

APPENDIX I

Ernst & Young



Grantley Adams International Airport Inc.

Financial Statements

For the year ended 31 March 2019
(Expressed in Barbados Dollars)

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

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For the year ended 31 March 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Grantley Adams International Airport Inc.

Opinion

We have audited the financial statements of Grantley Adams International Airport Inc. ("the Company"), which comprise the statement of financial position as of 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

The Board of Directors is responsible for overseeing the company's financial reporting process. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the 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.



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INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholder of Grantley Adams International Airport Inc.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 skepticism 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 management and the Board of Directors 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.



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INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholder of Grantley Adams International Airport Inc.

Other Matter

This report is made solely to the Company's shareholder, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report, or for the opinion we have formed.

Ernst & Young Ltd

Barbados
15 July 2019

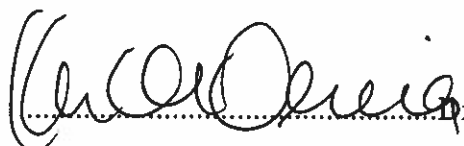
GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

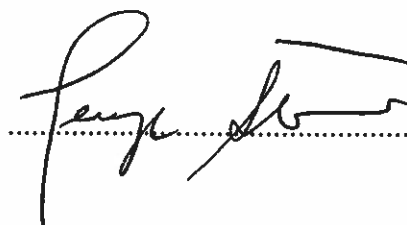
Statement of Financial Position As of 31 March 2019

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash	4	55,444,670	18,019,963
Short-term investments	5	10,000,000	19,875,500
Accounts receivable	6	19,238,756	19,194,527
Current portion of loan receivable	7	-	242,549
Interest receivable		337,673	443,458
Prepayments		422,678	4,566,399
Income tax refundable		24,299	3,250,734
		85,468,076	65,593,130
Loan receivable	7	-	889,347
Long term investments	8	6,828,190	15,000,000
Property, plant and equipment	9	168,944,110	172,261,253
		261,240,376	253,743,730
Liabilities			
Current liabilities			
Accounts payable	10	6,491,310	6,815,984
Airport service charge fees payable (net)	10	13,255,123	-
Taxation payable		318,124	8,447,250
Current portion of long-term loans	11	13,563,973	8,500,000
		33,628,530	23,763,234
Long-term loans	11	14,875,000	28,438,973
Retentions payable	12	142,868	115,116
Deferred tax liability	13	738,480	4,862,822
		49,384,878	57,180,145
Shareholder's equity			
Share capital	14	100	100
Capital contributions	15	149,451,257	149,451,257
Retained earnings		62,404,141	47,112,228
		211,855,498	196,563,585
Total liabilities and shareholder's equity		261,240,376	253,743,730

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on 15th July 2019 and signed on its behalf by:

 Director

 Director

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Statement of Comprehensive Income For the year ended 31 March 2019

	Note	2019 \$	2018 \$
Revenue			
Passenger service charges		51,161,438	51,868,695
Concessions and rentals		15,076,366	14,493,039
Direct charges to airlines		6,941,797	6,854,271
Other income		2,830,658	3,336,987
Interest income		689,405	1,254,846
Car park revenue		1,045,216	888,415
Foreign exchange gain		237,000	410,500
		<u>77,981,880</u>	<u>79,106,753</u>
Expenses			
Employment costs		21,753,459	20,858,642
Depreciation	9	14,174,701	13,051,861
Utilities		5,958,407	5,145,139
Finance costs		2,021,810	2,140,819
Repairs and maintenance		5,055,078	5,436,411
Security screening charge		5,313,099	5,121,889
Bad debt income (net of recoveries)		(421,074)	(1,062,529)
Office and general expenses		4,069,967	4,500,150
Insurance		1,756,328	1,584,727
Property tax		3,160,011	3,157,611
Professional fees		713,593	849,939
Lease maintenance expenses		1,242,128	1,242,128
Directors' fees and expenses		142,306	150,544
Loss on derecognition of investments	8	3,212,851	-
		<u>68,152,664</u>	<u>62,177,331</u>
Income before taxation		9,829,216	16,929,422
Taxation	13	(3,576,616)	7,486,067
Net income and total comprehensive income for the year		<u>13,405,832</u>	<u>9,443,355</u>

The accompanying notes form part of these financial statements.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Statement of Changes in Equity For the year ended 31 March 2019

	Share capital \$	Capital contributions \$	Retained earnings \$	Total \$
Balance as of 31 March 2017	100	149,451,257	37,668,873	187,120,230
Total comprehensive income for the year	-	-	9,443,355	9,443,355
Balance as of 31 March 2018	100	149,451,257	47,112,228	196,563,585
Total comprehensive income for the year	-	-	13,405,832	13,405,832
Adjustment for Government and SOE balances (Note 16)	-	-	1,886,081	1,886,081
Balance as of 31 March 2019	100	149,451,257	62,404,141	211,855,498

The accompanying notes form part of these financial statements.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.Statement of Cash Flows
For the year ended 31 March 2019

	2019	2018
	\$	\$
Cash flows from operating activities		
Income before taxation	9,829,216	16,929,422
Adjustments for:		
Depreciation (Note 9)	14,174,701	13,051,861
Finance costs	2,021,810	2,140,819
(Gain) loss on disposal of plant and equipment	(164,874)	184,932
Interest income	(689,405)	(1,254,846)
Loss on derecognition of investments (Note 8)	3,212,851	-
Operating profit before working capital changes	28,384,299	31,052,188
Increase in accounts receivable	(460,831)	(2,821,896)
Decrease in prepayments	4,143,721	651,787
(Decrease) in accounts payable	(309,308)	(586,793)
Increase (decrease) in retentions payable	27,752	(60,664)
Cash from operating activities	31,785,633	28,234,622
Corporation tax paid	(2,234,088)	(5,400,355)
Withholding tax paid	(24,299)	(48,524)
Net cash from operating activities	29,527,246	22,785,743
Cash flows from investing activities		
Additions to property, plant and equipment	(10,861,979)	(8,275,706)
Interest received	629,651	1,255,888
Proceeds from disposal of property plant and equipment	169,554	91,076
Redemption of treasury note	10,000,000	6,941,800
Redemption (purchase) of treasury bill	5,000,000	(9,875,500)
Decrease (increase) in loan receivable	242,549	(1,020,758)
Net cash used in investing activities	5,179,775	(10,883,200)
Cash flows from financing activities		
Loan repayments	(8,500,000)	(8,500,000)
Interest paid	(2,037,437)	(2,140,819)
Net cash used in financing activities	(10,537,437)	(10,640,819)
Net increase in cash for the year	24,169,584	1,261,724
Cash– beginning of the year	18,019,963	16,758,239
Cash– end of the year	42,189,547	18,019,963

The accompanying notes form part of these financial statements.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

1. Incorporation and principal activity

Grantley Adams International Airport Inc. ("GAIA Inc." or "the Company") was incorporated in Barbados on 13 October 1998. The Government of Barbados is the sole shareholder of the Company whose registered office is located at Grantley Adams International Airport, Seawell, Christ Church.

The Company is fully responsible for the commercial operations and management of the Airport in accordance with the Grantley Adams International Airport, (Transfer of Management and Vesting of Assets) Act (Act 2003-3). As a result, all assets and liabilities of the Airport with the exception of land and buildings are vested in the Company. The land and buildings are the subject of a lease between the Company and the Government of Barbados (Note 18).

2. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards.

The most significant accounting policies are summarized below:

a) Basis of accounting and financial preparation

These financial statements are prepared under the historical cost convention.

b) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. There were no new standards which became effective during the current year which had a significant impact on the Company.

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15, 'Revenue from Contracts with Customers'

IFRS 15 supersedes IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

2. Significant accounting policies (continued)

b) Changes in accounting policies and disclosures (continued)

IFRS 15, 'Revenue from Contracts with Customers' (continued)

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application has no material impact to retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The effect of the transition has had no material impact on the financial statements.

There are no contracts for the sale of goods that provide customers with a right of return.

IFRS 9, 'Financial Instruments'

IFRS 9, 'Financial Instruments' replaces IAS 39, 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at fair value through profit or loss (FVPL)

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

2. Significant accounting policies (continued)

b] Changes in accounting policies and disclosures (continued)

IFRS 9, 'Financial Instruments' (continued)

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Changes to the impairment calculation

The adoption of IFRS 9 has changed the Company's accounting for impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at FVPL (mainly trade receivables). The allowance is based on the ECLs associated with the probability of default over the lifetime of the asset (simplified approach).

For receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience. Management based its findings using historical data.

Management reassesses the expected credit loss rates at the end of each reporting period.

The impact of the adoption of IFRS 9 was not material to opening retained earnings and therefore no adjustment as made as at 1 April 2018. There was no material impact as at 31 March 2019.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

2. Significant accounting policies (continued)

c] Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective:

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures – Effective 1 January 2019
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- IFRS 16, 'Leases' – Effective 1 January 2019
- IFRS 17, 'Insurance Contracts' - Effective 1 January 2021
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective 1 January 2019
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 - Effective 1 January 2019
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement - Effective 1 January 2019
- Amendments to References in the Conceptual Framework in IFRS Standards - Effective 1 January 2020

d] Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the service before transferring them to the customer. Interest income is recognized using the effective interest method.

Rendering of services

Revenue from provision of services is recognized as the service is provided.

Other income

Other income is recognized on an accrual basis

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

2. Significant accounting policies (continued)

d) Revenue from contracts with customers (continued)

Timing of revenue recognition

	2019	2018
	\$	\$
Services transferred at a point in time	77,710,712	78,765,105
Services transferred over time	271,168	341,648
	<u>77,981,880</u>	<u>79,106,753</u>

e) Taxation

The taxation charge is determined on the basis of tax effect accounting, using the liability method whereby the future tax liability resulting from temporary differences is provided for at the estimated future corporation tax rate that is expected to apply to the period when the liability is settled.

Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized.

f) Currency

These financial statements are expressed in Barbados dollars which is also the functional currency. Monetary assets and liabilities denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities and transactions denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains or losses are included in comprehensive income.

g) Investments

Prior to 1 April 2018 investments with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. From 1 April 2018 these investments were classified at amortised cost.

Amortised cost is used if both of the following conditions are met:

- The financial asset is held within the business model with the objective to hold financial assets in order to collect
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

2. Significant accounting policies (continued)

h] Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions.

i] Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Depreciation of plant and equipment is charged using the straight-line method over the useful lives of the assets which are estimated as follows:

Common use terminal and security equipment	5 years
Computer equipment	3 years
Furniture and equipment	8-10 years
Leasehold improvements - buildings	50 years
Leasehold improvements - other	10-20 years
Motor vehicles	5-10 years
Navigation equipment	3-15 years
Runways, taxiways and pavements	15-20 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

j] Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. On this basis, the receivables are grouped according to the characteristics of shared credit risk and the days of default presented by the balances. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

2. Significant accounting policies (continued)

j] Impairment of financial assets (continued)

The Company considers a financial asset in default when contractual payments are 90 days past due.

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired initial recognition. POCI assets are recorded at fair value at the initial and interest income is subsequently recognized based on a credit adjustment. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

k] Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is carried at the present value of the future minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and payments are recognized as an operating expense in the statement of comprehensive income.

l] Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in income when the liabilities are derecognized.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

m] Pension costs

The Company has provided a defined contribution pension scheme for its eligible employees, providing for fixed rates of contribution based on the level of employees' remuneration. Contributions are charged to comprehensive income in the year to which they relate. The Company provides no other post-retirement benefits.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires that management make judgments, estimates and assumptions that affect the amounts reported of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

3. Significant accounting judgements, estimates and assumptions (continued)

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Company determines whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. Cash

Balance at bank amounting to \$12,792,003 bears interest at 0.25% per annum, the remainder is non-interest bearing. Included in cash balances is \$13,255,123 being held on account and payable to the Government of Barbados for funds received for the Airport Service Charge fee.

5. Short-term investments

The short-term investments are comprised of the following:

Deposits on call of \$10,000,000 (2018 - \$10,000,000) with interest rates between 2.25% and 3.5% (2018 - 3.50% - 3.75%) per annum. These deposits mature in May 2019 and March 2020.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

6. Accounts receivable

	2019	2018
	\$	\$
Trade receivables	20,865,703	21,690,134
Less: allowance for expected credit losses	(1,676,085)	(2,495,607)
Net trade receivables	19,189,618	19,194,527
Other receivables	175,041	125,903
Less: allowance for expected credit losses	(125,903)	(125,903)
	<u>19,238,756</u>	<u>19,194,527</u>

Trade receivables are non-interest bearing are generally on terms ranging from 30 to 90 days. Included in the trade receivables is \$701,523 (2018 - \$3,184,716) owed by related parties, for which a provision of \$494,237 (2018 - \$2,473,932) has been recorded During the year, Government and SOE balances amounting to \$815,050 were written off. (See Note 16)

Movements in the provision for impairment of receivables were as follows:

	2019	2018
	\$	\$
Balance at beginning of year	2,621,510	3,684,039
Charge for the year	794,662	276,343
Recoveries	(1,215,736)	(1,338,872)
Adjustment for Government and SOE balances (Note 16)	(398,448)	-
Balance at end of year	<u>1,801,988</u>	<u>2,621,510</u>

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

6. Accounts receivable (continued)

At 31 March 2019, the ageing analysis of trade receivables is as follows:

	Total \$	Neither past due nor impaired \$	Past due but not impaired		
			31-60 days \$	61-90 days \$	> 90 days \$
2019	19,189,618	8,759,588	9,002,455	1,278,493	149,082
2018	19,194,527	4,223,683	12,436,124	991,290	1,543,430

7. Loan receivable

This represents an interest-free loan to a related party. It is secured by certain equipment and is repayable in monthly installments totaling \$20,212 over 60 months. During the year, the amount was written off. (See Note 16)

	2019 \$	2018 \$
Caribbean Aircraft Handling Co. Ltd.	-	1,131,896
Less: Current portion	-	(242,549)
Long-term portion	-	889,347

8. Long term investments

As at 31 March 2019 the company held the following long-term investments at amortised cost:

Series D Government of Barbados Bonds of \$5,106,250 converted from a Treasury Note of \$5,000,000 plus accrued interest of \$106,250. These bonds will mature in 35 years and carry interest rates of 1.5% in years 1-5, 4.25% in years 6-10, 6.0% in years 11-15 and 7.5% from 16 to maturity on August 31, 2053.

Interest payments are made quarterly beginning 30 November 2018. The principal repayments for each of the 20 strips will be repaid in four equally quarterly installments in the final year prior to maturity commencing 30 November 2033 with the exception of the final strip, which will be repaid in three installments, with a final payment in August 2053.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

8. Long term investments (continued)

Series B Government of Barbados Bonds of \$4,934,791 converted from a Treasury Bill of \$4,914,000 plus accrued interest of \$20,791. These bonds will mature in 15 years and carry interest rates of 1.0% in years 1-3, 2.5% in year 4, and 3.75% from years 5 to maturity on 30 September 2033.

The principal of each strip will be repaid in four equal quarterly installments beginning one year prior to the final maturity of that strip.

On 5 October 2018 the Company accepted the Debt Restructuring Offer from the Government of Barbados (GoB) which converted the treasury bill and the treasury note held to GoB Bonds. The initial carrying value equal to the estimated fair value of the bonds amounted to \$3,276,710 for the series D bonds and \$3,551,480 for the series B bonds. The resulting loss on derecognition of the old securities amounted to \$3,212,851 and was taken to the statement of comprehensive income.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

9. Property, plant and equipment

	Leasehold improvements \$	Runways, Taxiways and pavements \$	Furniture and equipment \$	Motor vehicles \$	Security equipment \$	Navigation equipment \$	Computer equipment \$	Common use equipment \$	Total \$
At 31 March 2017	199,039,237	36,483,666	21,231,667	12,473,966	12,109,926	5,548,263	10,600,538	3,556,202	301,043,465
Additions	1,491,286	431,681	914,574	2,631,278	417,387	-	2,389,500	-	8,275,706
Disposals	(541,372)	-	(90,326)	(329,895)	-	(28,360)	(404,638)	-	(1,394,591)
At 31 March 2018	199,989,151	36,915,347	22,055,915	14,775,349	12,527,313	5,519,903	12,585,400	3,556,202	307,924,580
Additions	1,418,265	29,677	5,671,919	1,684,780	794,709	-	1,262,629	-	10,861,979
Disposals	-	-	(28,500)	(851,774)	-	-	-	-	(880,274)
At 31 March 2019	201,407,416	36,945,024	27,699,334	15,608,355	13,322,022	5,519,903	13,848,029	3,556,202	317,906,285
Accumulated depreciation									
At 31 March 2017	48,915,184	19,472,559	17,097,253	11,024,254	9,838,459	5,548,263	9,700,355	2,133,722	123,730,049
Depreciation	5,417,877	2,453,970	1,287,188	1,051,168	848,389	-	1,282,028	711,241	13,051,861
Disposals	(297,754)	-	(88,574)	(299,257)	-	(28,360)	(404,638)	-	(1,118,583)
At 31 March 2018	54,035,307	21,926,529	18,295,867	11,776,165	10,686,848	5,519,903	10,577,745	2,844,963	135,663,327
Depreciation	5,572,530	2,456,467	1,703,323	1,156,406	949,930	-	1,624,806	711,239	14,174,701
Disposals	-	-	(28,500)	(847,353)	-	-	-	-	(875,853)
At 31 March 2019	59,607,837	24,382,996	19,970,690	12,085,218	11,636,778	5,519,903	12,202,551	3,556,202	148,962,175
Net book value									
At 31 March 2019	141,799,579	12,562,028	7,728,644	3,523,137	1,685,244	-	1,645,478	-	168,944,110
At 31 March 2018	145,953,844	14,988,818	3,760,047	2,999,185	1,840,464	-	2,007,655	711,239	172,261,253

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

9. Property, plant and equipment (continued)

Work-in-progress as at 31 March 2019 was \$150,517 for works completed to date under leasehold projects. Of this amount \$115,983 is related to the Pavement Rehabilitation and \$34,534 for Terminal building improvements. Depreciation will commence when the assets are available for use upon completion of works.

10. Accounts payable

	2019	2018
	\$	\$
Trade payables	4,078,363	4,695,545
Other payables	2,165,888	1,902,938
Deposits	247,059	217,501
Accounts Payable	<u>6,491,310</u>	<u>6,815,984</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-60 days terms.
- Other payables are non-interest bearing and have an average term of two months.

Airport service charge payable

The balance represents airport service charge levied on departing passengers and being collected by GAIA Inc on behalf of the Government of Barbados. At 31 March 2019 net amount due to the Government of Barbados was \$13,255,123.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

11. Long-term loans

	2019	2018
	\$	\$
National Insurance Board (NIB) – a related party	5,063,973	5,063,973
CIBC-FCIB	23,375,000	31,875,000
	<hr/>	<hr/>
	28,438,973	36,938,973
	<hr/>	<hr/>
Less: Current portion		
National Insurance Board (NIB) – a related party	(5,063,973)	-
CIBC-FCIB	(8,500,000)	(8,500,000)
	<hr/>	<hr/>
	(13,563,973)	(8,500,000)
	<hr/>	<hr/>
Long-term portion	14,875,000	28,438,973
	<hr/> <hr/>	<hr/> <hr/>

The NIB loan bears interest at the rate of 6.5% (2018 - 6.5%) per annum with interest payments due semi-annually. The loan is secured by a guarantee from the Government of Barbados and is repayable by 17 September 2019.

The FCIB loan is in the amount of US\$42,500,000 and is being repaid in blended principal and interest installments. Interest is being charged at the floating rate of 3-month LIBOR plus 3.5% currently 6.0955% with principal of US\$1,062,500 payable in quarterly installments over a period of 10 years ending November 2021. The loan is secured by a registered first fixed and floating charge over all assets of GAIA Inc., excluding the Terminal Building and other assets owned by the Government of Barbados, and the assignment of passenger service charges and airline charges due to the GAIA Inc.

12. Retentions payable

These represent amounts due to certain contractors upon successful completion of works under the terms of the respective contracts.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

13. Taxation

	2019	2018
	\$	\$
Statement of income		
Current tax charge	547,726	6,343,253
Deferred tax charge	(4,124,342)	1,142,814
	<u>(3,576,616)</u>	<u>7,486,067</u>

The tax on the Company's income before taxation differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2019	2018
	\$	\$
Income before taxation	9,829,216	16,929,422
Corporation tax at 5.5% (2018 - 30%)	540,607	5,078,827
Effect of depreciation on assets not subject to wear and tear	276,105	1,508,491
Prior year (over) under provision of deferred tax	-	44,547
Effect of other amounts not allowed for tax purposes	(21,089)	24,957
Effect of rate change on opening deferred tax liability	(3,959,565)	752,910
Other	(2,070)	1,650
Loss on assets not subject to wear and tear	-	74,685
Effect of sliding scale rates	(410,604)	-
Tax charge	<u>(3,576,616)</u>	<u>7,486,067</u>

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

13. Taxation (continued)

	2019	2018
	\$	\$
Deferred tax liability		
Balance – beginning of year	4,862,822	3,720,008
Effect of rate change on opening deferred tax liability	(3,959,565)	752,910
Prior year under provision of deferred tax liability	-	44,547
Deferred tax (credit) charge for the year	(164,777)	345,357
	<hr/>	<hr/>
Balance – end of year	738,480	4,862,822
	<hr/> <hr/>	<hr/> <hr/>

The deferred tax liability is made up as follows:

	2019	2018
	\$	\$
Accelerated capital allowances	719,663	4,729,784
Accrued interest receivable	18,817	133,038
	<hr/>	<hr/>
	738,480	4,862,822
	<hr/> <hr/>	<hr/> <hr/>

In December 2018, the Government of Barbados signed the Income Tax Amendment Act into legislation. The legislation increased the company's tax rate from 25% to approximately 30% for income year 2018. For income year 2019, the rate of tax was amended based on a sliding scale of 1% to 5.5%. In addition to the rate change, the new legislation removes investment and manufacturer's allowances from the list of allowable deductions for tax purposes. The new legislation is effective 1 January 2019.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

14. Share capital

The Company is authorized to issue an unlimited number of common shares without nominal or par value. The Company's issued share capital comprises:

	2019	2018
	\$	\$
100 common shares	100	100

15. Capital contributions

These represent cash advances and equity contributions by the Government of Barbados to the Company, net of payments made on its behalf.

16. Related party transactions

The following transactions were carried out with related parties during the year:

	2019	2018
	\$	\$
(a) State-controlled entities		
<u>Revenue</u>		
Caribbean ARI Inc.	2,407,692	2,380,643
Caribbean Aircraft Handling Company Limited	706,986	539,805
BADMC	714,121	248,091
<u>Payments</u>		
Director of National Insurance	3,873,541	3,585,479
Barbados Revenue Authority	3,589,535	6,740,956
Commissioner of Land Tax	3,157,611	3,157,611
Caribbean Aircraft Handling Company Limited	44,099	30,181

(b) Compensation

Key management comprises directors and management of the Company.

Compensation of these individuals was as follows:

	2019	2018
	\$	\$
Salaries and other short-term employee benefits	1,412,387	1,195,902
Post-employment benefits	59,627	66,378
	<u>1,472,014</u>	<u>1,262,280</u>

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

16. Related party transactions (continued)

(c) Adjustment for Government and SOE balances

The Government of Barbados is the sole shareholder of the Company. During the year as part of the Government's decision to restructure its debt, it indicated that all State-Owned Entities (SOEs) should write off all claims on and/or amounts due to other SOEs and on other public-sector bodies including Barbados Revenue Authority (BRA) prior to 1 September 2018. The net adjustment has been recorded in retained earnings of the Company and is summarized below:

Accounts receivable	(815,050)
Less allowance	398,448
Loan receivable	(889,347)
Income tax refundable	(3,151,222)
Taxation payable	<u>6,343,252</u>
	<u>1,886,081</u>

17. Financial risk management objectives and policies

The Company's principal financial liabilities are accounts payable and long-term loans. The Company has various financial assets such as cash and short-term deposits, treasury bills, treasury notes, loan receivable and accounts receivable.

The main risks arising from the Company's financial instruments are credit risk, foreign currency, liquidity risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these which are summarized below.

Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Company. The amount of the Company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

17. Financial risk management objectives and policies (continued)

Concentration of credit risk

Concentrations of credit risk may arise from exposures to a single debtor or group of debtors having a common characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customers with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions.

The Company is subject to credit risk on its accounts receivable from customers primarily in Barbados and the Eastern Caribbean. The Company believes that this risk is mitigated by the ongoing performance of credit evaluations and reviews of accounts receivable.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure is the carrying amount as disclosed in Note 7. For transactions that do not occur in the country of the relevant operating unit, the Company does not offer credit terms without the approval of management.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash, short-term deposits and investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The credit quality of each individual security is internally assessed based on the financial strength, reputation and ability of the counterparty to honour its obligations.

Foreign currency risk

Certain of the Company's transactions are denominated in United States dollars but as the Barbados dollar is fixed to the United States dollar, there is no significant currency risk exposure. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

17. Financial risk management objectives and policies (continued)

Liquidity credit risk

The Company monitors its liquidity risk by considering the maturity of its financial assets and projected cash flows from operations.

Where possible, the Company utilizes surplus internal funds to a large extent to finance its operations and ongoing projects. However, the Company also utilizes available credit facilities such as overdrafts and other financing options where required.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 March based on contractual undiscounted payments.

31 March 2019

	Less than 3 months \$	3 months - 1-year \$	2 - 5 years \$	> 5 years \$	Total \$
Trade payables	3,542,838	535,525	-	-	4,078,363
Long-term loans	2,125,000	11,438,973	14,875,000	-	28,438,973

31 March 2018

	Less than 3 months \$	3 months - 1-year \$	2 - 5 years \$	> 5 years \$	Total \$
Trade payables	4,364,409	331,136	-	-	4,695,545
Long-term loans	2,125,000	6,375,000	28,438,973	-	36,938,973

Interest rate risk

The Company is exposed to interest rate risk. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates may result in a financial loss to the Company.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

17. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The Company manages its interest rate risk by a number of measures, including where feasible, the selection of assets which best match the maturity of liabilities, fixed rate debt instruments and by the regular review of the Company's cash flow and banking requirements.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with other variables held constant of the Company's income before taxation. There is no impact on the Company's equity.

Increase/decrease in basis points	2019 Effect on profit before tax	2018 Effect on profit before tax
+50	\$143,644	\$186,734

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2019 and 31 March 2018.

Fair values

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value are as follows:

Financial assets and liabilities

The carrying value of short-term financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise cash, short-term deposits, current portion of loan receivable and accounts receivable. Short-term financial liabilities comprise current portion of long-term loans and accounts payable.

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

Notes to the Financial Statements
For the year ended 31 March 2019

17. Financial risk management objectives and policies (continued)

Financial assets and liabilities (continued)

The fair value of investments is deemed not significantly different from carrying value as the Company intends to hold these to maturity. The fair value of variable rate debt approximates carrying value. The fair value of fixed rate debt is determined using discounted cash flow models.

Set out below is a comparison by category of carrying values and fair values of all of the Company's financial instruments, that are carried in the financial statements.

	Carrying value		Fair value	
	2019	2018	2019	2018
	\$	\$	\$	\$
Financial assets				
Cash	55,444,670	18,019,963	55,444,670	18,019,963
Short-term investments	10,000,000	19,875,500	10,000,000	20,000,000
Accounts receivable	19,238,756	19,194,527	19,238,756	19,194,527
Treasury notes	-	15,000,000	-	15,000,000
Long term investments	6,828,190	-	6,828,190	-

	Carrying value		Fair value	
	2019	2018	2019	2018
	\$	\$	\$	\$
Financial liabilities				
Accounts payable	6,491,310	6,815,984	6,491,310	6,815,984
Long-term loans	28,439,973	36,938,973	23,438,963	29,807,654

18. Commitments and contingencies

The Company entered into an operating lease with the Government of Barbados effective 22 January 2008 for the rental of the land and buildings from which GAIA Inc. operates. The lease is for a term of 75 years at an annual rental charge of \$1,200.

At 31 March 2019, the Company has contracted for certain capital expenditure in the amount of \$1,223,513 (2018 - \$2,676,248).

There are claims pending against the Company and the Company is also the plaintiff in certain legal actions and other claims. It is the opinion of the directors, based on the advice of the Company's attorneys-at-law that any liability arising out of these claims and actions is not likely to be material. In relation to claims brought by the Company the outcomes at this stage are uncertain and hence there is no recognition of any contingent assets.

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