ANNUAL REPORT 2019

LEADING THE WAY

Nassau Airport Development Company

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COVER IMAGE: *The Way* by Dede Brown

Located within the International Arrivals Terminal at Lynden Pindling International Airport. Artwork commissioned by Vantage Airport Group for LPIA to celebrate the 10th anniversary of the airport's redevelopment.

LETTER FROM THE CHAIRMAN

"This has truly been a spectacular year for LPIA, and I look forward to seeing what we can accomplish together next year."

FY2019 was quite simply NAD's best year ever. Over 3.9 million passengers travelled through the airport – an increase of 14.4 per cent over last year. Revenues also rose to $108.2 million with NAD finishing the year with a profit of $7.8 million. The driver behind this breathtaking growth was undoubtedly the opening of Baha Mar and the significant marketing push that accompanied it. Additional marketing campaigns by existing hotels Atlantis, Paradise Island and Sandals Royal Bahamian along with the Ministry of Tourism and Nassau Paradise Island Promotion Board had the effect of further raising the profile of The Bahamas as a vacation destination.

This impressive growth was most felt during the first quarter of 2019 with passenger volumes growing by 29 per cent year over year in February and 12.8 per cent in March. Even with this unprecedented increase in passenger traffic, NAD was still able to maintain and even improve its customer service standards – earning its highest score ever for cleanliness. This is thanks to the tremendous support and cooperation that NAD has received from its airport partners as well as the addition of 36 new employees to NAD's team of 252 people.

As the operations department was dealing with increased passenger traffic, the finance team was taking steps to improve NAD's financial situation. At the end of December 2018, NAD refinanced its participating debt, which reduced its interest rate from 13 per cent to 7.5 per cent, saving NAD millions of dollars annually in interest costs. What's more, the debt was refinanced locally, which means that the interest that NAD does pay will no longer go offshore, but instead stay in The Bahamas – another way that NAD is delivering a return for the local economy.

Thanks to higher revenues from increased passenger traffic and lower costs following the debt restructuring, NAD was able to undertake significant investment projects that will help improve the operational efficiency of the airport and set it up for future growth. One such project is the $20-million rehabilitation of Runway 09/27 and Taxiway India that will upgrade and increase the lifespan of this key part of LPIA's airside infrastructure.

While NAD's success this past year is something to celebrate, it is also important to recognise that such fast-paced growth cannot go on forever. Nassau hotels are already reporting close-to-capacity occupancy rates as the additional rooms created by Baha Mar have been absorbed by the market. Until more hotel capacity is brought online, we should expect passenger traffic growth to slow down to a more moderate level.

On behalf of the Board of Directors, I would like to thank the entire NAD team and all of our airport partners for their hard work and dedication over the past 12 months. This has truly been a spectacular year for LPIA, and I look forward to seeing what we can accomplish together next year.

Walter Wells
Chairman

LETTER FROM THE PRESIDENT

"By continually improving and investing in LPIA, we are leading the way to a better airport for Nassau and a brighter future for all Bahamians."

To say that 2019 surpassed all expectations would be an understatement. The long-awaited opening of Baha Mar and the multimillion-dollar advertising spend that accompanied it generated a tourism boom that led to NAD registering its best year ever in terms of passenger numbers and revenue.

The fears that Baha Mar would cannibalise guests from existing hotel properties proved to be unfounded. In fact, tourist traffic was even higher than the extra capacity created by Baha Mar because of the growing popularity of Airbnb and other short-term rental platforms. All of this meant that LPIA was faced with an unprecedented level of passenger traffic.

I would like to thank all of our partners and stakeholders for everything that they did to help us respond to this increased demand – from our airline partners who added capacity on their Nassau routes to the Airport Authority, Bahamas Immigration, Bahamas Customs, Nassau Flight Services, and U.S. Customs and Border Protection who assigned more staff and implemented operational changes to keep travellers moving smoothly and efficiently through the airport. I would also like to thank the entire NAD team who rose to the occasion and demonstrated that even with increased passenger traffic, we can still maintain and improve our standards of service.

What I am most proud of, though, is the investment that we have been able to make in our people. Over the past year, numerous NAD employees have had the opportunity to receive professional development training – with several of them going abroad to obtain ACI certifications. These certifications are key to our airport operations, and we are working to offer these courses at LPIA so that even more of our employees can benefit from them.

The past year also marked the final year of our five-year strategic plan. Since 2015, this plan has served as a roadmap for NAD as we pursue our goal of becoming one of the world's leading airports. Looking back over the past five years, I am tremendously pleased with the progress that we have made and the enviable position we now find ourselves in. We have gone from being in profit assurance mode to now being able to invest in capital projects that will shape the future of LPIA.

As the gateway to The Bahamas, LPIA plays a critical role in supporting the growth and success of our tourism industry and our economy as a whole. We at NAD recognise this and are committed to ensuring that LPIA continues to be an economic driver for the entire country. By continually improving and investing in LPIA, we are leading the way to a better airport for Nassau and a brighter future for all Bahamians.

Vernice Walkine
President and CEO

ABOUT US

As the main international gateway to The Bahamas, Lynden Pindling International Airport (LPIA) is the fourth busiest airport in the Caribbean. Named after Sir Lynden Pindling, the first prime minister of The Commonwealth of The Bahamas, the airport sits just west of the city of Nassau and a short drive from some of the finest resorts and hotels in the world.

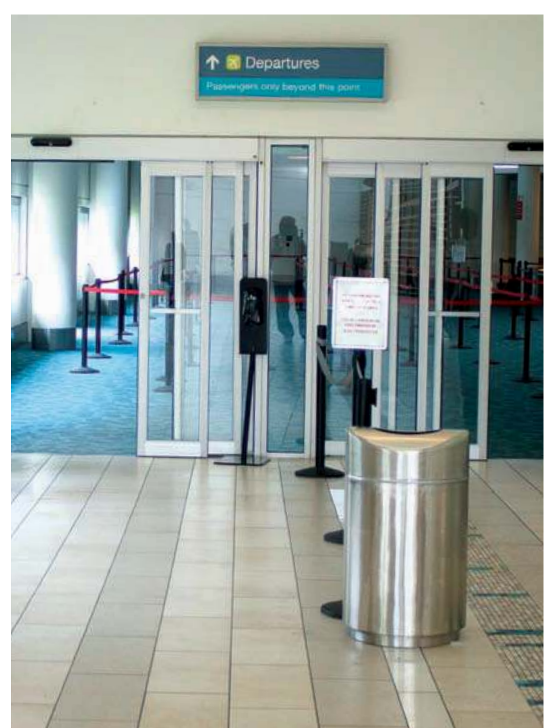
Services include scheduled and charter flights to the United States, Canada, Europe, Latin America and the Caribbean as well as a robust domestic travel sector. In FY2019, LPIA served close to four million passengers and safely handled more than 90,000 commercial aircraft take-offs and landings.

Nassau Airport Development Company Limited (NAD) is a Bahamian company owned by the government of The Bahamas and operated by Vantage Airport Group, making LPIA part of Vantage's worldwide network.

In April 2007, NAD signed a 30-year lease with the government to manage and operate LPIA on a commercial basis while providing Bahamians with opportunities for business and investment. This lease has since been extended for another 20 years until April 1, 2057.

NAD is responsible for the majority of LPIA's infrastructure including parking lots, terminals, runways and taxiways and all revenue-generating and commercial development projects. As a private company, NAD receives no government guarantees or grants and is a self-sustaining commercial entity based on international best practices.

Vantage Airport Group is an industry-leading investor, developer and manager of airports around the world. In its 25-year history, Vantage has worked with more than 30 airports, developing and implementing best practices that result in financially stronger, more sustainable, better connected airports for the communities they serve. Its current network is composed of 10 airports on two continents, including LPIA, LaGuardia Central Terminal B in New York and Chicago Midway International. Together, Vantage airports served more than 57.7 million passengers in 2018, travelling on 150 different airlines.

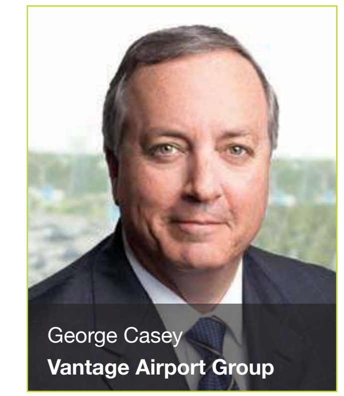


BOARD OF DIRECTORS & MANAGEMENT TEAM

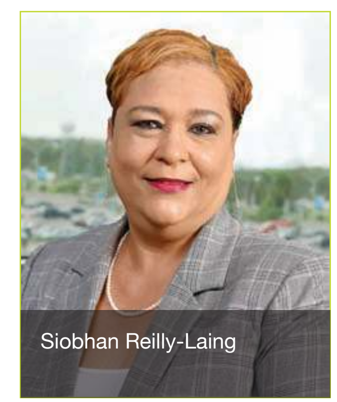
NAD is governed by a board with seven directors.

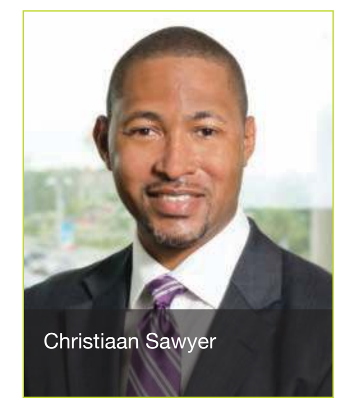

Walter Wells
Chairman


Pastor Lyall Bethel


George Casey
Vantage Airport Group


Andrew Malone


Siobhan Reilly-Laing


Christiaan Sawyer


Vincent Wallace-Whitfield

NAD is led by an Executive Management team with expertise in airport operations, maintenance, finance, business and marketing.


Vernice Walkine
President & Chief Executive Officer


Deborah Coleby
Vice-President of Operations


Jan Knowles
Vice-President of Marketing & Commercial Development


Kevin McDonald
Vice-President of Maintenance & Engineering


Paula Rigby
Vice-President of Finance & Chief Financial Officer

AIRLINES & DESTINATIONS

AIR CARRIERS:

Air Canada
American Airlines
Bahamasair
British Airways
Caribbean Airlines
Copa Airlines
Delta Airlines
Flamingo Air
InterCaribbean Airways
JetBlue Airways
LeAir Charter
Pineapple Air
Silver Airways
Sky Bahamas
Southern Air
Southwest Airlines
Sunwing Airlines
United Airlines
Western Air
WestJet

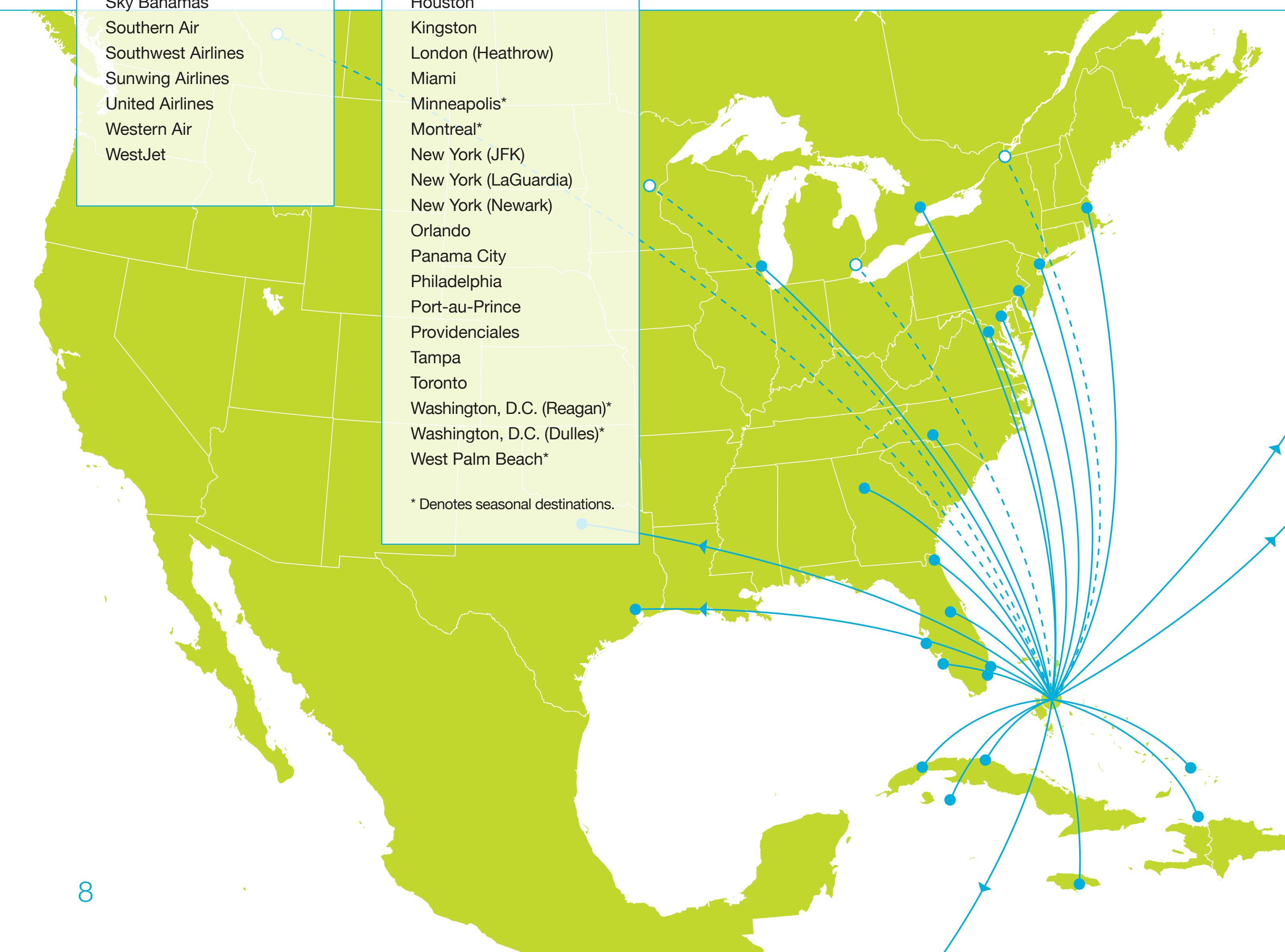
ROUTES:

Atlanta
Bahamas Family Islands
Baltimore
Boston*
Calgary*
Cap-Haïtien
Charlotte
Chicago*
Dallas*
Detroit*
Fort Lauderdale
Grand Cayman
Havana
Houston
Kingston
London (Heathrow)
Miami
Minneapolis*
Montreal*
New York (JFK)
New York (LaGuardia)
New York (Newark)
Orlando
Panama City
Philadelphia
Port-au-Prince
Providenciales
Tampa
Toronto
Washington, D.C. (Reagan)*
Washington, D.C. (Dulles)*
West Palm Beach*

* Denotes seasonal destinations.

With 20 airlines serving 54 destinations – 20 U.S., 11 international and 23 domestic – LPIA offers more travel options than any other airport in the Caribbean.

We serve three market segments: domestic, U.S. and international making us a key hub for passengers coming to The Bahamas or connecting to destinations in the U.S. or around the globe.



RESULTS SUMMARY

2019 AT A GLANCE

Passenger movements
3.9 m
Up 14.4%

Revenue
$108.2 m
Up 21%

Operating income
$78.1 m
Up 21.8%

Aircraft movements
90,182
Up 7.1%

Airlines: 20

Destinations: 54

	Passengers *in millions*	Aircraft Movements	Revenue *in millions*	Operating Expenses *in millions*	Retained Earnings (Deficit) *in millions*	Long Term Debt *in millions*
2019	3.9	90,182	$108.2	$30.0	($53.1)	$500.0
2018	3.5	84,182	$89.4	$25.3	($60.9)	$507.4
2017	3.3	78,512	$77.0	$23.9	($56.4)	$519.2
2016	3.3	83,158	$75.9	$25.0	($24.7)	$523.6
2015	3.3	85,006	$74.6	$25.5	($11.2)	$506.3
2014	3.2	85,900	$71.6	$24.6	$3.9	$513.3

STRATEGIC PLAN 2015-2019

In 2015, NAD launched a five-year strategic plan with an overarching objective to become one of the world's leading airports. As the organisation moves into the final year of this plan, we remain committed to delivering on its six key objectives while also preparing a new strategic plan that will set the course for the next half-decade at NAD.

1 WE'RE INVESTING IN OUR PEOPLE

2 WE'RE PROVIDING A SAFE, SECURE AND EFFICIENT OPERATION

3 WE'RE BUILDING CAPACITY TO MEET GROWTH POTENTIAL

4 WE'RE DELIVERING AN EXTRAORDINARY CUSTOMER EXPERIENCE

5 WE'RE MAINTAINING A FISCALLY RESPONSIBLE AND PROFITABLE OPERATION

6 WE'RE ENHANCING STAKEHOLDER RELATIONSHIPS

INVESTING IN OUR PEOPLE

As our airport grows and the aviation industry evolves, we have to ensure that our team members possess the skills they need to make LPIA a leading airport. For this reason, we continue to provide employees with ample opportunities to pursue skills training and obtain professional certifications. We also empower our employees to share their knowledge and training with other airports in the region.

PROFESSIONAL DEVELOPMENT TRAINING

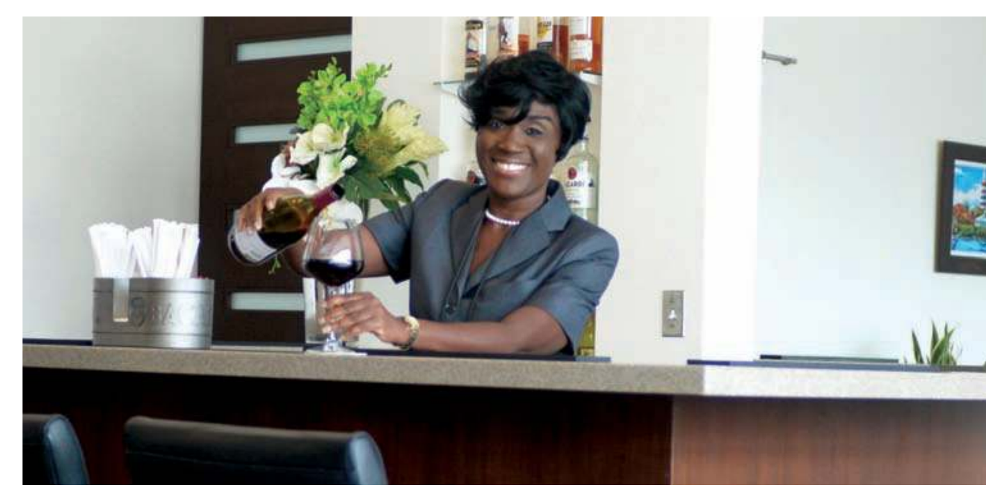
NAD has long recognised the importance that ongoing training and development has in helping employees perform at their full potential. That is why we provided opportunities for over 20 staff members to complete professional development training last year, either locally or abroad. The training received spanned a number of disciplines – from risk analysis and team leadership to environmental management and renewable energy.

ACI CERTIFICATION

Over the course of the last fiscal year, 11 members of the public safety and operations departments completed 29 professional certificate courses through Airports Council International (ACI). These courses covered everything from runway safety management and foreign object debris prevention to emergency preparedness and contingency planning management. These certifications enhance the skills and knowledge of NAD staff members and ensure that LPIA fulfils its International Civil Aviation Organization (ICAO) requirements.

LPIA AS A REGIONAL CENTRE OF EXCELLENCE

As a part of NAD's goal to position LPIA as a centre for excellence in the region, NAD visited and hosted professionals from Owen Roberts International Airport in the Cayman Islands to share knowledge and best practices with local teams there. In addition, NAD's Manager of Airport Solutions, Jonathan Hanna, wrote a research paper on innovative approaches to maximising commercial revenue at airports, which saw him receive the first-ever Young Airport Professional Award from Airports Council International Latin America-Caribbean (ACI-LAC). The award recognises outstanding young talent in the airport and aviation industry.



PROVIDING A SAFE, SECURE & EFFICIENT OPERATION

Enhancing the safety and efficiency of our operations continues to be a priority for NAD, especially as more and more travellers pass through the airport. That is why we have revised our operating procedures, rehabilitated key pieces of airport infrastructure and collaborated with our airport partners to improve safety and security.

STAYING EFFICIENT DURING PEAK TRAVEL PERIODS

NAD experienced record-breaking passenger traffic during the first half of 2019, with spring break and the Easter holiday weekend seeing considerable spikes. Historically, a busy day at LPIA is 5,000 international arrivals, but there were numerous days this spring where that number ballooned to between 6,000 and 8,000. In order to cope with the high passenger volume while still offering a seamless airport experience, NAD and its airport stakeholders executed newly adopted standard operating procedures (SOPs) during peak periods. These procedures included deploying line management agents (LMAs) to manage passenger flow in the U.S. Departures Terminal, having Bahamas Immigration process families with young children as well as seniors in separate lines to reduce wait times, and mitigating in-terminal and airside congestion. This proved that NAD and its airport partners are able to handle heavy traffic volumes while still ensuring the timely flow of passengers and aircraft.

RUNWAY 09/27 & TAXIWAY INDIA REHABILITATION

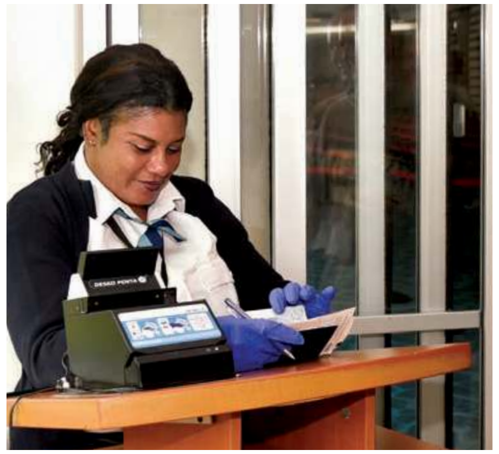
In June 2019, NAD began rehabilitating the asphalt on Runway 09/27 and Taxiway India. This project included milling the existing asphalt on both surfaces and replacing with new asphalt. The rehabilitation work also incorporated the creation of the runway end safety areas which will reduce the risk and damage to aircraft that undershoot or overrun the runway. New approach lights will also be installed on the runway. The rehabilitation is expected to take between four to six months to complete and represents a capital investment on NAD's part of just under $20 million.

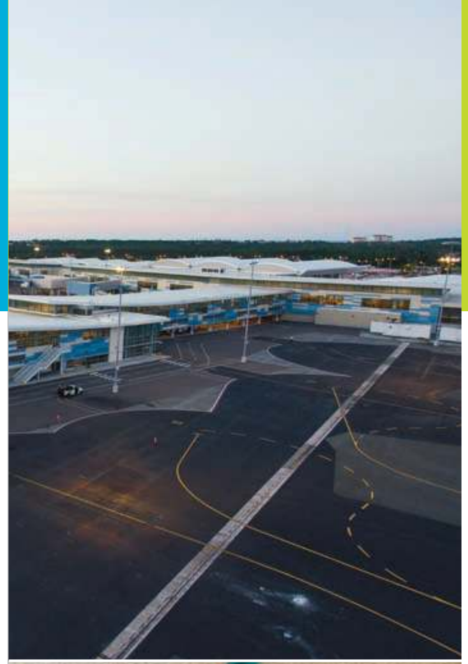
SAFETY REVIEW BOARD

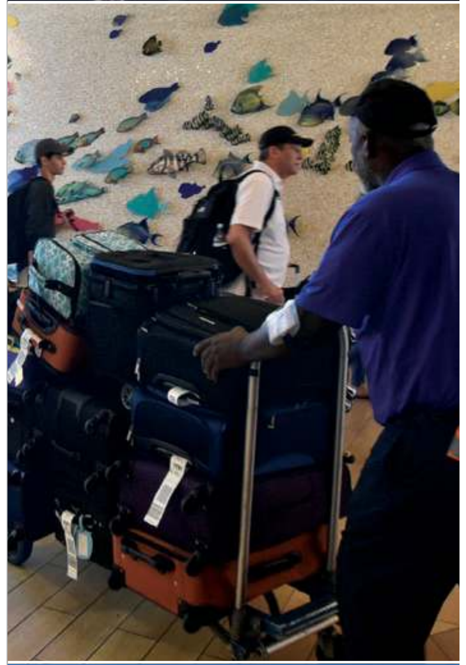
To help improve operational safety at LPIA, NAD formed a Safety Review Board with representatives from various airport agencies and airlines. The board will meet regularly to discuss safety issues and identify potential improvements. At present, the board includes representatives from Nassau Flight Services (NFS), Rubis Caribbean / LPIA Fuel Consortium, Bahamas Air Navigation Services Division (BANSD) and American Airlines.

EMERGENCY MANAGEMENT WORKSHOP

In May 2019, NAD played host to Vantage Airport Group's second biennial operations workshop, which focused on emergency preparedness and response. The two-day immersive workshop brought together close to 40 airport operations professionals from across the Vantage global network of ten airports and included presentations, table-top simulations and small group work on the latest techniques in emergency planning, reporting and investigation as well as the latest innovations in airport operations – from passenger screening and security to incident management. This event allowed NAD to showcase the operational excellence that we have developed at LPIA and share it with the wider Vantage network.







BUILDING CAPACITY TO MEET GROWTH POTENTIAL

As we experience record-breaking growth, NAD is taking various steps to increase capacity – both on the airside and in terminal. We have also set up an internal task force that will allow us to respond quicker and take a proactive approach to growth.

GROWTH TASK FORCE

Given the unprecedented increase in passenger volumes, NAD set up a Growth Task Force that includes the CEO and key members of the management team. The taks force is responsible for identifying what changes need to be made over the near and medium term in order to accommodate this growth as well as what kind of support is required from stakeholders. This will allow NAD to start proactively creating capacity for growth instead of merely responding to it.

INCREASING AIRSIDE CAPACITY

NAD is undertaking a number of initiatives to allow it to accommodate greater aircraft traffic. Certain taxiways have been designated for extension and conversion into rapid-exit taxiways, which will reduce the amount of time that an aircraft spends on the runway, allowing for more landings and take-offs. NAD also plans to add two new gates to the U.S. Departures Terminal, which are expected to be completed by autumn 2020.

LAND ACQUISITION FOR NEW RUNWAY

The updated version of the 2011 Airside Master Plan calls for the construction of a parallel runway at LPIA. Since NAD would require additional land to complete such a project, a request was made to the Bahamian government to grant NAD 1,448 acres of land adjacent to the airport, which was ultimately approved. This additional land will give LPIA the necessary space to grow – both now and well into the future.

INCREASED BAGGAGE HANDLING CAPACITY

An oversized baggage belt system is being implemented, which will provide the needed redundancy for baggage processing.

ADDITIONAL SEATING

With the Lignum Lounge experiencing higher-than-expected use by airport customers due to higher overall passenger numbers as well as successful promotional initiatives within the Departures Terminal, the lounge is being reconfigured to expand seating capacity by 30 per cent. Additional seating was also installed in the food court and at departure gates in order to accommodate increased passenger volumes.

OLD DOMESTIC & INTERNATIONAL TERMINAL DEMOLITION

Originally built in 1957, the old domestic and international terminal (T1) was decommissioned in 2016 when NAD's executive and administrative offices were relocated to Terminal B. Having reached the end of its useful life, the building was demolished in May 2019. The land on which the old terminal stood will be reserved for the construction of a new domestic terminal within the next four to seven years.

DELIVERING AN EXTRAORDINARY CUSTOMER EXPERIENCE

Even with record-breaking passenger numbers, NAD has remained focused on our mission of offering quality customer experiences. That is why we have invested in technology, promotions and works of art that will allow us to make passing through our airport an even more pleasant experience for travellers.

MORE PASSENGERS, SAME HIGH-QUALITY EXPERIENCE

Last year, LPIA welcomed more passengers than ever before with February and March experiencing 29 and 12.8 per cent growth year over year, respectively. However, even with this additional traffic, NAD proved that it was still able to maintain the same high standards – obtaining our highest ever Airport Service Quality (ASQ) score for airport cleanliness.

FEEDBACKNOW TECHNOLOGY

To further improve LPIA's ASQ scores for airport cleanliness, NAD installed FeedbackNow technology in busy men's, women's and family restrooms in the airport. In these restrooms, a polling device has been fitted next to the most-used hand dryer or paper towel dispenser to allow users to indicate their level of satisfaction with the restroom's cleanliness: very satisfied, satisfied or dissatisfied. Responses are then sent to NAD cleaning team members so that they can be immediately alerted to areas that need attention.

IN-TERMINAL PROMOTIONS

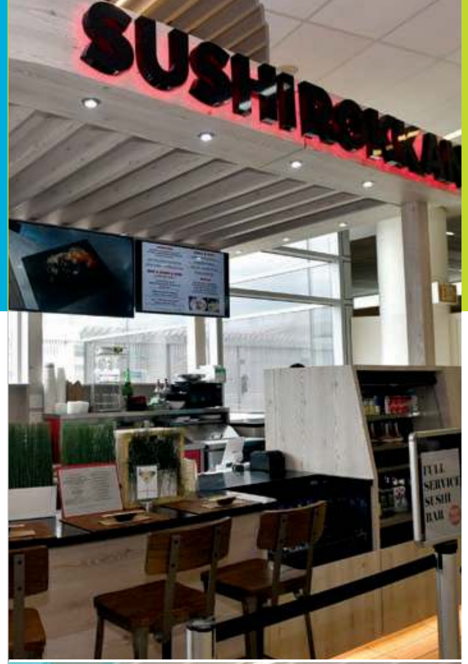
NAD organised a number of in-terminal promotions such as "Take-Off Friday" and "Buy and Fly" to encourage travellers to shop and dine at the airport. "Buy and Fly" encouraged passengers to spend $50 or more at any food or retail concession in order to be entered into a draw to win roundtrip airfare to The Bahamas or a two-night hotel stay. The promotions were so successful that concessionaires have asked for them to be run again this year.

HOLIDAY FUN AT LPIA

During key holidays like Easter and Christmas, NAD collaborated with the Nassau Paradise Island Promotion Board, the Ministry of Tourism and LPIA commercial partners to organise holiday-themed activities for travellers passing through the airport. Activities included musical entertainment from local school bands, a springtime version of LPIA's famous baggage claim game and even a visit from the Easter Bunny and Santa Claus.

NEW ARTWORK

NAD and Vantage Airport Group commissioned a new piece of artwork for the International Arrivals Terminal that was unveiled in September 2018. Titled *The Way*, the colourful aluminium sculpture depicts underwater life and features more than 30 different species of reef fish found in Bahamian waters. The piece was created by Bahamian artist Dede Brown whose other work, *Taking Flight,* featuring a flock of 84 life-size pink flamingos adorns the walls of the domestic departures lounge. Thirty top-performing high school art students were invited to attend the unveiling and tour LPIA's 12 major art installations. They also had the chance to meet with Dede Brown and hear about how she was able to become a full-time artist in the Bahamas.



MAINTAINING A FISCALLY RESPONSIBLE & PROFITABLE OPERATION

Even as NAD enjoys record-breaking passenger numbers and increased aeronautical revenue, we remain focused on reducing overhead costs, expanding non-aeronautical revenue streams and investing in tools to help boost profitability in the long run.

DEBT REFINANCING

NAD refinanced its participating debt in December 2018, securing a lower rate of 7.5 per cent (down from 13 per cent) that will allow it to reduce its annual interest costs by $7 million. Unlike its previous debt structure, the $134.7 million that NAD raised from this debt refinancing came exclusively from local institutional and individual investors, which means that all interest paid on this debt will go directly back into the Bahamian economy.

NEW DUTY-FREE OPERATOR

After a request for proposals process, NAD signed a lease with Duty-Free Caribbean (Bahamas) Ltd. (DFCBL) — a partnership between the Bahamas-based Luxury Retail Group and world-renowned airport retailer Dufry — to open three retail locations in the airport: two duty-free retail outlets and one Hudson News store. These three new stores will allow for a substantial net increase in NAD's retail revenue and provide an expanded duty-free offering that is more in line with airports of this size.

CONCESSION BUSINESS INTELLIGENCE TOOL

With the support of Vantage, NAD invested in Microsoft Power BI – a business intelligence tool that leverages point-of-sale data to support decision-making and compare business performance. This new tool will allow NAD to conduct sales, inventory and customer analysis that will help identify shopping patterns, anticipate sales trends, and determine the strengths and weaknesses of LPIA's concession programme. NAD will share the insights obtained through this tool with concessionaires so they can improve their business and better serve their customers.

ENHANCING STAKEHOLDER RELATIONSHIPS

We are working closely with our partners and stakeholders to improve airport efficiency as we welcome ever greater numbers of passengers and aircraft. We are also collaborating with various stakeholders to add new routes, train employees and provide business insights to support our partners' continued success.

WORKING TOGETHER TO WELCOME MORE PASSENGERS

With increased traffic in each sector of LPIA's operations, NAD began meeting with airport partners in Q3 of 2018 to discuss strategies to accommodate this growth while still improving service levels. These meetings bore fruit with Q4 ASQ scores showing solid improvement in areas like check-in queue wait times, efficiency of check-in staff, and courtesy and helpfulness of check-in staff. As passenger numbers continued to climb to record-breaking levels during the winter travel season, NAD and various key stakeholders stepped up to ensure that airport operations ran smoothly. Bahamas Immigration boosted staff numbers to 33 officers on peak days, implemented a standard two-minute processing time for each passenger, and provided priority processing for seniors and families with young children – all of which resulted in wait times never exceeding 33 minutes. Bahamas Customs increased their staffing levels and reintroduced a "no items to declare" line so that those travellers could be waved through with minimal holdup. The Airport Authority also increased the number of screeners on shift and opened additional screening checkpoints when necessary. NAD deployed team members at baggage carousels to ensure the timely removal of bags and worked closely with Nassau Flight Services who managed the process on the ramp. NAD and its partners continue to explore ways to maximise and sustain customer satisfaction as passenger volumes grow. Thanks to these efforts, LPIA was able to maintain seamless operations while welcoming an unprecedented level of passengers during the Easter holiday weekend.

ROUTES AMERICAS

NAD attended Routes Americas – the premier industry forum for airports, airlines and the tourism sector in the Americas – again in 2019. This year, NAD connected with 11 of its existing major airline partners (who make up 90 per cent of the non-Caribbean seat capacity for Nassau) and also met with four prospective airlines and four airports seeking partnerships. The meetings were positive and existing carriers were pleased with the performance of Nassau as a destination. NAD also used the event as an opportunity to collaborate with the Nassau Paradise Island Promotion Board, the Ministry of Tourism and Bahamasair to begin identifying routes to high-performing markets that currently do not have non-stop service to Nassau.

CONCESSION TEAM TRAINING

In keeping with the goal of growing non-aeronautical revenue and delivering exceptional customer service, NAD organised multiple training sessions for concession tenants. The four-hour-long sessions focused on developing skills in sales, upselling and personal branding.

GENERAL CONCESSION PARTNERS MEETINGS

As part of NAD's efforts to build stronger relationships with its concession partners, the commercial team at NAD has been holding regular concession partner meetings for all airport concessionaires. These meetings serve as a forum where NAD can provide updates to concession partners on important matters, such as the business outlook for LPIA, key passenger insights and business intelligence.

IN THE COMMUNITY

NAD's involvement in the community extends far beyond the airport grounds. Our employees take pride in giving back to their community and supporting worthwhile causes through a variety of initiatives.

GIVE. CHANGE.

NAD continues to collect funds for worthy Bahamian charities through its Give. Change. collection stations placed throughout the airport. The money raised last year was donated to the Salvation Army, the Cancer Society, the Children's Emergency Hostel, Ride for Hope and the Bahamas Red Cross Society.

SUSAN G. KOMEN RACE FOR THE CURE

NAD supported the Susan G. Komen Race for the Cure once again this year as an official sponsor. The race, which NAD has supported since its inception in 2011, raises funds to support the fight against breast cancer. This year, 24 NAD employees participated in the race.

YOUTH MUSIC PROGRAMMES

During the Christmas season, NAD invited music students from CV Bethel Senior High School, Sir Gerald Cash Primary School and Aquinas College to perform at the airport for arriving passengers. As a gesture of thanks, NAD donated funds to each school's music programme. NAD also made a donation to The Bahamas National Youth Choir to support them as they continue the legacy of their late founding director, Cleophas Adderley.

BAMSI PARTNERSHIP

NAD collaborated with the Bahamas Agriculture and Marine Sciences Institute (BAMSI) to showcase native fruit plants within the gardens located at LPIA. The partnership saw BAMSI adopt green spaces within the airport's gardens and plant a variety of fruit trees including guava, mulberry and soursop. NAD looks forward to expanding the presence of local flora at LPIA through future joint initiatives with BAMSI.

GAMBIER AND ADELAIDE PRIMARY SCHOOLS

During the month of December, NAD hosted two Christmas parties for its adopted schools, Adelaide Primary and Gambier Primary. NAD employees volunteered at the event and handed out treats to the more than 120 students in attendance.

BAHAMAS NATIONAL TRUST

Each year, NAD assists its environmental partner, the Bahamas National Trust (BNT), at its annual Wine & Art Festival – with volunteers from NAD helping with logistics and selling memberships. NAD also supported BNT's largest annual fundraising event, Jollification, where NAD employees volunteered over 50 hours of their time to help make the event a success.

HANDS FOR HUNGER

During the month of November, NAD encouraged employees to donate non-perishable food items to Hands for Hunger's Pantry Programme, which provides Bahamians in need with a secure source of nutritious and fortifying food. NAD also bolstered its employees' efforts by providing an additional grocery donation to the organisation.

Independent auditors' report

To the Board of Directors of Nassau Airport Development Company Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nassau Airport Development Company Limited (the Company) as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at June 30, 2019;
- the statement of comprehensive income (loss) 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 *Auditors' responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International 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.

Other information

Management is responsible for the other information. The other information comprises the Annual Report 2019, Nassau Airport Development Company Limited (but does not include the financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report 2019, Nassau Airport Development Company Limited, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

As at June 30, 2019 (Expressed in Bahamian dollars)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matter

This report, including the opinion, has been prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

September 30, 2019

	Notes	June 30, 2019 $	June 30, 2018 $
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents:	16		
Operating accounts		7,188,806	13,523,208
Construction and controlled accounts		42,776,834	21,461,137
Restricted cash	7 & 16	20,932,685	22,795,201
Accounts receivable	3 & 16		
Private sector		17,927,817	13,219,662
Government		7,055,199	7,118,025
Prepaid expenses and deposits		475,714	771,452
Inventories and supplies		2,283,048	2,399,028
Total current assets		**98,640,103**	**81,287,713**
NON-CURRENT ASSETS:			
Fixed assets – operational	6	20,895,678	20,339,367
Intangible assets – leasehold and financing	4	29,613,687	31,278,159
Intangible assets – resurfacing runways	9	18,461,894	10,572,990
Intangible assets – operational	5	324,843,833	341,190,301
Total non-current assets		**393,815,092**	**403,380,817**
TOTAL		**492,455,195**	**484,668,530**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (CONT'D)

As at June 30, 2019 (Expressed in Bahamian dollars)

LIABILITIES AND EQUITY	Notes	June 30, 2019 $	June 30, 2018 $
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities:			
Construction project	16	447,492	1,294,946
Trade	16	5,640,180	3,692,282
Management fees payable	10 & 16	295,560	381,039
Provision for obligation to resurface runways	9	15,974,877	-
Payable to Government entities	8, 10, & 16	6,367,411	5,876,352
Current portion of long-term debts	7 & 16	16,822,500	14,625,000
Total current liabilities		**45,548,020**	**25,869,619**
NON-CURRENT LIABILITIES:			
Provision for obligation to resurface runways		-	12,259,989
Long-term debts	7 & 16	500,015,000	507,402,091
Total non-current liabilities		**500,015,000**	**519,662,080**
EQUITY:			
Share capital			
Authorized issued and fully paid:			
5,000 ordinary shares of 5 shares of par value 1.00 each		5	5
Deficit		(53,107,830)	(60,863,174)
Total Equity		**(53,107,825)**	**(60,863,169)**
TOTAL		**492,455,195**	**484,668,530**

These financial statements were approved by the Board of Directors on September 25, 2019 and are signed on its behalf by:

Director **Director**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended June 30, 2019 (Expressed in Bahamian dollars)

	Notes	2019 $	2018 $
OPERATING REVENUE:			
Aeronautical operations revenue:			
Passenger facility charge		63,885,381	52,507,622
Passenger processing fee		15,742,162	11,396,458
Landing fees		7,945,566	7,081,110
Terminal fees		1,332,365	1,214,433
Loading bridges		668,104	525,053
Aircraft parking fees		122,223	136,785
Total aeronautical operations revenue	15	**89,695,801**	**72,861,461**
Commercial operations revenue:			
Terminal leases and concessions		12,998,420	11,527,910
Car parking		3,357,585	3,170,324
Refueling royalties		1,956,176	1,698,016
Interest and other income		160,053	138,240
Total commercial operations revenue	15	**18,472,234**	**16,534,490**
TOTAL OPERATING REVENUE		**108,168,035**	**89,395,951**
OPERATING EXPENSES:			
Material, supplies and services	12	13,600,827	11,260,604
Salaries and benefits	10 & 11	9,947,880	8,561,684
Management fees	10	4,331,919	3,562,951
Rent	10 & 14	2,163,361	1,787,915
Provision for doubtful accounts	3	13,042	120,028
Total operating expenses		**30,057,029**	**25,293,182**
OPERATING INCOME		**78,111,006**	**64,102,769**
NON-OPERATING EXPENSES:			
Interest	7	39,931,452	42,586,015
Amortization – operational	5	18,063,529	18,242,340
Amortization – leasehold and financing	4	1,664,472	1,664,469
Depreciation - operational	6	4,852,163	5,144,361
Amortization – resurfacing runways	9	271,103	434,654
Financing cost		5,572,943	401,558
Total non-operating expenses		**70,355,662**	**68,473,397**
NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME / (LOSS)		**7,755,344**	**(4,370,628)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2019 (Expressed in Bahamian dollars)

	Capital $	Deficit $	Total $
Balance at June 30, 2017	**5**	**(56,492,546)**	**(56,492,541)**
Net loss and total comprehensive loss	-	(4,370,628)	(4,370,628)
Balance at June 30, 2018	**5**	**(60,863,174)**	**(60,863,169)**
Net income and total comprehensive income	-	7,755,344	7,755,344
Balance at June 30, 2019	**5**	**(53,107,830)**	**(53,107,825)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019 (Expressed in Bahamian dollars)

	Notes	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)		7,755,344	(4,370,628)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Adjustments for items not involving use of cash:			
Amortization – operational	5	18,063,529	18,242,340
Amortization – leasehold and financing	4	1,664,472	1,664,469
Amortization – resurfacing runways	9	271,103	434,654
Depreciation – operational	6	4,852,163	5,144,361
Provision for doubtful accounts	3	13,042	120,028
Interest expense		39,931,452	42,586,015
Adjustment to capital assets		3,740	23,954
Accounts receivable written-off		(175,547)	(4,810)
		72,379,298	63,840,383
Changes in operating assets and liabilities:			
Decrease/(increase) in restricted cash		1,862,516	(185,296)
(Increase) in accounts receivable		(4,482,824)	(5,210,193)
Decrease/(increase) in prepaid expenses and deposits		295,738	(369,107)
Decrease/(increase) in inventory and supplies		115,980	(16,675)
Increase in accounts payable and accrued liabilities		1,947,898	135,835
Increase/(decrease) in payable to Government entities		491,059	(669,525)
(Decrease)/increase in management fees payable		(85,479)	166,781
Cash generated from operations		72,524,186	57,692,203
Interest paid		(31,811,055)	(28,063,436)
Net cash from operating activities		**40,713,131**	**29,628,767**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in intangible assets – operational	5	(1,720,801)	(281,319)
Investment in fixed assets – operational	6	(5,408,474)	(533,841)
Investment in runway resurfacing	9	(4,445,119)	-
(Decrease)/increase in construction payable		(847,454)	92,943
Net cash used in investing activities		**(12,421,848)**	**(722,217)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payment of senior notes	7	(14,625,000)	(11,677,500)
Principal payment of participating debt	7	(133,434,988)	-
Proceeds from long-term financing		134,750,000	-
Net cash used in financing activities		**(13,309,988)**	**(11,677,500)**

The accompanying notes are an integral part of these financial statements.

For the year ended June 30, 2019 (Expressed in Bahamian dollars)

	Notes	2019 $	2018 $
Net increase in cash and cash equivalents		**14,981,295**	**17,229,050**
Cash and cash equivalents at beginning of year		**34,984,345**	**17,755,295**
Cash and cash equivalents at end of year		**49,965,640**	**34,984,345**
Cash and cash equivalents is represented by:			
Operating accounts		7,188,806	13,523,208
Construction and controlled accounts		42,776,834	21,461,137
		49,965,640	**34,984,345**
Non-cash transactions:			
Increase in provision for restructuring runways capitalized to intangible assets		3,714,888	2,314,570
Capitalized interest	7	8,120,397	14,522,579

The accompanying notes are an integral part of these financial statements.

1. General

Nassau Airport Development Company Limited (the "Company") was incorporated in the Commonwealth of The Bahamas on June 6, 2006, under the provisions of the Companies Act 1992. The Company is a wholly owned subsidiary of The Airport Authority (the "Authority"). The registered office and principal place of business is located at the Lynden Pindling International Airport ("LPIA"), Nassau, Bahamas.

The principal functions of the Company are to manage, develop and maintain LPIA and to transform the airport into a premier world class facility operated in a most efficient and commercial manner.

The Company commenced its operations on October 1, 2006. The Company commenced the collection of revenue and management of the LPIA on April 1, 2007.

On October 19, 2006, the Company entered into a 10 year Management Agreement commencing April 1, 2007 (the Agreement) with Vantage Airport Group (Bahamas) Limited (Vantage) (formerly named, YVR Airport Services Ltd.), to manage, operate and maintain the LPIA and to place certain executives within the Company. The Agreement has been extended for two additional years until April 1, 2019 and further extended for 10 years to April 1, 2029. Fees paid to Vantage are based on a percentage of revenue and operating income with an annual minimum of $800,000 adjusted by the annual Consumer Price Index, plus the recovery of direct expenses including executive compensation.

On April 1, 2007, the Company entered into a 30 year Lease Agreement with the Authority. The Lease Agreement has been extended for an additional twenty (20) years to April 1, 2057. In accordance with the Lease Agreement, the Company is responsible to manage, maintain and operate LPIA and rent is paid to the Authority based on a percentage of gross revenue with an annual minimum.

On April 1, 2007, the Company also entered into a 30 year Transfer Agreement which provided for the transfer of certain assets, rights, and employees from the Authority to the Company. The Transfer Agreement has been extended for an additional twenty (20) years to April 1, 2057. In accordance with the Transfer Agreement, the Company was obligated to pay the Authority $50,000,000 upon receipt of initial funding which occurred on April 17, 2007.

These agreements have been deemed as service concessions arrangements under IFRIC 12.

1. General (Continued)

The redevelopment of LPIA updated the airport facilities to world-class standards and expanded LPIA's terminal capacity. The redevelopment was implemented in three stages as follows:

Stage I

The design, construction, and opening of a new United States (US) Departures Terminal. Stage I was completed on February 28, 2011 with a construction cost of $191.2 million.

Stage II

A complete renovation, modernization and reconfiguring of the existing U.S. Terminal to serve as the new US/International Arrivals Terminal. Stage II was completed on October 15, 2012 with a construction cost of $145 million.

Stage III

The design, construction, and opening of a new International and Domestic Departures/Domestic Arrivals Terminal. Stage III was completed on October 23, 2013 with a construction cost of $72.1 million.

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 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared under the historical cost basis and are expressed in Bahamian dollars. The Bahamian dollar was equivalent to the United States (U.S.) dollar for the period presented. Transactions denominated in U.S. dollars have been translated to Bahamian dollars at this rate.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions

Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change.

Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

Significant judgement and estimates include the following:

- Provision for doubtful accounts ((Note 2d) and 3)
- Carrying value of intangible assets with respect to impairment ((Notes 2k), 4, 5 and 9)
- Classification of leases ((Note 2g) and 14)
- Revenue recognition with respect to reliable measurement (Note 2h)
- Application of service concession arrangements, including provisions for obligations under the arrangements (Note 2m)

i) New standards, amendments and interpretations adopted by the Company

With the exception of IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), standards and amendments and interpretations to published standards that became effective for the Company's financial year beginning on July 1, 2018 were either not relevant or not significant to the Company's operations and accordingly, did not have a material impact the Company's accounting policies or financial statements. The impact of adopting IFRS 9 and IFRS 15 is described in Note 2(b) below.

ii) New standards, amendments and interpretations issued but not yet effective for the financial year beginning on July 1, 2018 and not early adopted by the Company

With the exception of the following standards, amendments or interpretations, the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Company's accounting policies or financial statements in the financial period of initial application.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

ii) New standards, amendments and interpretations issued but not yet effective for the financial year beginning on July 1, 2019 and not early adopted by the Company (continued)

IFRS 16 *Leases* (IFRS 16) sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 *Leases* (IAS 17) and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company has not yet assessed the full impact of adopting IFRS 16, which is effective for annual periods on or after 1 January 2019.

(b) Changes in applicable accounting policies and disclosures

Adoption of IFRS 9

The Company adopted IFRS 9 on July 1, 2018. The adoption of IFRS 9 resulted in changes in the Company's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amended other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures* (IFRS 7).

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures and recognized any adjustments to the carrying amounts of financial assets and liabilities in the opening deficit as of the date of initial application of the standard. Consequently, the disclosure requirements from the amendments to IFRS 7 have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in applicable accounting policy and disclosures (continued)

Adoption of IFRS 9 (continued)

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period as well as the previous IAS 39 accounting policies applied in the comparative period are described in more detail in Note 16.

Classification and measurement of financial assets and liabilities

Under IFRS 9, financial assets are subsequently measured at fair value through profit or loss (FVTPL), amortized cost (AC) or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: (i) the Company's business model for managing the assets; and (ii) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI).

The assessment of the Company's business models for each group of financial assets was made as of the date of initial application on July 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets previously classified as loans and receivables under IAS 39 were reclassified to the amortized cost measurement category under IFRS 9 and as such their measurement basis did not change.

The following table reconciles the measurement categories and the carrying amounts of financial assets as previously measured and classified in accordance with IAS 39 and the new measurement categories and carrying amounts upon adoption of IFRS 9 on July 1, 2018:

	IAS 39		IFRS 9	
	Measurement category	**Carrying Amount**	**Measurement category**	**Carrying Amount**
		$		**$**
Financial assets				
Cash and cash equivalents	Loans and receivable	34,984,345	Amortized Cost	34,984,345
Restricted cash	Loans and receivable	22,795,201	Amortized Cost	22,795,201
Accounts receivable				
Private sector	Loans and receivable	13,219,662	Amortized Cost	13,219,662
Government	Loans and receivable	7,118,025	Amortized Cost	7,118,025

There were no changes to the classification and measurement of financial liabilities.

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in applicable accounting policies and disclosures (continued)

Adoption of IFRS 9 (continued)

Reconciliation of Provisions for Impairment (IAS 31) and credit loss allowance (IFRS 9)

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at FVTPL.

The ECL model includes the use of forward-looking information and classification of financial assets in three stages as summarized below and further explained in Note 16:

- Stage 1 – 12-month ECL: represents the expected credit loss arising from default events possible within 12 months from the reporting date. This is applicable to financial assets that originated or were purchased without credit recovery issues;
- Stage 2 – Lifetime ECL: considers all possible default events over the expected life of a financial instrument. This is applicable to financial assets that originated or were purchased without credit recovery issues and whose credit risk has increased significantly since initial recognition; and
- Stage 3 – Lifetime ECL for credit-impaired assets: considers all possible default events over the expected life of a financial instrument. The measurement of assets classified in this stage is different from Stage 2 due to the recognition of interest income by applying the effective interest rate at amortized cost (net of provision) rather than at the gross carrying amount.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable.

A financial asset will migrate from a stage as its relative credit risk since initial recognition subsequently increases or decreases. Therefore, a financial asset that migrated to stages 2 and 3 may return to stage 1, unless it was originated or purchased with credit recovery issues.

Management has determined that a significant increase in credit risk would result from, amongst others, a financial asset's credit rating migrating from investment grade to non-investment grade, and deterioration of credit ratings applicable to non-investment grade financial assets.

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in applicable accounting policies and disclosures (continued)

Adoption of IFRS 9 (continued)

Reconciliation of Provisions for Impairment (IAS 31) and credit loss allowance (IFRS 9) (continued)

For financial assets whose credit rating is below investment grade a significant increase in credit risk is defined as a two notch downward movement (Refer to Note 16 for details).

Upon adoption of IFRS 9, the Company has determined that the impact would be immaterial to the financial statements. As such, there was no change in the allowance for impairment under IAS 39 compared to the ECL approach under IFRS 9 at the date of initial adoption.

Adoption of IFRS 15

IFRS 15 supersedes IAS 11 *Construction Contracts* (IAS 11), IAS 18 *Revenue* (IAS 18) and related interpretations, and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company adopted IFRS 15 on July 1, 2018. There was no material change in revenue recognition on transition from IAS 18 to IFRS 15.

2. Summary of Significant Accounting Policies (Continued)

(c) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash and deposits held with financial institutions with original maturities of three months or less.

(d) Financial instruments

Financial instruments include financial assets and financial liabilities.

(i) Financial assets

The Company classifies its financial assets at amortized cost only if both of the following criteria are met:

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

The Company classifies all of its financial assets at amortized cost. Management determines the classification of its financial assets at initial recognition, the Company reclassifies its financial assets when and only when its business model for managing those assets changes.

Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular-way trades) are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. If the Company has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Company has retained control of the financial assets.

2. Summary of Significant Accounting Policies (Continued)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Recognition and derecognition (continued)

Gains or losses arising from sales of financial assets are recognised in the statement of comprehensive income as a part of net income in the financial period in which they arise.
Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Accounts receivable, which generally has a 30 to 90 day term, is recognized and carried at the original invoice amount less an allowance for doubtful accounts. The Company has an agreement with the International Airline Traffic Association ("IATA") wherein payments may remain outstanding for smaller airlines up to 90 days.

The Company holds its financial assets with the objective to collect the contractual cash flows and these assets represent solely payments of principal and interest and therefore are subsequently measured at amortized cost using the effective interest method, less expected credit losses.

Impairment of financial assets

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

ECLs are recognized in a three stage model. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

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

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the ECL is recognized in the statement of comprehensive income (loss). If in a subsequent period the amount of the ECL decreases, the previously recognized ECL is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income (loss).

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The write offs represent a derecognition event. The uncollectible financial asset is written off against the related allowance account. Recoveries of accounts previously written off are recognized directly in the statement of comprehensive income.

(ii) Financial liabilities

Accounts payable and accrued liabilities, management fees payable, and payable to government entities represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 day terms. These payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(f) Inventories

Inventories are stated at the lower of cost and net realizable value using the weighted average basis.

2. Summary of Significant Accounting Policies (Continued)

(g) Loans and borrowings

All loans and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs, being issue costs associated with the borrowings which are amortized using the effective interest method.

General and specific borrowing costs directly attributable to the acquisition, and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, 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 recognized in the statement of comprehensive income (loss) in the period in which they are incurred.

(h) Leases

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term in the same basis as rental income. Operating lease receipts are recognized as income in the statement of comprehensive income (loss) on a straight-line basis over lease term.

(i) Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured. Aeronautical and commercial operations revenue are recognized upon delivery of services. Fees earned for the provision of services over a period of time are accrued over that period. These fees include prepaid car parking fees. Transaction based fees for passenger facility charge, passenger processing fee, landing fee, terminal fees, loading bridges, aircraft parking fees, terminal leases and concession, car parking, and refueling royalties are charged to individual customers when the transaction takes place. Revenue for these fees are recognized at a point in time.

All other income are recognized on the accrual basis.

(j) Taxation

Under the current laws of The Bahamas, the country of domicile of the Company, there are no income, capital gains or other corporate taxes imposed. The Company is subject to Value Added Tax (VAT) applied at a rate of 12% on services rendered.

2. Summary of Significant Accounting Policies (Continued)

(k) Fixed assets

Fixed assets for which a useful life has been assigned are depreciated on a straight-line basis over their assigned useful lives. Fixed assets are recognized on the statement of financial position at the cost determined at the date of acquisition, less any accumulated depreciation or impairment losses. Assets are categorized as follows:

Terminal and structures	20 - 25 years
Leasehold improvements	20 - 25 years
Furniture and office equipment	5-7 years
Computer equipment and software	3 - 5 years
Vehicles and machinery	5 - 7 years
Equipment and systems	7 - 15 years

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, calculated as the difference between net disposal proceeds and the assets carrying amount, and is recognized in other income or expense in the statement of comprehensive income (loss).

Fixed assets are reviewed for indicators of impairment or changes in estimated future benefits annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. If evidence exists, the asset is written down to its recoverable amount and is included in the statement of comprehensive income (loss).

(l) Intangible assets

Intangible assets for which a useful life has been assigned are amortized on a straight-line basis over their assigned useful lives. Intangible assets are recognized on the statement of financial position at the cost determined at the date of acquisition, less any accumulated amortization or impairment losses. Assets are categorized as follows:

Artwork	25 - 30 years
Runways and taxiways	25 - 30 years
Roads and parking lots	25 - 30 years
Terminal and structures	25 - 30 years
Leasehold improvements	25 - 30 years
Furniture and office equipment	25 - 30 years
Equipment and systems	25 - 30 years

2. Summary of Significant Accounting Policies (Continued)

(l) Intangible assets (continued)

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, calculated as the difference between net disposal proceeds and the assets carrying amount, is recognized in other income or expense in the statement of comprehensive income (loss).

Intangibles are reviewed for indicators of impairment or changes in estimated future benefits annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. If evidence exists, the asset is written down to its recoverable amount and is included in the statement of comprehensive income (loss). No such write downs were recorded during 2019 and 2018.

(m) Impairment of assets

An assessment is made at each statement of financial position date whether there is objective evidence that an asset or group of assets may be impaired. If such evidence exists, the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of comprehensive income (loss).

(n) Service concession arrangement

This consists of concessions for the construction and operation of LPIA and is recognized according to the intangible asset model, since the Company receives the right to impose a charge on airport users in exchange for the obligation to provide construction and maintenance services.

The determination of the applicability of IFRIC 12 to the Company's operations was made based on the grantor regulating services and prices and the assets being returned to the grantor after the end of the term of the arrangement.

(o) Related-party balances and transactions

A party is related to the Company if:
(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Company;
- has an interest in the Company that gives it significant influence over the Company;

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

(o) **Related-party balances and transactions (continued)**

(ii) the party is a member of the key management personnel, including directors and officers, of the Company or its shareholders;
(iii) the party is a close member of the family of any individual referred to in (ii) above; and
(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entities resides with, directly or indirectly, any individual referred to in (ii) or (iii) above.

All balances and transactions with related parties, including the Company's shareholder, other affiliated companies and Vantage, are disclosed in these financial statements.

(p) **Employee pensions**

The Company has a defined contribution pension plan for all eligible employees whereby the Company makes contributions to a privately administered pension plan. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior years. The Company and employees make contributions based on eligible earnings, and the Company's contributions are recognized in the statement of comprehensive income (loss) in the financial period to which they relate. Enrolment in the defined contribution pension plan is mandatory for all employees following the successful completion of their probationary period.

(q) **Pre-IFRS 9 Accounting Policies**

Classification

Until July 1, 2018, the Company classified all of its financial assets as 'loans and receivables'. Management determined the classification of its financial assets at initial recognition.

Accounts receivable

Accounts receivable, which generally had a 30 to 90 day term, was recognized and carried at the original invoice amount less an allowance for doubtful accounts. The Company had an agreement with the International Airline Traffic Association ("IATA") wherein payments may remain outstanding for smaller airlines up to 90 days. The provision for doubtful accounts was made on a percentage of operating revenue based on estimated delinquency rates during the year and at year end, was adjusted based on aging of outstanding balances. Provision for doubtful accounts was also made based on facts and circumstances of individual customer accounts.

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

(q) **Pre-IFRS 9 Accounting Policies (continued)**

Trade date accounting

Purchases and sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the marketplace were recognized on the trade date, i.e. the date that the Company committed to purchase or sell the asset.

Impairment of financial assets

The provision for doubtful accounts was made on a percentage of operating revenue based on estimated delinquency rates during the year and at year end, was adjusted based on aging of outstanding balances. Provision for doubtful accounts was also made based on facts and circumstances of individual customer accounts.

Accounts payable and accrued liabilities

Liabilities classified as accounts payable and accrued liabilities, which were normally settled on 30 to 60 day terms, were carried at amortized cost which is the fair value of the consideration to be paid in the future for goods and services received.

Derecognition of financial assets and liabilities

The Company derecognized financial assets when the contractual rights to cash flows from the asset expired or it transferred the asset and the transfer qualifies for derecognition in accordance with IAS 39, as amended. A financial liability was derecognized when the obligation under the liability was discharged, cancelled or expired.

(r) **Pre-IFRS 15 Accounting Policies**

Revenue was recognized to the extent that it was probable that the economic benefits flowed to the Company and the revenue can be measured reliably, regardless of when payment was being made.

2. Summary of Significant Accounting Policies (Continued)

(s) Corresponding figures

Where necessary, certain corresponding figures have been adjusted to conform with changes in presentation in the current year. Aeronautical Operations Revenue and Commercial Operations Revenue in Note 10 Related-Party Balances and Transactions have been adjusted to conform with the presentation used in the current year. In addition, "The Airport Authority (security fees)" and "The Airport Authority (other)" in Note 8 Payable to Government Entities have been adjusted to conform with the presentation used in the current year.

3. Accounts Receivable

At June 30, 2019, accounts receivable comprise:

	2019 $	2018 $
Private Sector		
Trade receivables	18,872,633	15,394,628
Allowance for expected credit losses	(944,816)	(2,174,966)
	17,927,817	**13,219,662**

Government	2019 $	2018 $
Bahamasair	7,743,033	6,862,705
Bahamas Meteorology Department	192,039	-
Nassau Flight Services	146,856	136,211
Bahamas Telecommunications Corporation	45,452	39,281
Bahamas Immigration	30,408	65
Bahamas Customs	21,803	215
Ministry of Tourism	13,624	118
Ministry of Finance	2,069	135,101
Ministry of Foreign Affairs	1,344	2,224
The Airport Authority	1,240	12,927
Others	8,073	4,316
Total	**8,205,941**	**7,193,163**
Allowance for expected credit losses	(1,150,742)	(75,138)
	7,055,199	**7,118,025**

3. Accounts Receivable (Continued)

The expected credit loss allowance as of June 30, 2019 and July 1, 2018 (on adoption of IFRS 9) was determined as follows for accounts receivable:

Private

June 30, 2019	Current $	31-60 days $	61-90 days $	Over 90 days $	Total $
Gross carrying amount	16,840,624	24,757	538,620	1,468,632	18,872,633
Expected credit loss	72,768	117	10,244	861,687	944,816

July 1, 2018	Current $	31-60 days $	61-90 days $	Over 90 days $	Total $
Gross carrying amount	12,910,857	130,935	303,192	2,049,644	15,394,628
Expected credit loss	55,787	621	59,367	2,059,191	2,174,966

Government

June 30, 2019	Current $	31-60 days $	61-90 days $	Over 90 days $	Total $
Gross carrying amount	3,691,617	36,399	1,680,580	2,797,345	8,205,941
Expected credit loss	1,350	15	830	1,148,547	1,150,742

July 1, 2018	Current $	31-60 days $	61-90 days $	Over 90 days $	Total $
Gross carrying amount	3,485,397	41,973	1,563,358	2,102,435	7,193,163
Expected credit loss	1,274	17	772	73,075	75,138

3. **Accounts Receivable (Continued)**

The closing loss allowances for trade receivables as at June 30, 2019 reconcile to the opening loss allowances as follows:

	2019		
	Private Sector $	**Governmental $**	**Total $**
Beginning balance	2,174,966	75,138	2,250,104
(Decrease)/Increase in expected credit loss allowance	(1,054,669)	1,067,711	13,042
(Write-offs)/Recoveries	(175,481)	7,893	(167,588)
Ending balance	**944,816**	**1,150,742**	**2,095,558**

	2018		
	Private Sector $	**Governmental $**	**Total $**
Beginning balance (IAS 39)	2,067,615	67,271	2,134,886
IFRS 9 adjustment	-	-	-
Increase in expected credit loss allowance	112,161	7,867	120,028
Write-offs	(4,810)	-	(4,810)
Ending balance	**2,174,966**	**75,138**	**2,250,104**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2019

4. **Intangible Assets – Leasehold and Financing**

	Leasehold Acquisitions $	**Financing Cost $**	**Total $**
COST	**49,230,000**	**704,085**	**49,934,085**
AMORTIZATION:			
Balance at June 30, 2017	(16,751,875)	(239,582)	(16,991,457)
Charge for the year	(1,641,000)	(23,469)	(1,664,469)
Balance at June 30, 2018	(18,392,875)	(263,051)	(18,655,926)
Charge for the year	(1,641,000)	(23,472)	(1,664,472)
Balance at June 30, 2019	(20,033,875)	(286,523)	(20,320,398)
CARRYING VALUE:			
As at June 30, 2019	**29,196,125**	**417,562**	**29,613,687**
As at June 30, 2018	**30,837,125**	**441,034**	**31,278,159**

Intangible assets include $50,000,000 paid to the Authority as per the Transfer Agreement (Note 1) less all tangible assets transferred to the Company by the Authority. Also included in intangible assets are financing costs for debts raised to fund the Transfer Agreement obligation.

5. **Intangible Assets – Operational**

Capital assets in progress represent amounts paid in relation to contracts undertaken with respect to the Terminal Redevelopment project for LPIA and refurbishment of airport facilities. Included in accounts payable and accrued liabilities are balances totaling $447,492 (2018: $1,294,946).

5. Intangible Assets – Operational (Continued)

	Artwork $	Runways and Taxiways $	Roads and Parking Lots $	Terminal and Structure $	Leasehold Improvements $	Furniture and Office Equipment $	Equipment and Systems $	Capital Assets In Progress $	Total $
COST:									
Balance at June 30, 2017	1,680,805	18,530,037	21,379,170	401,551,409	1,684,535	419,248	4,965,033	3,541,305	453,751,542
Additions	-	-	-	87,535	127,064	-	-	66,720	281,319
Transfers	-	252,384	-	2,363,113	151,279	-	69,150	(3,186,281)	(350,355)
Disposals	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	(277,322)	(277,322)
Balance at June 30, 2018	**1,680,805**	**18,782,421**	**21,379,170**	**404,002,057**	**1,962,878**	**419,248**	**5,034,183**	**144,422**	**453,405,184**
Additions	-	454,851	-	329,223	540,768	-	43,196	352,763	1,720,801
Transfers	-	28,115	-	415,639	103,756	(415,639)	-	(131,871)	-
Disposals	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	(3,740)	(3,740)
Balance at June 30, 2019	**1,680,805**	**19,265,387**	**21,379,170**	**404,746,919**	**2,607,402**	**3,609**	**5,077,379**	**361,574**	**455,122,245**
ACCUMULATED AMORTIZATION:									
Balance at June 30, 2017	(342,581)	(4,147,958)	(4,692,075)	(83,462,677)	(243,472)	(79,319)	(1,004,461)	-	(93,972,543)
Amortization	(67,485)	(741,745)	(841,380)	(16,281,642)	(88,021)	(17,136)	(204,931)	-	(18,242,340)
Disposals	-	-	-	-	-	-	-	-	-
Balance at June 30, 2018	**(410,066)**	**(4,889,703)**	**(5,533,455)**	**(99,744,319)**	**(331,493)**	**(96,455)**	**(1,209,392)**	**-**	**(112,214,883)**
Amortization	(64,523)	(1,154,458)	(982,126)	(15,538,764)	(101,786)	(112)	(221,760)	-	(18,063,529)
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	(95,099)	-	95,099	-	-	-
Balance at June 30, 2019	**(474,589)**	**(6,044,161)**	**(6,515,581)**	**(115,378,182)**	**(433,279)**	**(1,468)**	**(1,431,152)**	**-**	**(130,278,412)**
CARRYING VALUE:									
As at June 30, 2019	**1,206,216**	**13,221,226**	**14,863,589**	**289,368,737**	**2,174,123**	**2,141**	**3,646,227**	**361,574**	**324,843,833**
As at June 30, 2018	**1,270,739**	**13,892,718**	**15,845,715**	**304,257,738**	**1,631,385**	**322,793**	**3,824,791**	**144,422**	**341,190,301**

6. Fixed Assets - Operational

	Terminal and Structure $	Leasehold Improvements $	Furniture and Office Equipment $	Computer Equipment $	Computer Software $	Vehicles and Machinery $	Equipment and Systems $	Capital Assets in Progress $	Total $
COST:									
Balance at June 30, 2017	9,473	417,758	2,328,157	3,315,061	1,375,363	1,430,280	44,250,511	802,158	53,928,761
Additions	-	4,419	-	117,793	110,169	-	-	301,460	533,841
Transfers	-	127,750	120,587	529,604	130,863	-	221,475	(779,924)	350,355
Disposals	(9,473)	-	-	-	-	-	(374,000)	-	(383,473)
Adjustments	-	-	-	-	-	-	-	(22,233)	(22,233)
Balance at June 30, 2018	**-**	**549,927**	**2,448,744**	**3,962,458**	**1,616,395**	**1,430,280**	**44,097,986**	**301,461**	**54,407,251**
Additions	-	-	39,916	213,234	-	386,350	791,903	3,977,071	5,408,474
Transfers	-	-	-	-	-	-	301,461	(301,461)	-
Disposals	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-
Balance at June 30, 2019	**-**	**549,927**	**2,488,660**	**4,175,692**	**1,616,395**	**1,816,630**	**45,191,350**	**3,977,071**	**59,815,725**
ACCUMULATED DEPRECIATION:									
Balance at June 30, 2017	(9,473)	(390,279)	(2,050,605)	(3,081,986)	(1,320,512)	(1,103,261)	(21,350,880)	-	(29,306,996)
Depreciation	-	(15,699)	(221,881)	(386,010)	(126,593)	(101,416)	(4,292,762)	-	(5,144,361)
Disposals	9,473	-	-	-	-	-	374,000	-	383,473
Balance at June 30, 2018	**-**	**(405,978)**	**(2,272,486)**	**(3,467,996)**	**(1,447,105)**	**(1,204,677)**	**(25,269,642)**	**-**	**(34,067,884)**
Depreciation	-	(37,616)	(98,745)	(307,514)	(76,835)	(88,896)	(4,242,557)	-	(4,852,163)
Disposals	-	-	-	-	-	-	-	-	-
Balance at June 30, 2019	**-**	**(443,594)**	**(2,371,231)**	**(3,775,510)**	**(1,523,940)**	**(1,293,573)**	**(29,512,199)**	**-**	**(38,920,047)**
As at June 30, 2019	**-**	**106,333**	**117,429**	**400,182**	**92,455**	**523,057**	**15,679,151**	**3,977,071**	**20,895,678**
As at June 30, 2018	**-**	**143,949**	**176,258**	**494,462**	**169,290**	**225,603**	**18,828,344**	**301,461**	**20,339,367**

7. Long-Term Debts

Long-term debts consist of the following:

	Interest rates	Maturity dates	Balance at June 30, 2019	Balance at June 30, 2018
			$	$
Current portion				
Senior debt notes:				
USD senior notes	8.50%	December 31, 2031	660,000	600,000
USD senior notes	7.00%	November 30, 2033	7,425,000	5,775,000
USD senior notes	6.34%	March 31, 2035	3,672,500	3,390,000
USD senior notes	6.44%	June 30, 2035	2,700,000	2,700,000
BSD senior notes	8.50%	December 31, 2031	1,650,000	1,500,000
BSD senior notes	6.34%	March 31, 2035	715,000	660,000
Participating debt notes:				
USD participating – Series A	13.00%	March 29, 2034	-	-
USD participating – Series B	13.00%	March 29, 2034	-	-
BSD participating	13.00%	March 29, 2034	-	-
Total			**16,822,500**	**14,625,000**

	Interest rates	Maturity dates	Original Loan Amount	Balance at June 30, 2019	Balance at June 30, 2018
			$	$	$
Long-term portion					
Senior debt notes:					
USD senior notes	8.50%	December 31, 2031	12,000,000	8,640,000	9,300,000
USD senior notes	7.00%	November 30, 2033	165,000,000	136,125,000	143,550,000
USD senior notes	6.34%	March 31, 2035	113,000,000	99,440,000	103,112,500
USD senior notes	6.44%	June 30, 2035	90,000,000	80,100,000	82,800,000
BSD senior notes	8.50%	December 31, 2031	30,000,000	21,600,000	23,250,000
BSD senior notes	6.34%	March 31, 2035	22,000,000	19,360,000	20,075,000
Participating debt notes:					
USD participating – Series A	13.00%	March 29, 2034	10,000,000	-	15,245,986
USD participating – Series B	13.00%	March 29, 2034	50,000,000	-	94,822,619
BSD participating	13.00%	March 29, 2034	10,000,000	-	15,245,986
USD Global Note	7.50%	December 31, 2035	44,097,067	44,097,067	-
BSD Global Note	7.50%	December 31, 2035	90,652,933	90,652,933	-
Total				**500,015,000**	**507,402,091**

7. Long-Term Debts (Continued)

Movement in debt is as follows:

	2019		
	Senior Debt Notes	Participating Debt Notes	Total
	$	$	$
Balance at June 30, 2018	396,712,500	125,314,591	522,027,091
Principal payments	(14,625,000)	(133,434,988)	(148,059,988)
Capitalized interest	-	8,120,397	8,120,397
Refinanced amount*	-	134,750,000	134,750,000
Balance at June 30, 2019	382,087,500	134,750,000	516,837,500
Ending balance comprised of:			
Current portion	16,822,500	-	16,822,500
Long-term portion	365,265,000	134,750,000	500,015,000
Total	**382,087,500**	**134,750,000**	**516,837,500**

	2018		
	Senior Debt Notes	Participating Debt Notes	Total
	$	$	$
Balance at June 30, 2017	408,390,000	110,792,012	519,182,012
Principal payments	(11,677,500)	-	(11,677,500)
Capitalized interest	-	14,522,579	14,522,579
Balance at June 30, 2018	396,712,500	125,314,591	522,027,091
Ending balance comprised of:			
Current portion	14,625,000	-	14,625,000
Long-term portion	382,087,500	125,314,591	507,402,091
Total	**396,712,500**	**125,314,591**	**522,027,091**

*Refer to *Financing 2018* for further details about the refinanced amount.

7. Long-Term Debts (Continued)

Financing 2009

Senior debt notes

In March 2009, the Company entered into an agreement with several syndicated lenders, to provide senior debt notes in the amount of $30 million BSD and $12 million USD to fund the Terminal Redevelopment project costs. The senior debt notes have a 23 year maturity and bear interest at 8.5% per annum. Interest expense on these facilities during the year amounted to $2,878,313 (2018: $3,050,119) and have been included in the statement of comprehensive loss. The senior debt notes are secured by a first priority security interest in all assets of the Company.

As a part of the debt covenants of the financing arrangements, the Company must maintain a debt service coverage ratio of not less than 1.30 to 1.00 commencing the earlier of the date that is six months after the completion of Stage 1, or if approved Stage 2, or if approved stage 3. This debt service coverage ratio debt covenant became effective June 30, 2014 and as at June 30, 2018, the Company is in compliance.

As an additional requirement of the financing, the Company has established a restricted debt service reserve account with Citibank, New York. The account balance comprises of 12 months' principal and interest on the senior debt notes. The debt service reserve account for the outstanding debt as of June 30, 2019, amounted to $2,718,021 (2018: $4,980,868).

Subordinated participating debt notes

In March 2009, the Company entered into an agreement with several syndicated lenders, to provide subordinated participating debt notes in the amount of $70 million to fund the Terminal Redevelopment project costs. The subordinated participating debt notes consist of Series A and Series B Notes. Series A in the amount of $10 million USD and $10 million BSD bear interest at 13% per annum. The interest is split with a 2% cash pay and the remaining 11% payment in kind. Series B in the amount of $50 million USD bear interest at 13% per annum with the full 13% payment in kind. The subordinated participating debt notes have no scheduled principal repayment but are repayable, by way of excess cash sweeps after the earlier of the completion of Stage 1, or if approved Stage 2, or if approved Stage 3 or 72 months after financial close, at any time without penalty provided that any prepayment includes a premium as necessary to achieve the target internal rate of collateral securing the senior notes. Interest expense on this facility amounted to $8,272,857 (2018: $15,092,692) and has been included in the statement of comprehensive income (loss).

In December 2018, NAD repaid the syndicated lenders to the subordinated participating debt lenders and refinanced the debt at an interest rate of 7.5%.

7. Long-Term Debts (Continued)

Financing 2010

In June 2010, the Company entered into an agreement with several syndicated lenders, to provide senior debt notes in the amount of $165 million USD to fund the Terminal Redevelopment project costs. The senior debt notes have a 23 year maturity and bear interest at 7% per annum. The senior notes are secured by a first priority security interest in all assets of the Company and rank pari passu in priority of payment with the other senior debt. Interest expense on this facility amounted to $10,315,593 (2018: $10,669,312) and has been included in the statement of comprehensive income (loss).

As an additional requirement of the financing, the Company has established a restricted debt service reserve account with Citibank, New York. The account balance comprises of 6 months' principal and interest on the senior debt notes. The debt service reserve account for the outstanding debt as of June 30, 2019, amounted to $8,295,375 (2018: $7,679,719).

Financing 2012

In May 2012, the Company entered into an agreement with several syndicated lenders, to provide senior debt notes in the amount of $113 million USD and $22 million BSD to fund the Terminal Redevelopment project costs. The senior debt notes have a 23 year maturity and bear interest at 6.34% per annum.

The senior notes are secured by a first priority interest in all assets of the Company and rank pari passu in priority of payment with the other senior debt. Interest expense on this facility amounted to $7,970,568 (2018: $8,195,243) and has been included in the statement of comprehensive income (loss).

As an additional requirement of the financing, the Company has established a restricted debt service reserve account with Citibank, New York. The account balance comprises six months principal and interest on the senior debt notes. The debt service reserve account for the outstanding debt at June 30, 2019, amounted to $5,913,996 (2018: $6,042,381).

Financing 2013

In August 2012, the Company entered into an agreement with several syndicated lenders to provide senior debt notes in the amount of $90 million USD to fund the Terminal Redevelopment project costs.

7. Long-Term Debts (Continued)

The senior debt notes have a 23 year maturity and bear interest at 6.44% per annum. The senior debt notes are secured by a first priority security interest in all assets of the Company and rank pari passu in priority of payment with the other senior debt. Interest on this facility amounted to $5,440,995 (2018: $5,578,650) and has been included in the statement of comprehensive loss.

As an additional requirement of the financing, the Company has established a restricted debt service reserve account with Citibank New York. The account balance comprises six months principal and interest on the senior debt notes. The debt service reserve account for the outstanding debt at June 30, 2019 amounted to $4,005,293 (2018: $4,092,233).

Financing 2018

In December 2018, the Company entered into an agreement with several syndicated lenders, to provide subordinated participating debt notes in the amount of $134.75 million to refinance the Terminal Redevelopment project costs. The subordinated participating debt notes consist of BSD Global Notes 1 and USD Global Notes 1. BSD Global Note 1 in the amount of $90.75 million BSD and USD Global Note 1 in the amount of $44 million, both Notes bear interest at 7.5% per annum. The subordinated participating debt notes have no scheduled principal repayment but are repayable, at any time without penalty provided that any prepayment includes a premium as necessary to achieve the target internal rate of collateral securing the senior notes. Interest expense on this facility amounted to $5,053,125 (2018: $Nil) and has been included in the statement of comprehensive income (loss).

Total restricted cash included in the debt reserve account is comprised of the following:

	2019 $	2018 $
Senior debt notes:		
Financing 2009 –$12 million USD/BSD 30 million 8.50%; December 31, 2031	2,718,021	4,980,868
Financing 2010 –$165 million USD 7.00%; November 30, 2032	8,295,375	7,679,719
Financing 2012 –$113 million USD/BSD 22 million 6.34%; March 31, 2035	5,913,996	6,042,381
Financing 2013 – USD 90 million 6.44%; June 30, 2035	4,005,293	4,092,233
	20,932,685	**22,795,201**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2019

7. Long-Term Debts (Continued)

Financing 2018 (continued)

Total interest expense on these facilities amounted to $39,931,452 (2018: $42,586,015) as follows:

	2019 $	2018 $
Financing 2009	11,151,170	18,142,811
Financing 2010	10,315,594	10,669,312
Financing 2012	7,970,568	8,195,242
Financing 2013	5,440,995	5,578,650
Financing 2018	5,053,125	-
	39,931,452	**42,586,015**

8. Payable to Government Entities

At June 30, 2019, the following amounts were payable to Government entities:

	2019 $	2018 $
The Airport Authority (security fees)	3,455,080	3,400,753
The Airport Authority (other)	388,655	495,280
Ministry of Finance	739,151	728,719
Ministry of Finance (VAT)	1,199,625	601,114
Bahamas Power & Light	510,309	493,392
Water & Sewerage	43,150	118,644
Bahamas Telecommunications Corporation	27,827	35,377
Public Treasury	3,614	3,073
	6,367,411	**5,876,352**

9. Provision for Resurfacing Runways

Provision for resurfacing runways include the present value of the estimated $32,000,000 to resurface the airport runways in 2023 at a discount rate of 13%. As per the Transfer Agreement, the Company is required to "maintain the airport at a world class standard" before it is handed over to the grantor at the end of the service arrangement and the Company must provide for an annual estimate of the expenditures that would be required to settle the present obligation. In accordance with IFRIC 12, this estimate is capitalized as a part of the intangible assets for service concession arrangements. The intangible asset is being amortized over the life of the lease agreement for thirty (30) years.

9. Provision for Resurfacing Runways (Continued)

During 2019, the Company revised its estimate to resurface the runway at a cost of $24,500,000 with a completion date of December 2019.

The movement is as follows:

	Provision $	Amortization $	Intangible $
Balance at June 30, 2017	9,945,419	(1,252,345)	8,693,074
Additional accrual	1,021,666	-	1,021,666
Increase from the passage of time	1,292,904	-	1,292,904
Charge for the year	-	(434,654)	(434,654)
Balance at June 30, 2018	12,259,989	(1,686,999)	10,572,990
Additional accrual	8,160,007		8,160,007
Increase from the passage of time	-	-	-
Charge for the year	-	(271,103)	(271,103)
Balance at June 30, 2019	**20,419,996**	**(1,958,102)**	**18,461,894**
Cash payments	(4,445,119)		
Balance at June 30, 2019	**15,974,877**		

10. Related-Party Balances and Transactions

The following is a summary of the balances and transactions at June 30, 2019, with related parties:

	2019 $	2018 $
Accounts receivable – Government (gross)	8,205,941	7,193,163
Payable to Government entities	6,367,411	5,876,352
Management fees payable	295,560	381,039
Accrued rent payable	378,011	418,592
Aeronautical operations revenue	15,214,812	17,386,976
Commercial operations revenue	1,127,052	879,471
Utilities	4,980,786	4,554,489
Government fees	1,252,853	1,113,953
Management fees	4,331,919	3,562,951
Rent expense	2,163,361	1,787,915
Telephone expense	201,292	163,467
Directors' fees	90,992	103,460

10. Related-Party Balances and Transactions (Continued)

Salaries and benefits paid to the Company's key management personnel during the year ended June 30, 2019, amounted to $1,470,757 (2018: $1,423,150).

As at June 30, 2019, the subordinated participating debt Global notes and senior debt notes were held by a related Government entity.

	2019 $	2018 $
National Insurance Board	88,987,318	88,703,841

11. Defined Contribution Pension Plan

On January 1, 2008, the Company entered into a Pension Administration Agreement with a financial institution and the implementation of the plan took effect on July 1, 2008.

The Company's contribution was retroactive from April 1, 2007, contributing 2.50% of employees' salary until June 30, 2008. Employee's contribution to the plan commenced July 1, 2008, with minimum contributions of 2.50% and no maximum. The Company matches employee contributions up to a maximum of 5.00%. The vesting period for the plan is as follows:

5 years	50	%	vested
6 years	60	%	vested
7 years	70	%	vested
8 years	80	%	vested
9 years	90	%	vested
10 years	100	%	vested

For the year ended June 30, 2018, the Company contributed a total of $254,321 (2018: $264,442) to the plan.

As at June 30, 2019, approximately 201 (2018: 198) employees were enrolled in the plan.

12. Material, Supplies and Services

Material, supplies and services for the year are as follows:

	2019 $	2018 $
Others	4,424,387	4,105,081
Utilities	4,980,786	4,554,489
Repairs and maintenance	3,507,847	2,327,331
Professional fees	687,809	273,703
	13,600,829	**11,260,604**

13. Commitments

The Company is contingently liable for corporate credit cards in the amount of $50,000 utilized limited and $100,000 authorized limited (2018: $50,000 utilized, $100,000 authorized).

Since assuming control of the airport, the Company has awarded contracts for undertaking works relating to the terminal building, airport plant and equipment and furniture and fittings. As at June 30, 2019, the Company had outstanding commitments relating to open capital and maintenance contracts with a value of $18,689,563 (2018: $1,600,809). All payments are due within the next 12 months.

The Company is involved in legal actions arising from its normal course of business. No material adverse impact on the financial position of the Company is expected to arise from these proceedings except where accrued.

The Company's Board of Directors approved a 3% rate increase to aeronautical fees effective September 1, 2017, and a rate increase to passenger fees effective December 1, 2017 in compliance with the procedure stipulated in the Airport Authority Act, (Fees and charges) Regulations established for this purpose.

14. Operating Leases

The Company has an operating land lease with the Authority for a term of thirty (30) years which expires March 31, 2037. The lease has been extended for an additional 20 years until March 31, 2057. Total rent expense relevant to this operating lease is $2,163,361 (2018: $1,787,915).

14. Operating Leases (Continued)

Future minimum lease rentals receivable due under operating leases as of June 30, 2019 are as follows:

	2019 $	2018 $
Within one year	500,000	500,000
Between one to five years	2,500,000	2,500,000
More than five years	15,875,000	6,375,000

In addition, the Company has concessions and terminal leases as lessor. Total rental income relevant to these concessions and leases is $12,998,420 earned and $12,998,420 recognized (2018: $11,527,910 earned; $11,527,910 recognized).

Future minimum lease rentals receivable due under operating leases as of June 30, 2019 are as follows:

	2019 $	2018 $
Within one year	8,821,714	6,944,204
Between one to five years	33,498,333	16,783,898
More than five years	23,221,422	22,824,826

15. Revenue from contracts with customers

The Company derives revenue from the delivery of services over time and at a point in time in the following major revenue streams:

2019	At a point in time $	Over time $	Total $
Aeronautical			
Passenger facility charge	63,885,381	-	63,885,381
Passenger processing fee	15,742,162	-	15,742,162
Landing fees	7,945,566	-	7,945,566
Terminal fees	1,332,365	-	1,332,365
Loading bridges	668,104	-	668,104
Aircraft parking fees	122,223	-	122,223
Total	**89,695,801**	**-**	**89,695,801**
Commercial			
Concession	7,398,619	-	7,398,619
Car parking	2,632,254	725,331	3,357,585
Refueling royalties	1,956,176	-	1,956,176
Other income	84,752	-	84,752
Total	**12,071,801**	**725,331**	**12,797,132**

2018	At a point in time $	Over time $	Total $
Aeronautical			
Passenger facility charge	52,507,622	-	52,507,622
Passenger processing fee	11,396,458	-	11,396,458
Landing fees	7,081,110	-	7,081,110
Terminal fees	1,214,433	-	1,214,433
Loading bridges	525,053	-	525,053
Aircraft parking fees	136,785	-	136,785
Total	**72,861,461**	**-**	**72,861,461**
Commercial			
Concessions	7,398,619	-	7,398,619
Car parking	2,601,193	569,131	3,170,324
Refueling royalties	1,698,016	-	1,698,016
Other income	62,747	-	62,747
Total	**11,760,575**	**569,131**	**12,329,706**

16. Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, current liabilities, and long-term debt. Financial liabilities are carried at amortized cost.

The main risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks and they are summarized as follows:

Credit risk

Credit risk arising from the inability of a counter party to meet the terms of the Company's financial instrument contracts is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligations of the Company.

It is the Company's policy to enter into financial instruments with a diverse group of credit worthy counterparties. Therefore, the Company does not expect to incur material credit losses on its risk management or other financial instruments.

In addition, receivable balances are monitored on an ongoing basis with necessary provisions being made. The Company's maximum exposure to credit risk in the event any counterparties fail to perform their obligation at June 30, 2019 and 2018, in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

Due to the nature of its operations, the Company has significant credit risk with Government entities.

Impairment

The Company has assessed the expected credit loss for cash and accounts receivable. Cash is considered to be investment grade credit rating with a well-known ratings agency and is in stage 1 of the expected credit loss model. The identified impairment losses, based on the credit quality of the counterparties were determined to be immaterial and are not recorded in these financial statements.

16. Financial Risk Management Objectives and Policies (Continued)

Credit risk (continued)

Accounts receivable

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable.

To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates for the trade receivable are based on the payment profiles of accounts receivable over a period of 36 months before June 30, 2019 or July 1, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable.

The Company has identified Gross Domestic Product of The Bahamas to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

See Note 3 for the aged analysis of accounts receivable.

Other financial assets

Debt instruments comprise cash and cash equivalents and restricted cash. Cash and cash equivalents and restricted cash are considered to be investment grade as per an external rating agency and in stage 1 of the expected credit loss model and therefore the loss allowance was limited to 12 months expected credit losses. The identified loss allowance was determined by management to be immaterial and was not recorded in these financial statements.

Interest rate risk

The Company is not exposed to significant fair value interest rate risk. Exposure to this risk relates primarily to the Company's debt facilities as they are all fixed rate term debt facilities.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. This risk is mitigated due to management's ability to increase rates and fees and borrow funds from its bankers.

16. Financial Risk Management Objectives and Policies (Continued)

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities at June 30, 2019 and 2018. The table presents the undiscounted cash flows payable by the Company under non-derivative financial liabilities by remaining period to contractual maturity from the date of the statement of financial position:

	2019				
	Within 3 Months	3-6 Months	6-12 Months	More than 1 Year	Total
	$	$	$	$	$
Financial assets					
Cash and cash equivalents:					
Operating accounts	7,188,806	-	-	-	7,188,806
Construction and controlled accounts	42,776,834	-	-	-	42,776,834
Restricted cash	-	20,932,685	-	-	20,932,685
Accounts receivable:					
Private sector	17,927,817	-	-	-	17,927,817
Government	7,055,199	-	-	-	7,055,199
	74,948,656	**20,932,685**	-	-	**95,881,341**
Financial liabilities					
Accounts payable and accrued liabilities:					
Construction project	447,492	-	-	-	447,492
Trade	5,640,180	-	-	-	5,640,180
Management fees payable	295,560	-	-	-	295,560
Payable to Government entities	6,367,411	-	-	-	6,367,411
Long term debt – current portion	12,878,477	12,811,530	26,785,269	-	52,475,276
Long term debt – non-current	-	-	-	842,107,604	842,107,604
	25,629,120	**12,811,530**	**26,785,269**	**842,107,604**	**907,333,523**
Net liquidity gap	**49,319,536**	**8,121,155**	**(26,785,269)**	**(842,107,604)**	**(811,452,182)**

16. **Financial Risk Management Objectives and Policies (Continued)**

	2018				
	Within 3 Months $	3-6 Months $	6-12 Months $	More than 1 Year $	Total $
Financial assets					
Cash and cash equivalents:					
Operating accounts	13,523,208	-	-	-	13,523,208
Construction and controlled accounts	21,461,137	-	-	-	21,461,137
Restricted cash	-	17,814,333	4,980,868	-	22,795,201
Accounts receivable:					
Private sector	13,219,662	-	-	-	13,219,662
Government	7,118,025	-	-	-	7,118,025
	55,322,032	17,814,333	4,980,868	-	78,117,233
Financial liabilities					
Accounts payable and accrued liabilities:					
Construction project	1,294,946	-	-	-	1,294,946
Trade	3,692,282	-	-	-	3,692,282
Management fees payable	381,039	-	-	-	381,039
Payable to Government entities	5,876,352	-	-	-	5,876,352
Long term debt – current portion	10,192,764	10,133,036	20,904,669	-	41,230,469
Long term debt – non-current	-	-	-	885,147,471	885,147,471
	21,437,383	10,133,036	20,904,669	885,147,471	937,622,559
Net liquidity gap	33,884,649	7,681,297	(15,923,801)	(885,147,471)	(859,505,326)

The liquidity gap will be addressed through the Company's revenue operating activities. The repayment of the loan facilities will occur as required and management is confident that the revenue receipts from service fees are sufficient to meet the repayment requirements. In addition, the Company has a statutory right to fund its loan facilities by increasing its tariff rates and fees.

16. **Financial Risk Management Objectives and Policies (Continued)**

Credit risk (continued)

Accounts receivable

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable.

To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates for the trade receivable are based on the payment profiles of accounts receivable over a period of 36 months before June 30, 2019 or July 1, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable.

The Company has identified Gross Domestic Product of The Bahamas to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

See Note 3 for the aged analysis of accounts receivable.

Other financial assets

Debt instruments comprise cash and cash equivalents and restricted cash. Cash and cash equivalents and restricted cash are considered to be investment grade as per an external rating agency and in stage 1 of the expected credit loss model and therefore the loss allowance was limited to 12 months expected credit losses. The identified loss allowance was determined by management to be immaterial and was not recorded in these financial statements.

Interest rate risk

The Company is not exposed to significant fair value interest rate risk. Exposure to this risk relates primarily to the Company's debt facilities as they are all fixed rate term debt facilities.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. This risk is mitigated due to management's ability to increase rates and fees and borrow funds from its bankers.

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