



**REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE AIRPORTS AUTHORITY OF TRINIDAD AND TOBAGO FOR THE YEAR ENDED 31 DECEMBER, 2016**

**REPORT ON THE FINANCIAL STATEMENTS**

The accompanying Financial Statements of the Airports Authority of Trinidad and Tobago for the year ended 31 December, 2016 have been audited. The Statements as set out of pages 1 to 34 comprise a Statement of Management's Responsibilities dated 4 June 2020, an Independent Auditor's Report dated 4 June 2020, a Statement of Financial Position as at 31 December 2016, a Statement of Profit or Loss and Other Comprehensive Income, a Statement of Changes in Equity and Statement of Cash Flows for the year ended 31 December 2016 and Notes to the Financial Statements numbered 1 to 23 including a summary of significant accounting policies.

2. The audit of the financial statements was conducted by a firm of Accountants appointed by the Auditor General in accordance with section 20 (1) of the Airports Authority of Trinidad and Tobago Act Chapter, 49:02. The Independent Auditor's Report dated 4 June, 2020, refers.

**SUBMISSION OF REPORT**

3. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the provisions of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.



**2<sup>ND</sup> NOVEMBER, 2020  
PORT-OF-SPAIN**

  
**LORELLY PUJADAS  
AUDITOR GENERAL**

# **Airports Authority of Trinidad and Tobago**

## **Financial Statements**

**31 December 2016**

*(Presented in Thousands of Trinidad and Tobago Dollars)*

# Airports Authority of Trinidad and Tobago

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# Airports Authority of Trinidad and Tobago

## Statement of Management's Responsibilities

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Management is responsible for the following:

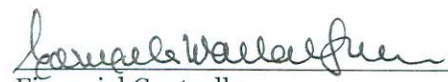
- Preparing and fairly presenting the accompanying financial statements of Airports Authority of Trinidad and Tobago (The Authority), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that The Authority keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of The Authority's assets, detection/prevention of fraud, and the achievement of Authority operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Airports Authority of Trinidad and Tobago Act Chap. 49:02; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that The Authority will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

  
General Manager  
4 June 2020

  
Financial Controller  
4 June 2020





## **Independent Auditor's Report**

To the Board Members of Airports Authority of Trinidad and Tobago

### **Report on the audit of the financial statements**

#### **Our opinion**

In our opinion, the financial statements present fairly, in all material respects the financial position of Airports Authority of Trinidad and Tobago (the Authority) as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

The Authority's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other 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 Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

## **Independent Auditor's Report (Continued)**

### **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 Authority'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 Authority'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 Authority 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.

*PricewaterhouseCoopers*

Port of Spain  
Trinidad, West Indies  
4 June 2020



# Airports Authority of Trinidad and Tobago

## Statement of Financial Position

(Presented in Thousands of Trinidad and Tobago Dollars)

		As at 31 December	
	Notes	2016 \$'000	2015 \$'000
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	5	1,649,161	1,744,153
Held-to-maturity investment	6	249,593	226,903
Deferred taxation asset	7	156,636	173,964
		<u>2,055,390</u>	<u>2,145,020</u>
<i>Current assets</i>			
Inventories		9,573	10,507
Trade and other receivables	8	98,237	96,120
Restricted cash	9	56,204	56,135
Cash and cash equivalents		279,646	249,300
		<u>443,660</u>	<u>412,062</u>
<b>Total assets</b>		<u>2,499,050</u>	<u>2,557,082</u>
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Capital fund	10	4,792,166	4,590,285
Accumulated deficit		<u>(3,540,705)</u>	<u>(3,460,224)</u>
<b>Total equity</b>		<u>1,251,461</u>	<u>1,130,061</u>
<i>Non-current liabilities</i>			
Borrowings	11	546,837	675,477
Deferred taxation liability	7	156,636	173,964
Deferred liability	12	11,000	11,000
Retirement benefit obligation	13	117,027	141,648
		<u>831,500</u>	<u>1,002,089</u>
<i>Current liabilities</i>			
Trade and other payables	14	199,893	211,150
Provisions for other liabilities	15	83,377	83,827
Borrowings	11	132,819	129,955
		<u>416,089</u>	<u>424,932</u>
<b>Total liabilities</b>		<u>1,247,589</u>	<u>1,427,021</u>
<b>Total equity and liabilities</b>		<u>2,499,050</u>	<u>2,557,082</u>



The notes on pages 8 to 34 are an integral part of these financial statements.

On 29 May 2020, the Board Members of Airports Authority of Trinidad and Tobago authorised these financial statements for issue.

 Board Member
  Board Member



# Airports Authority of Trinidad and Tobago

## Statement of Profit or Loss and Other Comprehensive Income

(Presented in Thousands of Trinidad and Tobago Dollars)

		Year ended 31 December	
	Notes	2016 \$'000	2015 \$'000
<b>Revenue</b>			
Aerodrome		287,312	305,269
Rental		76,770	77,657
Parking		21,594	20,265
Other	16	<u>31,681</u>	<u>28,926</u>
		<u>417,357</u>	<u>432,117</u>
<b>Expenses</b>			
Operating	17	(187,934)	(193,891)
Administrative	17	(137,948)	(131,839)
Depreciation	17	(133,245)	(136,949)
Finance costs	17	<u>(69,255)</u>	<u>(79,582)</u>
		<u>(528,382)</u>	<u>(542,261)</u>
<b>Loss before taxation</b>		(111,025)	(110,144)
<b>Taxation</b>	19	<u>4,755</u>	<u>(4,522)</u>
<b>Loss for the year</b>		<u>(106,270)</u>	<u>(114,666)</u>
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain/(loss) on retirement benefit obligation	13	34,386	(12,926)
Taxation on actuarial gain/(loss)	7	<u>(8,597)</u>	<u>3,232</u>
<b>Other comprehensive income/(loss) for the year, net of taxation</b>		<u>25,789</u>	<u>(9,694)</u>
<b>Total comprehensive loss for the year</b>		<u>(80,481)</u>	<u>(124,360)</u>

The notes on pages 8 to 34 are an integral part of these financial statements.

# Airports Authority of Trinidad and Tobago

## Statement of Changes in Equity

*(Presented in Thousands of Trinidad and Tobago Dollars)*

	Capital fund \$'000	Accumulated deficit \$'000	Total equity \$'000
<b>Balance as at 1 January 2015</b>	4,367,637	(3,335,864)	1,031,773
Capital contributions			
Government subventions	222,648	--	222,648
Total comprehensive loss for the year	--	(124,360)	(124,360)
<b>Balance as at 31 December 2015</b>	<u>4,590,285</u>	<u>(3,460,224)</u>	<u>1,130,061</u>
<b>Balance as at 1 January 2016</b>	4,590,285	(3,460,224)	1,130,061
Capital contributions			
Government subventions	201,881	--	201,881
Total comprehensive loss for the year	--	(80,481)	(80,481)
<b>Balance as at 31 December 2016</b>	<u>4,792,166</u>	<u>(3,540,705)</u>	<u>1,251,461</u>

The notes on pages 8 to 34 are an integral part of these financial statements.

# Airports Authority of Trinidad and Tobago

## Statement of Cash Flows

(Presented in Thousands of Trinidad and Tobago Dollar)

	Year ended 31 December	
	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>		
Loss for the year before taxation	(111,025)	(110,144)
Adjustments for non-cash items:		
Depreciation	133,245	136,949
Loss on disposal of property, plant and equipment	34	50
Non-cash adjustment to property, plant and equipment	24,644	32,483
Non-cash retirement benefit expense	9,765	6,749
Finance costs	69,255	79,582
Finance income	(24,703)	(22,617)
Operating profit before working capital changes	101,215	123,052
Decrease/(increase) in inventories	934	(3,997)
(Increase)/decrease in trade and other receivables	(2,117)	4,621
Decrease in trade and other payables	(11,258)	(29,344)
Decrease in provisions for other liabilities	(450)	(1,700)
Cash generated from operations	88,324	92,632
Taxation paid	(3,841)	(1,290)
Interest received	2,013	1,989
Interest paid	(69,255)	(79,582)
<b>Cash generated from operating activities</b>	<u>17,241</u>	<u>13,749</u>
<b>Cash flows from investing activities</b>		
(Increase)/decrease in restricted cash	(69)	9,505
Purchase of property, plant and equipment	(62,931)	(102,937)
<b>Cash used in investing activities</b>	<u>(63,000)</u>	<u>(93,432)</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(125,776)	(139,799)
Capital contributions	201,881	222,648
<b>Cash provided by financing activities</b>	<u>76,105</u>	<u>82,849</u>
Net increase in cash and cash equivalents	30,346	3,166
Cash and cash equivalents at beginning of year	<u>249,300</u>	<u>246,134</u>
Cash and cash equivalents at end of year	<u><u>279,646</u></u>	<u><u>249,300</u></u>
<b>Represented by:</b>		
Cash at bank and on hand	63,218	33,558
Short term deposits	<u>216,428</u>	<u>215,742</u>
	<u><u>279,646</u></u>	<u><u>249,300</u></u>

The notes on pages 8 to 34 are an integral part of these financial statements.



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements

**31 December 2016**

*(Presented in Thousands of Trinidad and Tobago Dollars)*

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### **1 Incorporation and principal activity**

Airports Authority of Trinidad and Tobago (The Authority) was incorporated in the Republic of Trinidad and Tobago under the Airports Authority of Trinidad and Tobago Act No. 49 of 1979. By Act No. 26 of 1987, the name of The Authority was changed from Airports Authority to Airports Authority of Trinidad and Tobago. By Act No. 28 of 1993, the role and functions were expanded. The Act was further amended by Act #30 of 2007.

The registered office of The Authority is located at North Bank Road, Piarco. The principal activity of The Authority is to develop and manage the business of the airports of the Republic of Trinidad and Tobago, including the development, maintenance and/or improvement of the facilities in a cost-effective manner, so as to ensure the availability of efficient, secure and safe aviation services to the public at all times, as well as to ensure commercial viability.

Act No. 28 of 1993 also gave The Authority powers to form and to hold shares in companies and joint ventures "for the purpose of facilitating the proper discharge of its functions".

Currently, The Authority manages the Piarco International Airport and the Arthur Napoleon Raymond Robinson Airport (formerly Crown Point International Airport).

### **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**

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying The Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **b. Going concern**

At 31 December 2016, The Authority incurred a loss for the year and had a significant accumulated deficit. Additionally, the current liabilities of The Authority exceeded its current assets.

The Government of the Republic of Trinidad and Tobago (GORTT) has guaranteed all of The Authority's borrowings (Note 11) and provides financial support to The Authority by way of annual budgetary allocations and transfers of funds to The Authority for repayments of guaranteed loans. These amounts are not repaid by The Authority to GORTT.

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 2 Summary of significant accounting policies (continued)

#### b. *Going concern (continued)*

For the year ended 31 December 2016, GORTT has indicated that they will not call upon The Authority to repay any amounts transferred to them in the current or prior years. These amounts have been reflected as the Capital Fund of The Authority. GORTT has also confirmed that they will continue to transfer funds to The Authority as the loan repayment obligations fall due.

GORTT recently presented its National Budget for the 2020 financial year and reconfirmed its commitment to continue supporting The Authority via transfer of funds for payment of the guaranteed loans as noted above.

On the basis of the continued support from GORTT, management is satisfied with the preparation of these financial statements on the going concern basis.

#### c. *Changes in accounting policy and disclosures*

##### (i) *New standards, amendments and interpretations adopted by The Authority*

There were no new standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 which are material to The Authority.

##### (ii) *New standards, amendments and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of The Authority, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Authority is assessing the impact of IFRS 9.



## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 2 Summary of significant accounting policies (continued)

#### c. *Changes in accounting policy and disclosures (continued)*

##### (ii) *New standards, amendments and interpretations not yet adopted (continued)*

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Authority is assessing the impact of IFRS 15.
- IFRS 16 'Leases' replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Authority is assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on The Authority.



## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 2 Summary of significant accounting policies (continued)

#### d. Foreign currency translation

##### (i) Functional and presentation currency

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

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income within 'Operating expenses'.

#### e. Property, plant and equipment

Items of property, plant and equipment are measured initially at cost. Property, plant and equipment contributed to The Authority by GORTT are measured initially at cost by reference to fair market values at the date of acquisition based on valuations conducted by independent professional valuers. Subsequently, all property, plant and equipment are stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to The Authority and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income within 'Operating expenses' during the financial period in which they are incurred.

Construction-in-progress represents work of a capital nature carried out on land and buildings, the construction of which had not yet been completed as at year-end.

Land and construction-in-progress are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	- 5%	Runways/aprons/pavements	- 4%
Car parks	- 20%	Plant and machinery	- 15%
Roads	- 7%	Office furniture and fixtures	- 15%
Fencing	- 10%	Computer equipment	- 25%
Motor vehicles	- 25%	Specialty equipment	- 11%

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 2 Summary of significant accounting policies (continued)

#### e. *Property, plant and equipment (continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2 f.).

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'Other revenue' in the Statement of Profit or Loss and Other Comprehensive Income.

#### f. *Impairment of non-financial assets*

Assets that are subject to depreciation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

#### g. *Financial assets*

##### (i) *Classification*

The Authority classifies its financial assets in the category 'Loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Authority's loans and receivables comprise 'Held-to-maturity investment' (Note 6), 'Trade and other receivables' (Note 8), 'Restricted cash' (Note 9) and 'Cash and cash equivalents' in the Statement of Financial Position.

##### (ii) *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which The Authority commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and The Authority has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Interest on loans and receivables is recognised within 'Other revenue' in the Statement of Profit or Loss and Other Comprehensive Income.



## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 2 Summary of significant accounting policies (continued)

#### g. *Financial assets (continued)*

##### (iii) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business.

##### (iv) *Impairment*

The Authority assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, The Authority may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### h. *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average cost, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 2 Summary of significant accounting policies (continued)

i. *Trade receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

j. *Cash and cash equivalents*

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

k. *Restricted cash*

Restricted cash includes deposits at banks which are restricted in such a manner that they are not available to meet short-term cash commitments. These funds are not included as 'Cash and cash equivalents' in the Statement of Cash Flows.

l. *Capital fund*

Contributions from GORTT which are non-reciprocal in nature are included in the capital fund.

m. *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

n. *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 2 Summary of significant accounting policies (continued)

#### o. *Borrowing costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

#### p. *Current and deferred income taxes*

The taxation expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the country where The Authority operates and generates taxable income – Trinidad and Tobago. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or where there is an intention to settle the balances on a net basis.

#### q. *Employee benefits*

##### (i) *Retirement benefit obligations*

The Authority operates a defined benefit pension plan 'The Airports Authority Pension Fund Plan' (the Plan), the assets of which are held in separate trustee-administered funds. The Plan is funded by payments from employees and by The Authority, taking account of the recommendations of independent qualified actuaries.

The Authority's net obligation in respect of the Plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets are deducted.



## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 2 Summary of significant accounting policies (continued)

#### q. *Employee benefits (continued)*

##### (i) *Retirement benefit obligations (continued)*

The discount rate is the yield at the reporting date on GORTT bonds that have maturity dates approximating the terms of The Authority's obligations and that denominated in the same currency in which the benefits are expected to be paid.

A full valuation is performed every three years by a qualified Actuary using the projected unit credit method. In the intervening period the Actuary extrapolates the calculation to the end of each reporting period. The last full valuation of the plan was conducted as at 31 December 2014 which revealed a past service deficit of \$36.4m (31 December 2011 - deficit of \$36.4m). The next valuation report is due as at 31 December 2017.

The current service cost of the Plan, recognised in the Statement of Profit or Loss and Other Comprehensive Income within 'Administrative expenses', except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in the Statement of Profit or Loss and Other Comprehensive Income within 'Administrative expenses'.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to 'Other Comprehensive Income' in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

##### (ii) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating vacation leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within 'Trade and other payables' in the Statement of Financial Position.

#### r. *Provisions*

Provisions are recognised when The Authority has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 2 Summary of significant accounting policies (continued)

#### s. *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts, and value added taxes. The Authority recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of The Authority's activities, as described below.

##### (i) *Aerodrome*

Revenue generated from passenger and aircraft movements are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the service is rendered.

##### (ii) *Rental*

Rental revenue is earned from operating leases in which The Authority is the lessor (Note 2 t.(i)).

##### (iii) *Parking*

Parking revenue is earned for time-based charges from the operation of car parking services. Revenue is recognised in the Statement of Profit or Loss and Other Comprehensive Income when the service is rendered.

##### (iv) *Other*

Other income is recognised on the accrual basis.

#### t. *Leases*

##### (i) *The Authority is the lessor*

The Authority has entered into leases of property, plant and equipment and has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases. Lease income from operating leases is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. The respective leased assets are included in 'Property, plant and equipment' on the Statement of Financial Position.

##### (ii) *The Authority is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to The Authority as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

**31 December 2016**

*(Presented in Thousands of Trinidad and Tobago Dollars)*

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### 2 Summary of significant accounting policies (continued)

#### u. *Finance income and costs*

Finance income comprises interest income on The Authority's financial assets. Interest income is recognised as it accrues within 'Other revenue' in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

Finance costs comprise interest expense on The Authority's financial liabilities. Interest expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

#### v. *Fair value hierarchy*

Judgements and estimates are made in determining the fair values for items measured at fair value in the financial statements. The valuation methods used by management were classified into the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 3 Financial risk management

#### a. Financial risk factors

The Authority's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk and liquidity risk. There is no significant concentration of market risk arising from cash flow interest rate risk and price risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on The Authority's financial performance. Management is responsible for risk management. There have been no changes to policies and procedures in managing the financial risk factors described below.

#### (i) Market risk

##### *Currency risk*

The Authority is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 December 2016, if the TT dollar had weakened/strengthened by 10%, with all other variables held constant, the loss for the year would have been \$28.1m (2015: \$19.6m) higher/lower as a result of foreign exchange losses/gains on cash and cash equivalents, restricted cash and borrowings denominated in US dollars.

##### *Fair value interest rate risk*

The Authority's interest rate risk arises from its held-to-maturity investment and long-term borrowings. Borrowings issued at fixed rates expose The Authority to fair value interest rate risk. During 2016 and 2015, all of The Authority's borrowings and held-to-maturity investment were fixed rate instruments.

#### (ii) Credit risk

Credit risk is the risk of financial loss to The Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from The Authority's held-to-maturity investment, cash and cash equivalents, restricted cash as well as credit exposures to customers, including outstanding trade receivables and committed transactions. For banks and financial institutions, only reputable financial institutions are accepted. For sales transactions, the credit quality of the customer is assessed, taking into account its financial position, past experience and other factors.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Financial risk factors (continued)

##### (ii) Credit risk (continued)

###### *Credit quality of financial assets*

###### Trade receivables

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates; customers with aging of up to 3 months are not considered past due or impaired. See Note 8 for further disclosures on credit risk related to trade receivables.

	2016 \$'000	2015 \$'000
Group 1 – Up to 3 months	52,070	56,021
Group 2 – Over 3 months	<u>45,746</u>	<u>48,031</u>
	<u>97,816</u>	<u>104,052</u>

Group 1 – existing customers with no defaults in the past

Group 2 – existing customers (more than 6 months) with some defaults in the past, but considered recoverable based on history of payments

###### Cash and cash equivalents, restricted cash and held-to-maturity investment

Reputable Trinidad and Tobago financial institutions	<u>585,443</u>	<u>532,338</u>
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##### (iii) Liquidity risk

Liquidity risk is the risk that The Authority will not be able to meet its financial obligations as they fall due. On an annual basis, cash flow forecasting is performed by management of The Authority. Management monitors rolling forecasts of The Authority's liquidity requirements to ensure it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to The Authority's reputation. Such forecasting takes into consideration the expected capital contributions from GORTT as guarantor of all of The Authority's borrowings.

Surplus cash held by The Authority over and above balance required for working capital management is invested in accordance with The Authority's internal policies, choosing financial instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The table below analyses The Authority's non-derivative financial into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 3 Financial risk management (continued)

#### a. Financial risk factors (continued)

##### (iii) Liquidity risk (continued)

At 31 December 2016	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Borrowings	193,748	609,574	--
Trade and other payables (excluding statutory payables)	187,949	--	--
At 31 December 2015	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Borrowings	200,557	791,381	7,108
Trade and other payables (excluding statutory payables)	197,929	--	--

#### b. Capital risk management

The Authority is not subject to externally imposed capital requirements. Notwithstanding, this management's policy is to maintain a strong capital base so as to sustain future development of the business. Government guarantees and support are secured to maintain investors' and creditors' confidence. The capital structure of the Authority consists of capital contributions by GORTT which comprises capital fund, and accumulated deficit.

The Authority monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'Total equity' as shown in the Statement of Financial Position plus net debt.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 \$'000	2015 \$'000
Total borrowings (Note 11)	679,656	805,432
Less: cash and cash equivalents	<u>(279,646)</u>	<u>(249,300)</u>
Net debt	400,010	556,132
Total equity	<u>1,251,461</u>	<u>1,030,061</u>
Total capital	<u>1,651,471</u>	<u>1,586,193</u>
Gearing ratio	<u>24%</u>	<u>35%</u>

There were no changes in the policies and procedures for capital risk management compared with prior year.



## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 3 Financial risk management (continued)

#### c. *Fair value estimation*

The carrying value of short-term financial assets and liabilities comprising trade and other receivables, cash and cash equivalents, restricted cash, short-term portion of borrowings and trade and other payables are a reasonable estimate of their fair values since the interest payable is either close to current market rates or the instruments are of a short-term nature.

### 4 Critical accounting estimates and judgments

Estimates and judgements 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. The Authority makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as 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:

#### a. *Retirement benefit obligations*

The cost of the Plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Additional information on key assumptions is disclosed in Note 13.

#### b. *Legal contingencies*

The Authority is party to litigations related to several legal matters. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of The Authority. Management regularly analyses current information about these matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against The Authority or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

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

Management exercises judgement and estimation in determining the adequacy of provisions for trade receivable balances for which collections are considered doubtful. Judgement is used in the assessment of the extent of the recoverability of long outstanding balances. Actual outcomes may be materially different from the provision established by Management.

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 4 Critical accounting estimates and judgments (continued)

#### d. *Uncertain tax positions*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. As such, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxation already recorded. The Authority establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations.

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 judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

#### e. *Useful lives of property, plant and equipment*

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Statement of Profit or Loss and Other Comprehensive Income.

The useful lives of The Authority's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 5 Property, plant and equipment

	Land \$'000	Buildings \$'000	Car parks \$'000	Roads \$'000	Fencing \$'000	Runways aprons and pavements \$'000	Plant and machinery and specialty equipment \$'000	Office furniture, fixtures and computer equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>At 31 December 2016</b>											
Cost											
As at 1 January 2016	250,296	1,115,434	25,755	190,880	6,535	1,513,513	338,615	71,402	712	106,979	3,620,121
Additions	--	--	--	--	--	--	--	5,173	--	57,758	62,931
Disposals and adjustments	--	(8)	--	--	--	(14,907)	(334)	(829)	--	(9,737)	(25,815)
Transfers	--	632	--	--	--	3,856	3,753	5,337	--	(13,578)	--
	250,296	1,116,058	25,755	190,880	6,535	1,502,462	342,034	81,083	712	141,422	3,657,237
Accumulated depreciation											
As at 1 January 2016	--	(757,769)	(21,152)	(71,067)	(3,843)	(663,074)	(314,374)	(43,998)	(691)	--	(1,875,968)
Charge for the year	--	(48,551)	(3,005)	(10,143)	(517)	(57,252)	(7,880)	(5,890)	(7)	--	(133,245)
Disposals and adjustments	--	8	--	--	--	--	334	795	--	--	1,137
	--	(806,312)	(24,157)	(81,210)	(4,360)	(720,326)	(321,920)	(49,093)	(698)	--	(2,008,076)
Net book value	250,296	309,746	1,598	109,670	2,175	782,136	20,114	31,990	14	141,422	1,649,161
<b>At 31 December 2015</b>											
Cost											
As at 1 January 2015	250,296	1,109,979	25,730	190,855	6,535	1,468,947	336,632	58,439	712	103,009	3,551,134
Additions	--	569	25	25	--	69	2,023	9,449	--	90,777	102,937
Disposals and adjustments	--	--	--	--	--	--	(40)	(1,427)	--	(32,483)	(33,950)
Transfers	--	4,886	--	--	--	44,497	--	4,941	--	(54,324)	--
	250,296	1,115,434	25,755	190,880	6,535	1,513,513	338,615	71,402	712	106,979	3,620,121
Accumulated depreciation											
As at 1 January 2015	--	(707,273)	(17,721)	(57,078)	(3,325)	(601,104)	(306,526)	(46,726)	(683)	--	(1,740,436)
Charge for the year	--	(50,496)	(3,431)	(13,989)	(518)	(61,970)	(7,888)	1,351	(8)	--	(136,949)
Disposals and adjustments	--	--	--	--	--	--	40	1,377	--	--	1,417
	--	(757,769)	(21,152)	(71,067)	(3,843)	(663,074)	(314,374)	(43,998)	(691)	--	(1,875,968)
Net book value	250,296	357,665	4,603	119,813	2,692	850,439	24,241	27,404	21	106,979	1,744,153
<b>At 31 December 2014</b>											
Accumulated depreciation											
As at 1 January 2014	--	(653,975)	(14,321)	(37,755)	(2,808)	(550,944)	(299,846)	(42,186)	(674)	--	(1,602,509)
Charge for the year	--	(53,298)	(3,400)	(19,323)	(517)	(50,160)	(6,680)	(4,540)	(9)	--	(137,927)
	--	(707,273)	(17,721)	(57,078)	(3,325)	(601,104)	(306,526)	(46,726)	(683)	--	(1,740,436)
Net book value	250,296	402,706	8,009	133,777	3,210	867,843	30,106	11,713	29	103,009	1,810,598

# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 6 Held-to-maturity investment

	2016 \$'000	2015 \$'000
Investment in sinking fund	<u>249,593</u>	<u>226,903</u>

In December 1998, The Authority established a sinking fund with Citicorp Trinidad and Tobago Limited to settle The Authority's borrowings with Citibank (Trinidad and Tobago) Limited (Note 11). The sinking fund is for a period of 20 years commencing in 1998 and carries interest at a rate of 10% per annum. In 2018, the sinking fund matured, and proceeds were used to repay the borrowings noted above.

### 7 Deferred taxation

	2015 \$'000	Credit to other comprehensive income \$'000	(Charge)/ credit to profit or loss \$'000	2016 \$'000
<i>Deferred taxation liability</i>				
Accelerated tax depreciation	(173,964)	--	17,328	(156,636)
<i>Deferred taxation asset</i>				
Retirement benefit obligation	35,412	(8,597)	2,442	29,257
Other temporary difference – accrued employee benefits	24,369	--	(2,954)	21,415
Tax losses	<u>114,183</u>	<u>--</u>	<u>(8,219)</u>	<u>105,964</u>
	<u>173,964</u>	<u>(8,597)</u>	<u>(8,731)</u>	<u>156,636</u>
<i>Net deferred taxation asset</i>	<u>--</u>	<u>(8,597)</u>	<u>8,597</u>	<u>--</u>

	2014 \$'000	Credit to other comprehensive income \$'000	(Charge)/ credit to profit or loss \$'000	2015 \$'000
<i>Deferred taxation liability</i>				
Accelerated tax depreciation	(186,933)	--	12,969	(173,964)
<i>Deferred taxation asset</i>				
Retirement benefit obligation	30,493	3,232	1,687	35,412
Other temporary difference – accrued employee benefits	33,288	--	(8,919)	24,369
Tax losses	<u>123,152</u>	<u>--</u>	<u>(8,969)</u>	<u>114,183</u>
	<u>186,933</u>	<u>3,232</u>	<u>(16,201)</u>	<u>173,964</u>
<i>Net deferred taxation asset</i>	<u>--</u>	<u>3,232</u>	<u>(3,232)</u>	<u>--</u>

Deferred taxation assets are recognised to the extent of existing taxable temporary differences that are likely to negate the effects of any deductible temporary differences or unused tax losses. The Authority did not recognise deferred taxation assets of \$162.3m (2015: \$134.1m) in respect of losses amounting to \$649.4m (2015: \$536.3m) that can be carried forward against future taxable income. Losses do not expire.



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 8 Trade and other receivables

	2016 \$'000	2015 \$'000
Trade receivables	97,816	104,052
Less: Provision for impairment of receivables	<u>(39,407)</u>	<u>(36,961)</u>
Trade receivables – net	58,409	67,091
Other receivables	6	20
Prepayments	9,920	1,643
Statutory receivables	16,955	14,216
Employee receivables	12,947	12,956
Accrued income	<u>--</u>	<u>194</u>
	<u>98,237</u>	<u>96,120</u>
The ageing of trade receivables at the reporting date was:		
Up to 3 months	52,070	56,021
Over 3 months	<u>45,746</u>	<u>48,031</u>
	<u>97,816</u>	<u>104,052</u>

As at 31 December 2016, trade receivables of \$52.0m (2015: \$56.0m) were fully performing.

As at 31 December 2016, trade receivables of \$6.3m (2015: \$11.0m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Management expects the amount to be fully recovered. The ageing analysis of these trade receivables is as follows:

Over 3 months	<u>6,339</u>	<u>11,070</u>
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At 31 December 2016, trade receivables of \$39.4m (2015: \$37.0m) were impaired and fully provided for. The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

Over 3 months	<u>39,407</u>	<u>36,961</u>
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The movement in The Authority's provision for impairment of trade receivables is as follows:

Balance as at 1 January	36,961	36,289
Increase in provision	<u>2,446</u>	<u>672</u>
Balance as at 31 December	<u>39,407</u>	<u>36,961</u>

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The other classes within trade and other receivables do not contain impaired assets. The Authority does not hold any collateral as security.

# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

9	Restricted cash	2016 \$'000	2015 \$'000
	First Citizens Bank Limited	1,381	1,367
	Central Bank of Trinidad and Tobago	<u>54,823</u>	<u>54,768</u>
		<u>56,204</u>	<u>56,135</u>

Proceeds from borrowings with Trinidad and Tobago Unit Trust Corporation (Note 11) were deposited with the Central Bank of Trinidad and Tobago and drawdowns from the Central Bank of Trinidad and Tobago were deposited with First Citizens Bank Limited. Funds from these two accounts were restricted to be used for financing the construction of the New Terminal Building at the Piarco International Airport.

10	Capital fund		
	Balance as at 1 January	4,590,285	4,367,637
	Capital contributions	<u>201,881</u>	<u>222,648</u>
	Balance as at 31 December	<u>4,792,166</u>	<u>4,590,285</u>

Capital contributions are amounts received by The Authority from GORTT's Public Sector Investment Programme (PSIP) for capital expenditure as well as funds transferred to The Authority for the repayment of borrowings guaranteed by GORTT (Note 11).

11	Borrowings		
	Citibank (Trinidad and Tobago) Limited – Bond	300,000	300,000
	Republic Finance and Merchant Bank Limited – Loan	60,000	80,000
	Republic Finance and Merchant Bank Limited – Bonds	23,710	29,638
	Trinidad and Tobago Unit Trust Corporation – Bond	33,108	39,729
	RBTT Merchant Bank Limited – Loan	15,690	29,855
	First Citizens Bank Limited – Loan 1	45,033	57,900
	ANSA Merchant Bank Limited – Bond	75,794	100,957
	First Citizens Bank Limited – Loan 2	14,321	23,353
	Scotia Trust and Merchant Bank of Trinidad and Tobago Limited – Loan	<u>112,000</u>	<u>144,000</u>
		<u>679,656</u>	<u>805,432</u>
	Disclosed as:		
	Current	132,819	129,955
	Non-current	<u>546,837</u>	<u>675,477</u>
		<u>679,656</u>	<u>805,432</u>



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

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### 11 Borrowings (continued)

All of The Authority's borrowings are guaranteed by GORTT in addition to other securities disclosed below:

#### *Citibank (Trinidad and Tobago) Limited – Bond*

The long-term debt represents the proceeds of a bond issue in favour of The Authority by Citibank (Trinidad and Tobago) Limited on 8 December 1998. Interest at 11.5% per annum is payable semi-annually in arrears. The bond financed the construction of the New Terminal Building at the Piarco International Airport. The bond is secured by the sinking fund (Note 6). The principal was liquidated by a bullet payment on 8 December 2018 using the proceeds on maturity of the sinking fund.

#### *Republic Finance and Merchant Bank Limited – Loan*

This long-term debt represents the proceeds of a loan in favour of the Authority by Republic Finance and Merchant Bank Limited dated 17 December 1999. Interest is fixed at 11.5% per annum payable semi-annually in arrears. The principal amount is repayable by thirty equal semi-annual instalments of \$10m which commenced on 17 June 2005. The final instalment was repaid on 17 December 2019. The loan financed the construction of the New Terminal Building at the Piarco International Airport.

#### *Republic Finance and Merchant Bank Limited – Bonds*

This long-term debt represents the proceeds of a three series bond issue in favour of the Authority by Republic Finance and Merchant Bank Limited dated 18 October 2000. These bonds financed the construction of the New Terminal Building at the Piarco International Airport.

Bond A – Fully repaid.

Bond B – Fully repaid.

Bond C – Interest is fixed at a rate of 12.25% and is payable semi-annually in arrears. The principal amount, which is repayable by eighteen equal semi-annual instalments commenced on 4 June 2012 and will end on 4 December 2020. Interest accruing during the moratorium period of the first eighteen months will be capitalised and thereafter will be paid in eighteen (18) semi-annually in arrears.

#### *Trinidad and Tobago Unit Trust Corporation – Bond*

This long-term debt represents the proceeds of a bond in favour of The Authority by the Trinidad and Tobago Unit Trust Corporation. Interest is fixed at a rate of 9.8% per annum and principal and interest are payable semi-annually commencing 7 December 2002 and ending 7 December 2021.

#### *RBTT Merchant Bank Limited – Loan*

The long-term debt represents a loan granted by RBTT Merchant Bank Limited in the amount of US\$23m to finance the Piarco International Airport Runway 10-28 Improvement Works 2005. Interest is fixed at a rate of 5.90% per annum and principal and interest are repayable in twenty (20) semi-annual payments commencing 28 March 2008. The loan was fully repaid on 28 September 2017.

# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 11 Borrowings (continued)

#### *First Citizens Bank Limited – Loan 1*

This long-term debt represents a loan granted by First Citizens Bank Limited in the amount of TT\$193m to refinance an existing bond. Interest is fixed at a rate of 5.75% per annum and principal and interest are payable in thirty (30) semi-annual payments commencing 25 July 2005. The loan was fully repaid on 31 January 2020.

#### *ANSA Merchant Bank Limited – Bond*

The long-term debt represents a loan granted by ANSA Merchant Bank Limited in the amount of US\$45.3 million to finance the Airport Improvement Works 2009 on 22 April 2009. Interest is fixed at a rate of 7.00% per annum and principal and interest are repayable in forty (40) quarterly payments commencing 22 July 2009. The bond was fully repaid on 22 April 2019.

#### *First Citizens Bank Limited – Loan 2*

The represents a loan granted by First Citizens Bank Limited in the amount of TT\$44.4m to assist with development works at the Piarco and ANR Robinson International Airports. Interest is fixed at 3.95% per annum and principal and interest are repayable in ten (10) semi-annual payments commencing 31 August 2013. The loan was fully repaid on 28 February 2018.

#### *Scotia Trust and Merchant Bank of Trinidad and Tobago Limited – Loan*

The long-term debt represents a loan granted by Scotia Trust and Merchant Bank of Trinidad and Tobago Limited in the amount of TT\$320m to finance the Infrastructural works at Piarco and Crown Point International Airports. Interest is fixed at a rate of 5.85% per annum and principal and interest are repayable in twenty (20) semi-annual payments commencing 25 November 2010 and ending 24 May 2020.

### 12 Deferred liability

This relates to a deferred payment to GORTT of \$11m for acquisition of the Northern Area of the Aerodrome property at the Piarco International Airport.

### 13 Retirement benefit obligation

	2016 \$'000	2015 \$'000
<i>Net liability in statement of financial position</i>		
Defined benefit obligation	410,858	409,796
Fair value of plan assets	(293,831)	(268,148)
Net defined benefit liability	<u>117,027</u>	<u>141,648</u>
<i>Movement in present value of defined benefit obligation</i>		
Defined benefit obligation at start of year	409,796	375,834
Service cost	19,666	18,879
Interest cost	20,332	18,695
Members' contributions	6,767	6,969
Benefits paid	(6,396)	(3,909)
Actuarial gains from changes in financial assumptions	(39,307)	--
Remeasurements for experience adjustments	--	(6,672)
Defined benefit obligations at end of year	<u>410,858</u>	<u>409,796</u>



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 13 Retirement benefit obligation (continued)

	2016 \$'000	2015 \$'000
<i>Movement in fair value of plan assets</i>		
Fair value of plan assets at start of year	268,148	253,861
Interest income	13,822	13,204
Return on plan assets (excluding interest income)	(4,921)	(19,598)
Authority's contributions	17,539	18,724
Members' contributions	6,767	6,969
Benefits paid	(6,396)	(3,909)
Expenses paid	(1,128)	(1,103)
Fair value of plan assets at end of year	<u>293,831</u>	<u>268,148</u>
<i>Items included in profit or loss within 'Administrative expenses'</i>		
Current service cost	19,666	18,879
Net interest on defined benefit obligation	6,510	5,491
Administration expenses	1,128	1,103
	<u>27,304</u>	<u>25,473</u>
<i>Reconciliation of net liability in statement of financial position</i>		
Net defined benefit liability at start of year	141,648	121,973
Net pension cost	27,304	25,473
Remeasurements recognised in other comprehensive income	(34,386)	12,926
Authority's contributions paid	(17,539)	(18,724)
Net defined benefit liability at end of year	<u>117,027</u>	<u>141,648</u>
<i>Remeasurement recognised in other comprehensive income</i>		
Experience (gains)/losses	<u>(34,386)</u>	<u>12,926</u>
<i>Asset allocation</i>		
Locally listed equities	77,979	58,895
Foreign equities	51,744	45,718
TT dollar denominated bonds	139,116	132,641
Cash and cash equivalents	24,992	30,894
Fair value of plan assets	<u>293,831</u>	<u>268,148</u>

All asset values were taken from the Plan's year-end audited financial statements provided by the Plan's Trustee (First Citizens Trustee Services Limited). Foreign equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Investment Manager (First Citizens Asset Management Limited) calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the Plan's bonds were either issued or guaranteed by GORTT.

The Plan's assets are invested in a strategy agreed with the Plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the Plan.

# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

**31 December 2016**

(Presented in Thousands of Trinidad and Tobago Dollars)

### 13 Retirement benefit obligation (continued)

#### *Allocation of defined benefit obligation*

The defined benefit obligation is allocated between the Plan's members as follows.

	2016	2015
Active	89%	89%
Deferred members	2%	2%
Pensioners	9%	9%
Weighted average duration of the defined benefit obligation in years	20.4	20.4
Percentage of benefits for active members that are vested	94%	94%
Percentage of defined benefit obligations for active members that is conditional on future salary increases	41%	41%

#### *Summary of principal assumptions*

Discount rate	5.5%	5.0%
Salary increases	5.0%	5.0%

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation at the year-ends are as follows.

Life expectancy at age 60 for current pensioner in years

Male	21.0	21.0
Female	25.1	25.1

Life expectancy at age 60 for current members age 40 in years

Male	21.4	21.4
Female	25.4	25.4

#### *Sensitivity analysis*

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 31 December 2016 and 31 December 2015 would have changed as a result of a change in the assumptions used.

	1% pa increase \$'000	1% pa decrease \$'000
<b>31 December 2016</b>		
Discount rate	(66,905)	87,998
Future salary increases	44,549	(37,913)
<b>31 December 2015</b>	<b>\$'000</b>	<b>\$'000</b>
Discount rate	(69,602)	91,839
Future salary increases	45,968	(38,999)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 31 December 2016 by \$6.0m (2015: \$6.4m). These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

### 13 Retirement benefit obligation (continued)

#### Funding

The Authority meets the balance of the cost of funding the defined benefit Pension Plan and The Authority must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The Authority paid \$21.4m to the Pension Plan during 2017 (2016: \$20.3m).

14 Trade and other payables	2016 \$'000	2015 \$'000
Trade payables	2,307	913
Due to GORTT – departure taxes	44,763	44,763
Accrued employee benefits	110,022	120,222
Accrued expenses	18,008	22,120
Accrued loan interest	6,077	7,450
Statutory payables	11,943	13,222
Staff clearing account	(604)	(803)
Other payables	7,377	3,263
	<u>199,893</u>	<u>211,150</u>

### 15 Provisions for other liabilities

The amounts represent a provision for certain legal claims brought against The Authority. The provision charge is recognised in the Statement of Profit or Loss and Other Comprehensive Income within 'Administrative expenses'. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2016.

Balance at 1 January	83,827	85,527
Amounts utilised during the year	(450)	(1,700)
	<u>83,377</u>	<u>83,827</u>

### 16 Other revenue

Interest income	24,703	22,617
Other income	6,978	6,309
	<u>31,681</u>	<u>28,926</u>

### 17 Expenses by nature

Employee benefit expenses (Note 18)	219,853	216,916
Repairs and maintenance	20,178	21,593
Depreciation (Note 5)	133,245	136,949
Provision for impairment of trade receivables (Note 8)	2,446	672
Utilities	12,157	9,711
Advertising and promotion	1,093	2,432
Insurance	12,563	9,242
Finance costs	69,255	79,582
Other	57,592	65,164
	<u>528,382</u>	<u>542,261</u>

# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

31 December 2016

(Presented in Thousands of Trinidad and Tobago Dollars)

18	<b>Employee benefit expenses</b>	<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
	Salaries, wages and other short-term benefits	183,165	183,183
	National insurance contributions	9,384	8,260
	Pension costs – defined benefit plan (Note 13)	27,304	25,473
		<u>219,853</u>	<u>216,916</u>

19	<b>Taxation</b>		
	Green fund levy	1,252	432
	Business levy	2,590	858
	Deferred taxation (credit)/charge	(8,597)	3,232
		<u>(4,755)</u>	<u>4,522</u>

The taxation on The Authority's loss before taxation differs from the theoretical amount that would arise using the basic rate of tax as follows:

Loss before taxation	(111,025)	(110,144)
Taxation at rate of 25%	(27,756)	(27,536)
Expenses not allowable for tax	289	(34)
Exempt income and allowances not subjected to tax	(5,673)	(5,157)
Taxation losses previously recognised, now derecognised	--	8,969
Taxation losses generated and unrecognised	28,260	27,690
Business levy	2,590	858
Green fund levy	1,252	432
Other difference	(3,717)	(700)
	<u>(4,755)</u>	<u>4,522</u>

## 20 Related parties

### *Government-related entities*

The Authority was established by GORTT under Act No. 49 of 1979. Accordingly, The Authority has related party relationships with GORTT, GORTT agencies and ministries and with its executive officers and board members. Significant transactions and balances with GORTT related entities include capital contributions, banking relationships, statutory payables and receivables and customer/supplier receivables/payables.

### *Key management compensation*

Key management includes executive officers and board members. The compensation paid to key management is shown below and is included within 'Employee benefit expenses' (Note 18):

Executive salaries and other short-term employee benefits	19,295	19,432
Board members' fees	648	687
Post-employment benefits	624	520
	<u>20,567</u>	<u>20,639</u>



# Airports Authority of Trinidad and Tobago

## Notes to the Financial Statements (continued)

**31 December 2016**

*(Presented in Thousands of Trinidad and Tobago Dollars)*

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### **21 Contingent liabilities**

At 31 December 2016 there were a number of pending claims against The Authority. Claims for which provisions have been made are reflected in Note 15. For other claims, no provision has been recognised in these financial statements, as legal advice indicates that it is not probable that a significant liability will arise.

#### *Commission of enquiry*

In April 2002, GORTT established a Commission of Enquiry into the "Piarco Airport Development Project". The terms of reference of the Commission were to enquire into the Piarco Airport Development Project and to make such observations and recommendations arising out of its deliberations as the Commission may deem appropriate. The Commission of Enquiry came to an end on 4 July 2003 but the final report has not been made public. No provision has been made in these financial statements in respect of any adjustments which may arise as a result of the recommendations of the Commission.

### **22 Capital commitments**

Capital expenditure contracted for at the end of the reporting period but not yet incurred amounted to \$16.8m at 31 December 2016 (2015: \$39.1m).

### **23 Subsequent events**

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which The Authority and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect the operations of The Authority. As of the date of authorisation of these financial statements, management was not aware of any significant adverse effects on the financial statements for the year ended 31 December 2016 as a result of COVID-19. Management will continue to monitor the situation and the impact on The Authority.