probability of each risk becoming a reality by estimating its possible effect and cost;

FINANCE COMMITTEE

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

The Members are:

Mrs. Julia Moncrieffe-Wiggan Chairman	Mr. Kent Gammon
Ms. Donna Reid	Mr. William Shagoury

HUMAN RESOURCE MANAGEMENT & CORPORATE GOVERNANCE COMMITTEE

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

The Members are:

Mr. Kent Gammon - Chairman	Mr. Mark Hart
Mr. Leroy Lindsay	Ms. Julia Moncrieffe-Wiggan
Mr. Thomas Chin	Mr. Lloyd Pommells

PROJECTS & PROCUREMENT COMMITTEE

The Committee functions include: The provision of technical and financial consideration, review, evaluation, and where appropriate, recommendation for approval of contracts which exceed Head of Entity threshold values for direct contracting arrangement and competitive tender; The development of policies, systems, equipment, and programmes that relate to airport safety planning, design, construction, operation and maintenance; Reviewing Management's proposals/recommendations for construction contracts and developmental undertakings; and Reviewing the monetary value of financial commitments arising from approved project submissions to ensure consistency with the Budget and to anticipate and recommend whether any additional funding should be allocated by the Board during a given fiscal year. The procedures that guide the implementation of NMIAL's capital projects take into consideration:

The Members are:

Mr. Lloyd Pommells - Chairman	Mr. Newlyn Seaton
Mr. William Shagoury	Mr. Thomas Chin
Mr. Leroy Lindsay	

- Government Policies, Procurement Guidelines Procedures, and Guarantees;
- The procedures of International Financial Institutions;
- NMIAL in-house Procedures.

BUSINESS DEVELOPMENT & OPERATIONS COMMITTEE

The Committee functions include: Evaluating the traffic growth strategies (passenger, cargo, and aircraft movement) of the airport and provide recommendations for Board

The Members are:

Mr. Mark Hart- Chairman	Mr. Ludlow Johnson	Mr. Audley Deidrick - CEO
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consideration/approval; Reviewing NMIAL's policies and programmes regarding the facilitation of efficient, effective, and profitable commercial operations; Assessing the marketing and promotional strategies of NMIAL and provide recommendations for Board consideration/approval; Providing the Board with advice and recommendations regarding new revenue-generating opportunities and services.

CORPORATE SOCIAL RESPONSIBILITY

NMIAL remained committed to the programme of community engagement. Its ongoing partnership with schools in its catchment area, including the Donald Quarrie High School and Harbour View Primary remain unchanged. NMIAL, in collaboration with its parent company, the AAJ, continued to participate in the National Labour Day initiative under the theme of Child Safety. The staff of AAJ/NMIAL were out in large numbers to make their contribution to enhancing the aesthetics and safety of some of the public spaces that our children and students occupy. The major Labour Day projects included: Donald Quarrie High School - repainting & periphery re-fencing; Harbour View Primary School - re-painting and construction of gazebo; and the Harbour View Roundabout - repainting of pedestrian crossings, repair, and repainting of picket fencing as well as de-bushing.

CLOSING STATEMENT

The past fiscal year closes a chapter in Jamaica's history as the airport serving the capital city has now been placed under private management and control, but it remains owned by the government and people of Jamaica. My colleague Board members and I have had the distinct privilege to have served the organization up to the point of handing over a certified, fully functional airport, which is one of the best in the Caribbean. I wish to salute and applaud the separated management and staff for the sterling service given over the years and wish them all the best in their endeavors. The future and direction of NMIAL, as an organization, will now need to be determined by the government.

On behalf of the Board, we remain grateful to the Hon Minister of Transport and Mining as well as the Ministry for their guidance and directives during this critical year of transition. Let me also thank all the airport stakeholders; our parent organization; regulators; airlines; passengers; concessionaires; governmental bodies; service providers; staff and all other airport users for having assisted NMIAL in achieving our mission which has been to operate a safe, profitable and environmentally friendly airport, providing world-class service with a uniquely Jamaican character.

Newlyn 'Neil' Seaton
Chairman, NMIAL



CHIEF EXECUTIVE OFFICER'S MESSAGE

Audley Deidrick
CEO, NMIAL

The fiscal year 2019/2020 represented the “Year of Major Change” for NMIA Airports Limited. The year ushered in a new era for the operation and management and of the Norman Manley International Airport arising from the successful privatization process and handover on 2019 October 10. This act, therefore, brought the functions and duties of NMIAL to an end, after completing 16 of the designated-30-year Concession Agreement with the AAJ.

During the period, the Board, Management, and staff of NMIAL joined its parent company, the AAJ, in celebrating their 45th year of service to the government and people of Jamaica, as well as all users of the international and domestic airports/aerodromes. The AAJ/NMIAL celebrated the milestone with a banquet and long service awards event in 2019 July, which recognized the contribution of the staff, some of whom served the AAJ for over 30 years. This was followed in 2019 September with a Church Service at the Boulevard Open Bible Church where our portfolio Minister, Hon. Robert Montague, members of the Boards of AAJ and NMIAL, staff, and other stakeholders, were present to give thanks for the years of successful delivery on its mission to develop a modern, safe and profitable airport system that contributes substantially to the national economy.

A number of significant activities occurred during the year, however, the fiscal year ended with the very crippling COVID-19 pandemic that had devastating effects on global and local aviation. The parent company, AAJ, will report on the impact of the coronavirus, which started after NMIAL handed over control of the airport to the new airport operator. A summary of the key activities included:

- ✓ Completion of the second quinquennial regulatory rate review, which follows the initial review done in 2015 for a 12-year period as at the commencement of the Concession Agreements in 2003. This second review was due and completed after a further period of 5 years, as stipulated in the Airport's (Economic Regulations) Act, which gives the Jamaica Civil Aviation Authority (JCAA) the legal authority to regulate airport charges. The Norman Manley International Airport completed this second aeronautical rate review and the JCAA approved rates were published and subsequently implemented by the airlines.
- ✓ The formal Aerodrome Operation Certification of NMIA in safety and security by the JCAA. This certification, dated 2019 October 4 and applicable for one year, was the first for NMIAL since this requirement was mandated by the ICAO in 2003, and occurred before the privatization of the airport. The executives, managers, and staff, guided by the NMIAL Board, should be commended for this great achievement.
- ✓ The NMIA Public-Private Partnership exercise. After over 10 years of embarking on the mission to privatize NMIA, the transaction was successfully completed on 2019 October 10, with the Mexican

airport company Grupo Aeroportuario Del Pacifico (GAP) through PAC Kingston Airport Limited now operating NMIA. The smooth handover belies the rigorous process that preceded, including:

- addressing the numerous preconditions to be satisfied;
- legislative and ministerial orders that impact the operation of the NMIA/AAJ;
- joint agreement executions;
- capital works continuation;
- organizational de-merger and restructuring; and
- NMIA staff redundancy and (in some cases) transition to PACKAL.

NMIA'S PPP IN PERSPECTIVE

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

Regionally, while airport PPPs are very popular in Latin America, it is not so in the Caribbean. In the mid-1990s the GOJ embarked on a programme of privatization via the PPP (“P3”) model, instead of the outright sale of its key national infrastructure assets. This was led by the highway programme in the late 1990s, followed by the airports in the early 2000s with SIA being privatized in 2003. The SIA privatization through MBJ has proven to be a tremendous success story for the GOJ/AAJ, the Concessionaire, and the stakeholders, in terms of: Capital infrastructure improvements to the facility; financial returns to the AAJ/GOJ, and the Concessionaire, and; Multiple service quality awards received by the airport. The success of the MBJ Concession has also become a reference point for PPP models in the region and the World, such that the Caribbean Development Bank included the SIA PPP as a case study in its 2014 report on PPPs in the Caribbean

The NMIA PPP Journey

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

Repackaged and relaunched 2016: With a change of Government in February 2016, a new NMIA Enterprise Team (ET) was appointed. The team immediately set about revising and repackaging the transaction, taking into consideration the issues that were revealed from the first attempt. The transaction was relaunched in November 2016 with a keenly crafted “Transaction Teaser” published locally and internationally. The team of representatives from the International Finance Corporation (IFC)/AAJ/Development Bank of Jamaica (DBJ) then proceeded to promote the new transaction, starting

with the Global Airport Development Conference (GAD) in Portugal in November 2016, where the reception and feedback were very positive. During the prequalification process, 9 applications were received in April 2017, of which 8 qualified to submit a bid for the airport. The prequalified applicants included major airport operators from South America, Europe, The Caribbean, Africa, and Asia. Note was taken that all five prequalified bidders in 2016 returned either wholly or as part of other consortia, which validated their abiding interest.

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

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

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

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

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

-
- ✓ *The Office of the Prime Minister (OPM) and the Ministry of Economic Growth and Job Creation (MEGAJC)*
 - ✓ *The Minister of Transport and Mining and Officers of the Ministry of Transport and Mining*
 - ✓ *The Enterprise Team appointed by the Government*
 - ✓ *IFC and DBJ - transaction advisors and Secretariat*
 - ✓ *Inter-American Development Bank (IADB) and Global Affairs Canada - Donor Funders*
 - ✓ *MDAs: Ministry of Finance and the Public Service, the Attorney General's Department, JCAA, the Fair Trading Commission (FTC), the Kingston and St. Andrew Municipal Corporation (KSAMC), National Environmental Protection Authority (NEPA), and Port Authority of Jamaica,*
 - ✓ *The Boards and Executives of AAJ and NMIAL*
 - ✓ *The Boards and Executives of GAP and PACKAL, and MBJ.*
 - ✓ *The staff of NMIAL, who remained faithful and committed up to the final hour in the face of uncertainty and dislocation.*
 - ✓ *The Unions: The Trade Union Congress (TUC), Union of Technical, Administrative, Supervisor Personnel (UTASP) UTASP, and Palisadoes Airport Administrative Managers (PAAM).*
 - ✓ *The Airlines, Concessionaires, Reserved Activities Providers (PICA, Customs, Police), Contractors, and other stakeholders of NMIA.*
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As a consequence of the NMIA PPP completion, it is projected that NMIAL will be wound-up soon after all remaining legal and financial matters arising from the transaction are completed. It should also be noted that as of 2019 October 10, the Head Office for AAJ/NMIAL remained located at the airport, by way of a lease agreement with PACKAL.

THE NOVEL CORONAVIRUS

Although NMIAL was no longer responsible for the airport, a significant factor affecting the operations of the airport, under the management of PACKAL and the oversight of our parent company, AAJ, was the Novel Coronavirus (Covid-19). The stakeholders of Jamaica's airports took several preventative and proactive measures to protect the travelling public and the airport community. Key dates and events related to the COVID 19 pandemic and airport operations are summarized below:

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

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



FINANCIAL & OPERATIONAL PERFORMANCE

The financial outturn for NMIA for 2019/20 was expectedly lower than the previous year due to the fact that NMIA operated the airport for only half of the fiscal year. Consequently, Operating Revenue fell by 39.14% to US\$25,590, down from US\$42,004 the previous year. This result was better than expected, however, in that it exceeded the budgeted revenues of US\$23,790 by 7.57%.

Operational Expenses for 2019/20 fell 20.57% below the previous year to US\$29,157M and was well within the budgeted US\$31,160 for the period. Taxation jumped very significantly to US\$8,394M, up from US\$734 arising from the impact of staff redundancy payments. There was a Net Loss of US\$982M for the year arising from the cessation of NMIAL's handling of the airport's resources post-NMIA PPP. The capital spend on the airport was well below expectation at US\$3,905 for 2019/20 compared with a planned budget of US\$10,957.

Concerning operational traffic, NMIA saw a 3.59% rise in traffic to a total of 1,800,700 passengers, notwithstanding the early impact of COVID-19. This positive outturn is mainly due to the steady flow of business and VFR travellers using the airport, despite the announced pandemic, who would be less likely to change their travel plans as compared with vacationers. The ongoing promotion of Destination Kingston, in collaboration with the Jamaica Tourist Board (JTB) and the airlines, continued to yield benefits.

Aircraft movement in 2019/20 improved by 2.28%, but freight declined by 5.55% when compared to the levels in 2018/19.

CLOSING

NMIAL pursued the vision of creating a friendly, efficient, world-class airport that is a gateway of choice in the Caribbean. In many ways, the organization has delivered on this vision and has set the stage for our predecessors to build on the progress made. The NMIA PPP exercise has brought about the expected cessation of NMIAL's responsibility for NMIA, which now means a separation of the "AAJ/NMIA family". This aspect of the transaction was bitter-sweet, as many of the separated employees shared close bonds for over 20 years of service to the organisation and the industry. The executive team of AAJ/NMIAL also lost four valuable team members whom I salute for the commitment and professionalism during their tenure: Dr. Carvell Mcleary, Mr. Samuel Manning; Mr. Alfred McDonald, and Mr. Dale Davis. We know that our colleagues, along with the other employees who have left the organisation, will continue to provide quality service in their new endeavors.

I wish to acknowledge the policy guidance of our portfolio Minister and the Ministry of Transport and Mining. I wish to say a special thank you to the Chairman and Board of Directors of NMIAL who provided timely strategic guidance and governance oversight to the management and staff of the organisation during the transition and eventual separation. We also say farewell to all our airport stakeholders including: the Jamaica Civil Aviation Authority; Passengers and other airport users; Passport, Immigration & Citizenship Agency; Jamaica Customs; other government ministries and departments at NMIA; Concessionaires and tenants, the security entities, including the JCF and the JDF, and all other service providers.

We will continue to work with our parent company to ensure that all the post-privatisation matters that concern the NMIAL are appropriately addressed

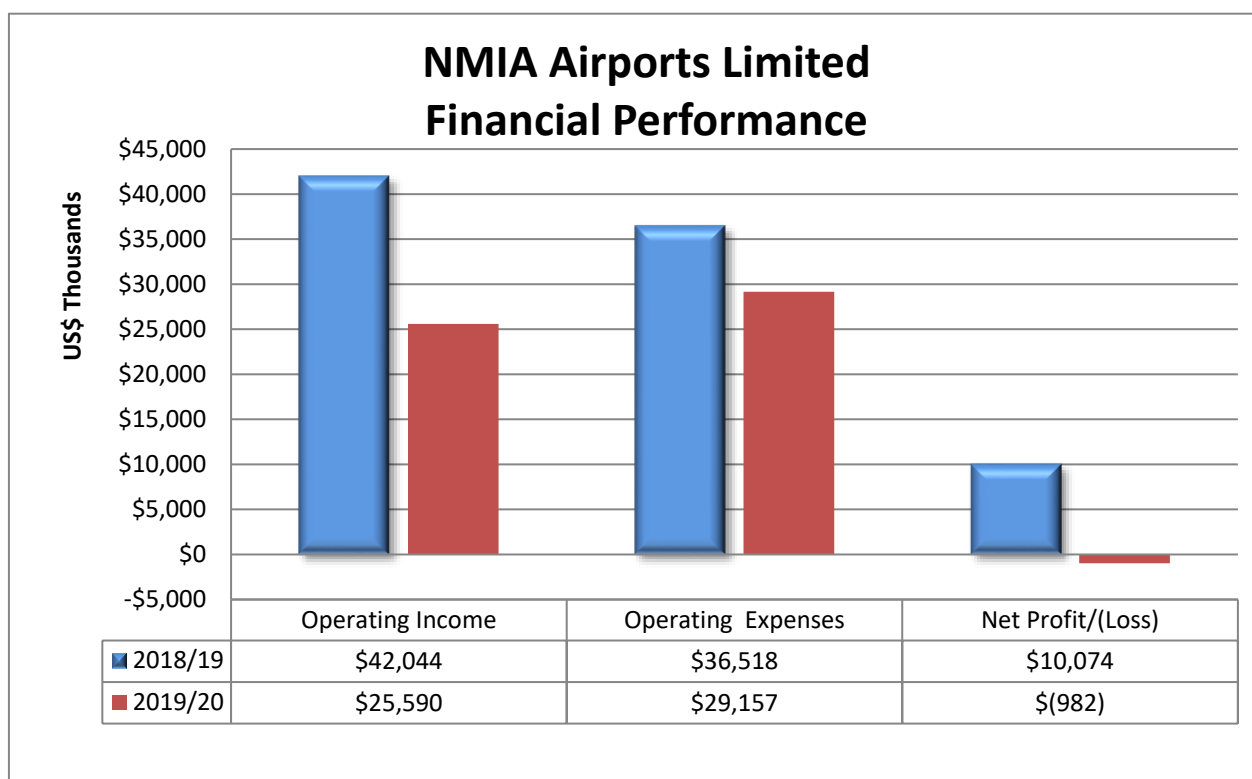
Audley Deidrick
CEO, NMIAL

SUMMARY OF KEY PERFORMANCE INDICATORS

A. FINANCIAL PERFORMANCE INDICATORS:

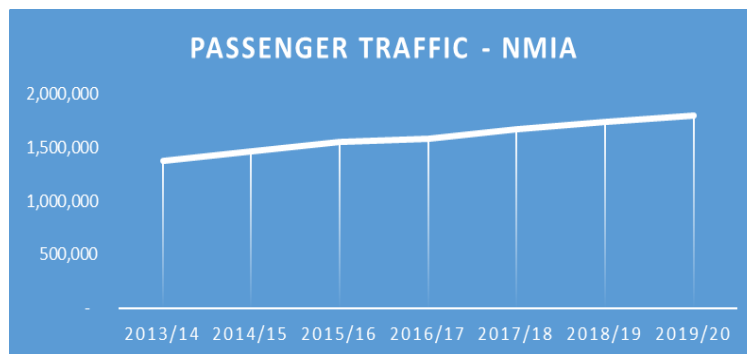
Key Performance Indicators (KPI's)	Actual 2019-20 US\$'000	% Change	Actual 2018-19 US\$'000	Budget 2019-20 US\$'000	Budget 2020-21 US\$'000
Operating Revenue	25,590	↓ -39.14%	42,044	23,790	654
Operating Expenses	(29,157)	↓ -20.57%	(36,709)	(31,160)	(177)
Operating Profits/(Loss)	(3,567)	↓ -166.86%	5,335	(7,370)	478
Other income/(Expenditure)	10,979	↑ 100.57%	5,474	11,268	(2,259)
Taxation	(8,394)	↑ 1043.60%	(734)	(149)	-
Net Profit	(982)	↓ -109.75%	10,075	3,749	(1,782)
Capital Expenditure	3,905	↓ -42.80%	6,827	10,957	-

An adjustment was made to the operating expenses for the 2018/19 audited results due to the inclusion of "Net impairment movement on financial assets" included in the March 2020 Audited Financial Statements which resulted from the NMIA PPP transaction.

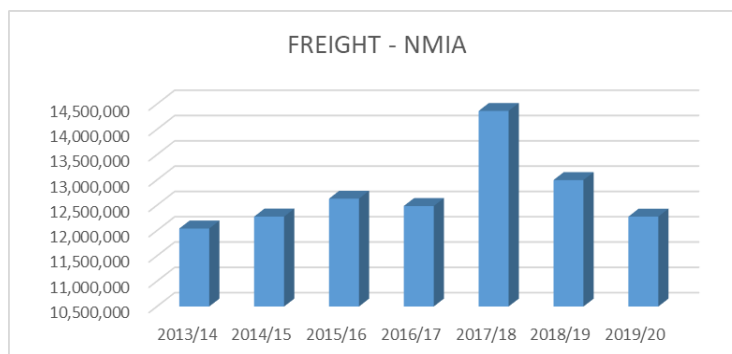


B. OPERATIONAL PERFORMANCE INDICATORS - AIRPORT TRAFFIC

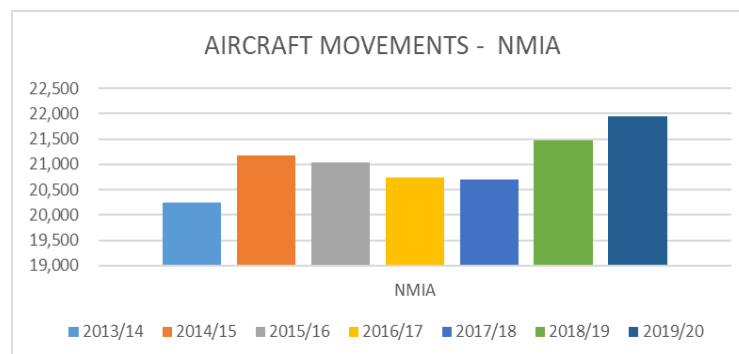
Passenger Traffic		
FIN. YR.	NMIA	% CHANGE
2013/14	1,370,893	
2014/15	1,467,977	7.08%
2015/16	1,553,928	5.86%
2016/17	1,583,818	1.92%
2017/18	1,666,944	5.25%
2018/19	1,738,288	4.28%
2019/20	1,800,700	3.59%



Freight (Mail & Cargo)		
FIN. YR.	NMIA	% CHANGE
2013/14	12,041,376	
2014/15	12,277,715	1.96%
2015/16	12,631,448	2.88%
2016/17	12,485,817	-1.15%
2017/18	14,365,218	15.05%
2018/19	12,998,358	-9.52%
2019/20	12,277,000	-5.55%



Aircraft Movements		
FIN. YR.	NMIA	% CHANGE
2013/14	20,243	
2014/15	21,175	4.60%
2015/16	21,033	-0.67%
2016/17	20,740	-1.39%
2017/18	20,691	-0.24%
2018/19	21,461	3.72%
2019/20	21,950	2.28%



DEPARTMENTAL SUMMARIES

GENERAL

The 2019-2020 fiscal year actively characterized the “Year of Transition” for the management and operations of NMIA from NMIAL to PAC Kingston Airport Limited. NMIAL managed the airport for just over 6 months of the fiscal year and handed over operations to PACKAL on 2019 October 10. The team from PACKAL, comprised primarily of former NMIAL staff, assumed responsibility for the management of the airport and ensured that all systems were ready for ongoing operations. A number of functions previously executed by local staff, such as the commercial programme and route development, will reside in their GAP group office for greater synergy with their network.

COMMERCIAL, ROUTE DEVELOPMENT, AND MARKETING

As with the previous year, NMIAL’s commercial programme for the airport was constrained by the imminent handover of operations to PACKAL. All potential commercial investment opportunities were routinely discussed with the NMIAL Board and PACKAL for short-term decisions to be made concerning the prospect of implementation. As of 2019 October 10, the concessionaires and tenants were transferred over to PACKAL with similar terms and the remaining tenure that existed with the NMIAL.

NMIAL continued to facilitate and promote route development discussions with airlines to continue the growth trajectory of the airport and offer more destination /carrier options to the travelling public. The growth of traffic 3.62%, despite the late coronavirus impact, demonstrated the work done to sustain operational performance and growth. Additional flights added by Spirit just before the start of the fiscal year (March 2019), as well as increased service from Caribbean Airlines within the region, (April 2019), added to the growth experienced.

CARIBBEAN AIRLINES

announces direct flights to JAMAICA from BARBADOS

Trinidad-based Caribbean Airlines (CAL) announced that it would begin a non-stop service from Barbados to Jamaica from April 15.

“The launch of this twice- weekly non-stop service between Kingston and Barbados, is in direct response to feedback from our valued customers. The airline business is about providing a service that our customers want, and this flight is a welcomed addition to our network to serve their needs,” said CAL’s Chief Executive Officer Garvin Medera.

The flights will depart Kingston every Monday and Friday at 2:50 pm, arriving in Barbados at 6:25 pm; then depart non-stop to Kingston at 7:25 pm.



Corporate Social Responsibility

The staff of NMIAL continued efforts to connect with the community, including labour day activities; special sessions at the Donald Quarrie High School, and sponsorship of the Kingston City Marathon.

Additionally, on 2019 October 3, NMIAL, in consultation with PACKAL, facilitated a cultural exhibition by the Institute of Jamaica, which promoted various artifacts depicting the rich Jamaican heritage. NMIAL’s portfolio Minister was on hand to officially open the exhibition.

3 October 2019 | Norman Manley International Airport
Transport & Mining Minister -Hon. Robert Montague(2nd right) marked the official opening of the **UMOJA EXHIBITION** with the symbolic cut of the ribbon in the Ticketing Hall/ Norman Manley Int'l Airport. He was ably assisted by Airports Authority of Jamaica Art Committee Chairman—Fay Hutchinson (right) and representatives from the Institute of Jamaica. Looking on is AAJ's Snr. Director -Alfred McDonald.
The UMOJA Togetherness Exhibition was held over, by popular demand, to the end of November 2019.



Transport & Mining Minister -Hon. Robert Montague(2nd right) marked the official opening of the **UMOJA EXHIBITION** with the symbolic cut of the ribbon in the Ticketing Hall/ Norman Manley Int'l Airport. He was ably assisted by Airports Authority of Jamaica Art Committee Chairman—Fay Hutchinson (right) and representatives from the Institute of Jamaica. Looking on is AAJ's Snr. Director, Commercial Development and Planning.

AIRPORT OPERATIONS

The management and staff at NMIAL were very focused on two primary objectives for Its six month of stewardship prior to privatisation: (i) The operational certification of NMIA by the Jamaica Civil Aviation Authority (JCAA) concerning safety and security standards, and (2) the effective preparation of all aspects of airport operations for handover to the new private operator, PACKAL. Both these objectives were achieved as the JCAA issued the certificate on 2019 October 4, marking the first such attainment by the airport's management; and the handover to PACKAL was seamless and went by "un-noticed", that is - without operational glitches, to users of the airport.

In the case of Aerodrome Operation Certification of NMIA many months were spent preparing the following documents, which were comprehensively reviewed, discussed, and subsequently approved by the JCAA:

- | | |
|----------------------------------|---|
| ✓ Aerodrome Master Plan | ✓ Aviation Security Plan |
| ✓ Aerodrome Operator's Manual | ✓ Safety Management Systems |
| ✓ Maintenance Manual | ✓ Airport Emergency Response Procedures |
| ✓ Wildlife Management Plan | ✓ Training manual |
| ✓ Environmental Programme Manual | |

The approval of the documents meant that the manuals met the standards of the Civil Aviation Regulations and the National Civil Aviation Security Programme. The Demonstration Phase of the certification process followed the approval of the manuals and sought to validate that the processes and standards documented were in fact being carried out by the airport operator. NMIAL successfully completed the process and the Minister of Transport and Mining, the JCAA, and the NMIAL Board were pleased with the outcome.

At the official handover ceremony, portfolio Minister, Hon. Robert Montague, lauded the achievement as a “big deal” and praised NMIA’s Chief Operations Officer, Dale Davis, and his team. NMIA met and, in some cases, exceeded international benchmarks for safety and security.

Concerning the handover to PACKAL, the preceding certification process of the airport was very helpful in ensuring that all the operational systems, procedures, and practices were in place for a smooth transition to the new operator. The staff retained by PACKAL were duly trained and equipped with all the information, tools, and systems that would enable a seamless transfer and continuance of undisturbed airport flight and passenger processing/facilitation operations. The Post NMIA PPP handling of the airport’s operation will take place under the oversight of the AAJ, who will report on such matters.

ENGINEERING, MAINTENANCE, AND PROJECTS

Works continued actively to advance the capital development programme of NMIA prior to handover to PACKAL as under:

PHASE 1B

The initial budget for NMIAL’s Phase 1B-CDP of US\$26.087M was revised to US\$29.550M, an increase of US\$3.463M due to progressive elaboration. Expenditure as of 2020 March 31 was US\$25.404M and thus US\$4.146M remains to be spent on the final two projects; namely: 4KV to 24KV electrical Substation Upgrade which is 99% complete and Fire Suppression System Expansion to Arrivals Concourse & Electrical Substations which is at the design stage and is proposed to be handed over to PACKAL for implementation.

PHASE 2A

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

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

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

NMIA-SHORELINE PROTECTION-PLUMB POINT TO CARIBBEAN MARITIME

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

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

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

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

EUROPEAN INVESTMENT BANK (EIB) INTEREST RATE SUBSIDY FUNDED STUDIES

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

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

HUMAN RESOURCE MANAGEMENT AND ADMINISTRATION

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

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

Pension Wind-up

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

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

As a consequence of the staff separation, NMIAL's parent company, AAJ, albeit with a significantly reduced staff complement, has taken the responsibility to address the incomplete NMIAL project/operational activities.

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DIRECTORS' COMPENSATION: April 2019 - March 2020

Name & Position of Director	Fees	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle	Honoraria	All Other Compensation including Non-Cash benefits as applicable	Total
Newlyn Seaton - Chairman	1,923.60	242.51	NIL	NIL	2,166.11
Hon William Shagoury -	842.10	716.42	NIL	NIL	1,558.52
Julia Moncrieffe-Wiggan	1,642.37	306.43	NIL	NIL	1,948.80
Kent Gammon	1,348.53	305.45	NIL	NIL	1,653.98
Leroy Lindsay - Director	1,162.49	331.32	NIL	NIL	1,493.81
Lloyd Pommells	1,492.52	421.14	NIL	NIL	1,913.66
Donna Reid	308.94	89.68	NIL	NIL	398.62
Mark Hart	513.76	0.00	NIL	NIL	513.76
Ludlow Johnson	587.83	69.74	NIL	NIL	657.57
Thomas Chin	788.60	201.27	NIL	NIL	989.87
TOTAL	10,610.74	2,683.96	NIL	NIL	13,294.70

Note:

Summary of Directors Fees & Expenses

Directors Fees (see table above)

All other related Board expenses

	J\$
\$	13,294.70
\$	54.93
\$	13,349.63

Notes:

- Fees are paid as follows: Board Meetings & Sub-Committee Meetings
- Directors receive a travelling allowance for meetings attended.
- Payments to external members of Board Sub-committees who are not Directors are not included in the numbers reported above.
- Other compensation represents payment of business-related telephone charges.
- *See CEO, who served as a Director up to October 2018, was compensated by the Airports Authority of Jamaica in his substantive role as President/CEO.

SENIOR EXECUTIVE COMPENSATION: April 2019 - March 2020

Position of Senior Executive	Salary	Gratuity	Travelling Allowance	Pension or Other Retirement Benefits	Other Allowances	Non-Cash	Grand Total
AAJ STAFF							
Chief Executive Officer - Audley Deidrick*							
General Counsel - Verona Vacianna*							
NMIAL STAFF							
Chief Operating Officer - Dale Davis	35,352	28,304	12,335	35,531	7,356	713	119,590
Snr.- Director -Finance - Samuel Manning	47,398	15,217	20,041	205,472	16,399	956	305,482
Snr. Director - HRMA - Carvell Mcleary	31,468	15,734	12,335	139,533	7,699	634	207,404
Snr. Director - CD&P - Alfred McDonald	47,398	13,034	20,041	190,403	14,336	956	286,168
Snr. Director - EMP - Horace Bryson	56,877	27,331	24,050	-	13,598	1,147	123,002
NMIAL Total	218,493	99,620	88,802	570,938	59,388	4,405	1,041,646

Notes

- ✓ Asterisks denote AAJ paid staff: Chief Executive Officer and General Counsel.
- ✓ All members of the Executive Management are eligible to receive 25% of their annual basic salary as gratuity in lieu of pension benefits.
- ✓ Executives are eligible to receive travelling allowance
- ✓ Pension or Other Retirement Benefits includes separation pay as a result of the NMIAL PPP redundancy arrangements.
- ✓ Other Allowances is comprised of meal, clothing, laundry allowances and Group Life Insurance
- ✓ The Non-Cash items of US\$4,405 include Health Insurance coverage and are not reflected in nor regarded as management compensation shown in the audited financial statements.
- ✓ An Upkeep Allowance is paid and is represented in the column labeled "Travelling Allowance.
- ✓ Payroll subtotal (i.e. excluding Non-cash allowance) is \$1,037,241
- ✓ All payments to Executives are due and made in Jamaican Dollars.

NMIA AIRPORTS LTD. BOARD MEMBERS ATTENDANCE MAY 2019 - MARCH 2020

MONTHLY SCHEDULE MEETINGS

Names	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan-20	Feb	Mar	TOTAL
Mr Newlyn Seaton	✓	✓	✓	✓	-	✓	✓	✓	C	✓	✓	C	9
Mr Mark Hart	A	A	A	✓	-	A	A	A	A	A	A	A	1
*Mr Ludlow Johnson	A	✓	A	Tenure ended									1
Mr Kent Gammon	✓	A	A	✓	-	✓	A	✓	N	✓	✓	N	6
Mr Leroy Lindsay	✓	✓	✓	✓	-	A	✓	✓	C	✓	✓	C	8
Mrs Julia Moncrieffe Wiggan		A	✓	✓	-	A	✓	✓	E	A	✓	E	6
Hon William Shagoury	A	A	✓	A	-	✓	✓	✓	L	✓	✓	L	6
Ms Donna Reid	A	✓	A	A	-	✓	A	A	L	A	A	L	2
Mr Lloyd Pommells	A	✓	✓	✓	-	✓	✓	✓	E	✓	✓	E	8
**Mr Thomas Chin				A	-	✓	✓	✓	D	A	A	D	3

Notes:

1. Tick denotes present.
2. 'A' denotes absent.
3. *Mr. Ludlow Johnson's tenure as a Director ended in May 2019.
4. **Mr. Thomas Chin was appointed as a Director effective May 13, 2019.
5. The board goes on recess in August of each year.

FINANCIAL STATEMENTS





NMIA Airports Limited

**Financial Statements
31 March 2020**

NMIA Airports Limited

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31 March 2020

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Statement of cash flows	4
Notes to the financial statements	5 – 37



Independent auditor's report

To the Members of NMIA Airports Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of NMIA Airports Limited (the Company) as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
12 February 2021

NMIA Airports Limited

Statement of Comprehensive Income

Year ended 31 March 2020

(expressed in United States dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
Revenue	5	25,590	42,044
Operating expenses	6	(29,157)	(36,710)
Net impairment movement on financial assets		2,010	192
Other income	8	<u>12,871</u>	<u>9,003</u>
Operating Profit		11,314	14,529
Finance costs	9	<u>(3,902)</u>	<u>(3,721)</u>
Profit before taxation		7,412	10,808
Taxation	10	<u>(8,394)</u>	<u>(734)</u>
Net (Loss)/Profit, being Total Comprehensive Income for the Year		<u>(982)</u>	<u>10,074</u>

NMIA Airports Limited**Statement of Financial Position****31 March 2020****(expressed in United States dollars unless otherwise indicated)**

	Note	2020 \$'000	2019 \$'000
Non-Current Assets			
Property, plant and equipment	11	5,666	112,894
Deferred tax asset	12	38	8,432
Intangible assets	13	-	178
Investments	14	17,261	12,982
		22,965	134,486
Current Assets			
Inventories		5	493
Receivables	15	3,813	8,775
Cash and short term deposits	16	17,822	25,779
Due from Authority	17	107,564	-
		129,204	35,047
Current Liabilities			
Payables	18	1,416	2,772
Taxation payable		235	764
Due to the Authority	20	-	10,122
		1,651	13,658
Net Current Assets		127,553	21,389
		150,518	155,875
Shareholder's Equity			
Share capital	19	4,100	4,100
Retained earnings		91,289	20,730
		95,389	24,830
Non-Current Liability			
Due to the Authority	20	55,129	131,045
		150,518	155,875

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

CANUTE SADLER

CHAIRMAN

LEROY LINDSAY

DIRECTOR

NMIA Airports Limited

Statement of Changes in Equity

Year ended 31 March 2020

(expressed in United States dollars unless otherwise indicated)

		Share Capital	Retained Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 1 April 2018		4,100	11,186	15,286
Total comprehensive income – Net profit		-	10,074	10,074
Transactions with owners:				
Dividend paid	25	-	(530)	(530)
Balance at 31 March 2019		4,100	20,730	24,830
Total comprehensive income – Net loss		-	(982)	(982)
Transactions with owners:				
Dividend paid	25	-	(450)	(450)
Debt off-set from Parent	1,20,23	-	71,991	71,991
Balance at 31 March 2020		4,100	91,289	95,389

NMIA Airports Limited

Statement of Cash Flows

Year ended 31 March 2020

(expressed in United States dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities			
Net (loss)/profit		(982)	10,074
Items not affecting cash resources:			
Depreciation and amortisation charges	11,13	3,802	6,577
Interest income	8	(739)	(942)
Income tax	10	8,394	734
Foreign exchange losses on foreign balances	9	646	101
Amortisation of grants	21	(5,555)	(11,319)
Interest expense	9	4,895	7,123
		<u>10,461</u>	<u>12,348</u>
Changes in operating assets and liabilities:			
Inventories		488	(36)
Due from Authority		755	-
Receivables		3,462	(72)
Payables		<u>(1,127)</u>	<u>376</u>
Cash provided by operating activities		<u>14,039</u>	<u>12,616</u>
Income tax paid		<u>(529)</u>	<u>-</u>
Net cash provided by operating activities		<u>13,510</u>	<u>12,616</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	11	(3,905)	(6,827)
Proceed from the disposal of property, plant and equipment		293	-
Purchase of intangibles	13	(9)	(75)
Purchase of Investment		(4,629)	(9,710)
Interest received		<u>739</u>	<u>942</u>
Net cash used in investing activities		<u>(7,511)</u>	<u>(15,670)</u>
Cash Flows from Financing Activities			
Borrowings repaid		(14,892)	(8,982)
Dividends paid		(450)	(530)
Interest paid		(5,595)	(5,898)
Grants received	21	5,555	11,319
Drawdown on loan facility		<u>1,545</u>	<u>2,570</u>
Net cash used in financing activities		<u>(13,837)</u>	<u>(1,521)</u>
Decrease in cash and cash equivalents		(7,838)	(4,575)
Effects of foreign exchange movements on cash and cash equivalents		(119)	(62)
Cash and cash equivalents at beginning of year		<u>25,779</u>	<u>30,416</u>
Cash and Cash Equivalents at End of Year (Note 16)		<u><u>17,822</u></u>	<u><u>25,779</u></u>

The principal non-cash transactions –

1. Transfer of property, plant and equipment and intangible assets, with net book values of \$107,070,000 (Note 11) and \$155,000 (Note 13) (2019 – nil) to AAJ; and
2. The off-set of funds on-lent to the company by AAJ \$71,991,000 (Notes 1,20 and 23) (2019 – nil).

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

1. Identification and Principal Activities

NMIA Airports Limited (the company) is a limited liability company which was incorporated in Jamaica on 22 September 2003 and commenced operations on 1 October 2003. The company is a wholly owned subsidiary of Airports Authority of Jamaica (the Authority or AAJ). The principal activity of the company was 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 company is domiciled in Jamaica. The registered office of the company is located at the Norman Manley International Airport, Palisadoes, Kingston, Jamaica.

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

The concession agreement between the company and AAJ was terminated and the Norman Manley International Airport was handed over to a new operator, PAC Kingston Airport Limited (PACKAL) on 9 October 2019. This transfer of the management and operation of the Airport was done within the Government of Jamaica's policy of privatizing assets via Public Private Partnerships. Pursuant to the concession agreement and its termination by AAJ, AAJ is obligated to pay an early concession termination fee (Note 8).

Consequent to the termination of the concession agreement with AAJ, and in accordance with the new concession agreement between AAJ and PACKAL, all property, plant and equipment and intangible assets, excluding construction in progress, were transferred to AAJ, to be utilised by PACKAL (Notes 11 and 13).

Subsequent to the termination of the concession agreement, all employees of the company were made redundant (Note 7). AAJ's outstanding on-lent loans (\$71,991,000) to the company as at termination date were off-set as part of the overall settlement of balances between AAJ and company which fall outside of the termination compensation calculation as stipulated in the concession agreement (Notes 20 and 23).

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

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared under the historical cost convention.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

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

- **IFRS 16, 'Leases'**. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The adoption of IFRS 16 did not have any impact on the Company's financial position or results.
- **Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation and modification of financial liabilities**. This amendment confirmed that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The adoption of this amendment did not have an impact on the financial statements of the company.
- **Annual Improvements to IFRS Standards 2015-2017 Cycle**, (effective for annual periods beginning on or after 1 January 2019). The amendment to IAS 23 Borrowing Costs, clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The adoption of the amendment did not have any significant impact on the operations of the company. The amendments also include: IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business. IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way. The adoption of these amendments did not have a significant impact on the company.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

- **IFRIC 23, 'Uncertainty over income tax treatments'.** This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority. For example, a decision to a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The adoption of this interpretation did not have a significant impact on the company.
- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'**
These amendments require an entity to (1) use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and (2) recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The adoption of this amendment did not have an impact on the company.

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

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

- **Amendments to IAS 1 and IAS 8 on the definition of material** (effective for annual periods beginning on or after 1 January 2020). The amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Classification of Liabilities as Current or Non-current – Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2023). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the company.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

- **Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16** (effective for annual period beginning on or after 1 January 2022). The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The adoption of these amendments is not expected to have a significant impact on the company.
- **Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract** (effective for annual periods beginning on or after 1 June 2022). The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The adoption of this amendment is not expected to have a significant impact on the company.
- **Annual Improvements to IFRS Standards 2018–2020**, (effective for annual period beginning on or after 1 January 2022). The following improvements were finalised in May 2020:
 - IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
 - IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

Management is considering the possible impact of these improvements.

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

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

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment which influences the entity's operations (the 'functional currency'). The financial statements are presented in United States dollars, which is the company's functional 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 statement. 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.

(c) Financial instruments

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

Financial assets

(i) Classification

Classification of the company's financial assets depends on the company's business model for managing such assets and the contractual terms of the cash flows. From 1 April 2018 the company classifies its financial assets as those measured at amortised cost and fair value through profit or loss.

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Equity instruments

The company measures all equity investments at fair value.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

3. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

(iv) Impairment

From 1 April 2018, the company assesses on a forward-looking basis the expected credit losses associated with its financial instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

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

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

Financial liabilities

The company'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.

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

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges. Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the date of the financial position.

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 other comprehensive income, in which case deferred tax is also dealt with in other comprehensive income.

(f) Property, plant and equipment

Property, plant and equipment are recorded 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 which are estimated as follows:

Buildings, runways and taxiways	20-40 years
Motor vehicles	5 years
Computer equipment	5 years
Plant and machinery and furniture and fixtures	10 years

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining 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 company. Major renovations are depreciated over the remaining useful life of the related asset.

Repairs and maintenance expenses are charged in arriving at profit or loss during the financial period in which they are incurred.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(g) Intangible assets

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

(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 levels for which there are separately identifiable cash flows.

(i) Inventories

Inventories are stated at cost.

(j) Trade receivables

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

(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 overdraft. In the statement of cash flow, cash and cash equivalents include cash in hand and at bank, short term bank deposits and bank overdrafts. Bank overdrafts are shown in current liabilities on the statement of financial position.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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 received for the repayment of debt and interest are recognised in arriving at profit or loss in the period in which they are received.

(o) **Provisions**

Provisions are recognised when the company 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.

(p) **Employee benefit costs**

Post-employment benefits

The company participated in a defined contribution pension plan operated by the Authority, the assets of which are held in a separate trustee-administrated fund and a defined benefit medical scheme which is unfunded.

The company 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 company recognises a cost equal to its contributions payable in respect of each accounting period in arriving at profit or loss.

No contributions are made to the medical scheme as it is unfunded. Obligations under the medical scheme are payable by, and accounted for, in the books of the Authority.

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 company recognises termination benefits when it is demonstrably committed to either terminate the employment of 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.

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 balance sheet date.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(p) Employee benefit costs (continued)

Incentive plans

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

3. Financial Risk Management

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

The company'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 company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board provides written principles for overall risk management, as well as written 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 company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Finance and Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is a significant risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the company's receivables from customers. The company 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.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process

The company has established an operations and business development committee whose responsibility involves regular review of commercial activities and transactions with counterparties.

(i) *Trade and other receivables*

The company'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 company offering them a credit facility. The company has procedures in place to restrict services to customers if they exceed their credit limits. Customers that fail to meet the company's benchmark creditworthiness may transact with the company on a prepayment basis.

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

Impairment of trade receivables

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

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

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

(ii) *Investments, cash and short-term deposits*

The company 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 company's maximum exposure to credit risk at year end is the amount reflected on the statement of financial position.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Exposure to credit risk for trade receivables by customer sector

The following table summarises the company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	2020 \$'000	2019 \$'000
Advertising	18	42
Airlines	2,145	3,079
Car rentals	-	332
Concession	126	264
Food and beverage	27	160
Fuel	555	771
Ground handling and taxi service	231	215
Others	70	4,652
	3,172	9,515
Less: Provision for impairment	(1,343)	(3,353)
	<u>1,829</u>	<u>6,162</u>

The majority of trade receivables are receivable from customers in Jamaica.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Trade receivables loss allowance

The loss allowance at the year end was determined as follows for trade receivables:

	Current \$'000	31-60 \$'000	61-90 \$'000	Over 90 days \$'000	Total \$'000
31 March 2020					
Expected loss rate	12.06%	5.88%	-	45.75%	
Gross carrying amount trade receivables	281	34	-	2,857	3,172
Loss Allowance	34	2	-	1,307	1,343
	Current \$'000	31-60 \$'000	61-90 \$'000	Over 90 days \$'000	Total \$'000
1 April 2019					
Expected loss rate	11.0%	18.9%	24.3%	43.0%	
Gross carrying amount trade receivables	1,704	654	190	6,967	9,515
Loss Allowance	187	124	46	2,996	3,353

Movement analysis of trade receivables loss allowance

The movement on the trade receivables loss allowance was as follows:

	2020 \$'000	2019 \$'000
At 1 April	3,353	3,545
Recoveries, reductions and write-offs	(2,010)	(192)
At 31 March	<u>1,343</u>	<u>3,353</u>

The creation and release of provisions 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.

NMIA Airports Limited

Notes to the Financial Statements

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(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and short-term deposits, 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 company's liquidity management process 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; and
- (iv) Optimising cash returns on investment.

Undiscounted cash flows of financial liabilities

The maturity profile of the company's financial liabilities at year end based on contractual undiscounted payments was as follows:

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
2020				
Payables	1,387	-	-	1,387
Due to the Authority	2,976	34,653	26,357	63,986
	4,363	34,653	26,357	65,373
2019				
Payables	2,589	-	-	2,589
Due to the Authority	11,117	50,077	96,762	157,956
	13,706	50,077	96,762	160,545

Amounts due to the Authority include loans and other advances due to the Authority.

NMIA Airports Limited

Notes to the Financial Statements

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(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

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

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Jamaican dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The company's exposure to foreign currency exchange rate risk at year end was as follows:

	US\$ US\$'000	Jamaican\$ US\$'000	Total US\$'000
	2020		
Financial assets			
Investments	15,363	1,898	17,261
Trade receivables	-	1,829	1,829
Due from the Authority	107,564	-	107,564
Cash and short-term deposits	15,951	1,871	17,822
Total financial assets	138,878	5,598	144,476
Financial liabilities			
Payables	-	(1,387)	(1,387)
Due to the Authority	(55,129)	-	(55,129)
Total financial liabilities	(55,129)	(1,387)	(56,516)
Net financial position	83,749	4,211	87,960

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

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

	US\$ US\$'000	Jamaican\$ US\$'000	Total US\$'000
	2019		
Financial assets			
Investments	12,700	282	12,982
Trade receivables	-	6,162	6,162
Cash and short-term deposits	22,836	2,943	25,779
Total financial assets	35,536	9,387	44,923
Financial liabilities			
Payables	-	(2,589)	(2,589)
Due to the Authority	(139,555)	(1,612)	(141,167)
Total financial liabilities	(139,555)	(4,201)	(143,756)
Net financial position	(104,019)	5,186	(98,833)

The following tables indicate the currencies to which the company 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 trade payables. 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.

	% Change in Currency Rate 2020	Effect on Profit Before Tax 2020 \$'000	% Change in Currency Rate 2019	Effect on Profit Before Tax 2019 \$'000
Currency:				
JMD – devaluation	6%	(253)	6%	(311)
JMD – revaluation	2%	84	4%	207

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Cash flow and fair value interest rate risk

The company'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 company to cash flow interest rate risk.

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

The following tables summarises the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 1 Year	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	2020				
Financial Assets					
Investments	2,154	1,092	8,558	5,457	17,261
Trade receivables	-	-	-	1,829	1,829
Due from the Authority	-	-	-	107,564	107,564
Cash and short-term deposits	17,822	-	-	-	17,822
	<u>19,976</u>	<u>1,092</u>	<u>8,558</u>	<u>114,850</u>	<u>144,476</u>
Financial Liabilities					
Payables	-	-	-	(1,387)	(1,387)
Due to the Authority	-	(28,772)	-	(26,357)	(55,129)
	<u>-</u>	<u>(28,772)</u>	<u>-</u>	<u>(27,744)</u>	<u>(56,516)</u>
Total interest re-pricing gap	<u>19,976</u>	<u>(27,680)</u>	<u>8,558</u>	<u>87,106</u>	<u>87,960</u>
Cumulative interest re-pricing gap	<u>19,976</u>	<u>(7,704)</u>	<u>854</u>	<u>87,960</u>	

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Cash flow and fair value interest rate risk (continued)

	Within 1 Year	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	2019				
Financial assets					
Investments	-	5,081	282	7,619	12,982
Trade receivables	-	-	-	6,162	6,162
Cash and short-term deposits	25,447	-	-	332	25,779
	25,447	5,081	282	14,113	44,923
Financial liabilities					
Payables	-	-	-	(2,589)	(2,589)
Due to the Authority	(6,144)	(39,053)	(67,092)	(28,878)	(141,167)
	(6,144)	(39,053)	(67,092)	(31,467)	(143,756)
Total interest re-pricing gap	19,303	(33,972)	(66,810)	(17,354)	(98,833)
Cumulative interest re-pricing gap	19,303	(14,669)	(81,479)	(98,833)	

Interest rate sensitivity

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

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

(expressed in United States dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(d) Fair values of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. However, considerable judgement may be 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 company would realise in a current market exchange.

The following methods and assumptions have been used in deriving the estimates of fair values:

- (i) 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 include cash and short-term deposits, short term loans, and trade receivables and payables.
- (ii) The fair value of amounts due to the Authority could not be reasonably determined as these amounts were granted under special terms and are not likely to be traded in a fair market exchange.

The company'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).

There were no transfers between levels during the year.

(e) Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total shareholders' equity.

There were no changes to the company's approach to capital management during the year.

The company is not subject 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.

NMIA Airports Limited

Notes to the Financial Statements

31 March 2020

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4. Critical Judgments 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 company 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.

Depreciable assets

Management determined the estimated useful lives, residual values and related depreciation charges for the property, plant and equipment held by the company. Estimates of the useful lives and residual values of property, plant and equipment were required in order to apply an adequate rate of transferring the economic benefits embodied in these assets over the relevant periods. Management applied a variety of methods to arrive at these estimates, with consideration 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 company's industry. Management increased depreciation charges where useful lives were less than previously estimated or wrote down technically obsolete or non-strategic assets that were abandoned or sold.

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 company 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.

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5. Revenue

	Aeronautical Charges \$'000	Non- Aeronautical Charges \$'000	2020 Total \$'000	2019 Total \$'000
Advertising space rental and maintenance charges	-	810	810	1,542
Car park and car pound charges	-	554	554	954
Common User Terminal Equipment (CUTE)	-	1,605	1,605	2,505
Concession fees – fuel throughout	-	875	875	1,902
Concession fees – other	-	4,124	4,124	7,254
Incinerator income	-	216	216	377
Landing fees	2,083	-	2,083	3,783
Loading bridge charges	668	-	668	1,133
Maintenance charges	-	192	192	338
Parking fees	28	-	28	68
Passenger service fees	9,010	-	9,010	13,852
Security fees	5,037	-	5,037	7,657
Utilities recovery	-	361	361	679
Other	27	-	27	-
	<u>16,853</u>	<u>8,737</u>	<u>25,590</u>	<u>42,044</u>

NMIA Airports Limited

Notes to the Financial Statements

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(expressed in United States dollars unless otherwise indicated)

6. Expenses by Nature

Total operating expenses:

	Aeronautical Charges \$'000	Non- Aeronautical Charges \$'000	2020 Total \$'000	2019 Total \$'000
Auditors' remuneration	10	10	20	25
Commissions and discounts	193	-	193	269
Concession fee expense (Note 23(b))	1,545	-	1,545	2,500
Depreciation and amortisation (Notes 11 and 13)	3,293	509	3,802	6,577
Net impairment movement on financial assets	(1,005)	(1,005)	(2,010)	(192)
Insurance	99	15	114	1,320
Irrecoverable GCT	834	-	834	1,621
Motor vehicle expenses	73	72	145	359
Office supplies	42	42	84	195
Other	404	759	1,163	1,502
Professional fees	387	386	773	1,282
Public relations	23	22	45	208
Regulatory fees and taxes	241	-	241	431
Rental and lease	48	48	96	324
Repairs and maintenance	1,565	1,565	3,130	4,048
Security	934	160	1,094	2,105
Staff costs (Note 7)	6,495	6,494	12,989	9,139
Training	166	165	331	604
Traveling and entertainment	6	6	12	53
Utilities	2,349	197	2,546	4,148
	<u>17,702</u>	<u>9,445</u>	<u>27,147</u>	<u>36,518</u>

Cost of inventories recognised in profit or loss amounts to \$488,000 (2018 - \$62,000).

NMIA Airports Limited

Notes to the Financial Statements

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7. Staff Costs

	2020	2019
	\$'000	\$'000
Wages and salaries	2,605	4,955
Payroll taxes, employer's portion	458	859
Benefits and allowances	1,494	2,828
Redundancy costs	8,180	92
Other	252	405
	<u>12,989</u>	<u>9,139</u>

Subsequent to the termination of the concession agreement between the company and AAJ, all employees of the company were made redundant (Note 1).

8. Other Income

	2020	2019
	\$'000	\$'000
Amortisation of grant (Note 21)	3,891	7,816
Interest income	739	942
Discounts received	41	49
Concession termination fee*	8,180	-
Other	20	196
	<u>12,871</u>	<u>9,003</u>

*Pursuant to the concession agreement and its termination by AAJ, AAJ was obligated to pay an early concession termination fee.

9. Finance Costs

	2020	2019
	\$'000	\$'000
Interest expense	4,895	7,123
Bank charges	24	-
Amortisation of grant (Note 21)	(1,663)	(3,503)
	<u>3,256</u>	<u>3,620</u>
Net foreign exchange losses	646	101
	<u>3,902</u>	<u>3,721</u>

NMIA Airports Limited

Notes to the Financial Statements

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10. Taxation

Subject to agreement with Tax Administration Jamaica, losses of approximately \$12,792,000 (2019 – \$12,784,000) are available for set off against future taxable profits of the company and may be carried forward indefinitely.

Taxation is based on the profit for the year adjusted for taxation purposes and comprises income tax at 25%:

	2020 \$'000	2019 \$'000
Current tax	-	676
Deferred taxation (Note 12)	8,394	58
	<u>8,394</u>	<u>734</u>

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

	2020 \$'000	2019 \$'000
Profit before tax	<u>7,412</u>	<u>10,808</u>
Tax calculated at a tax rate of 25%	1,853	2,702
Adjusted for the effects of:		
Income not subject to tax	(3,022)	(1,821)
Expenses not deductible for tax purposes	3,698	180
Current year tax loss not recognised	290	-
Prior year deferred tax asset write-off as a result of uncertainty of future profits (Note 12)	3,196	-
Prior year over statement of deferred tax asset	2,379	-
Employment Tax Credit	<u>-</u>	<u>(327)</u>
	<u>8,394</u>	<u>734</u>

NMIA Airports Limited

Notes to the Financial Statements

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11. Property, Plant and Equipment

	Buildings, runways and taxiways \$'000	Motor vehicles \$'000	Computer equipment, plant and machinery, furniture and fixtures \$'000	Construction in progress \$'000	Total \$'000
Cost -					
At 1 April 2018	121,973	873	44,121	5,231	172,198
Additions	-	43	770	6,014	6,827
Transfers	968	-	47	(225)	790
At 31 March 2019	122,941	916	44,938	11,020	179,815
Additions	-	227	391	3,287	3,905
Disposals	-	(53)	-	(293)	(346)
Transfers	4,104	177	4,067	(8,348)	-
Transfers to AAJ	(127,045)	(1,267)	(49,396)	-	(177,708)
At 31 March 2020	-	-	-	5,666	5,666
Depreciation -					
At 1 April 2018	27,834	779	31,748	-	60,361
Charge for the year	3,397	36	3,127	-	6,560
At 31 March 2019	31,231	815	34,875	-	66,921
Charge for the year	1,753	47	1,970	-	3,770
Relief on disposals	-	(53)	-	-	(53)
Transfers to AAJ	(32,984)	(809)	(36,845)	-	(70,638)
At 31 March 2020	-	-	-	-	-
Net Book Value -					
31 March 2020	-	-	-	5,666	5,666
31 March 2019	91,710	101	10,063	11,020	112,894

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

NMIA Airports Limited

Notes to the Financial Statements

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12. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 25%. The movement in the deferred tax assets during the year is as follows -

	2020 \$'000	2019 \$'000
At the beginning of year	8,432	8,490
Charge to profit or loss (Note 10)	(8,394)	(58)
Balance as at 31 March	<u>38</u>	<u>8,432</u>

Deferred income tax assets and liabilities are due to the following items –

	2020 \$'000	2019 \$'000
Interest payable	-	3,727
Foreign exchange losses	111	5
Accrued vacation	-	190
Carry-forward losses (Note 10)	-	3,196
Accelerated depreciation and amortisation	(27)	1,397
Interest receivable	(46)	(83)
	<u>38</u>	<u>8,432</u>

Deferred tax asset on the carry-forward tax losses were written-off during the year, as management was uncertain about the future profits available to utilise the losses.

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

	2020 \$'000	2019 \$'000
Deferred tax assets to be recovered after more than 12 months	-	4,593
Deferred tax liability to be settled after more than 12 months	<u>27</u>	<u>-</u>

NMIA Airports Limited

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13. Intangible Assets

Comprising computer software –

	\$'000
At Cost -	
At 31 March 2018	457
Additions	75
At 31 March 2019	532
Additions	9
Transfers to AAJ	(541)
At 31 March 2020	-
Accumulated Amortisation -	
At 31 March 2018	337
Charge for the year	17
At 31 March 2019	354
Charge for the year	32
Transfers to AAJ	(386)
At 31 March 2020	-
Net Book Value -	
31 March 2020	-
31 March 2019	178

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

14. Investments

	2020 \$000	2019 \$000
Repurchase agreements	2,154	-
Equity investment	1,500	500
Unit trust	3,957	7,119
Corporate bonds	7,689	5,081
Government of Jamaica securities	1,961	282
	<u>17,261</u>	<u>12,982</u>

The Government of Jamaica securities are Fixed Rate Accreting Notes ("FRANs") 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.

NMIA Airports Limited

Notes to the Financial Statements

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14. Investments (Continued)

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

	2020 %	2019 %
Repurchase Agreements		
Denominated in United States dollars	2.00	-
Denominated in Jamaican dollars	<u>1.73</u>	<u>-</u>
Corporate Bonds		
Denominated in United States dollars	<u>6.83</u>	<u>6.89</u>
Government of Jamaica Securities		
Denominated in United States dollars	8.42	-
Denominated in Jamaican dollars	<u>10.00</u>	<u>10.00</u>

15. Receivables

	2020 \$'000	2019 \$'000
Trade receivables	3,172	9,515
Less: Provision for expected credit losses	<u>(1,343)</u>	<u>(3,353)</u>
	1,829	6,162
Prepayments	3	112
Withholding tax recoverable	1,247	1,046
Mobilization payments	36	36
Advances	<u>698</u>	<u>1,419</u>
	<u>3,813</u>	<u>8,775</u>

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16. Cash and Short-Term Deposits

	2020 \$'000	2019 \$'000
Cash at bank	1,161	1,637
Short-term deposits	16,661	24,142
Cash and cash equivalents as reflected in the statement of cash flows	<u>17,822</u>	<u>25,779</u>

Short term deposits

Short term deposits comprise Government of Jamaica securities with original maturity of 90 days. Included in short term deposits is interest receivable of \$184,000 (2020 - \$331,000).

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

	2020 %	2019 %
Denominated in United States dollars	2.66	1.83
Denominated in Jamaican dollars	<u>3.48</u>	<u>3.42</u>

17. Due from the Authority

Due from the Authority relates to fixed assets transferred from NMIA to AAJ at net book value, transfer of receivables obligation and intercompany transactions involving operating activities.

18. Payables

	2020 \$'000	2019 \$'000
Trade payables	237	852
Accruals	758	867
Due to Airport Improvement Fund	-	48
Security deposit	296	437
Employee related expenses	55	223
Other	70	345
	<u>1,416</u>	<u>2,772</u>

19. Share Capital

	2020 \$'000	2019 \$'000
Authorised, issued and fully paid –		
328,000 (2020 – 328,000) ordinary shares of no par value	<u>4,100</u>	<u>4,100</u>

NMIA Airports Limited

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20. Due to the Authority

The Authority has agreed not to enforce demand rights on advances or loan payments due within 12 months of the reporting date and has pledged its support for the company to continue as a going concern.

	2020 \$'000	2019 \$'000
Current portion	-	10,122
Non-current portion	55,129	131,045
	<u>55,129</u>	<u>141,167</u>
Due to parent company – short term	-	1,612
Due to parent company – long term	28,772	36,392
Shareholders' loan	26,357	26,566
	<u>55,129</u>	<u>64,570</u>
Loans on-lent-		
Caribbean Development Bank (i)	-	15,333
European Investment Bank (ii)	-	31,667
PetroCaribe Fund (iii)	-	9,435
PetroCaribe Fund 2 (iv)	-	19,462
Accrued interest	-	700
	<u>-</u>	<u>76,597</u>
	<u>55,129</u>	<u>141,167</u>

NMIA Airports Limited

Notes to the Financial Statements

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(expressed in United States dollars unless otherwise indicated)

20. Due to the Authority (Continued)

The amount due to the Authority includes advances which are unsecured and have no repayment terms. The Authority charges interest at 10% on these advances.

The balance also included the following loans which were on-lent to the company by the Authority. Interest on these loans were also charged through to the company, and the company was obligated to make payments to the Authority in line with the original loan schedules.

- (i) A loan \$20 million from Caribbean Development Bank was acquired to assist with the funding of the Norman Manley Airport expansion project.
- (ii) A loan of \$40 million from European Investment Bank was acquired to assist with the funding of the Norman Manley Airport expansion project.
- (iii) A loan of \$22.5 million from PetroCaribe Fund was acquired to provide interim financing for the Norman Manley Airport expansion project.
- (iv) An additional loan of \$22 million was acquired from the PetroCaribe Fund for financing the Norman Manley Airport expansion project.

AAJ's outstanding on-lent loans (\$71,991,000) to the company as at termination date were off-set as part of the overall settlement of balances between AAJ and company which fall outside of the termination compensation calculation as stipulated in the concession agreement (Notes 1 and 23).

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

	<i>Opening balance</i>	<i>Loans received</i>	<i>Loans repaid</i>	<i>Net interest</i>	<i>Foreign exchange gain</i>	<i>Debt off-set</i>	<i>Closing balance</i>
	2020						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	141,167	1,545	(14,892)	(700)	-	(71,991)	55,129
	2019						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	146,392	2,570	(8,982)	1,225	(38)	-	141,167

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(expressed in United States dollars unless otherwise indicated)

21. Grants

Grants represent amounts received from the Government of Jamaica, through the Airports Improvement Fund (AIF), to assist with the funding of the Norman Manley Airport expansion project. The AIF was established pursuant to the Airports (Economic Regulation) Act, for the collection and administration of the airport improvement fee, established by the Act. The fee is currently set at \$10 per ticket purchased for international travel. The amounts are paid over by the airlines into a special account established for the AIF, held with an independent financial institution. With the approval of the Minister of Transport, the company may draw down on these funds to repay senior debts or to pay designated contractors for work done on the project.

Annual transfers equivalent to interest and principal paid 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 in arriving at profit or loss.

The movement in grants during the year was as follows:

	2020 \$'000	2019 \$'000
At start of year	-	-
Additions	5,555	11,319
Transfer to the statement of comprehensive income -		
Transfer to profit or loss (Notes 8)	(3,892)	(7,816)
Transfer to profit or loss (Notes 9)	(1,663)	(3,503)
At end of year	-	-

There are no unfulfilled conditions or contingencies attached to these grants.

22. Capital Commitments

At 31 March 2020, the company had authorised capital expenditure amounting to \$10,976,740 (2019 - \$5,581,347), of which \$10,349,518 (2019 - \$4,919,101) had been contracted for.

23. Related Party Transactions and Balances

- (a) The statement of financial position includes balances with the Authority as detailed in Note 20.
- (b) The statement of comprehensive income includes transactions, in the ordinary course of business, with the Authority as follows:

Interest charge

	2020 \$'000	2019 \$'000
The Authority	2,776	3,580

Administrative and other expenses

	2020 \$'000	2019 \$'000
Concession fees charged by the Authority (Note 6)	1,545	2,500

NMIA Airports Limited

Notes to the Financial Statements

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(expressed in United States dollars unless otherwise indicated)

23. Related Party Transactions and Balances (Continued)

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

Key management compensation

	2020 \$'000	2019 \$'000
Directors emoluments -		
Fees	10	25
Wages and salaries	369	555
Redundancy payments	667	-
Payroll taxes – employer's portion	59	50
	<u>1,105</u>	<u>630</u>

Consequent to the termination of the concession agreement with AAJ, and in accordance with the new concession agreement between AAJ and PACKAL, all property, plant and equipment and intangible assets, excluding construction in progress, were transferred to AAJ, to be utilised by PACKAL (Notes 11 and 13).

Subsequent to the termination of the concession agreement, all employees of the company were made redundant (Note 7). AAJ's outstanding on-lent loans (\$71,991,000) to the company as at termination date were off-set as part of the overall settlement of balances between AAJ and company which fall outside of the termination compensation calculation as stipulated in the concession agreement (Notes 1 and 20).

24. Contingent Liabilities

The company is 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 company, and the amount can be reasonably estimated.

In respect of claims asserted against the company 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 company which is immaterial to both financial position and results of operations.

25. Dividends

During the year, the company proposed and paid dividends of \$450,000 or \$1.3719 per share (2019 - \$530,000 or \$1.6158 per share).



NORMAN MANLEY INTERNATIONAL AIRPORT

Palisadoes, Kingston Telephone: (876) 924-8452-6

Fax: (876) 924-8566

Toll-Free: 1-888-AIRPORT (247-7678)

E-mail: nmial@aaj.com.jm

Website: www.nmia.aero

Airport Operator: NMIA Airports Limited

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



AIRPORTS AUTHORITY OF JAMAICA

Administration Building

Norman Manley International Airport Palisadoes, Kingston

Telephone: (876) 924-8835-7

Fax: (876) 924-8419

E-mail: aaj@aaj.com.jm

Website: www.airportsauthorityjamaica.aero

