



Flight Plan:

CHARTING THE FUTURE



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Message

FROM THE CHAIRMAN

This past year reminded us that external factors can strongly impact our business. The delayed opening of Baha Mar, the weakened Canadian dollar, and the struggling Brazilian economy all resulted in a softening of the Bahamian tourism industry. With the vast majority of our passengers being leisure travellers, those issues directly affect Lynden Pindling International Airport.

That said we have a clear vision of where LPIA is and where it is headed—on the path to becoming a world-class airport providing an extraordinary customer experience.

Last year NAD launched a five-year strategic plan to get there. The team has spent the past 12 months focused on six key priorities:

- Investing in our people
- Providing a safe, secure, and efficient operation
- Building capacity to meet growth potential
- Delivering an extraordinary customer experience
- Maintaining a fiscally responsible and profitable operation
- Enhancing stakeholder relationships.

I am pleased to report that the plan is already generating results. Despite the challenging conditions, the team maintained LPIA's competitive position.

Our passenger numbers remained strong, matching 2015's 3.3 million, the highest since 2008. Revenues were up by \$1.4 million reaching a record high of \$75.9 million. And operating expenses were down by \$449,000, a testament to the entire team's commitment to improving efficiency and productivity across the business.

It's important to note that these results were achieved while delivering a strong customer

experience and improving safety. LPIA received an Overall ASQ Customer Satisfaction Score of 4.42 out of a possible five points, placing it in the top three airports in the Latin American and Caribbean region. LPIA also became the first airport in The Commonwealth of The Bahamas to receive its Aerodrome Operator Certificate from the Bahamas Civil Aviation Authority. Achieving certification demonstrates our commitment to operational excellence and international safety standards, further elevating LPIA on the global stage.

There is no doubt that the future holds challenges for us. With the opening of the Cuban market to US travellers, The Bahamas will face more competition than ever before. But with a strong team in place, and a detailed strategy to act as our flight plan, we are prepared to navigate all that lies ahead.

On behalf of the Board of Directors, I would like to thank the NAD team and the airport community for their dedication to LPIA and its success.

Anthony McKinney,
Chairman

Message

FROM THE PRESIDENT



In many respects, 2016 marked a time of change for NAD. After the successful redevelopment of the airport, we embarked on a five-year strategic plan to distinguish LPIA as one of the world's leading airports. The plan and its six key objectives is our chart for the future, focusing our efforts and providing a means for us to measure our progress.

The past 12 months have brought challenges, but looking back I can't help but feel immense pride at NAD's team and the broader airport community for all that we have achieved together.

A highlight was receiving our Aerodrome Operator Certificate from the Bahamas Civil Aviation Authority (BCAA). This is a distinction that few airports in the Central American and Caribbean region have achieved and was made possible through a renewed spirit of collaboration and cooperation between NAD and the BCAA.

We have also been working with the Nassau Paradise Island Promotion Board and The Bahamas Ministry of Tourism on air service development initiatives. Through our joint efforts, Silver Airways added service from four US cities; British Airways and Jet Blue added capacity; and Southwest Airlines added a new route.

To improve the passenger experience and reduce confusion, we worked with our partners at the Bahamas Customs Department and the Nassau Paradise Island Promotion Board to install a passenger notification system in the customs and baggage claim area. In partnership with US Customs and

Border Protection, the Transportation Security Administration, and many of our airlines, we launched electronic boarding pass scanners. Customers without checked luggage can now use a digital boarding pass on their mobile phone to move more directly to their gate.

To increase capacity for US flights, we converted two international gates into swing gates which can now be used for US operations during times of increased demand. We also added another jet bridge to accommodate aircraft of any size.

Despite these accomplishments, we cannot lose sight of future challenges. The Bahamas has long benefitted from being the closest warm weather destination to the US Eastern Seaboard. With Cuba coming online, our competitive landscape is now changing. As an industry we must work together to give our travellers compelling reasons to visit The Bahamas and deliver an exceptional experience while they are here.

Over the past year I have seen LPIA come together to do just that. Through collaboration, smart thinking, and hard work, we're delivering a truly memorable Bahamian experience for our guests.

And for that I want to thank NAD employees, our partners, and the entire airport community. 2017 will mark the 10th anniversary of our operations at LPIA and I look forward to the next leg of our journey together.

A handwritten signature in black ink that reads "Vernice Walkine". The signature is written in a cursive, flowing style.

Vernice Walkine,
President and CEO

ABOUT US

As the primary international gateway to The Bahamas, **Lynden Pindling International Airport (LPIA)** is the fourth busiest airport in the Caribbean. Named for 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. In FY2016, LPIA served 3.3 million passengers and safely handled more than 83,000 aircraft takeoffs and landings.

Nassau Airport Development Company (NAD) is a Bahamian company owned by the government of The Bahamas. We are operated by Vantage Airport Group, a Canadian company, under a 10-year agreement. 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.

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 operator of airports around the world. The company brings the expertise and airport management techniques honed at multi-award-winning Vancouver International Airport (YVR) to LPIA. Vantage has a current portfolio of nine airports on two continents.



DIRECTORS

NAD is governed by a Board with nine Directors.



Anthony McKinney,
Chairman



Manita Wisdom,
Deputy Chairman



Deepak Bhatnagar



Dr. Gregory Carey



George Casey,
Vantage Airport Group



Michael Foster



Douglas Hanna



Annischka Holmes-Moncur



Rev. Lloyd Smith

EXECUTIVE MANAGEMENT

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

With 23 airlines serving 55 destinations—21 US, 11 international, and 23 domestic—LPIA offers more travel options than any other airport in the Caribbean.

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

Air Carriers

AIR CANADA
AMERICAN AIRLINES
BAHAMASAIR
BRITISH AIRWAYS
CARIBBEAN AIRLINES
COPA AIRLINES
CUBANA AIRLINES
DELTA AIRLINES

FLAMINGO AIR
IBC AIRWAYS
INTERCARIBBEAN AIRWAYS
JET BLUE AIRWAYS
LEAIR CHARTER
PINEAPPLE AIR
SILVER AIRWAYS
SKY BAHAMAS

SOUTHERN AIR
SOUTHWEST AIRLINES
SUN COUNTRY*
SUNWING AIRLINES
UNITED AIRLINES
WESTERN AIR
WESTJET

Routes

ATLANTA
BAHAMAS FAMILY ISLANDS
BALTIMORE
BOSTON
CALGARY*
CAP-HAITIEN
CAYMAN ISLANDS
CHARLOTTE
CHICAGO
DALLAS
DETROIT*
FORT LAUDERDALE

FORT MYERS (NEW)
HAVANA
HOUSTON
JACKSONVILLE (NEW)
KINGSTON
LONDON, LHR
MIAMI
MINNEAPOLIS*
MONTREAL*
NEW YORK, EWR
NEW YORK, JFK
NEW YORK, LGA

ORLANDO
PANAMA CITY
PHILADELPHIA
PROVIDENCIALES
SANTA CLARA (NEW)
TAMPA (NEW)
TORONTO
WASHINGTON DC, DCA
WEST PALM BEACH

* Denotes seasonal destination.

RESULTS SUMMARY

2016 At A Glance

PASSENGER MOVEMENTS

3.3m • **Up 1.1%**

REVENUE

\$75.9m • **Up 1%**

OPERATING INCOME

\$51m • **Up 4.2%**

AIRCRAFT MOVEMENTS **83,158** • AIRLINES **22** • DESTINATIONS **55**

	PASSENGERS (MILLIONS)	AIRCRAFT MOVEMENTS	REVENUE (MILLIONS)	OPERATING EXPENSES (MILLIONS)	RETAINED EARNINGS (MILLIONS)	LONG TERM DEBT (MILLIONS)
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
2013	3.2	85,700	\$64.3	\$23.0	\$20.3	\$497.0
2012	3.2	82,100	\$55.9	\$21.2	\$24.4	\$445.4





STRATEGIC PLAN 2015-2019

Charting Our Path To Becoming One Of The World's Best

In 2015, NAD launched a five-year strategic plan with an overarching objective to become one of the world's leading airports.

Over the past year, the organization has been working to deliver on this strategy by focusing on six key objectives. Corresponding goals, plans, timelines and point of accountability provide the framework for measuring progress towards successfully meeting our mandate.

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.



Strategic Objective #1:

INVESTING IN OUR PEOPLE

Equipped, empowered, and engaged employees are vital to our success across all areas of the business. That's why we're providing training and development opportunities to strengthen our team.

In 2016, 72 employees attended specialized training courses and more than 26 employees were promoted within the organization. Fifty employees received certification from outside organizations such as Airport Surface Friction Testing Company out of Switzerland, Airports Council International (ACI), the Transportation Security Administration (TSA), Cisco, VMware Professional, Synergy Bahamas, Ministry of Tourism BahamaHost program, John Maxwell International, Six Sigma, Online Landscape training, AirIT and The National Parking Association.

Maintenance Promotion Assessment Program. The Maintenance Promotion Assessment Programme (MPAP), which launched in early 2015, was designed to outline a clear path for upward career mobility for NAD's Maintenance and Engineering team members. Through the programme, interested employees take charge of their own careers and complete annual, voluntary exams. Those who demonstrate "strong knowledge" of their specific area of work will be promoted through five levels of expertise. This year saw strong participation with eight candidates successfully passing their exams.

Landscape Training. NAD's Landscape team began participation in an online landscape training system in July 2015. The system is designed to help improve productivity, reduce downtime through proper equipment care and use, and ensure a safe working environment for employees. The training has been a benefit to the entire team; 10 landscape team members have completed the training and two landscape leads have also completed a separate supervisor training.

AirIT User Conference. LPIA uses the AirIT platform to manage all of our airport scheduling and operations processes. In April, 2016 four Operations Centre team members attended the AirIT User Conference in Las Vegas where they received hands-on training and individual instruction on system upgrades and new features. After completing their training, they returned to LPIA to train their fellow team members to help improve the overall efficiency of daily airport operations.

Reflecting our Country. NAD is committed to recruiting and developing Bahamian talent and our team is truly reflective of our country. 100 per cent of our employees and managers are Bahamian. With the promotion of Paula Rigby to the position of Vice-president of Finance & Chief Financial Officer, all of our executives now hail from The Bahamas.

Strategic Objective #2:

PROVIDING A SAFE, SECURE & EFFICIENT OPERATION

NAD is fully committed to achieving the highest levels of safety at LPIA. That's why we're improving efficiency and safety by adopting systems, processes, and technology as well as upgrading airside infrastructure.

New Operations Centre. In June 2016, we opened our new state-of-the-art Operations Centre, located in Terminal B. The centre includes upgraded computers, an automated whiteboard, and a video wall with improved views of key systems including baggage handling and CCTV. This new facility offers the team tools to boost their performance and improve the efficiency of airport operations.

Safety Management System (SMS). In July 2014 we began to implement a Safety Management System to improve the safety of aviation operations by identifying and correcting issues.

The first milestone was our Corporate Safety Policy which defines the value of safety to our organization and our team.

Other elements of the SMS include a confidential reporting system, SMS hotline phones to identify hazards, a quality audit, and the development of a communications campaign to remind staff of their role in maintaining safety at the airport.

Incident Reporting and Tracking. In January 2016, we implemented a new software system to track and monitor all incidents, wildlife, and safety hazards at LPIA. The system allows airport ground staff to report incidents or log wildlife observations in real time. The data can then be analyzed to better understand problems and develop solutions to persistent issues, improving safety across the airport.

Runway End Safety Areas (RESA). The Bahamas Civil Aviation Authority (BCAA) recently made changes to safety regulations requiring some airports to have Runway End Safety Areas (RESAs), consistent with ICAO standards. We recently installed the first of four RESAs at the end of Runway 32 and at the threshold of Runway 14. It provides a clear, graded area to reduce the risk of damage to an aircraft in the event of an overshoot, undershoot, or excursion.

Additionally, we cleared and graded the land along the western edge of Runway 14/32 to provide a runway strip for possible emergency use.

Airside Wireless Enhancement. We recently improved airside wireless coverage by installing additional Wireless Access Points (WAPs) at strategic locations. These WAPs significantly improve signals received by the handheld scanners used by Nassau Flight Services (NFS) and other airlines performing bag handling and scanning functions. This enhancement strengthens both the safety and efficiency of baggage handling operations.

Airport Certification. On December 16, 2015, LPIA became the first airport in The Commonwealth of The Bahamas to receive its Aerodrome Operator Certificate from the BCAA, a distinction that few airports in the Central American and Caribbean region have achieved.

The certification process covers all operational areas that are needed to assure the International Civil Aviation Organization (ICAO) that the airport can safely accommodate all aircraft operations. Beyond meeting ICAO regulations, the certification establishes a baseline for continued operational and safety standards at the airport. This certificate shows that LPIA is a certified airport and meets the necessary local and international safety standards, further elevating how we rank on a global basis.

Emergency Preparedness. Planning and preparing for an emergency, either aviation-related or natural, is part of our business. We regularly review our written plans and test them through tabletop exercises and emergency preparedness activities.

On December 1, 2015 we conducted an airport-wide emergency drill that simulated an aircraft crash. It allowed us to test a number of our plans, including our crisis communications plan. We used social media and liaised with local media outlets to prepare the public for the simulation and engage them in the exercise.

Strategic Objective #3:

BUILDING CAPACITY

to Meet Growth Potential

We're equipping LPIA to welcome more passengers. We're working with industry partners to drive passenger growth as we maximize the airport's commercial potential and leverage technology to increase capacity.



Swing Gates. A notable achievement in July 2015 was the implementation of the swing gate operation at Gates B28 and B29. NAD worked closely with the US Customs and Border Protection agency (USCBP) to increase the utility of these gates, which previously could only be used for international (non-US) travellers. Now they can also be used for US operations during times of increased demand.

This project increased the capacity of available gates for processing US flights by 20% without expanding the physical footprint of the terminals.

Apron Drive Bridge. December saw the completion of a new apron drive bridge at gate C45 at a cost of \$1 million. This new jet bridge increases our aircraft docking capacity and availability, improving the service we can provide our airline partners.

Computer Core System Upgrade. In the fall of 2015 we upgraded LPIA's main computer room core switch. This vital infrastructure is responsible for the operation of the airport's critical systems including passenger processing, baggage handling, telephony, virtual servers, surveillance, and parking systems.

The \$125K upgrade gives us the capacity to meet our current and future technology needs and maintain an active support status from the technology supplier.

NAD's Executive Office Relocation Project. In June 2016 we relocated our executive and administrative staff to a new office space on the third floor of the LPIA Arrivals Terminal. The new office provides a safer and more modern workspace for NAD employees while allowing for the old terminal to be demolished. This land can then be repurposed for additional operational expansion and commercial development.

Automated Passport Control. We are continuing to benefit from the 2015 installation of our Automated Passport Control (APC) system. The 20 BorderXpress kiosks were installed to

cut wait times at the US pre-clearance facility, improve the airport's efficiency and ultimately provide a more enjoyable experience for visitors.

Air Service Development. NAD has been working with the Nassau Paradise Island Promotion Board and the Bahamas Ministry of Tourism on air service development initiatives. We are working to provide key airline partners with updates on developments and marketing initiatives within the destination in order to secure and increase seat capacity.

The initiative is generating results:

- Silver Airways added nonstop service to Nassau from four Florida cities;
- From Fort Lauderdale, Southwest launched a new daily service while Jet Blue added two additional daily flights;
- British Airways upgraded the aircraft it uses to service its London Heathrow to Nassau service, increasing capacity by 46%;
- In total, we generated a 1.8% increase in seat capacity on LPIA-bound routes.



Strategic Objective #4:

DELIVERING AN EXTRAORDINARY CUSTOMER EXPERIENCE

We're working to anticipate customers' needs and exceed their expectations. We're improving offerings, reducing processing times, and weaving our Bahamian culture into our passengers' journey.

Customer Satisfaction. To make sure that we are delivering an outstanding customer experience, we use the Airport Service Quality (ASQ) survey to track our performance against the best airports in the world. In the first quarter of 2016, LPIA scored overall a 4.42 out of a possible five points, placing it in the top three airports in the Latin American and Caribbean region.

Areas where LPIA received scores greater than 4.3 include: ambiance, wayfinding, feeling safe and secure, cleanliness, and availability of washrooms.

Customer Service. This year we have focused on making gains in the category of “Courtesy of Airport Staff.” Through a partnership with the Ministry of Tourism we began a series of customer service training initiatives for frontline staff. From January to May, NAD offered four seminars attended by more than 150 airline, retail tenant, and security staff.

A Clean Airport. Over the past few years, we have consistently received high ASQ scores for the cleanliness of our airport. Our goal is now to achieve the region’s highest airport cleanliness score. We have been re-evaluating our standard operating procedures, providing coaching and training for cleaning staff, ensuring the availability of proper equipment, and conducting regular skills examinations. Our efforts have been paying off as we achieved an ASQ score of 4.48 for cleanliness in the Q1 2016 rankings.

Lignum Club. October 2015 saw the grand opening of our new Lignum Club airport lounge. Passengers can now access a business centre, a full-service bar, cable TV, food and beverage options, private meeting space, and concierge services.

Electronic Boarding Pass (EBP). We recently successfully implemented Electronic Boarding Pass (EBP) scanners at LPIA. This technology allows travellers without checked bags to use their mobile devices to move directly through the airport to the security checkpoints and then to their gate, simplifying their passenger journey.

Bahamas Customs Passenger Notification System. We installed a passenger notification system to improve the customer experience through Bahamas Customs and Baggage Claim. Five new monitors, mounted just above the customs declaration counters, can provide information to, or stream arriving travellers.

Parking. After an extensive study, we restructured our parking program to deliver a better experience for our customers. The changes include the development of more helpful signage, physical enhancements to the parking facility, and the introduction of a new fee schedule that brings added value, convenience, and some fee reductions for customers.

Music. This year we installed a new music service that is capable of providing a combination of advertisements and music, specific to the terminal environment. The system now plays 100% Bahamian music, adding to the Bahamian experience that we provide our visitors while promoting the goods and services of participating retailers.

A Truly Bahamian Experience. We began the year with the unveiling of a life-sized statue of former Bahamian Prime Minister, Sir Lynden Pindling, at the entrance of the international wing. The statue, which took two years to build, was created by local sculptor, Peter Johnston. LPIA is a reflection of The Bahamas, greeting visitors with the sights and sounds of our country. Our Artwork Programme features permanent works of art that showcase the vibrant and rich culture of the islands. We also have a Rotating Exhibits programme in partnership with Doongalik Studios to feature a wide variety of Bahamian artists and artisans.

The summer of 2015 saw the return of our annual Take-Off Fridays event in the US Departures Terminal. Travellers were met by greeters and retail hosts and entertained by Bahamian performers, magicians, and face painters. The event supports our retail partners and provides passengers with a more engaging travel experience.



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Strategic Objective #5:

MAINTAINING A FISCALLY RESPONSIBLE & PROFITABLE OPERATION

We're generating positive financial results by diversifying revenue streams and achieving cost savings through technology. We're fulfilling our fiscal obligations by meeting all debt covenants and repaying the participating debt.

Non-Aeronautical Revenue. In recent years, the traditional aviation fee-based airport model has evolved. Today non-aeronautical revenues, such as retail, food & beverage, land rents, and parking, are major contributors to an airport's financial success. We are capitalizing on this global trend by exploring new income sources to drive our revenue. This year we welcomed new tenants including Starbucks and Del Sol; added kiosks for Sushi Rokkan and Suntime Bahamas; launched the Lignum Club passenger lounge; and added two new tenants to our airport office space.

Purchasing, Procurement, and Inventory. In 2016 we re-engineered our purchasing and procurement process to ensure greater accuracy, lower costs, and improved customer service. We implemented an ordering system to optimize our investment in inventory by reducing holding and ordering costs.

Document Management System. We deployed a document management system allowing departments to access, share, and process documents in an efficient way. The new system is improving productivity and accountability while also saving us approximately \$10,000 per year.

Environment. We understand the importance of our natural environment and we have made environmental sustainability a priority. The redeveloped airport was designed with sustainable features and environmentally friendly initiatives to help us minimize environmental impacts while achieving economic benefits.

Our Environmental Coordinator has been implementing new initiatives across our business to minimize environmental impacts while supporting economic and social benefits. Our main area of focus is on increased recycling (internal and external) in the form of plastic bottles, aluminum cans and cardboard boxes, document shredding, and proper disposal of used cooking oil to be used as biodiesel. We are currently finalizing our Environmental Management Plan and working with tenants to promote environmental sustainability and best practices.



Strategic Objective #6:

ENHANCING STAKEHOLDER RELATIONSHIPS

We're working closely with our airport stakeholders to reach common goals and improve the passenger experience at every step. We're exploring ways to share systems and costs, as well as recognize the role that all airport employees play in LPIA's success.

Airport Certification. During the airport certification process, members of NAD's Airside Operations & Public Safety Department worked closely with the Aerodrome and Ground Aids Section of the Bahamas Civil Aviation Authority (BCAA). We continue to foster a stronger relationship with the state to achieve our shared goal of making LPIA the safest airport in the region.

Emergency Response. Ensuring effective Command, Communication, and Coordination during a multi-agency emergency response is critical. NAD is working to establish a memorandum of understanding (MOU) with key emergency response agencies that provide resources and services during an emergency at LPIA, including airport security, national security agencies, fire & rescue, air traffic control, and medical services. These MOUs will provide a clear understanding of how we will work together in emergency situations, ultimately allowing us to forge a stronger bond and be better prepared.

Swing Gates. The realization of the swing gate operation was attributed to the collaboration of NAD's Operations and Maintenance & Engineering departments as well as key stakeholders including the Airport Authority and United States Customs and Border Protection (USCBP).

Electronic Boarding Pass (EBP). As part of the implementation of the EBP program, NAD worked closely with USCBP and the Transportation Security Administration who supported the training of Airport Authority (AA) staff. The service was also developed in partnership with many of our airlines including American Airlines, Jet Blue, Delta, United Airlines, British Airways, West Jet, Air Canada, and Copa Airlines who helped finance the project.

Airport-wide Customer Service Training. We are working collaboratively to ensure that travellers receive an exceptional experience at LPIA. We've been working closely with the Ministry of Tourism on a series of customer service training initiatives for frontline staff featuring speakers that highlight the importance of strong customer service.

Customs Notification System. Our Operations and IT teams worked very closely with the Bahamas Customs Department (BCD) on this initiative. A three-way cost sharing initiative between NAD, BCD, and the Nassau Paradise Island Promotion Board led to the installation of the digital signage which has improved LPIA's inbound passenger experience.

Automated Wait Time System. We are currently installing a BluFi (*Bluetooth and Wi-Fi*) system to monitor traffic within the pre-clearance area. The system will ultimately provide USCBP with metrics to better manage staff, providing a more efficient experience for travellers.

Environment. NAD continues to work with our tenants and various aircraft maintenance operators to ensure that environmental concerns are being addressed. A revamped Inspection Programme has been instituted to confirm that all tenants are adhering to Best Management Practices as it relates to their respective industry.



LPiA team shows breast cancer support in pink safety vests.

IN THE COMMUNITY

LPIA is a vibrant community in and of itself, but we know our responsibilities extend beyond the airport property. Every year we give our time and money to local causes and organizations to contribute to the success of the broader community.

Following Hurricane Joaquin in October, NAD led an effort to secure donations of essential items for hurricane victims. The airport community collected approximately 10,000 pounds of supplies that were delivered to the most affected islands with the assistance of The Bahamas Red Cross.

In October we took part in our second International Shoreline Clean Up event. 32 NAD employees and friends collected 747 pounds of garbage from Coral Harbour Beach, making a huge impact on the local ecosystem.

During Breast Cancer Awareness Month NAD employees donned pink safety vests to raise awareness and we held a PINK Bake Sale benefitting the Sister Sister Breast Cancer Support Group. We also held an information session about breast cancer diagnosis and treatment.

In December, through our annual Toys for Tots drive we donated toys and gifts to 30 children living at the Children's Emergency Hostel.

Along with the Vantage Airport Group and Thompson Rivers University (TRU), we introduced the Vantage Airport Group International Education Award, a four-year, \$30,000 scholarship for a Bahamian student to attend university at TRU in Kamloops, BC, Canada.

Through our **Give.Change.** donations boxes located in the departures terminals we were able to raise funds for non-profit organizations including The Bahamas Red Cross, The Persis Rodgers Home for the Aged, the National Museum of The Bahamas, and Reach Bahamas (autism awareness).

To promote environmental awareness we hosted LPIA Clean Up Week which included informative presentations, a tree-planting, a parking lot cleaning drive, and our annual Foreign Object Debris (FOD) Walk to clean the airside. LPIA is the people's airport and we're working hard to make sure that Bahamians benefit from their airport.

LPIA continued its participation in the Susan Komen Race for the Cure and as volunteer supporters of the events of The Bahamas National Trust.



FINANCIALS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of **Nassau Airport Development Company Limited**: We have audited the financial statements of Nassau Airport Development Company Limited (the "Company") which comprise of the statement of financial position as at June 30, 2016, and the related statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion. In our opinion, the financial statements present fairly, in all material respects, the financial position of Nassau Airport Development Company Limited as at June 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

February 8, 2017

**Statement of Financial Position
As at June 30, 2016**

Nassau Airport Development Company Limited

(Expressed in Bahamian Dollars)

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 15):		
Operating accounts	\$ 5,524,934	\$ 6,612,641
Construction and controlled accounts	6,838,388	4,964,775
Restricted cash (Notes 7 and 15):	18,735,173	17,870,188
Accounts receivable, net (Notes 4 and 15):		
Private sector	15,354,782	12,495,941
Government	3,123,682	3,386,276
Prepaid expenses and deposits	449,665	601,452
Inventories and supplies	2,582,210	2,521,692
Total current assets	<u>52,608,834</u>	<u>48,452,965</u>
Non-Current Assets:		
Intangible assets - leasehold and financing (Note 5)	34,607,097	36,271,566
Intangible assets - resurfacing runways (Note 9)	7,086,237	5,717,576
Intangible assets - operational (Note 6)	423,466,569	439,483,837
Total non-current assets	<u>465,159,903</u>	<u>481,472,979</u>
Total	<u>\$ 517,768,737</u>	<u>\$ 529,925,944</u>

See notes to financial statements.

**Statement of Financial Position
As at June 30, 2016**

Nassau Airport Development Company Limited

(Expressed in Bahamian Dollars)

	2016	2015
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities:		
Construction project (Notes 6 and 15)	\$ 1,762,631	\$ 1,803,432
Trade (Note 15)	4,020,178	3,460,218
Management fees payable (Notes 10 and 15)	24,689	80,874
Payable to Government entities (Notes 8, 10, and 15)	5,137,424	4,974,494
Current portion of long-term debts (Notes 7 and 15)	18,095,000	18,147,500
Total current liabilities	<u>29,039,922</u>	<u>28,466,518</u>
Non-Current Liabilities:		
Provision for obligation to resurface runways (Note 9)	8,001,142	6,372,591
Long-term debts (Notes 7 and 15)	505,525,196	506,294,341
Total non-current liabilities	<u>513,526,338</u>	<u>512,666,932</u>
Equity:		
Share capital:		
Authorized 5,000 shares;		
Issued and fully paid: 5 shares of par value \$1.00 each	5	5
Deficit	(24,797,528)	(11,207,511)
Total equity	<u>(24,797,523)</u>	<u>(11,207,506)</u>
Total	<u>\$ 517,768,737</u>	<u>\$ 529,925,944</u>

See notes to financial statements.

These financial statements were approved by the Board of Directors on February 8, 2017, and are signed on its behalf by:



Chairman



Chairman Finance & Audit Committee

**Statement of Comprehensive Loss
Year Ended June 30, 2016**

Nassau Airport Development Company Limited

(Expressed in Bahamian Dollars)

	2016	2015
Operating Revenue:		
Aeronautical operations revenue:		
Passenger facility charge	\$ 45,726,670	\$ 44,915,439
Passenger processing fee	7,590,660	7,441,242
Landing fees	6,440,491	6,302,048
Terminal fees	1,166,909	1,167,268
Loading bridges	495,118	424,863
Aircraft parking fees	124,657	110,822
Total aeronautical operations	<u>61,544,505</u>	<u>60,361,682</u>
Commercial operations revenue:		
Terminal leases and concessions (Note 14)	10,052,502	9,941,077
Car parking	2,670,344	2,508,803
Refueling royalties	1,586,062	1,633,876
Interest and other income	116,303	121,662
Total commercial operations revenue	<u>14,425,211</u>	<u>14,205,418</u>
Total Operating Revenue:	<u>75,969,716</u>	<u>74,567,100</u>
Operating Expenses:		
Material, supplies and services (Note 12)	11,528,552	12,886,033
Salaries and benefits (Note 11)	9,460,454	8,940,820
Management fees (Note 10)	2,146,279	1,935,334
Rent (Notes 10 and 14)	1,534,394	1,506,342
Provision for doubtful accounts (Note 4)	370,274	220,533
Total operating expenses	<u>25,039,953</u>	<u>25,489,062</u>
Operating Income	<u>\$ 50,929,763</u>	<u>\$ 49,078,038</u>
Non-Operating Expenses:		
Interest (Note 7)	42,155,749	41,812,837
Amortization - operational (Note 6)	20,103,762	20,071,088
Amortization - leasehold and financing (Note 5)	1,664,469	1,664,469
Financial cost	264,464	282,740
Amortization - resurfacing runways (Note 9)	259,890	198,084
Loss on disposal of service concession assets	71,446	149,581
Total non-operating expenses	<u>64,519,780</u>	<u>64,178,799</u>
Net and Comprehensive Loss	<u>\$ (13,590,017)</u>	<u>\$ (15,100,761)</u>

See notes to financial statements.

**Statement of Changes in Equity
Year Ended June 30, 2016**

Nassau Airport Development Company Limited

(Expressed in Bahamian Dollars)

	Capital	Deficit	Total
Balance at June 30, 2014	\$ 5	\$ 3,893,250	\$ 3,893,255
Comprehensive loss	-	(15,100,761)	(15,100,761)
Balance at June 30, 2015	5	(11,207,511)	(11,207,506)
Comprehensive loss	-	(13,590,017)	(13,590,017)
Balance at June 30, 2016	<u>\$ 5</u>	<u>\$ (24,797,528)</u>	<u>\$ (24,797,523)</u>

**Statement of Cash Flows
Year Ended June 30, 2016**

Nassau Airport Development Company Limited

(Expressed in Bahamian Dollars)

	2016	2015
Cash Flows from Operating Activities:		
Net loss	\$ (13,590,017)	\$ (15,100,761)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Adjustments for items not involving use of cash:		
Amortization - operational (Note 6)	20,103,762	20,071,088
Amortization - leasehold and financing (Note 5)	1,664,469	1,664,469
Amortization - resurfacing runways (Note 9)	259,890	198,084
Provision for doubtful accounts (Note 4)	370,274	220,533
Interest expense	42,155,749	41,812,837
Loss on disposal of service concession	71,446	149,581
Accounts receivable written-off (Note 4)	(1,354)	(6,237)
	<u>51,034,219</u>	<u>49,009,594</u>
Changes in operating assets and liabilities:		
Increase in restricted cash	(864,985)	(1,752,040)
(Increase) decrease in accounts receivable	(2,965,167)	84,050
Decrease (increase) in prepaid expenses and deposits	151,787	(230,579)
(Increase) decrease in inventory and supplies	(60,518)	159,013
Increase in accounts payable and accrued liabilities	559,960	820,687
Increase in payable to Government entities	162,930	444,501
(Decrease) increase in management fees payable	(56,185)	53,293
Total changes in operating assets and liabilities	<u>47,962,041</u>	<u>48,588,519</u>
Interest paid	(29,329,894)	(29,694,335)
Net cash from operating activities	<u>\$ 18,632,147</u>	<u>\$ 18,894,184</u>

See notes to financial statements.

Statement of Cash Flows
Year Ended June 30, 2016

Nassau Airport Development Company Limited

(Expressed in Bahamian Dollars)

	2016	2015
Cash Flows from Investing Activities:		
Investment in intangible assets - operational (Note 6)	\$ (4,168,440)	\$ (2,354,016)
Proceeds from sale of assets	10,500	42,000
Decrease in construction payable	(40,801)	(13,635,178)
Net cash used in investing activities	<u>(4,198,741)</u>	<u>(15,947,194)</u>
Cash Flows from Financing Activities:		
Principal payment of senior notes (Note 7)	(7,147,500)	(3,862,500)
Principal payment of participating debt (Note 7)	(6,500,000)	(9,500,000)
Net cash used in financing activities	<u>(13,647,500)</u>	<u>(13,362,500)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	785,906	(10,415,510)
Cash & Cash Equivalents at the Beginning of Year	11,577,416	21,992,926
Cash & Cash Equivalents at End of Year	<u>\$ 12,363,322</u>	<u>\$ 11,577,416</u>
Cash & Cash Equivalents is Represented by:		
Operating accounts	\$ 5,524,934	\$ 6,612,641
Construction and controlled accounts	6,838,388	4,964,775
	<u>\$ 12,363,322</u>	<u>\$ 11,577,416</u>
Non Cash Transactions:		
Increase in provision for restructuring runways capitalized to intangible assets	\$ 1,628,551	\$ 1,359,737
Capitalized interest (Note 7)	<u>\$ 12,825,855</u>	<u>\$ 12,118,502</u>

See notes to financial statements.

(Expressed in Bahamian Dollars)

1. General

The Nassau Airport Development Company Limited (the Company) was incorporated 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 with the 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. 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. 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. 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.

The redevelopment of LPIA updated the airport facilities to world-class standards and expanded LPIA 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 1 was completed on February 28, 2011 with the construction cost of \$191.2 million.

Stage II - A complete renovation, modernization and reconfiguring of the existing US 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 October 23, 2013 with a construction cost of \$72.1 million.

(Expressed in Bahamian Dollars)

2. Adoption of New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS)

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on July 1, 2015. The adoption of the following standards and interpretations has not led to any changes in the Company's accounting policies:

IFRS 2	Share Based Payments (amendments)
IFRS 3	Business Combinations (amendments)
IFRS 8	Operating Segments (amendments)
IFRS 10	Consolidated Financial Statements (amendments)
IFRS 12	Disclosure of Interests in Other Entities (amendments)
IFRS 13	Fair Value Measurement (amendments)
IAS 19	Employee Benefits (amendments)
IAS 24	Related Party Disclosures (amendments)
IAS 38	Intangible Assets (amendments)

At the date of authorization of these financial statements, the following relevant Standards were issued but not yet effective:

IFRS 5	Non-Current Assets Held for Sale and Discounted Operations (amendments)
IFRS 7	Financial Instruments: Disclosures (amendments)
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financials (amendments)
IFRS 11	Joint Arrangements (amendments)
IFRS 12	Disclosure of Interests in Other Entities (amendments)
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases (amendments)
IAS 1	Presentation of Financial Statements (amendments)
IAS 7	Statement of Cash Flows (amendments)
IAS 12	Income Taxes (amendments)
IAS 16	Property, Plant, and Equipments (amendments)
IAS 19	Employee Benefits (amendments)
IAS 27	Separate Financial Statements (amendments)
IAS 28	Investments in Associates and Joint Ventures (amendments)
IAS 34	Interim Financial Reporting (amendments)
IAS 38	Intangible Assets (amendments)
IAS 41	Agriculture (amendments)

Management anticipates that the Company will adopt these Standards in the relevant future periods, but has not yet assessed the potential impact of the adoption of these Standards.

(Expressed in Bahamian Dollars)

3. Significant Accounting Policies

Statement of Compliance - These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of preparation - These financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities that have been measured at fair value, 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 into Bahamian dollars at this rate. The principal accounting policies are set out below.

Critical accounting judgements and key sources of estimation uncertainty - The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the related notes. Actual results could materially differ from those estimates.

Significant judgements and estimates include the following:

- Provision for doubtful accounts
- Carrying value of intangible assets with respect to impairment
- Classification of leases
- Revenue recognition with respect to reliable measurement
- Application of service concession arrangements, including provisions for obligations under the arrangement
- Going concern assumption

These items, along with other policies, are detailed as follows:

- a. Cash and cash equivalents** - Cash and cash equivalents comprise cash and deposits held with financial institutions with original maturity of three months or less. Restricted cash are amounts held as collateral for the senior debt notes. Restricted cash, which is a restricted debt service reserve account, is shown separately from cash and cash equivalents.
- b. Accounts receivable** - Accounts receivable, which generally have 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 provision for doubtful accounts is made on a percentage of operating revenue based on estimated delinquency rates during the year, and at year end, is adjusted based on aging of outstanding balances. Provision for doubtful accounts is also made based on facts and circumstances of individual customer accounts.
- c. Inventories** - Inventories are stated at the lower cost and net realizable value using the weighted average basis.

(Expressed in Bahamian Dollars)

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

e. 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 borrowing which are amortized using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

f. 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 loss on a straight-line basis over lease term.

g. Revenue recognition - Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, regardless of when payment is being made.

h. Income taxes - There are no income taxes imposed on the Company in The Commonwealth of The Bahamas.

i. Trade date accounting - Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

j. Impairment of financial assets - An assessment is made at each statement of financial position date whether there is objective evidence that a financial asset or group of financial 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 loss.

k. Derecognition of financial assets and liabilities - The Company derecognizes financial assets when the contractual rights to cash flows from the asset expires or it transfers the asset and the transfer qualifies for derecognition in accordance with IAS 39, as amended. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

(Expressed in Bahamian Dollars)

- 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 cost determined at the date of acquisition, less any accumulated amortization or impairment losses.

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 loss.

Intangibles are reviewed for indications 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 loss. No such write downs were recorded during 2016 and 2015.

- m. 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.

- n. Related-party balances and transactions** - All balances and transactions with related parties, including the Company's shareholder, other affiliated companies and Vantage, are disclosed in these financial statements.
- o. Employee pensions** - The Company sponsors a defined contribution pension plan for its employees. The Company recognized annual contributions to the plan in salaries and benefits in the statement of comprehensive loss. The Company does not have responsibilities related to the plan or its participants subsequent to the separation or retirement of any employee.
- p. Going concern** - The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue for the foreseeable future. The Company has a statutory right to fund its debt via increases in its rates and fees and retains this rate flexibility as a means to support its ability to continue as a going concern. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(Expressed in Bahamian Dollars)

4. Accounts Receivable, Net

At June 30, 2016, accounts receivable comprised:

	2016	2015
Private sector		
Trade receivables	\$ 18,639,834	\$ 14,832,019
Allowances for doubtful accounts	(3,285,052)	(2,336,078)
	<u>\$ 15,354,782</u>	<u>\$ 12,495,941</u>
Government		
Bahamasair	\$ 2,979,008	\$ 3,182,260
Nassau Flight Services	114,812	63,076
Ministry of Finance (VAT)	20,715	146,885
Others	18,770	16,637
Bahamas Immigration	16,193	18,988
Bahamas Customs	14,513	14,361
The Airport Authority	9,876	455
Ministry of Tourism	9,557	-
Ministry of Foreign Affairs	2,526	1,963
Total (Note 10)	<u>3,185,970</u>	<u>3,444,625</u>
Allowance for doubtful accounts	(62,288)	(58,349)
	<u>\$ 3,123,682</u>	<u>\$ 3,386,276</u>

The aging of accounts receivable is as follows:

1-30 days	\$ 14,126,065	\$ 13,049,247
31-60 days	226,824	157,713
61-90 days	2,689,703	2,026,668
More than 90 days	4,783,212	3,043,016
	<u>\$ 21,825,804</u>	<u>\$ 18,276,644</u>

Amount past due and not impaired totaled \$1,673,039 (2015: \$890,869).

(Expressed in Bahamian Dollars)

Movement in provision for doubtful accounts is as follows:

	Private Sector	Governmental	Total
Balance at June 30, 2014	\$ 1,459,624	\$ 53,816	\$ 1,513,440
Write-offs	(6,237)	-	(6,237)
Provision for doubtful accounts	216,000	4,533	220,533
Reversal of revenue	666,691	-	666,691
Balance at June 30, 2015	2,336,078	58,349	2,394,427
Write-offs	(1,354)	-	(1,354)
Provision for doubtful accounts	366,335	3,939	370,274
Reversal of revenue	583,993	-	583,993
Balance at June 30, 2016	<u>\$ 3,285,052</u>	<u>\$ 62,288</u>	<u>\$ 3,347,340</u>

Recognition of revenue

As per IAS 18, revenue is recognized in the statement of comprehensive loss when it meets the following criteria:

- it is probable that any future economic benefits associated with the item of revenue will flow to the entity; and
- the amount of revenue can be measured with reliability

During the year, the Company did not recognize \$583,993 (2015: \$666,691) in revenue due to the uncertainty of future economic benefits. As the amounts are still receivable, the reversal was allotted as an allowance for doubtful accounts.

(Expressed in Bahamian Dollars)

5. Intangible Assets - Leasehold and Financing

	Leasehold Acquisitions	Financing Cost	Total
Cost	\$ 49,230,000	\$ 704,085	\$ 49,934,085
Amortization:			
Balance at June 30, 2014	(11,828,875)	(169,175)	(11,998,050)
Charge for the year	(1,641,000)	(23,469)	(1,664,469)
Balance at June 30, 2015	(13,469,875)	(192,644)	(13,662,519)
Charge for the year	(1,641,000)	(23,469)	(1,664,469)
Balance at June 30, 2016	<u>\$(15,110,875)</u>	<u>\$ (216,113)</u>	<u>\$(15,326,988)</u>
Carrying Value:			
As at June 30, 2016	<u>\$ 34,119,125</u>	<u>\$ 487,972</u>	<u>\$ 34,607,097</u>
As at June 30, 2015	<u>\$ 35,760,125</u>	<u>\$ 511,441</u>	<u>\$ 36,271,566</u>

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.

**Notes to Financial Statements
Year Ended June 30, 2016**

Nassau Airport Development Company Limited

(Expressed in Bahamian Dollars)

6. Intangible Assets - Operational

Intangible assets with respect to the service concession arrangements consists of the following:

	Artwork	Runways and Taxiways	Roads and Parking Lots	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, 2014	\$1,680,805	\$17,898,934	\$21,302,930	\$401,606,865	\$3,731,868	\$2,739,080	\$2,792,315	\$1,065,104	\$1,448,077	\$47,666,676	\$1,153,290	\$503,085,944
Additions	-	-	-	-	305	2,180	-	-	-	33,317	2,318,214	2,354,016
Transfers	-	-	-	-	8,284	-	132,278	254,094	246,999	44,961	(686,616)	-
Disposals	-	-	-	-	-	-	-	-	(233,080)	-	-	(233,080)
Balance at June 30, 2015	1,680,805	17,898,934	21,302,930	401,606,865	3,740,457	2,741,260	2,924,593	1,319,198	1,461,996	47,744,954	2,784,888	505,206,880
Additions	-	94,960	-	-	38,458	400	62,891	11,321	124,718	62,720	3,772,972	4,168,440
Transfers	-	536,143	-	-	334,635	93,351	341,234	104,651	-	441,405	(1,851,419)	-
Disposals	-	-	-	-	-	-	-	-	(111,159)	-	-	(111,159)
Balance at June 30, 2016	\$1,680,805	\$18,530,037	\$21,302,930	\$401,606,865	\$4,113,550	\$2,835,011	\$3,328,718	\$1,435,170	\$1,475,555	\$48,249,079	\$4,706,441	\$509,264,161
Accumulated Amortization:												
Balance at June 30, 2014	\$(140,213)	\$(1,979,232)	\$(2,199,480)	\$(65,345,062)	\$(501,509)	\$(270,068)	\$(308,025)	\$(166,828)	\$(265,191)	\$(4,517,846)	\$-	\$(45,693,454)
Amortization	(67,700)	(699,322)	(839,719)	(16,083,107)	(142,340)	(108,576)	(114,271)	(49,150)	(58,227)	(1,908,676)	-	(20,071,088)
Disposals	-	-	-	-	-	-	-	-	41,499	-	-	41,499
Balance at June 30, 2015	(207,913)	(2,678,554)	(3,039,199)	(51,428,169)	(643,849)	(378,644)	(422,296)	(215,978)	(281,919)	(6,426,522)	-	(65,723,043)
Amortization	(67,643)	(727,839)	(839,611)	(16,076,552)	(155,193)	(110,541)	(123,584)	(55,988)	(14,697)	(1,932,114)	-	(20,103,762)
Disposals	-	-	-	-	-	-	-	-	29,213	-	-	29,213
Balance at June 30, 2016	\$(275,556)	\$(3,406,393)	\$(3,878,810)	\$(67,504,721)	\$(799,042)	\$(489,185)	\$(545,880)	\$(271,966)	\$(267,403)	\$(8,358,636)	\$-	\$(85,797,592)
Carrying Value:												
As at June 30, 2016	\$1,405,249	\$15,123,644	\$17,424,120	\$334,102,144	\$3,314,508	\$2,345,826	\$2,782,838	\$1,163,204	\$1,208,152	\$39,890,443	\$4,706,441	\$423,466,569
As at June 30, 2015	\$1,472,892	\$15,220,380	\$18,263,731	\$350,178,696	\$3,096,608	\$2,362,616	\$2,502,297	\$1,103,220	\$1,180,077	\$41,318,432	\$2,784,888	\$439,483,837

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 \$1,762,631 (2015: \$1,803,432) related to the Terminal Redevelopment project.

(Expressed in Bahamian Dollars)

7. Long Term Debts

Long-term debts consists of the following:

	Interest Rates and Maturity Dates	Balance at June 30, 2016	Balance at June 30, 2015
Current portion			
Senior debt notes:			
USD senior notes	8.50%; December 31, 2031	\$ 420,000	\$ 360,000
USD senior notes	7.00%; November 30, 2033	4,125,000	3,300,000
USD senior notes	6.34%; March 31, 2035	2,260,000	1,412,500
USD senior notes	6.44%; June 30, 2035	1,800,000	900,000
BSD senior notes	8.50%; December 31, 2031	1,050,000	900,000
BSD senior notes	6.34%; March 31, 2035	440,000	275,000
Participating debt notes:			
USD participating - Series A	13.00%; March 29, 2034	1,040,000	1,430,000
USD participating - Series B	13.00%; March 29, 2034	5,920,000	8,140,000
BSD participating	13.00%; March 29, 2034	1,040,000	1,430,000
Total		<u>\$18,095,000</u>	<u>\$18,147,500</u>

	Interest Rates and Maturity Dates	Original Loan Amount	Balance at June 30, 2016	Balance at June 30, 2015
Long term portion				
Senior debt notes:				
USD senior notes	8.50%; December 21, 2031	\$ 12,000,000	\$ 10,440,000	\$ 10,860,000
USD senior notes	7.00%; November 30, 2033	165,000,000	154,275,000	158,400,000
USD senior notes	6.34%; March 31, 2035	113,000,000	109,045,000	111,305,000
USD senior notes	6.44%; June 30, 2035	90,000,000	87,300,000	89,100,000
BSD senior notes	8.50%; December 31, 2031	30,000,000	26,100,000	27,775,000
BSD senior notes	6.34%; March 31, 2035	22,000,000	21,230,000	21,045,000
Participating debt notes:				
USD participating - Series A	13.00%; March 29, 2034	10,000,000	12,128,969	11,154,079
USD participating - Series B	13.00%; March 29, 2034	50,000,000	72,877,258	65,501,183
BSD participating	13.00%; March 29, 2034	10,000,000	12,128,969	11,154,079
Total		<u>\$502,000,000</u>	<u>\$505,525,196</u>	<u>\$506,294,341</u>

(Expressed in Bahamian Dollars)

Movement in debt is as follows:

	2016		
	Senior Notes	Participating Notes	Total
Balance at June 30, 2015	\$425,632,500	\$ 98,809,341	\$524,441,841
Principal payments	(7,147,500)	(6,500,000)	(13,647,500)
Capitalized interest	-	12,825,855	12,825,855
Balance at June 30, 2016	<u>\$418,485,000</u>	<u>\$105,135,196</u>	<u>\$523,620,196</u>
Ending balance is comprised of:			
Current portion	\$ 10,095,000	\$ 8,000,000	\$ 18,095,000
Long-term portion	408,390,000	97,135,196	505,525,196
Total	<u>\$418,485,000</u>	<u>\$105,135,196</u>	<u>\$523,620,196</u>

	2015		
	Senior Notes	Participating Notes	Total
Balance at June 30, 2014	\$429,495,000	\$ 96,190,839	\$525,685,839
Principal payments	(3,862,500)	(9,500,000)	(13,362,500)
Capitalized interest	-	12,118,502	12,118,502
Balance at June 30, 2015	<u>\$425,632,500</u>	<u>\$ 98,809,341</u>	<u>\$524,441,841</u>
Ending balance is comprised of:			
Current portion	\$ 7,147,500	\$ 11,000,000	\$18,147,500
Long-term portion	418,485,000	87,809,341	506,294,341
Total	<u>\$425,632,500</u>	<u>\$ 98,809,341</u>	<u>\$524,441,841</u>

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 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 amounted to \$3,297,788 (2015: \$3,398,194) 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 the Company is in compliance.

(Expressed in Bahamian Dollars)

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 is 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 repayment includes a premium as necessary to achieve the target internal rate of return. The subordinated participating debt notes are secured by a second priority interest in the collateral securing the senior notes. Interest expense on this facility amounted to \$13,345,815 (2015: \$12,617,924) and has been included in the statement of comprehensive loss.

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 \$11,232,375 (2015: \$11,441,719) 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 of 6 months' principal and interest on the senior debt notes. The debt service reserve account for the outstanding debt as of June 30, 2016, amounted to \$11,180,175 (2015: \$10,692,688). Other debt covenants related to the financing are noted above.

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 \$8,505,506 (2015: \$8,559,000) and has been included in the statement of comprehensive loss.

Financing 2013 - In August 2012, the Company entered into an agreement with several syndicated lenders to provide senior debt notes in the amount of US\$90 Million to fund the Terminal Redevelopment project costs.

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 \$5,774,265 (2015: \$5,796,000) and has been included in the statement of comprehensive loss.

(Expressed in Bahamian Dollars)

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, 2016 amounted to \$7,554,998 (2015: \$7,177,500). Other debt covenants related to the financing are noted above.

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

	2016	2015
Senior debt notes:		
Financing 2010 - USD 165 million 7.00%; November 30, 2032	\$ 11,180,175	\$ 10,692,688
Financing 2013 - USD 90 million 6.44%; June 30, 2035	7,554,998	7,177,500
	<u>\$ 18,735,173</u>	<u>\$ 17,870,188</u>

Total interest expense on these facilities amounted to \$42,155,749 (2015: \$41,812,837).

	2016 Interest Expense	2015 Interest Expense
Financing 2009	\$ 16,643,603	\$ 16,016,118
Financing 2010	11,232,375	11,441,719
Financing 2012	8,505,506	8,559,000
Financing 2013	5,774,265	5,796,000
	<u>\$ 42,155,749</u>	<u>\$ 41,812,837</u>

8. Payable to Government Entities

At June 30, 2016, the following amounts were payable to Government entities:

	2016	2015
The Airport Authority (security fees)	\$ 3,264,568	\$ 2,907,396
Bahamas Electricity Corporation	671,318	1,253,780
Ministry of Finance	587,335	570,710
Ministry of Finance (VAT)	367,552	147,596
Water & Sewerage Corporation	182,725	33,952
National Insurance Board	44,094	40,859
Bahamas Telecommunications Corporation	19,832	20,201
	<u>\$ 5,137,424</u>	<u>\$ 4,974,494</u>

(Expressed in Bahamian Dollars)

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 2003 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 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.

The movement is as follows:

	Provision	Amortization	Intangible
Balance at June 30, 2014	\$ 5,012,854	\$ (456,931)	\$ 4,555,923
Additional accrual	708,066	-	708,066
Increase from the passage of time	651,671	-	651,671
Charge for the year	-	(198,084)	(198,084)
Balance at June 30, 2015	6,372,591	(655,015)	5,717,576
Additional accrual	800,114	-	800,114
Increase from the passage of time	828,437	-	828,437
Charge for the year	-	(259,890)	(259,890)
Balance at June 30, 2016	<u>\$ 8,001,142</u>	<u>\$ (914,905)</u>	<u>\$ 7,086,237</u>

(Expressed in Bahamian Dollars)

10. Related-Party Balances and Transactions

The following is a summary of the balances and transactions at June 30, 2016, with related parties:

	2016	2015
Accounts receivable - Government entities (gross)	\$ 3,185,970	\$ 3,444,625
Payable to Government entities	\$ 5,137,424	\$ 4,974,494
Management fees payable	\$ 24,689	\$ 80,874
Accrued rent payable	\$ 24,939	\$ 79,083
Utilities	\$ 3,811,069	\$ 5,585,433
Government fees	\$ 1,451,407	\$ 1,921,287
Management fees	\$ 2,146,279	\$ 1,935,334
Rent expense	\$ 1,534,394	\$ 1,506,342
Telephone expense	\$ 235,469	\$ 212,587
Directors' fees	\$ 118,320	\$ 116,120
Aeronautical operations revenue	\$ 10,703,653	\$ 11,107,461
Commercial operations revenue	\$ 876,283	\$ 905,581

Salaries and benefits paid to the Company's key management personnel during the year ended June 30, 2016, amounted to \$1,573,686 (2015: \$1,532,646).

As at June 30, 2016, the subordinated participating debt notes Series A and B and senior debt notes were held by a related Government entity. In October 2011, the Government of The Bahamas sold its interest in the Company's subordinated participating debt notes Series B to various lenders including a related Government entity.

	2016	2015
National Insurance Board	\$ 82,120,977	\$ 80,228,852

(Expressed in Bahamian Dollars)

11. Defined Contributions 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. Employees' contribution to the plan commenced July 1, 2008, with the minimum contributions of 2.50% and no maximum. The Company matches employee contributions 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, 2016, the Company contributed a total of \$246,878 (2015: \$235,673) to the plan.

As at June 30 2016, approximately 203 (2015: 177) employees were enrolled in the plan.

12. Material, Supplies and Services

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

	2016	2015
Others	\$ 4,303,285	\$ 4,677,071
Utilities	3,811,069	5,585,433
Repairs and maintenance	3,121,462	2,458,501
Professional fees	292,736	165,028
	<u>\$ 11,528,552</u>	<u>\$ 12,886,033</u>

(Expressed in Bahamian Dollars)

13. Commitments

The Company is contingently liable for corporate credit cards in the amount of \$50,000 utilized limited and \$100,000 authorized limit (2015: \$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 plants and equipment and furniture and fittings. As at June 30, 2016, the Company had outstanding commitments relating to open capital and maintenance contracts with a value of \$1,606,414 (2015: \$1,335,336). 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 rate increase to aeronautical fees effective May 1, 2015, in compliance with the procedure stipulated in the Airport Authority Act, (Fees and charges) Regulations established for this purpose. There was no rate increase to aeronautical fees during the year ended June 30, 2016.

14. Operating Leases

The Company has an operating land lease with the Authority for a term of 30 years which expires March 31, 2037. Total rent expense relevant to this operating lease is \$1,534,394 (2015: \$1,506,342).

Future minimum lease rentals payable due under operating leases as of June 30, 2016 are as follows:

	2016	2015
Within one year	\$ 500,000	\$ 500,000
Between one to five years	2,500,000	2,500,000
More than five years	\$ 7,375,000	\$ 7,875,000

In addition, the Company has concessions and terminal leases as lessor. Total rental income relevant to these leases is \$10,636,495 earned and \$10,052,502 recognized (2015: \$10,607,768 earned; \$9,941,077 recognized).

(Expressed in Bahamian Dollars)

Future minimum lease rentals receivable due under operating leases as of June 30, 2016 are as follows:

	2016	2015
Within one year	\$ 10,531,236	\$ 10,660,943
Between one to five years	\$ 37,600,733	\$ 37,789,934
More than five years	\$ 26,418,041	\$ 28,567,867

15. 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. The Company's financial assets are carried at their carrying value which equates fair value due to their short term nature. 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 counterparty 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 creditworthy 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, 2016 and 2015, in relations 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.

Interest rate risk - The Company is exposed to 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.

(Expressed in Bahamian Dollars)

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities at June 30, 2016 and 2015:

					2016
	Within 3 Months	3-6 Months	6-12 Months	More Than 1 Year	Total
Financial Assets					
Cash and cash equivalents:					
Operating accounts	\$ 5,524,934	\$ -	\$ -	\$ -	\$ 5,524,934
Construction & controlled accounts	6,838,388	-	-	-	6,838,388
Restricted cash	-	18,735,173	-	-	18,735,173
Accounts receivable, net:					
Private sector	15,354,782	-	-	-	15,354,782
Governmental	3,123,682	-	-	-	3,123,682
	<u>\$30,841,786</u>	<u>\$18,735,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,576,959</u>
Financial Liabilities					
Accounts payable & accrued liabilities:					
Construction project	\$ 1,762,631	\$ -	\$ -	\$ -	\$ 1,762,631
Trade	4,020,178	-	-	-	4,020,178
Management fees payable	24,689	-	-	-	24,689
Payable to Government entities	5,137,424	-	-	-	5,137,424
Long term debt - current portion	4,265,000	4,265,000	9,565,000	-	18,095,000
Long term debt	-	-	-	505,525,196	505,525,196
	<u>\$15,209,922</u>	<u>\$ 4,265,000</u>	<u>\$ 9,565,000</u>	<u>\$505,525,196</u>	<u>\$534,565,118</u>
2015					
	Within 3 Months	3-6 Months	6-12 Months	More Than 1 Year	Total
Financial Assets					
Cash and cash equivalents:					
Operating accounts	\$ 6,612,641	\$ -	\$ -	\$ -	\$ 6,612,641
Construction & controlled accounts	4,964,775	-	-	-	4,964,775
Restricted cash	-	17,870,188	-	-	17,870,188
Accounts receivable, net:					
Private sector	12,495,941	-	-	-	12,495,941
Governmental	3,386,276	-	-	-	3,386,276
	<u>\$27,459,633</u>	<u>\$17,870,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,329,821</u>
Financial Liabilities					
Accounts payable & accrued liabilities:					
Construction project	\$ 1,803,432	\$ -	\$ -	\$ -	\$ 1,803,432
Trade	3,460,218	-	-	-	3,460,218
Management fees payable	80,874	-	-	-	80,874
Payable to Government entities	4,974,494	-	-	-	4,974,494
Long term debt - current portion	1,702,500	1,702,500	14,742,500	-	18,147,500
Long term debt	-	-	-	506,294,341	506,294,341
	<u>\$12,021,518</u>	<u>\$ 1,702,500</u>	<u>\$ 14,742,500</u>	<u>\$506,294,341</u>	<u>\$534,760,859</u>

(Expressed in Bahamian Dollars)

16. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended June 30, 2016 and 2015.

The Company monitors capital using ratios which compare income, assets and liabilities to capital. The Company does not have any statutory or regulatory capital requirements; as such, management adjusts capital levels as required for the Company's future development plans, maintenance of required debt covenants (Note 7) and returns the remainder of its capital to its shareholder.



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