AUDITOR GENERAL'S DEPARTMENT

FINANCIAL STATEMENT ASSESSMENT OF PUBLIC BODIES

JAMAICA CIVIL AVIATION AUTHORITY

The Auditor General is appointed by the Governor General and is required by the Constitution, Financial Administration and Audit Act, other sundry acts and letters of engagement, to conduct audits at least once per year of the accounts, financial transactions, operations and financial statements of central government ministries and departments, local government agencies, statutory bodies and government companies.

The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act.

This report has been prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.

Auditor General of Jamaica
Auditor General's Department
40 Knutsford Boulevard, Kingston 5
Jamaica, W.I.
www.auditorgeneral.gov.jm

Vision
A better country through effective audit scrutiny

Document No.:	Date Submitted
AuGD 644 – 1403.1	2024 February 26

Table of Contents

This page is intentionally left blank.

Auditor General’s Overview

The Public Bodies Management and Accountability Act (PBMA) requires public entities to demonstrate prudent financial management of public resources. The Auditor General’s Department (AuGD) conducts reviews of public bodies’ financial statements to assist Parliament and the Public Accounts Committee (PAC) in evaluating the financial performance of selected public bodies in the context of the Fiscal Responsibility Framework (FRF). In this regard, we reviewed the financial performance of the Jamaica Civil Aviation Authority (JCAA) over a five-year period, by calculating ratios of key financial items in the balance sheets and income statements of the entity, to analyse trends. However, we did not conduct an audit of the financial statements of the entity and hence did not test the management’s assertions regarding the figures in the financial statements and disclosures. The annual reports which included the audited financial statements, were tabled in the Houses of Parliament.

The Financial Statement Assessment (FSA) revealed that during the period FY2017/18 to FY2021/22 JCAA generated relatively strong net profits despite lower operational activity due to the adverse effects of the coronavirus (COVID-19) pandemic on airline traffic. The fallout from the Authority’s revenue was mitigated during the COVID-19 period with the introduction of the resilient corridor, which supported the tourism industry and in turn the aviation industry. JCAA liquidity fluctuated but remained strong over the review period, supported by low levels of liabilities.

Pamela Monroe Ellis, FCCA, FCA
Auditor General

This page is intentionally left blank.

Executive Summary

The Jamaica Civil Aviation Authority (JCAA), a statutory body under the portfolio of the Ministry of Science, Energy, Telecommunication and Transport, was incorporated through the Civil Aviation (Amendment) Act, 1995. The Authority is mandated to regulate Jamaica's air transport industry to ensure it is safe, orderly and provides reliable and efficient air navigation services to support a safe, efficient, and sustainable air transport sector. The Authority's main functions include providing air navigation services; aviation safety and security oversight; economic regulation of air transport; and the promotion of the development of air transport including the establishment of training facilities for that purpose. As the sole provider of air navigation services for Jamaica's airspace and the Kingston Flight Information Region, JCAA monitors all passenger and aircraft movements. JCAA's air traffic services are conducted through the Kingston Air Traffic Control Centre located at the JCAA's headquarters; air traffic controls towers at the Norman Manley and Sangster International Airports and Tinson Pen Aerodrome. Aeronautical information services are conducted by the Authority and communicated to the public by its wholly owned subsidiary Aeronautical Telecommunications Limited (AEROTEL) via the radio station KOOL97 FM.

We utilized JCAA's Consolidated Audited Financial Statements, for the five-year period ended March 2022, to calculate key financial ratios and identify trends in operational performance. We did not conduct an audit of the entity or test the management's assertions regarding the figures in JCAA's consolidated financial statements and disclosures. Of note, the respective annual reports, which included the audited financial statements were tabled in the Houses of Parliament. We found that over the five-year review period, JCAA's financial performance was largely impacted by the adverse consequences of the Coronavirus (COVID-19) pandemic on air travel. The key findings from our review are highlighted below:

What we Found

1. **The JCAA's profit levels fluctuated over the review period, reflected in net profit margin of 0.05 for FY2021/22 relative to 0.02 for FY2020/21 and 0.12 for FY2017/18**. The net profit margin for FY2021/22 indicated that the JCAA recorded five cents in profit for each dollar of income received relative to 12 cents in FY2017/18. For FY2021/22, JCAA's net profits amounted to $253.5 million, an improvement relative to the previous year when COVID-19

adversely impacted air travel but was below the five-year average of $495.3 million. Accordingly, net profit was $116.7 million for FY2020/21, the lowest for the five-year review, despite a significant increase in Government of Jamaica (GoJ) subvention[1] to cushion the impact of the falloff in passenger aviation service charge and other navigation fees, as well as higher expenses. Notably, the rebound in net profits in FY2021/22 arose in the context of an improvement in air passenger activity.

2. **JCAA's liquidity levels were adequate during the review period, as both the current and cash ratios met the established standards, averaging 4.8 and 1.81, respectively.** JCAA also comfortably met one of the Financial Standards criteria outlined in the FAA Regulations relating to liquidity, which qualifies public bodies whose activities are of a commercial nature to be excluded from the list of specified public bodies. The FAA Regulations Amendment 2015 in paragraph 5.4 (b) stated that "the positive working capital and current ratio of the public body (on a stand-alone basis or, if applicable, on a consolidated basis) is at least 1.2." In a context where the Authority does not carry significant inventories, JCAA's quick (acid test) ratio was similar to its current ratio. In terms of current liabilities, payables, the only significant line item, did not have a negative impact on the entity's cash management. Based on its relatively healthy financial position, the JCAA did not borrow to fund its operation.

3. **JCAA's long-term debt to equity ratio averaged 0.09 for the five-year review period, well within the criteria of 2.5 established in the Fiscal Responsibility Framework Regulations.** The ratio rose to 0.13 in FY2021/22 from 0.09 the previous year and relative to 0.06 in FY2017/18. The total debt to equity ratio and debt ratio averaged 0.21 and 0.17, respectively, indicating that the JCAA was not highly leveraged. On the other hand, JCAA's solvency averaged 0.36 between 2017/18 and 2019/20, surpassing the best practice threshold of 0.20. The ratio declined thereafter to 0.06 and 0.11, respectively for FY2020/21 and FY2021/22 as net income reflected the lingering effects of the COVID-19 pandemic. Although the JCAA reduced its liabilities to $1.8 billion in FY2020/21 from $2.1 billion in FY2017/18 (14.3 per cent), liabilities grew by 26.9 per cent in FY 2021/22 relative to the previous financial year, based on a 46.5 per cent increase in post-employment benefit obligations between FY2020/21 and FY2021/22.

4. **The JCAA's receivables turnover ratio displayed an increasing trend over the five-year review period.** After declining to 2.52 in FY2020/21 relative to 7.54 in FY2019/20, the receivables turnover ratio rebounded to 6.15 in FY2021/22. The falloff in FY2020/21 partly reflected the adverse impact of the pandemic air traffic flows, which contributed to a 64.9 per cent decline in total revenue in FY2020/21. Nevertheless, JCAA's positive receivables turnover ratio suggests that the Authority is proficient in managing its short-term credit arrangements. Receivables mainly comprised trade receivables (58.7 per cent), staff loans (18.2 per cent), and prepayments (8.1 per cent). Whereas trade receivables and prepayments fluctuated, staff loans displayed an increasing trend moving to $200.0 million in FY2021/22 from $98.1 million in FY2017/18 (104 per cent).

[1] This is the portion of fund returned to JCAA after the entity transfers receipts from their operations to the Consolidated Fund

5. **JCAA's working capital also displayed a positive trend over the period moving to a high of $5.0 billion in FY2021/22**. The Authority's working capital turnover ratio rose to 1.54 in FY2019/20 from 1.33 in FY2017/18 but fell sharply to 0.49 in FY2020/21 given a falloff in income in light of reduced air arrivals during the COVID-19 pandemic. With an improvement in air passenger activity in FY2021/22 the ratio increased to 1.15.

6. **JCAA's total asset turnover ratio fluctuated throughout the period as the ratio increased to 0.53 in FY2019/20 from 0.49 in FY2017/18 before reducing to 0.48 in FY2021/22.** The fixed asset turnover ratio is a measure of the entity's ability to generate revenue relative to the value of all its assets. To provide a fair assessment of the Authority's efficiency, we calculated the activity ratios using the total actual collections by the Authority instead of the amount identified as total revenue in the audited financial statements, given that not all revenue collected by the entity is retained to fund operations. On average, over the period reviewed, the Authority generated 45 cents for each dollar invested in assets. This was in the context where JCAA's total assets increased by 6.5 per cent over the period reflecting increases in Property, Plant and Equipment, Right-of-use assets, Short-term investment, and Other Assets.

Part One: Introduction

1.1 This report was prepared using information from the company's annual audited financial statements for FY2017/18 to FY2021/22, annual reports and other supplementary information. Key ratios were calculated to enable an analysis of performance over time and to make inferences on viability and sustainability.

Profile of the Entity

1.2 The Jamaica Civil Aviation Authority (JCAA) is a statutory body established in May 1996 in accordance with the Civil Aviation (Amendment) Act (1995). JCAA regulates Jamaica's civil aviation industry and is the sole provider of navigation services for Jamaica's airspace, the Kingston Flight Information Region. In addition, the Authority is mandated to provide aviation safety and security oversight, economic regulation of air transport and promote the development of air transport including the establishment of training facilities for that purpose.

1.3 JCAA has a wholly owned subsidiary, Aeronautical Telecommunications Limited (AEROTEL) which is incorporated and domiciled in Jamaica. AEROTEL maintains Jamaica's Radio Detection and Ranging (RADAR) system to protect the integrity of Jamaica's Flight Information Region and provides reliable communication, navigation and surveillance systems on behalf of the Government of Jamaica. AEROTEL also operates KOOL97 FM radio station.

Mission

1.4 To ensure that the public is provided with a safe, reliable, efficient and user-friendly Air Transport System, being cognizant of the standards and recommended practices developed by the International Civil Aviation Organization (ICAO).

Funding

1.5 JCAA's main sources of revenue are Air Navigation Fees and Passenger Aviation Service Charges. These funds are managed by the Authority on behalf of the Government and transferred to the Consolidated Fund each fiscal year. In turn, JCAA receives a subvention from GOJ to fund its operations.

Regulatory Framework & Policies

1.6 The Ministry of Science, Energy, Technology and Transport (MSETT) is responsible for overall policy decision making in the transport sector, ensuring that the proper legal structures and infrastructures are in place to meet the needs of the sector.

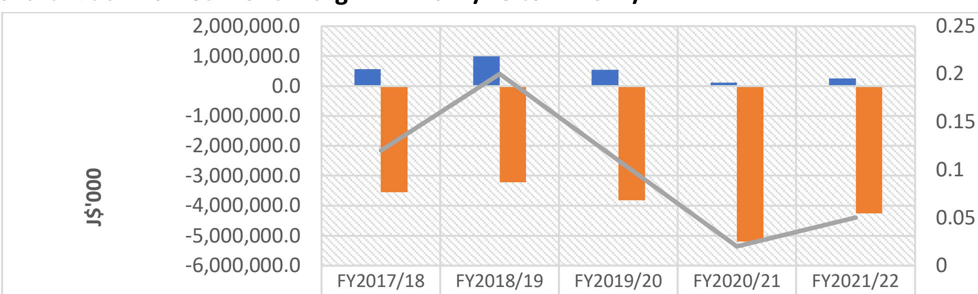
1.7 The JCAA regulates the aviation sector through the following Acts of Parliament: Civil Aviation Act, Pecuniary Penalty, Civil Aviation Regulations 2012- Reg. 251 – Corrigendum, Civil Aviation Regulations (2012), Carriage by Air (Montreal Convention) Act (2009), The Civil Aviation (Air Transport Licensing) Regulations (1966) as amended and The Airports (Economic Regulation) Act (2002).

Part Two: Financial Statement Analyses

JCAA's Net Profit fluctuated but remained sound for the period

2.1 The JCAA recorded fluctuating net profit for the review period. Net profits increased to $994.4 million in FY2018/19 from $567.1 million in FY2017/18 but fell by 45.2 per cent to $544.6 million in FY2019/20. The downward trajectory continued with a sharp fall by 78.6 per cent to $116.7 million in FY2020/21 amidst the COVID-19 pandemic, which negatively impacted airway movements and curtailed operating revenue in the face of increasing expenditure. The fallout from the Authority's income was mitigated during the COVID-19 period with the introduction of the resilient corridor[2], which supported the tourism industry and in turn the aviation industry. Nonetheless, the entity remained profitable in FY2020/21 bolstered by an increase in Government subvention to $5.3 billion from $4.4 billion in previous year and higher finance income of $415.1 million. Net profit returned to an upward trajectory of $253.5 million in FY2021/22 primarily supported by the rise in the Authority's two principal sources of revenue[3], given some recovery in global air and passenger traffic from the COVID-19 pandemic[4] but was below the five-year average of $495.3 million. The JCAA's net profit margin followed a similar trend ranging from its highest of 0.20 in FY2018/19, falling to 0.02 in FY2020/21 and rising again to 0.05 in FY2021/22. The net profit margin ratio indicated that for FY2017/18, JCAA recorded 12 cents in profit for each dollar of income received, relative to 5 cents in FY2021/22 (**Chart 1**).

Chart 1: JCAA's Net Profit Margin - FY2017/18 to FY2021/22



	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Net Profit/Loss(inc. GOJ Subvention)	567,147.0	994,363.0	544,581.0	116,724.0	253,546.0
Net Profit/Loss(Net of GOJ Subvention)	-3,547,394.0	-3,217,062.0	-3,816,711.0	-5,201,660.0	-4,257,000.0
Net Profit Margin(with GOJ Subvention)	0.12	0.2	0.11	0.02	0.05

Source: JCAA Audited Financial Statement

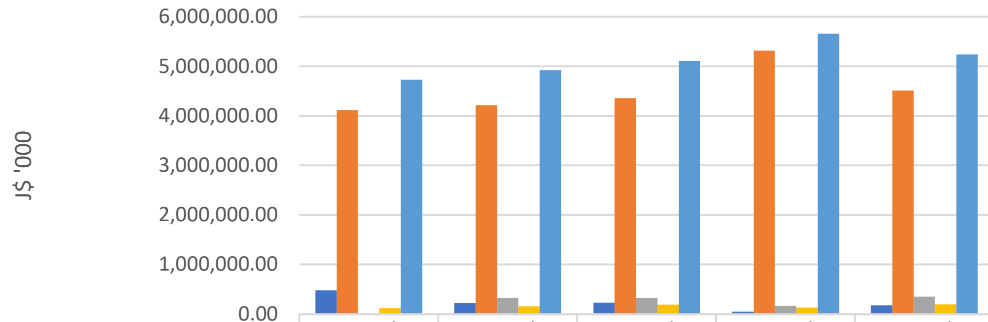
[2] The GoJ established three COVID-19 Resilient corridors in 2020 to enable tourists to visit attractions located along the corridors while tracing the movement of visitors in an effort to minimize the spread of COVID-19. These are the North Coast from Negril to Port Antonio; the South Coast from Milk River to Negril and Kingston Business District.

[3] Passenger Aviation Service Charge (PASC) and Aviation Navigation fees.

[4] Annual Report FY2021/22

2.2 JCAA's net profits over the review period were primarily generated from Passenger Aviation Fees, Aviation Navigation Fees, and Appropriation-in-Aid (AIA[5]). For FY2021/22, total income amounted to $5.2 billion, marginally below the $5.7 billion received in FY2020/21 but above the $4.7 billion recorded in FY2017/18. Over the review period, total income was underpinned by GoJ 'Subvention'[6], which averaged 87.6 per cent ($4.5 billion) of the total Income per annum.

Chart 2: JCAA's Total Income FY2017/18 to FY2021/22



	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Operating Revenue*	477,466.00	225,877.00	230,813.00	46,470.00	176,003.00
Government subvention	4,114,541.00	4,211,425.00	4,361,292.00	5,318,384.00	4,510,546.00
Appropriation in aid: Communication fees	13,151.00	326,100.00	327,181.00	163,825.00	352,748.00
Appropriation in aid: Other operating income	122,351.00	159,703.00	189,869.00	133,838.00	199,055.00
Total Income	4,727,509.00	4,923,105.00	5,109,155.00	5,662,517.00	5,238,352.00

Source: JCAA Audited Financial Statement

*Air Navigation fees, Passengers Service Charges, Communication Fees (Net of Transfers to Consolidated Fund)

JCAA's expenditure was impacted by staff and COVID-19 related cost.

2.3 The JCAA's total expenditure reflected mostly an increasing trend for the review period. It increased from $4.1 billion in FY2017/18 to its highest of $6.0 million in FY2020/21, thereafter, declining to $5.3 billion in FY2021/22. The uptick in expenditure largely reflected an increase in Staff costs, which included Salary, Wages and Statutory contribution and Staff Welfare, which together averaged 64.6 per cent of total expenditure over the review period. In FY2020/21, following negotiations, the category Salary, Wages and Statutory Contributions grew to $3.6 billion, reflecting the increased amount and retroactive payments implemented during the period.

2.4 The JCAA's expenditure increased in FY2020/21 largely due to escalating operational costs in areas such as essential health and safety supplies, and the engagement of a medical firm to support its COVID-19 response. Over the review period, the entity reduced its Maintenance

[5] AIA- This represents regulatory, technical, communication and other fees such as (permit application fees, License fees, Examination fees, Equipment rental and maintenance, regulatory fees) recognized as income, to meet the expenditure of the Authority as approved by the Government of Jamaica.

[6] For JCAA, GOJ Subvention refers to the portion of funds returned to JCAA after the entity transfers receipts from their operations to the Consolidated Fund.

and Repair costs by 53.2 per cent to $73.1 million in FY2021/22 from $156.4 million in FY2017/18 tempering a 251.0 per cent increase in Depreciation cost of $192.8 million to $676.6 million for the same period.

Table 1: JCAA's Total Expenditure for FY2017/18-FY2021/22

	FY2021/22	FY2020/21	FY2019/20	FY2018/19	FY2017/18
	$'000	$'000	$'000	$'000	$'000
Audit Fees	6,504.0	7,683.0	6,200.0	5,401.0	4,823.0
Depreciation	676,595.0	638,504.0	467,668.0	388,392.0	192,750.0
Impairment loss net					9,483.0
Amortisation of right-of-use-asset	6,184.0	6,185.0	6,185.0	-	-
Expected credit losses	54,899.0	38,590.0	124,218.0	(126,527.0)	-
Salaries, wages and Statutory contributions	2,924,919.0	3,647,370.0	2,544,140.0	2,165,607.0	2,406,976.0
Staff Welfare	443,831.0	545,488.0	457,806.0	366,492.0	348,919.0
Utilities	139,227.0	135,365.0	118,879.0	118,641.0	95,373.0
Repairs and maintenance	73,145.0	88,094.0	114,107.0	100,976.0	156,373.0
JDF search and rescue				3,597.0	15,292.0
Other	954,562.0	853,603.0	1,172,103.0	1,035,298.0	897,960.0
Total Expenditure	**5,279,866.0**	**5,960,882.0**	**5,011,306.0**	**4,057,877.0**	**4,127,949.0**

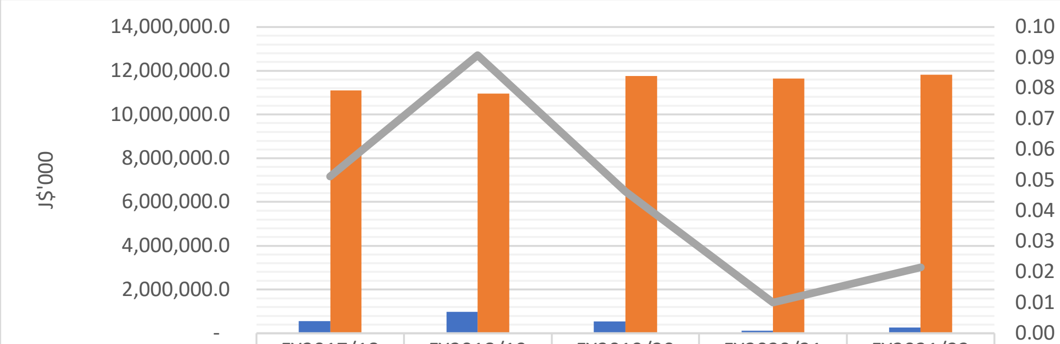
Source: JCAA's Audited Financial Statement

JCAA's return on assets influenced by the movement of the entity's bottom line

2.5 The JCAA's return on asset ratio[7] fluctuated between 0.01 and 0.09 over the review period, reflecting similar trends to net profit. The ratio indicated that the JCAA earned a net profit between 1 cent and 9 cents for every dollar of asset invested over the period. Over the five-year period, JCAA's total assets were at its lowest of $10.9 billion in FY2018/19 but rose to a high of $11.8 billion in FY2021/22. For the review period, the Authority's total assets averaged $11.5 billion. The movement in total assets was primarily underpinned by a 25.0 per cent increase in Property, Plant and Equipment, to its highest value of $6.6 billion in FY2019/20 from $5.3 billion in FY2017/18. Thereafter, the Authority's assets recorded a steady decline over the next two financial years. Short-term investments also contributed with a 96.6 per cent increase to $3.3 billion in FY 2021/22 from $1.7 billion in FY2017/18. Overall, growth in total assets was tempered by a decline of 44.4 per cent in Cash and Cash equivalent, which moved to $1.7 billion in FY2021/22 from $3.2 billion in FY2017/18.

[7] The return on assets ratio indicates how well management is employing the company's total assets to make a profit. The higher the return, the more efficient management is in utilizing its asset base.

Chart 3: Showing JCAA's Return on Assets for FY2017/18-FY2021/22

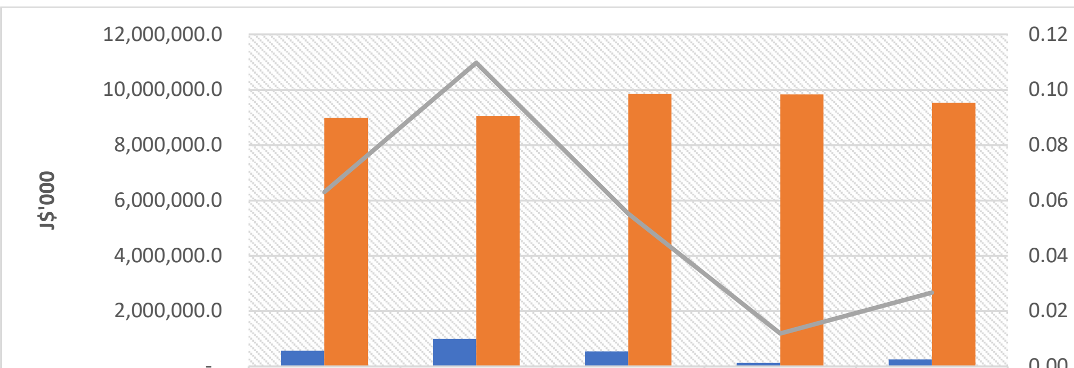


	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Net Income	567,147.0	994,363.0	544,581.0	116,724.0	253,546.0
Total Assets	11,098,394.0	10,949,366.0	11,747,170.0	11,644,307.0	11,823,688.0
Return on Asset	0.05	0.09	0.05	0.01	0.02

Source: JCAA Audited Financial Statement

2.6 The return on equity ratio, which indicates how well the JCAA used its funds to generate profits, exhibited a similar trend to that of the net profit margin over the review period. The ratio moved from its highest of 0.11 in FY2018/19 to its lowest of 0.01 in FY2020/21 attributable to depressed income from COVID-19 conditions. Of note, the shareholder's equity moved marginally by 6.0 per cent to $9.5 billion in FY2021/22 relative to $9.0 billion in FY2017/18. This was supported by Retained Earnings, which remained relatively stable and averaged $7.5 billion (per annum), and a 128.6 per cent increase in the Revaluation Reserve over the review period.

Chart 4: Showing JCAA's Return on Equity for FY2017/18-FY2021/22



	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Net Income	567,147.0	994,363.0	544,581.0	116,724.0	253,546.0
Equity	8,984,805.0	9,057,165.0	9,858,351.0	9,832,805.0	9,525,220.0
Return on Equity	0.06	0.11	0.06	0.01	0.03

Source: JCAA Audited Financial Statement

JCAA's State of Liquidity

2.7 JCAA's liquidity ratios were consistently positive over the five-year review period, indicating that the entity had adequate liquidity and hence there was no need for the entity to borrow to cover day-to-day operations. As a result, the entity, over the period, did not incur any financing costs that could negatively affect its profitability and liquidity. JCAA's cash ratio and current ratio were comfortably above the 1.2 financial criterion of the FAA Regulation (2015), and the wider industry standards of 1.0 and 1.5, respectively. The JCAA exceeded the threshold over the period with average performance of 1.81 and 4.80, respectively.

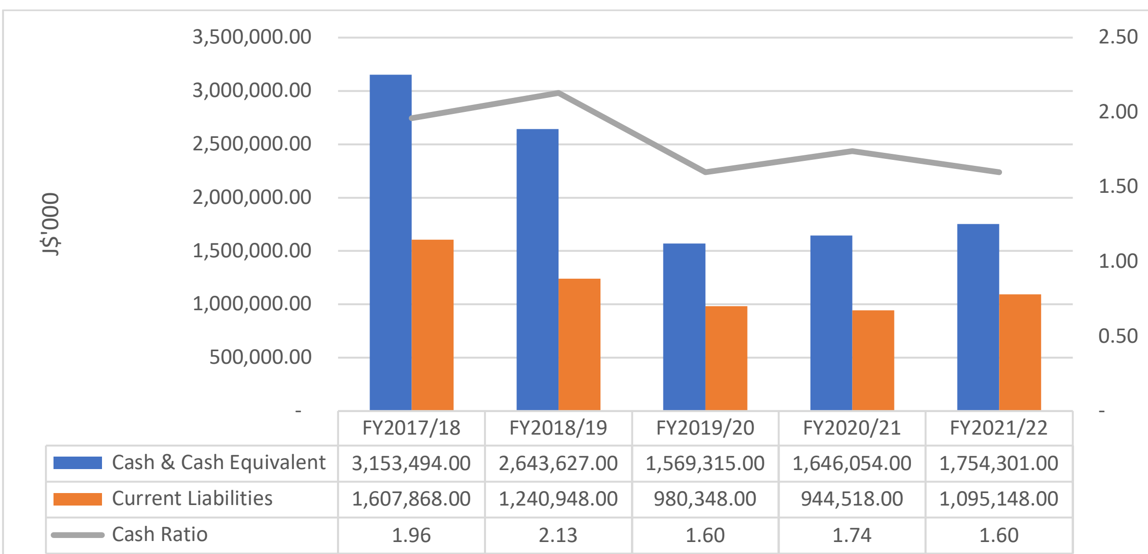
Table 2: Liquidity Ratios – Financial Years 2017/18 to 2021/22

Financial Year	2021/22	2020/21	2019/20	2018/19	2017/18
Current Ratio	5.55	5.67	5.10	4.12	3.56
Quick Ratio	5.53	5.63	5.07	4.10	3.55
Cash Ratio	1.60	1.74	1.60	2.13	1.96

Source: AuGD calculations

2.8 The Cash Ratio which moved to 1.60 in FY2021/22 relative to 1.96 in FY2017/18, a difference of 0.36, peaked at 2.13 in FY2018/19 reflecting a 22.8 per cent decline in current liabilities which overshadowed the 16.2 per cent decrease in cash and cash equivalents. Over the five-year period for every $1 of liability, JCAA had on average $1.81 in cash and cash equivalents on hand to pay its short-term obligations to its creditors.

Chart 5: Showing JCAA's Cash Ratio for FY2017/18-FY2021/22

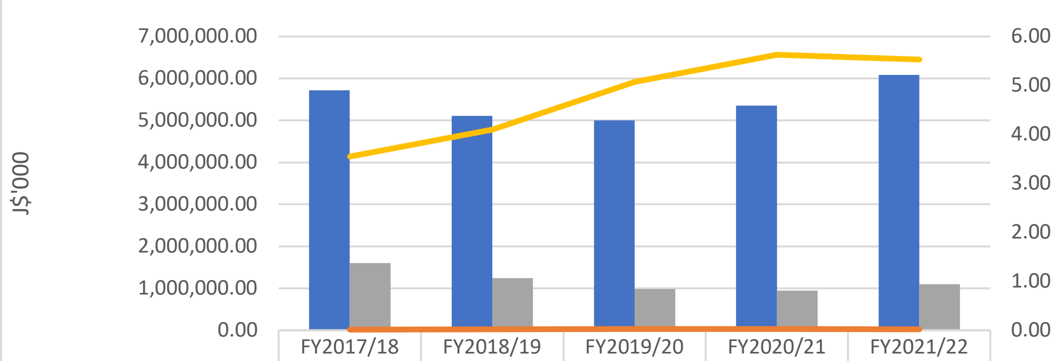


Source: JCAA Financials and AuGD calculations

2.9 **JCAA's current ratio averaged 4.80 and fluctuated over the five-year review period recording a slight decline of 0.12 in FY2021/22 relative to FY2020/21.** Nevertheless, the entity maintained an adequate amount of current assets to cover its short-term obligations, indicating reasonable financial viability and health. We noted that JCAA has achieved the criteria set out by the FAA Regulations, which speaks to the attainment of a current ratio of at least 1.2 times.

2.10 **JCAA's Quick (Acid Test) Ratio was virtually the same as the Current Ratio because the entity had no significant inventories**. Inventories are purchased as the need arises due to the rapid changes in technology. According to financial statements, JCAA's Acid Test Ratio shows an increase of 1.98 over the period moving from 3.55 in FY2017/18 to 5.53 in FY2021/22. Of note, the inventory averaged $24.6 million over the period and was relatively a small amount of the total current assets (0.5 per cent) as such the acid test ratio exhibits a similar trend to that of its current ratio.

Chart 6: Showing JCAA's Liquidity Ratios for FY2017/18-FY2021/22



	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Current Assets	5,717,672.00	5,112,150.00	5,000,721.00	5,352,427.00	6,081,050.00
Current Liabilities	1,607,868.00	1,240,948.00	980,348.00	944,518.00	1,095,148.00
(Inventories)	16,988.00	22,997.00	27,507.00	31,896.00	23,415.00
Acid Quick Ratio	3.55	4.10	5.07	5.63	5.53

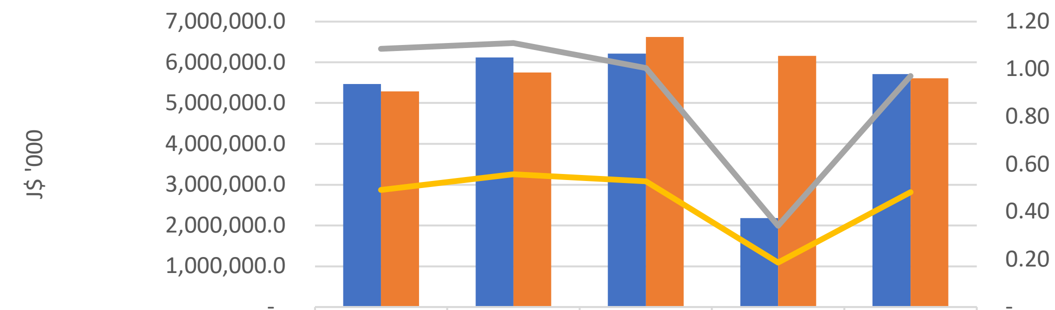
Source: JCAA Audited Financial Statements and AuGD calculations

JCAA's Asset turnover ratios fluctuated throughout the review period

2.11 Activity ratios are used to gauge how efficiently a company generates revenue from its resources. More specifically, activity ratios measure how companies use assets and working capital to generate sales. To provide a fair assessment of the Authority's efficiency, activity ratios have been calculated using the total collections by the Authority instead of the amount identified as total revenue in the audited financial statements as not all amounts collected by the group is retained to fund operations. JCAA's total asset turnover ratio fluctuated throughout the review period as the ratio increased to 0.53 in FY2019/20 from 0.49 in FY2017/18 before reducing to 0.48 in FY2021/22. Therefore, for the five-year period reviewed, the Authority generated an average of 45 cents for each dollar invested in assets. This was in the context where JCAA's total assets increased by 6.5 per cent over the period reflecting increases in Property, Plant and Equipment, Right-of-use assets, Short-term investment, and Other Assets.

2.12 The fixed asset turnover ratio is a measure of the entity's ability to generate revenue relative to the value of all its assets. JCAA's fixed asset turnover ratio fluctuated over the five-year review period averaging 0.90 and peaking at 1.11 in FY2018/19. Hence for the review period, for each dollar invested in fixed assets, the JCAA generated on average 90 cents in sales indicating a high level of efficiency in the use of its assets. For FY2021/22, the ratio was 0.97 increasing from 0.34 in FY2020/21 and relative to 1.09 in FY2017/18.

Chart 7: JCAA's Fixed Asset Turnover Ratio FY2017/18 to FY2021/22



	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Total Collections	5,467,349.8	6,118,840.2	6,208,932.4	2,181,562.6	5,710,418.1
Fixed Asset	5,289,345.0	5,747,020.0	6,613,566.0	6,155,932.0	5,605,339.0
Fixed Asset Turnover Ratio	1.09	1.11	1.00	0.34	0.97
Total Asset Turnover Ratio	0.49	0.56	0.53	0.19	0.48

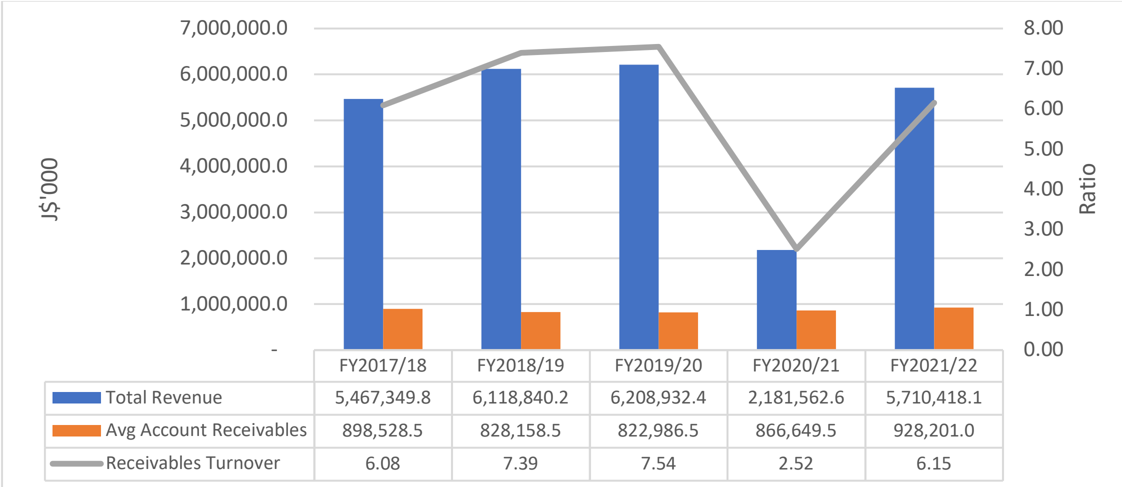
Source: JCAA Audited Financial Statements

2.13 JCAA's fixed assets comprise land and buildings, equipment, furniture and fixtures, motor vehicles and work-in-progress. Work-in-progress represented the upgrade of the navigational systems, supply and installations of radar, improvements projects for facilities, enterprise resource planning systems and enterprise-wide closed-circuit television (CCTV) systems. Property, Plant and Equipment reflected an increasing trend, moving to $5.6 billion in FY2021/22, from $5.3 billion in FY2017/18 and peaking at 6.6 billion in FY2019/20. Of note, Property Plant and Equipment increased by 15.1 per cent at end-March 2020 reflecting a revaluation of certain computer, equipment, furniture, and fixtures.

2.14 Prior to the global health crisis in 2020 (COVID-19), JCAA's receivables turnover ratio displayed an increasing trend moving to 7.54 in FY2019/20 from 6.08 in FY2017/18. With a significant reduction in air traffic flows there was a 64.9 per cent decline in total revenue collected by the authority in FY2020/21. However, the receivables turnover ratio rebounded to 6.15 in FY2021/22 from a low of 2.52 in FY2020/21.

2.15 JCAA's receivables over the period mainly comprised trade receivables (58.7 per cent), staff loans (18.2 per cent), and prepayments (8.1 per cent). While trade receivables and prepayments fluctuated, staff loans on the other hand displayed an increasing trend moving to $200.0 million in FY2021/22 from $98.1 million in FY2017/18 (104.0 per cent). Nevertheless, JCAA's high and positive receivables turnover ratio suggested that the Authority was proficient in managing its short-term credit arrangements.

Chart 8: JCAA's Receivables Turnover Ratio FY2017/18 to FY2021/22



Source: JCAA Audited Financial Statements

2.16 The Authority accrues trade receivables in the form of Air Navigation and AFTN fees[8], Passenger air service charges and Other. Air Navigation and AFTN fees make up the majority of the Authority's receivables and accounted for an average of 65.6 per cent of trade receivables for the period reviewed. The Authority makes impairment provision for all trade receivables; however, receivables are considered aged after 30 days. Total aged receivables fluctuated throughout the period ranging between $323.9 million and $572.7 million. There was a significant increase by 59.4 per cent in FY2021/22 reflecting a 334.8 per cent increase in receivable 31-60 days past due.

Table 3: JCAA's Receivables FY2017/18 to FY2021/22

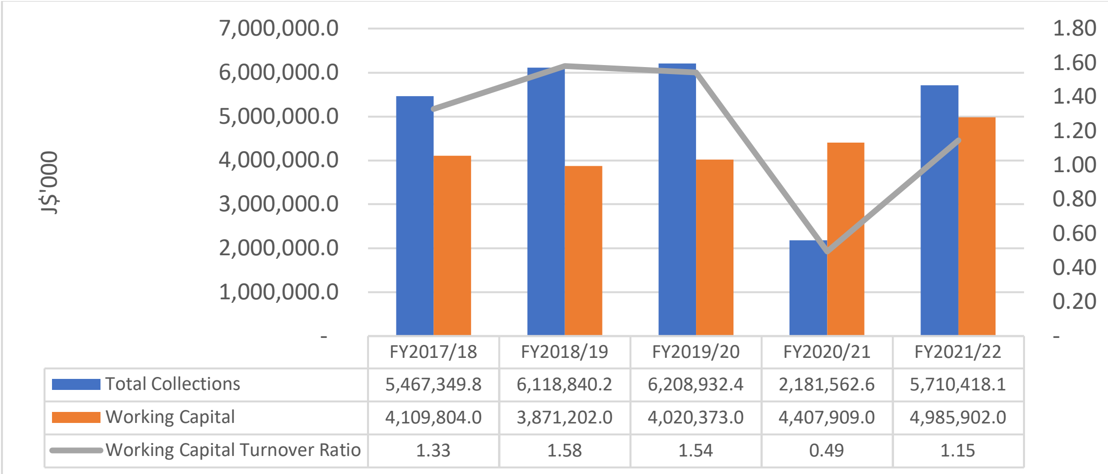
J$ '000	FY2021/22	FY2020/21	FY2019/20	FY2018/19	FY2017/18
Not past due	537,021	364,187	585,610	491,198	472,393
Past due 31-60 days	126,272	29,041	61,561	121,050	122,759
Past due more than 60 days	446,477	330,366	262,333	287,626	211,398
Total aged receivables	**572,749**	**359,407**	**323,894**	**408,676**	**334,157**

Source: JCAA Audited Financial Statements

2.17 JCAA's working capital displayed a positive trend over the five-year review period moving to a high of $5.0 billion in FY2021/22. Positive working capital indicates that a company has adequate current assets to finance its current liabilities. Further, positive working capital suggests that an entity has funds that may be used for activities and potential investments instead of acquiring additional long-term debt. The working capital turnover ratio increased to 1.58 in FY2018/19 from 1.33 in FY2017/18 but fell to 0.49 in FY2020/21 consequent on the pandemic before rebounding to 1.15 in FY2021/22.

[8] Aeronautical Fixed Telecommunication Network Fees

Chart 9: JCAA's Working Capital Turnover Ratio FY2017/18 to FY2021/22



Source: JCAA Audited Financial Statements

The liabilities of the JCAA declined for majority of the review period.

2.18 The JCAA had a relatively stable debt ratio over the period. The debt ratio highlights the portion of an entity's assets that are funded by debt, a debt ratio higher than 1 is usually regarded as risky and can result in a company experiencing insolvency problems. Over the review period, the debt ratio fluctuated between 0.16 and 0.19. The debt ratio declined in FY2018/19 and FY2019/20 owing to reductions of 22.8 per cent and 21.0 per cent in current liabilities, respectively. However, a 16.0 per cent increase in current liabilities in FY2021/22 resulted in the debt ratio increasing to 0.19 from the 0.16 recorded in FY2020/21.

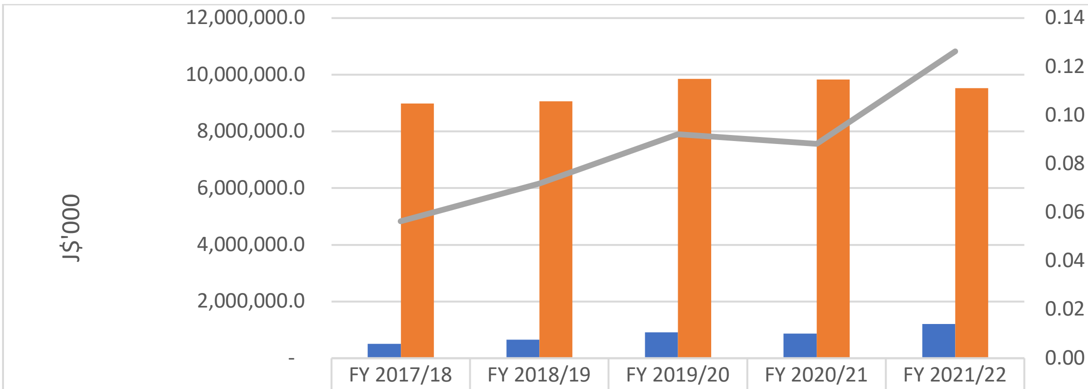
Table 4: JCAA's Debt Ratio FY2017/18 to FY2021/22

	FY2021/22	FY2020/21	FY2019/20	FY2018/19	FY2017/18
Item	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**	**J$ '000**
Total Assets	11,823,688.00	11,644,307.00	11,747,170.00	10,949,366.00	11,098,394.00
Total Liabilities	2,298,468.00	1,811,502.00	1,888,819.00	1,892,201.00	2,113,589.00
Equity	9,525,220.00	9,832,805.00	9,858,351.00	9,057,165.00	8,984,805.00
Payables	1,088,254.00	938,089.00	959,410.00	1,240,948.00	1,598,868.00
Debt to Assets	0.19	0.16	0.16	0.17	0.19
Debt to Equity	0.24	0.18	0.19	0.21	0.24

Source: JCAA Audited Financial Statements

2.19 The debt-to-equity ratio measures the financial leverage of a company by comparing total liabilities to shareholder's equity. The debt-to-equity ratio primarily indicates how a company finances its operations. The JCAA's debt-to-equity ratio declined consistently between FY2017/18 to FY2020/21, moving from 0.24 at end-FY2017/18 to 0.18 at FY2020/21. However, following this declining trend, an increase in liabilities resulted in the debt-to-equity ratio increasing to 0.24 at end-FY2021/22. The increase in the JCAA's debt was due to the post employment benefit obligation increasing by 46.5 per cent. The long-term debt to equity ratio for the JCAA increased steadily over the review period and was 0.13 at FY2021/22 compared to the 0.06 recorded at FY2017/18. Throughout the period, the JCAA's long-term debt to equity ratio consistently remained below the 2.5 threshold established in the Fiscal Responsibility Framework Regulations (2015).

Chart 10: JCAA's Long-term Debt to Equity Ratio FY2017/18 to FY2021/22



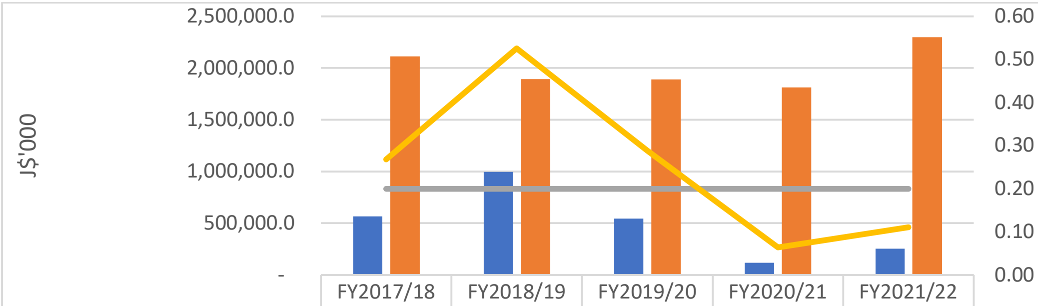
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Long-term debt	505,721.0	651,253.0	908,471.0	866,984.0	1,203,320.0
Equity	8,984,805.0	9,057,165.0	9,858,351.0	9,832,805.0	9,525,220.0
Long-term debt to equity	0.06	0.07	0.09	0.09	0.13

Source: JCAA Audited Financial Statements

JCAA's solvency position impacted by a fall in revenue during the COVID-19 pandemic.

2.20 The solvency ratio evaluates an entity's ability to meet its financial obligations in the long run. For the period FY2017/18 to FY2019/20, the solvency ratio was above the 0.20 threshold. However, this trend was reversed in FY2020/21 and FY2021/22 when the solvency ratio was 0.06 and 0.11, respectively. The significant reduction in the entity's solvency position in FY2020/21 was due to the travel restrictions arising from the COVID-19 pandemic, which contributed to a 78.6 per cent decrease in the JCAA's net income. However, a gradual resurgence in air traffic movement and passenger movements saw net income increasing by 117.2 per cent in FY2021/22.

Chart 11: JCAA's Solvency Ratio FY2017/18 to FY2021/22



	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
Net income	567,147.0	994,363.0	544,581.0	116,724.0	253,546.0
Total Liabilities	2,113,589.0	1,892,201.0	1,888,819.0	1,811,502.0	2,298,468.0
Solvency Threshold	0.20	0.20	0.20	0.20	0.20
Solvency Ratio	0.27	0.53	0.29	0.06	0.11

Source: JCAA Audited Financial Statements

Appendix 1: Definitions of Selected Ratios and Formulas

Profitability Ratios

Net Profit Margin – refers to the ratio of an entity's net income to sales and measures how much of each dollar of sales is left over after all expenses.

$$Formula = \frac{Net\ Income}{Sales}$$

Rate of Return on Assets – refers to the ratio of net income to total assets. This indicates the amount earned on each dollar of assets.

$$Formula = \frac{Net\ Income}{Total\ Assets}$$

Return on Equity – refers to the profitability of a business in relation to their equity. This indicates the efficiency of an entity at generating income from its equity financing.

$$Formula = \frac{Net\ Income}{Total\ Equity}$$

Liquidity Ratios

Cash Ratio – refers to the ratio of cash and cash equivalents to current liabilities and measures an entity's ability to pay off its current liabilities with only cash and cash equivalents.

$$Formula = \frac{Cash + Cash\ equivalents}{Current\ Liabilities}$$

Current Ratio - refers to the ratio of current assets to current liabilities and indicates an entity's ability to meet current liabilities with its current assets.

$$Formula = \frac{Current\ Assets}{Current\ Liabilities}$$

Acid Test Ratio - refers to the ratio of current assets to current liabilities, excluding inventories and provides a more conservative measure of a company's liquidity.

$$Formula = \frac{Current\ Assets - Inventory}{Current\ Liabilities}$$

Activity Ratios

Total Asset Turnover Ratio – refers to the ratio of sales to assets and indicates the extent to which an entity's investment to total assets results in sales.

$$Formula = \frac{Sales}{Total\ Assets}$$

Fixed Asset Turnover Ratio - refers to the ratio of sales to fixed assets and indicates the extent to which an entity employs its fixed assets to generate sales.

$$Formula\ = \frac{Sales}{(Beginning + Ending\ Net\ Fixed\ Assets)/2}$$

Working Capital Turnover ratio – refers to the ratio of sales to working capital (current assets less current liabilities). This measures the company's efficiency in its use of working capital.

$$Formula = \frac{Sales\ (Commercial\ Icome)}{Working\ Capital}$$

Receivable Turnover ratio - refers to the ratio that measures the rate at which a company collects its accounts receivables.

$$Formula = \frac{Credit\ Sales\ (Commercial\ Income)}{Average\ Accounts\ Receivables}$$

<u>Debt and Solvency Ratios</u>

Debt-to-Assets (Debt Ratio) – refers to the ratio of an entity's debt to total assets and measures the proportion of assets that are financed with debt.

$$Formula = \frac{Total\ Liabilities}{Total\ Assets}$$

Debt-to-Equity – refers to the ratio of an entity's debt to total equity and indicates the relative use of debt and equity as sources of capital to finance the entity's assets.

$$Formula = \frac{Total\ Liabilities}{Total\ Equity}$$

Long-term Debt to Equity – refers to the ratio of an entity's long-term debt to equity. It is used to gauge the risk of the entity becoming bankrupt.

$$Formula\ = \frac{Long\ term\ Debt}{Equity}$$

Solvency Ratio – this ratio provides an indication of the company's ability to meet its long-term debt obligations. It indicated whether a company's cash flow is sufficient to meet its long-term liabilities and thus is a measure of its financial health.

$$Formula\ = \frac{Net\ Income}{Total\ Liabilities}$$

Appendix 2: Criteria for Financial Standards - FAA Act (Amended) 2015, Regulations:

	Selected Criteria for Public Entities not forming part of the specified public sector (Financial Standards)	Met/ Not Met
1.	The auditor of the public body has expressed an unqualified opinion on the financial statements of the public body, including an opinion that the accounts comply with the International Financial Reporting Standards (IFRS).	Met
2.	Annual reports, including audited financial statements of the public body have been submitted in accordance with section 3(2) of the *Public Bodies Management and Accountability Act.*	Met
3.	The public body has, on average over the three preceding financial years, recorded a positive net profit after tax, on a stand-alone basis or, if applicable, on a consolidated basis.	Met
4.	At least one of the following provisions apply in respect of a public body -	
	a) The average long-term debt to equity ratio of the public body (on a stand-alone basis, or, if applicable, on a consolidated basis) over the three preceding financial years is no more than 2.5, where long term debt means debt that is due over a period that is longer than one year,	Met
	b) The positive working capital and current ratio of the public body (on a stand-alone basis, or if applicable, on a consolidated basis) is at least 1.2, where current ratio means current assets divided by current liabilities.	Met