# UPWARD, TOGETHER
## ANNUAL REPORT 2018

NAD

Nassau Airport
Development Company

# UPWARD, TOGETHER

# CONTENTS

# LETTER FROM THE CHAIRMAN

Walter Wells,
**Chairman**

The stars aligned for NAD in 2018 allowing us to record our best year ever. The long-awaited opening of Baha Mar and a multimillion-dollar marketing campaign by the industry brought record numbers of passengers through LPIA while a particularly long and cold winter on the east coast of North America increased demand for sun destinations.

Last year also saw NAD reap the rewards of the investments and prudent financial decisions made in previous years. Swing gates, Automated Passport Control kiosks and other past initiatives made it possible for LPIA to handle a record number of passengers while still offering a region-leading level of service – as evidenced by Airports Council International (ACI) ranking LPIA in the top three for our region for a second consecutive year.

LPIA welcomed more travellers than ever before in FY2018 with 3.5 million people passing through the airport up 6.2 per cent from last year. The financial picture was equally as exceptional with NAD generating a record-breaking $89.4 million in total revenue. Despite the higher-than-expected passenger numbers, NAD was still able to keep costs in check, with operating expenses being $388,000 less than budgeted.

While external factors no doubt played a significant role in our success in 2018, the groundwork laid by our 2015-2019 strategic plan put us in the best position possible to take advantage of these favourable market conditions. As that five-year plan nears its end, NAD has already begun drafting a new strategic plan that will be released in early FY2019.

Based on NAD's new vision, mission and values and incorporating the Lean Six Sigma methodology, this new strategic plan seeks to help us continue our upward trajectory over the next half decade.

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. We have had a truly amazing year and I cannot wait to see what we can achieve next year.

**WE HAVE HAD A TRULY AMAZING YEAR AND I CANNOT WAIT TO SEE WHAT WE CAN ACHIEVE NEXT YEAR.**



# LETTER FROM THE PRESIDENT

Vernice Walkine,
**President and CEO**

For NAD, 2018 was a year of superlatives. It was our best year ever in terms of passenger traffic and our revenues were the highest they ever have been.

While a number of factors contributed to this spectacular performance, I would like to highlight one in particular: the hard work and dedication of the NAD team. Over the past few years, they have had to hunker down and meet ambitious objectives while coping with challenging circumstances. I am happy to say that their perseverance and determination have paid off and allowed us to embark on a new era of growth and investment.

As NAD enters this exciting new phase, we have re-examined and revised our vision, mission and values to reflect what we have accomplished and what we want to achieve in the future. This process involved employees from all levels of the company and allowed our various departments to align themselves in the same direction.

Armed with a clear sense of where we are going, NAD has also begun drafting a new five-year strategic plan to replace the current one which will expire in 2019. It is my hope that this new strategic plan will give us the framework to realise the same level of impressive growth and improvement that the old plan did.

While there are many highlights from 2018, a few that stand out were ACI ranking LPIA as a top-three airport in the region for the second year in a row and Fitch upgrading our credit rating. I was also overjoyed by all of the ways that we were able to invest in and take care of our employees. From sending them abroad for training to organising seminars on healthy living to giving them the opportunity to take charge of their career progression through the Management Promotion Assessment Programme, NAD values our employees and is committed to helping them reach their full potential.

Accompanying NAD during this record-breaking year has been our new board. Their insight, guidance and expertise have proved to be invaluable to us as we take our organisation to new heights. We look forward to continuing to benefit from their wise counsel in the years to come.

To our NAD employees, our partners and the entire airport community, I thank you for the enormous role you have played in making 2018 our most successful year on record. As a company, as an airport and as Bahamians, we are – now more than ever – moving upward, together.

**I WAS OVERJOYED BY ALL OF THE WAYS THAT WE WERE ABLE TO INVEST IN AND TAKE CARE OF OUR EMPLOYEES.**

# 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 FY2018, LPIA served 3.5 million passengers and safely handled more than 84,000 commercial aircraft take-offs and landings.

**Nassau Airport Development Company (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.

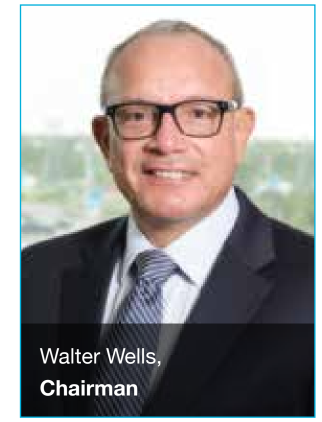
NAD is responsible for the majority of LPIA's infrastructure including parking lots, terminals, runways and taxiways and all revenue-generating and commercial development projects. As a private company, NAD receives no government guarantees or grants and is a self-sustaining commercial entity based on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

**Vantage Airport Group** is an industry-leading investor, developer and manager of airports around the world. In its 24-year history, Vantage has worked with more than 30 different 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 56 million passengers in 2017, travelling on 135 different airlines.

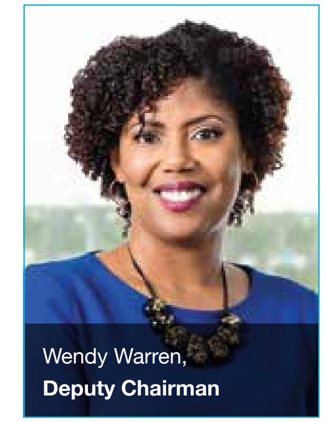


# BOARD OF DIRECTORS & MANAGEMENT TEAM

NAD is governed by a Board with eight Directors.

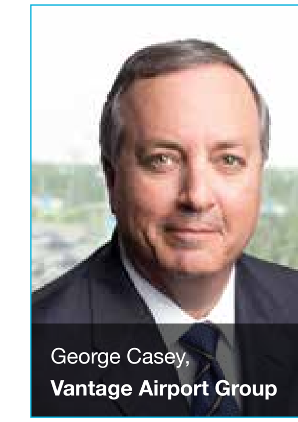


Walter Wells,
**Chairman**

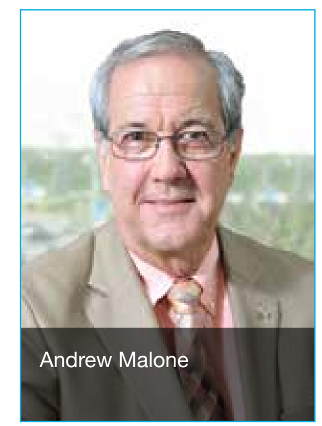


Wendy Warren,
**Deputy Chairman**

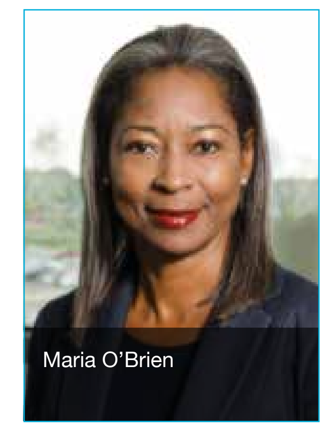
Pastor Lyall Bethel



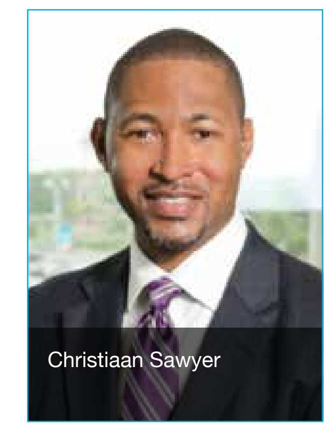
George Casey,
**Vantage Airport Group**



Andrew Malone



Maria O'Brien



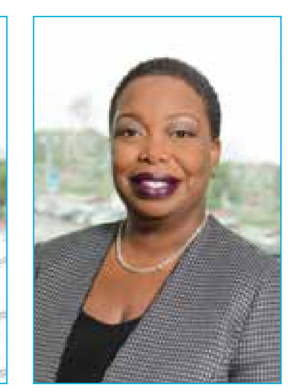
Christiaan Sawyer

Vincent Wallace-Whitfield

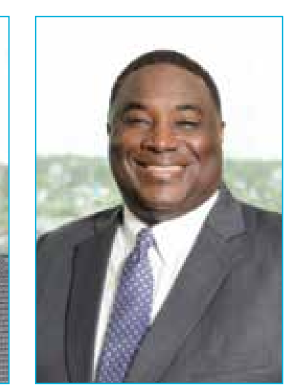
NAD is led by an Executive Management team with expertise in airport operations, maintenance, finance, business and marketing.

Vernice Walkine,
**President & Chief Executive Officer**

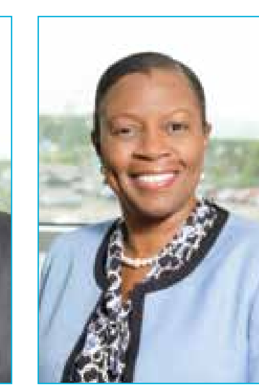
Deborah Coleby,
**Vice-President of Operations**



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

With 22 airlines serving 54 destinations – 19 US, 12 international and 23 domestic – LPIA offers a wide range of travel options.

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.

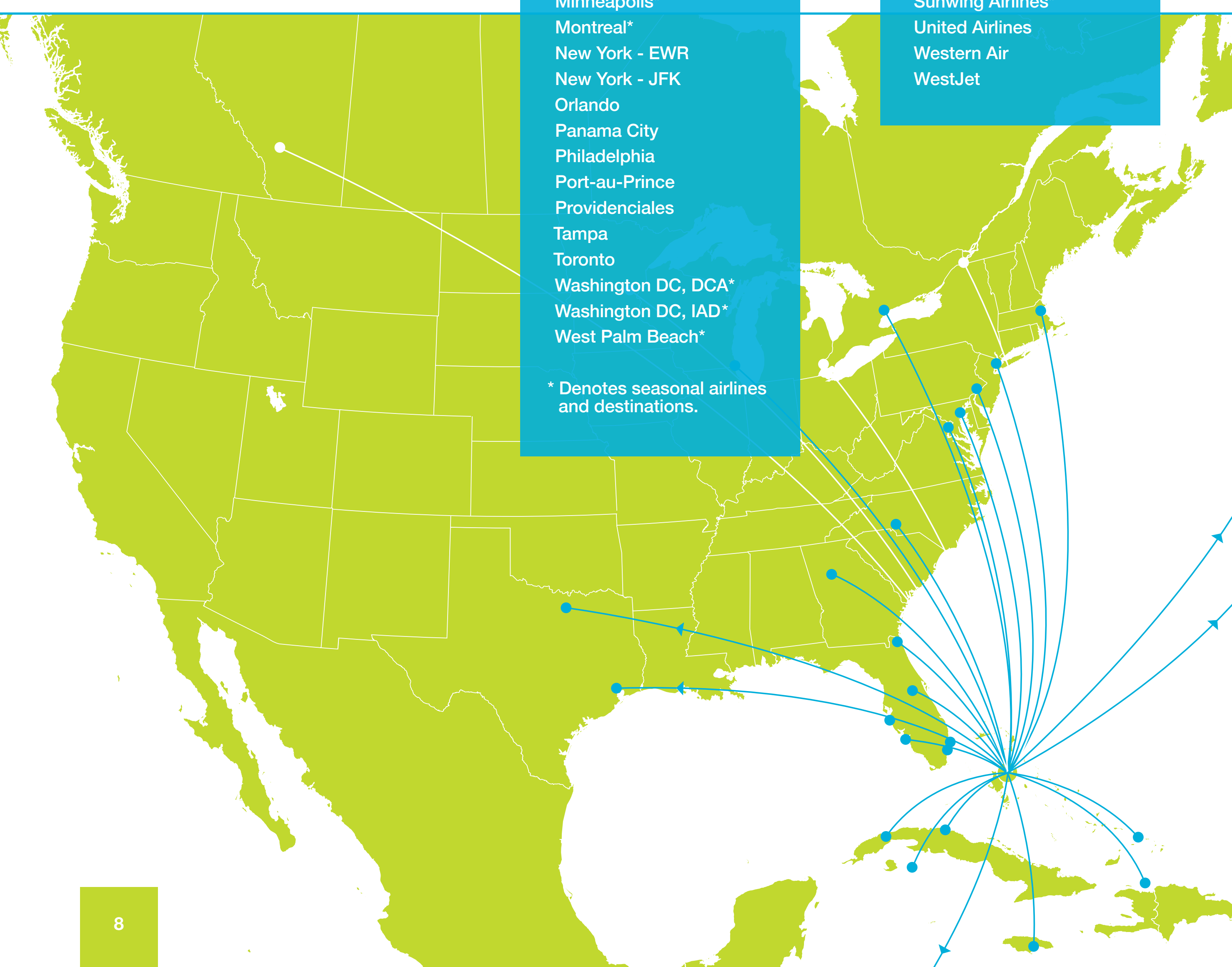
**ROUTES**

Atlanta
Bahamas Family Islands
Baltimore
Boston
Calgary*
Cap-Haïtien
Cayman Islands
Charlotte
Chicago
Dallas
Detroit*
Fort Lauderdale
Frankfurt*
Havana
Houston
Kingston
London, LHR
Miami
Minneapolis*
Montreal*
New York - EWR
New York - JFK
Orlando
Panama City
Philadelphia
Port-au-Prince
Providenciales
Tampa
Toronto
Washington DC, DCA*
Washington DC, IAD*
West Palm Beach*

* Denotes seasonal airlines and destinations.

**AIR CARRIERS**

Air Canada
American Airlines
Bahamasair
British Airways
Caribbean Airlines
Condor
Copa Airlines
Cubana 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





# RESULTS SUMMARY

## 2018 AT A GLANCE

**PASSENGER MOVEMENTS**
3.5m ↑ 6.1%

**REVENUE**
$89.4m ↑ 16.1%

**OPERATING INCOME**
$64.1m ↑ 20.8%

**AIRCRAFT MOVEMENTS**
84,182 ↑ 7.2%

| | PASSENGERS (millions) | AIRCRAFT MOVEMENTS | REVENUE (millions) | OPERATING EXPENSES (millions) | RETAINED EARNINGS (millions) | LONG TERM DEBT (millions) |
|---|---|---|---|---|---|---|
| 2018 | 3.5 | 84,182 | $89.4 | $25.3 | ($60.9) | $522.0 |
| 2017 | 3.3 | 78,512 | $77.0 | $23.9 | ($56.4) | $519.2 |
| 2016 | 3.3 | 83,158 | $75.9 | $25.0 | ($42.3) | $523.6 |
| 2015 | 3.3 | 85,006 | $74.6 | $25.5 | ($25.8) | $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 |

# STRATEGIC PLAN 2015-2019

Moving upward, together to become 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 organisation has continued to work on delivering this strategy by focusing on six key objectives. Corresponding goals, plans, timelines and points 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 & profitable operation.
6. We're enhancing stakeholder relationships.




# INVESTING IN OUR PEOPLE

Just as investments in infrastructure and equipment allow us to operate more efficiently and better serve our customers, investments in our people contribute to the success of our airport both now and in the future. That's why we are providing opportunities for employees in all areas of our company to receive training, increase their skill set and progress in their careers.

## MAINTENANCE PROMOTION ASSESSMENT PROGRAMME

The Maintenance Promotion Assessment Programme (MPAP) provides a clear path for upward career mobility for NAD's Maintenance and Engineering team members. Through the programme, interested employees can advance their careers by completing annual, voluntary exams. Those who demonstrate "strong knowledge" of their specific area of work will be promoted through five levels of expertise. The third year of the programme saw eight candidates successfully complete their exams. Since the inception of the programme in 2015, 21 candidates have received promotions.


## OVERSEAS TRAINING

As a global airport, we recognise the benefit that comes from giving our employees the opportunity to go abroad for training and learn best-case practices from the other airports in the Vantage network. Last year, NAD was able to send seven promising employees to other countries for training that covered areas such as safety and security, airport emergency planning, aeronautical risk analysis, and airport marketing and commercial development

## ENHANCED AIRSIDE DRIVER TRAINING AND VEHICLE INSPECTION PROGRAMME

As the operator of LPIA, NAD is responsible for the training of all airside drivers and the issuance of Airside Vehicle Inspection Permits. In January 2018, the Airside Vehicle Operators Permit programme was completely overhauled with the introduction of an online training module and the digitisation of the testing process. These changes have made it significantly easier for airside drivers to upgrade their skills, write their exams and receive immediate feedback while eliminating the time-consuming process of marking exams by hand. Cleavon Nixon, Manager of Safety & Emergency Operations worked along with Jonathan Hanna, Manager Airport Solutions (both pictured above left) to make the improvements to the programme.

# PROVIDING A SAFE, SECURE AND EFFICENT OPERATION

Making LPIA a safer and more efficient airport is a priority for NAD. That is why we have made investments in new technology, infrastructure and systems that will allow us to increase the efficiency of our operations while also improving the safety and security of the airport.

## SAFETY MANAGEMENT SYSTEM

Safety has always been a high priority at NAD, but in order to take our safety protocols to the next level, we are implementing a safety management system. This is an ongoing initiative that aims to further reinforce a culture of safety at the airport. Last year, we conducted various activities under this programme including the implementation of new incident, wildlife and safety reporting software, a two-day safety management workshop for our Executive and Management teams, and the collaboration between our Manager of Safety & Emergency Operations and an aviation safety expert on streamlining NAD's safety management system.

## SOLAR POWER PLANT PROJECT

In order to reduce LPIA's carbon footprint, improve LPIA's energy reliability and mitigate power outages, NAD is seeking to build a solar power plant on land surrounding the airport. In September 2017, NAD team members attended the Solar Power International Conference in Las Vegas to learn more about the latest solar power technology, participate in seminars with key industry leaders and gain insight that will help them develop and implement a solar power plant at LPIA. NAD has already completed a request for information process and will launch a request for proposals in 2019.

## OVERSIZED BAGGAGE HANDLING SYSTEM

NAD is investing in an oversized baggage handling system that will allow oversized luggage to be transported to the airside with minimal need for human intervention. This project will improve efficiency while still satisfying Transportation Security Administration (TSA) regulations and offer passengers a smooth baggage handling experience.

## ALFA DATA IMPORT SOFTWARE

During March and April 2018, the information technology and finance teams launched the use of ALFA Air Traffic Control Data Import Software. This new software has automated the process of inputting aircraft movement data into the accounting system – allowing NAD to reduce the time required to calculate aeronautical charges by up to 80 per cent and lower the risk of human error.

## WINDSOCK PROJECT

Windsocks help pilots and other aviation personnel determine the wind direction. In order to respect local and international regulations, NAD has replaced one of LPIA's three windsocks with an illuminated solar-powered windsock system that will allow it to be used for night-time operations.

## RUNWAY REDUNDANCY LIGHTING

In order to limit the impact that storms have on airport operations, NAD has purchased and installed battery-powered redundancy lighting on its primary runway and reflective markers on the associated taxiway. The installation of this lighting will ensure that the runway remains serviceable at all times and allow the airport to resume operations quicker in the aftermath of a hurricane or large storm.



# BUILDING CAPACITY TO MEET GROWTH POTENTIAL

We are pursuing partnerships and laying the groundwork for investments that will allow us to achieve healthy, sustainable growth well into the future. As we seek to diversify and expand our sources of both aeronautical and non-aeronautical revenue, we are pursuing projects that will provide airport users with greater options and convenience.

## INCREASED AIRLINE CAPACITY

NAD has been working closely with the Nassau Paradise Island Promotion Board, the Bahamas Ministry of Tourism and our airline partners to increase airline capacity to LPIA. Last year, the surge in demand generated by the opening of Baha Mar as well as increased and unprecedented marketing spending in support of the destination resulted in major carriers adding new flights and increasing capacity on existing routes. All in all, our peak winter and early spring capacity increased 7.5 per cent compared to the previous year – allowing us to record the highest passenger volumes in NAD's history.

## CONDOR AIRLINES

In November 2017, Condor Airlines began offering a weekly seasonal service between Frankfurt and Nassau. The inaugural flight to Nassau was greeted with a customary water salute from Aircraft Rescue and Firefighting (ARFF) and disembarking passengers were treated to a traditional Junkanoo performance.

## ON-AIRPORT HOTEL

NAD launched an expression of interest process from March to May 2018 for the operation of a hotel and multi-purpose facility to be located on airport property. Site visits were conducted with prospective participants and three potential operators formally expressed interest. NAD is now working with Vantage to develop the framework for a request for proposals process.

## COMMERCIAL DEVELOPMENT DEPARTMENT RESTRUCTURING

Last year, the Commercial Development department underwent a restructuring that saw new business development and commercial operations split into two separate divisions. This change will allow for greater focus on securing new business relationships and improving existing ones.

# DELIVERING AN EXTRAORDINARY CUSTOMER EXPERIENCE

To show customers that LPIA is no ordinary airport, we are continuing our focus on offering an exceptional customer experience, investing in employee training and finding new ways to entertain and delight passengers.

## ACI AIRPORT SERVICE QUALITY AWARD

In 2017, LPIA tied for third place in Airport Council International's (ACI) year-end rankings for best airport, winning a coveted ASQ award. This is the second year in a row that LPIA has received this award, which recognises the top three airports in each region and size category. This year's win is a testament to the hard work and dedication of the entire airport community.

## PASSENGER SURVEY

In May and June 2018, NAD conducted an in-depth passenger survey in order to better understand what customers are looking for with regards to an airport retail experience. One thousand responses were gathered through in-person intercepts in all three terminals, providing us with valuable information about passengers' profiles, their satisfaction with the current retail offering and what else they would like to see. The results of this survey will help us improve our commercial offering and be used to guide future decision-making.

## CUSTOMER SERVICE TRAINING

Over 140 airport concession staff members participated in five training sessions that were held throughout the year and focused on customer service, sales and personal branding.

Additionally, in July 2017, six members of the Parking and Ground Transportation team completed the Certified Professional Programme offered by Synergy Bahamas. The six-week programme included units on customer service, business etiquette and sales. Four employees also attended a customer service training session conducted by the John Maxwell Team in March 2018.

## IN-TERMINAL PROMOTIONS

During the peak summer travel period, NAD organised a number of promotions to enliven travellers' experience as they passed through the airport. Examples included "Take Off Fridays" and "Get Off the Rock", with the latter exposing travellers to traditional Bahamian culture, food and music. In addition to giving passengers an extraordinary airport experience, these promotions also yielded a seven per cent increase in passenger spending per head compared to last year.

## HOLIDAY FUN AT LPIA

During the Christmas season, NAD organised a number of activities to help passengers get in the holiday spirit. Travellers were able to spin a prize wheel, have their caricature drawn, compete in a candy eating contest and even pose for photos with Santa and Mrs Claus.



# MAINTAINING A FISCALLY RESPONSIBLE & PROFITABLE OPERATION

Sound financial management is key to NAD's future sustainability and growth. The budgetary restraint practised in previous years has put NAD in a position where it can now pursue capital spending projects that help grow and diversify the airport's operations and revenue streams.

## RFP FOR NEW DUTY-FREE OPERATOR

In June 2018, NAD released a request for proposals (RFP) for a new airport-wide duty-free operator. Currently, the duty-free offering at LPIA is not as well developed as at similarly sized airports in the region, representing a considerable opportunity to increase non-aeronautical revenue. The addition of this new operator will more than quadruple the duty-free retail space at the airport. A final selection will be made in FY2019.

## STORE OPENINGS & RENEWALS

NAD signed agreements with a number of new concessionaires in 2018 – including ALIV, Dunkin Donuts', Oh Sugar, TCBY and Atlantis Paradise Island. New and renewed lease agreements were also signed with existing successful concessionaires such as Tortuga Rum Cakes, Piranha Joe, My Ocean, Uniquely Bahamian and Adorn.

## OUTDOOR ADVERTISING SPACE

The Maintenance and Engineering department has put in place the necessary electrical and IT infrastructure to support the installation of three outdoor signs – one digital and two static. The signs will allow NAD to generate non-aeronautical revenue through paid commercial advertising in partnership with Bahamas Airport Advertising.

## INCREASED CASH FLOWS

Higher levels of passenger traffic have resulted in revenue exceeding budget expectations by $4,149,000 or 4.9 per cent for FY2018. This increase in cash flows has put NAD in a stronger financial position and will allow it to pursue capital spending projects that had previously been deferred.

## DEBT MANAGEMENT

NAD has consistently met all of its debt covenants and is satisfying the requirements of its debt repayment schedule on the $411 million loan to modernise LPIA.

# ENHANCING STAKEHOLDER RELATIONSHIPS

We're working closely with our partners and stakeholders to grow our business, promote The Bahamas abroad, and increase the efficiency and effectiveness of our operations. We are also sharing our expertise with others and providing training to support our partners' continued success.

## ROUTES AMERICAS

LPIA attended Routes Americas – the premier industry forum for airports, airlines and the tourism sector in the Americas – again, in 2018. In order to maximise the impact of these meetings and better make the case for increasing air service to LPIA, we were accompanied by representatives from the Nassau Paradise Island Promotion Board and the Ministry of Tourism. LPIA is one of the few airports to include tourism partners in these meetings with airlines and it has proven effective, with all carriers indicating their intent to increase capacity compared to the previous year.

## PARTNERS CONFERENCE

In June 2018, NAD worked together with tourism industry partners to support a familiarisation conference for airline personnel. Representatives from various airlines were invited to visit Nassau and learn about the different accommodation options, sightseeing activities and vacation experiences that the local market has to offer.

## AIRLINE REWARD AND RECOGNITION PROGRAMME

In order to encourage airlines to offer a consistently outstanding level of service and foster healthy competition among our airline partners, NAD has created the Airline Reward and Recognition Programme. This programme recognises and rewards the airlines who provide the highest level of customer service in four key areas as determined by ASQ survey data. The four key areas are: 1. waiting time in check-in queue; 2. efficiency of check-in staff; 3. courtesy and helpfulness of check-in staff; and 4. speed of baggage delivery service.

## MINISTRY OF EDUCATION TRAINING PROGRAMME

In August 2017, NAD facilitated a four-day internship training programme for eight educators from the Ministry of Education in collaboration with the Bahamas Hotel & Tourism Association. The educators met with the executive and management team, toured the operations centre, airside, terminals and other areas, and learned about the various airport departments. This experience helped expand their knowledge of the career opportunities that exist within our industry and will allow them to better advise their students.

## LAGUARDIA TRANSITION TEAM

Vantage Airport Group is overseeing the redevelopment and management of Central Terminal B at LaGuardia Airport in New York. As the project shifts from a construction site to an operational terminal, a transition team has been assembled to assist in this process. Since LPIA went through a very similar process several years ago, four managers from NAD have been asked to join the team. They will be able to share their knowledge and experience with the LaGuardia team to ensure that the opening is a success. The four managers are Peter Tynes, Manager of Baggage Handling Systems and Apron Drive Bridges (pictured above on the right with Monclas Noel of LaGuardia Airport); Michael Johnson, Manager of Maintenance Services; Cleavon Nixon, Manager of Safety and Emergency Planning; and Jonathan Hanna, Manager of Airport Solutions.



# NEW STRATEGIC PLAN

In 2017, NAD adopted the Lean Six Sigma methodology for all of its business operations. The steering committee charged with implementing Lean Six Sigma discovered that several changes were needed in order for NAD to be able to fully benefit from it. The changes they identified included revising the company's mission, vision and core values as well as developing a new strategic plan given that the current one expires in 2019.

A Vision Committee was assembled to engage NAD employees from all levels of the company in a series of focus groups and surveys over a four-week period. The input they received was then used to create the new vision, mission and values, which were rolled out to staff through a six-week series of games and activities designed to foster cross-departmental knowledge and cooperation.

With the new vision, mission and values firmly in place, NAD then set about drafting a new strategic plan. A number of management education and discussion sessions were held where five focus areas and 36 objectives were identified. The new strategic plan will be launched in the first quarter of FY2019.

In order to better ensure the implementation of this new strategic plan, the Business Analysis department has been restructured to include an employee dedicated to tracking its progress and has been renamed the Strategic Planning & Analysis Department.

### NEW VALUES:

**L**eading
**P**artnership
**I**ntegrity
**A**daptable
&
**U**niquely Bahamian

### NEW VISION:

No Ordinary Airport:
Exceptional Service,
Motivated People,
Uniquely Bahamian

### NEW MISSION:

Our mission is to operate a safe, region-leading airport focused on offering quality customer experiences, while incorporating our local sense of place, embracing diverse commercial opportunities and investing in the continued development of our team members.

# IN THE COMMUNITY

NAD's role 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.

Last year, the money raised from branded Give. Change. collection stations located throughout the terminals allowed NAD to make donations to Special Olympics Bahamas, the Bahamas AIDS Foundation, Sister Sister Breast Cancer Support Group, The Bahamas Red Cross Society, the Zonta Club of New Providence, the Susan G. Komen Race for the Cure, the Lyford Cay Foundation FOCUS Programme, the Bahamas National Trust and the Children's Emergency Hostel. Since 2015, the Give. Change. campaign has raised over $29,000 for charity.


### SUNSHINE INSURANCE RACE WEEKEND

In January 2018, NAD served as an in-kind sponsor of the Sunshine Insurance Race Weekend, which included the Susan G. Komen Bahamas Race for the Cure and the Sunshine Insurance Marathon Bahamas. Over 4,000 people from The Bahamas and abroad – including a team of NAD employees – participated in the race, which supports the fight against breast cancer.


### JETBLUE CORPORATE SOCIAL RESPONSIBILITY COLLABORATION

In April 2018, NAD supported an initiative led by JetBlue's Corporate Social Responsibility (CSR) team to beautify the grounds around Clifton Heritage Park. A group consisting of members of NAD's landscaping team, JetBlue employees, park staff and neighbouring high school students cleared specific areas and built gardens containing a variety of tropical plants.

### VANTAGE EDUCATION AWARDS

The Vantage Airport Group Education Award is an annual scholarship that provides CAD$7,500 to a Bahamian student attending Thompson Rivers University in Kamloops, Canada. In spring 2018, the Rob Robichaud Vantage Airport Group Scholarship in Aviation was also created. This award will give CAD$9,000 annually to a Bahamian student completing the Bachelor of Science (Aviation) programme at Mount Allison University in Moncton, Canada. This programme is unique in that it pairs a university degree with pilot training. Like Nassau, Kamloops and Moncton both have airports managed by Vantage.

### STUDENT INTERNSHIPS

In order to help support and foster the next generation of airport industry professionals, NAD welcomed 40 students last year as interns. The internships were of varying lengths and allowed the students to learn about the operations of the different airport departments and discover the career possibilities that this sector has to offer.



# FINANCIAL STATEMENTS

**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, 2018, 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, 2018;
- the statement of comprehensive 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 2018, Nassau Airport Development Company (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 2018, Nassau Airport Development Company, 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.



- 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 28, 2018**

# STATEMENT OF FINANCIAL POSITION

As at June 30, 2018 (Expressed in Bahamian dollars)

| | Notes | June 30, 2018 $ | June 30, 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents: | 15 | | |
| Operating accounts | | 13,523,208 | 5,164,336 |
| Construction and controlled accounts | | 21,461,137 | 12,590,959 |
| Restricted cash | 7 & 15 | 22,795,201 | 22,609,905 |
| Accounts receivable | 3 & 15 | | |
| Private sector | | 13,219,662 | 11,218,222 |
| Government | | 7,118,025 | 4,024,490 |
| Prepaid expenses and deposits | | 771,452 | 402,345 |
| Inventories and supplies | | 2,399,028 | 2,382,353 |
| **Total current assets** | | **81,287,713** | **58,392,610** |
| **NON-CURRENT ASSETS:** | | | |
| Fixed assets – operational | 6 | 20,339,367 | 24,621,765 |
| Intangible assets – leasehold and financing | 4 | 31,278,159 | 32,942,628 |
| Intangible assets – resurfacing runways | 9 | 10,572,990 | 8,693,074 |
| Intangible assets – operational | 5 | 341,190,301 | 359,778,999 |
| **Total non-current assets** | | **403,380,817** | **426,036,466** |
| **TOTAL** | | **484,668,530** | **484,429,076** |

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



# STATEMENT OF FINANCIAL POSITION (CONT'D)

As at June 30, 2018 (Expressed in Bahamian dollars)

| **LIABILITIES AND EQUITY** | Notes | June 30, 2018 $ | June 30, 2017 $ |
|---|---|---|---|
| **CURRENT LIABILITIES:** | | | |
| Accounts payable and accrued liabilities: | | | |
| Construction project | 15 | 1,294,946 | 1,477,604 |
| Trade | 15 | 3,692,282 | 3,556,447 |
| Management fees payable | 10 & 15 | 381,039 | 214,258 |
| Payable to Government entities | 8, 10 &15 | 5,876,352 | 6,545,877 |
| Current portion of long-term debts | 7 & 15 | 14,625,000 | 11,677,500 |
| **Total current liabilities** | | **25,869,619** | **23,471,686** |
| **NON-CURRENT LIABILITIES:** | | | |
| Provision for obligation to resurface runways | 9 | 12,259,989 | 9,945,419 |
| Long-term debts | 7 & 15 | 507,402,091 | 507,504,512 |
| **Total non-current liabilities** | | **519,662,080** | **517,449,931** |
| **EQUITY:** | | | |
| Share capital | | | |
| Authorized issued and fully paid: | | | |
| 5,000 ordinary shares of 5 shares of par value 1.00 each | | 5 | 5 |
| Deficit | | (60,863,174 ) | (56,492,546 ) |
| **Total Equity** | | **(60,863,169 )** | **(56,492,541 )** |
| **Total** | | **484,668,530** | **484,429,076** |

**These financial statements were approved by the Board of Directors on September 26, 2018 and are signed on its behalf by:**

**Walter Wells, Chairman of the Board**

**Christiaan Sawyer, Board Member**

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

# STATEMENT OF COMPREHENSIVE LOSS

For the year ended June 30, 2018 (Expressed in Bahamian dollars)

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| **OPERATING REVENUE:** | | | |
| Aeronautical operations revenue: | | | |
| Passenger facility charge | | 52,507,622 | 45,464,431 |
| Passenger processing fee | | 11,396,458 | 7,525,014 |
| Landing fees | | 7,081,110 | 6,715,080 |
| Terminal fees | | 1,214,433 | 1,167,897 |
| Loading bridges | | 525,053 | 535,923 |
| Aircraft parking fees | | 136,785 | 134,440 |
| **Total aeronautical operations revenue** | | **72,861,461** | **61,542,785** |
| Commercial operations revenue: | | | |
| Terminal leases and concessions | 14 | 11,527,910 | 10,858,690 |
| Car parking | | 3,170,324 | 2,927,622 |
| Refueling royalties | | 1,698,016 | 1,584,339 |
| Interest and other income | | 138,240 | 114,313 |
| **Total commercial operations revenue** | | **16,534,490** | **15,484,964** |
| **TOTAL OPERATING REVENUE** | | **89,395,951** | **77,027,749** |
| **OPERATING EXPENSES:** | | | |
| Material, supplies and services | 12 | 11,260,604 | 10,846,699 |
| Salaries and benefits | 11 | 8,561,684 | 8,847,103 |
| Management fees | 10 | 3,562,951 | 2,619,645 |
| Rent | 10 & 14 | 1,787,915 | 1,540,555 |
| Provision for doubtful accounts | 3 | 120,028 | 110,454 |
| **Total operating expenses** | | **25,293,182** | **23,964,456** |
| **OPERATING INCOME** | | **64,102,769** | **53,063,293** |
| **NON-OPERATING EXPENSES:** | | | |
| Interest | 7 | 42,586,015 | 42,305,604 |
| Amortization – operational | 5 | 18,242,340 | 17,673,895 |
| Amortization – leasehold and financing | 4 | 1,664,469 | 1,664,469 |
| Depreciation - operational | 6 | 5,144,361 | 4,892,049 |
| Amortization – resurfacing runways | 9 | 434,654 | 337,440 |
| Financing cost | | 401,558 | 344,831 |
| Gain on disposal of operational assets | | - | (1,622) |
| **Total non-operating expenses** | | **68,473,397** | **67,216,666** |
| **NET COMPREHENSIVE LOSS** | | **(4,370,628)** | **(14,153,373)** |

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



# STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018 (Expressed in Bahamian dollars)

| | Capital $ | Deficit $ | Total $ |
|---|---|---|---|
| **Balance at June 30, 2016, as restated** | **5** | **(42,339,173)** | **(42,339,168)** |
| *Comprehensive loss* | - | (14,153,373) | (14,153,373) |
| **Balance at June 30, 2017** | **5** | **(56,492,546)** | **(56,492,541)** |
| *Comprehensive loss* | - | (4,370,628) | (4,370,628) |
| **Balance at June 30, 2018** | **5** | **(60,863,174)** | **(60,863,169)** |

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

# STATEMENT OF CASH FLOWS

**For the year ended June 30, 2018 (Expressed in Bahamian dollars)**

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net loss | | (4,370,628 ) | (14,153,373 ) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Adjustments for items not involving use of cash: | | | |
| Amortization – operational | 5 | 18,242,340 | 17,673,895 |
| Amortization – leasehold and financing | 4 | 1,664,469 | 1,664,469 |
| Amortization – resurfacing runways | 9 | 434,654 | 337,440 |
| Depreciation – operational | 6 | 5,144,361 | 4,892,049 |
| Provision for doubtful accounts | 3 | 120,028 | 110,454 |
| Interest expense | | 42,586,015 | 42,305,604 |
| Gain on disposal of operational assets | | - | (1,622 ) |
| Adjustment to capital assets | | 23,954 | - |
| Accounts receivable written-off | | (4,810 ) | (1,276,462 ) |
| | | 63,840,383 | 51,552,454 |
| Changes in operating assets and liabilities: | | | |
| Increase in restricted cash | | (185,296 ) | (3,874,732 ) |
| (Increase)/decrease in accounts receivable | | (5,210,193 ) | 4,401,760 |
| (Increase)/decrease in prepaid expenses and deposits | | (369,107 ) | 47,320 |
| (Increase)/decrease in inventory and supplies | | (16,675 ) | 199,857 |
| Increase/(decrease) in accounts payable and accrued liabilities | | 135,835 | (463,731 ) |
| (Decrease)/increase in payable to Government entities | | (669,525 ) | 1,408,453 |
| Increase in management fees payable | | 166,781 | 189,569 |
| Cash generated from operations | | 57,692,203 | 53,460,950 |
| Interest paid | | (28,063,436 ) | (28,648,788 ) |
| **Net cash from operating activities** | | **29,628,767** | **24,812,162** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Investment in intangible assets – operational | 5 | (281,319 ) | (727,204 ) |
| Investment in fixed assets – operational | 6 | (533,841 ) | (326,370 ) |
| Proceeds from sale of operational assets | | - | 13,412 |
| Increase/(decrease) in construction payable | | 92,943 | (285,027 ) |
| **Net cash used in investing activities** | | **(722,217 )** | **(1,325,189 )** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Principal payment of senior notes | 7 | (11,677,500 ) | (10,095,000 ) |
| Principal payment of participating debt | 7 | - | (8,000,000 ) |
| **Net cash used in financing activities** | | **(11,677,500 )** | **(18,095,000 )** |
| **Net increase in cash and cash equivalents** | | **17,229,050** | **5,391,973** |
| **Cash and cash equivalents at beginning of year** | | **17,755,295** | **12,363,322** |
| **Cash and cash equivalents at end of year** | | **34,984,345** | **17,755,295** |
| **Cash and cash equivalents is represented by:** | | | |
| Operating accounts | | 13,523,208 | 5,164,336 |
| Construction and controlled accounts | | 21,461,137 | 12,590,959 |
| | | **34,984,345** | **17,755,295** |
| **Non-cash transactions:** | | | |
| Increase in provision for restructuring runways capitalized to intangible assets | 9 | 2,314,570 | 1,944,277 |
| Capitalized interest | 7 | 14,522,579 | 13,656,816 |

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



# NOTES TO THE FINANCIAL STATEMENTS

**June 30, 2018**

**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 (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. 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'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**

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 in 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 2o), 4, 5 and 9)
- Classification of leases ((Note 2h) and 14)
- Revenue recognition with respect to reliable measurement (Note 2i)
- Application of service concession arrangements, including provisions for obligations under the arrangements (Note 2p)
- Going concern assumption (Note 2s)

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

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

There are no IFRS that are effective for the first time for the financial year beginning on or after July 1, 2017 that would be expected to have a material impact to the Company.

*(ii) New standards, amendments and interpretations not yet adopted by the Company*

A number of new standards and amendments to standards and interpretations have been published but not yet effective for annual periods beginning after July 1, 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, *'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The determination is made at initial recognition, and the classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss model that replaces the incurred loss impairment model required by IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for financial liabilities designated at fair value through profit or loss. The Company has not yet assessed the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after January 1, 2018.

IFRS 15, *'Revenue from contracts with customers'*, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018, and replaces IAS 18, *'Revenue'* and IAS 11, *'Construction contracts'* and related interpretations. The Company has not yet assessed the full impact of adopting IFRS 15.

IFRS 16, *'Leases'* results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 *'Leases'*. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The standard is effective for annual period beginning on or after January 1, 2019. The Company has not yet assessed the full impact of adopting IFRS 16.





**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) Accounts receivable**

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 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.

**(e) Inventories**

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

**(f) 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 amortized cost which is the fair value of the consideration to be paid in the future for goods and services received.

**(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 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 loss on a straight-line basis over lease term.

**(i) 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.

**(j) Income taxes**

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

**(k) 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.

**(l) 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.

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

**(m) 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 expires.

**(n) 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 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 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 loss. No such write downs were recorded during 2018 and 2017.

**(o) 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 |

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 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 loss. No such write downs were recorded during 2018 and 2017.

**(p) 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.





**(q) 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;

(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.

**(r) 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 in the financial period to which they relate. Enrolment in the defined contribution pension plan is at the discretion of the employee.

**(s) 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. Operating income remains positive and net loss is primarily a result of non-cash expenses for amortization and depreciation of assets. Management monitors or evaluates company performance based on operating income and cash flows. 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.

**(t) Corresponding figures**

Corresponding figures in the future minimum lease rentals receivable in Note 14 Operating Lease have been adjusted to conform with the presentation used in the current year.

**3. Accounts Receivable**

At June 30, 2018, accounts receivable comprised:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Private Sector** | | |
| Trade receivables | 15,394,628 | 13,285,837 |
| Allowance for doubtful accounts | (2,174,966 ) | (2,067,615 ) |
| | **13,219,662** | **11,218,222** |

| **Government** | **2018**<br>**$** | **2017**<br>**$** |
|---|---|---|
| Bahamasair | 6,862,705 | 3,873,886 |
| Nassau Flight Services | 136,211 | 135,476 |
| Ministry of Finance | 135,101 | - |
| Bahamas Telecommunications Corporation | 39,281 | 2,740 |
| The Airport Authority | 12,927 | 963 |
| Others | 4,316 | 11,349 |
| Ministry of Foreign Affairs | 2,224 | 2,223 |
| Bahamas Customs | 215 | 22,468 |
| Ministry of Tourism | 118 | 24,390 |
| Bahamas Immigration | 65 | 18,266 |
| **Total** | **7,193,163** | **4,091,761** |
| Allowance for doubtful accounts | (75,138 ) | (67,271 ) |
| | **7,118,025** | **4,024,490** |

**3. Accounts Receivable (Continued)**

The ageing of accounts receivable is as follows:

| | 2018 $ | 2017 $ |
|---|---|---|
| 1-30 days | 16,396,254 | 14,145,186 |
| 31-60 days | 172,907 | - |
| 61-90 days | 1,985,315 | 1,102,973 |
| More than 90 days | 4,033,315 | 2,129,439 |
| | **22,587,791** | **17,377,598** |

Amounts past due and not impaired totaled $4,156,311 (2017: $2,360,734).

Movement in provision for doubtful accounts is as follows:

| | Private Sector $ | Governmental $ | Total $ |
|---|---|---|---|
| Balance, June 30, 2016 | 3,285,052 | 62,288 | 3,347,340 |
| Write-offs | (1,276,462) | - | (1,276,462) |
| Provision for doubtful accounts | 105,471 | 4,983 | 110,454 |
| Reversal of revenue | (46,446) | - | (46,446) |
| Balance, June 30, 2017 | 2,067,615 | 67,271 | 2,134,886 |
| Write-offs | (4,810) | - | (4,810) |
| Provision for doubtful accounts | 112,161 | 7,867 | 120,028 |
| **Balance, June 30, 2018** | **2,174,966** | **75,138** | **2,250,104** |

***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.

**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, 2016 | (15,110,875) | (216,113) | (15,326,988) |
| Charge for the year | (1,641,000) | (23,469) | (1,664,469) |
| 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) |
| **CARRYING VALUE:** | | | |
| **As at June 30, 2018** | **30,837,125** | **441,034** | **31,278,159** |
| **As at June 30, 2017** | **32,478,125** | **464,503** | **32,942,628** |

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 $1,294,946 (2017: $1,477,604).




# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2018


**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 $ |
|---|---|---|---|---|---|---|---|---|---|
| Balance at June 30, 2016 (As restated) | 1,680,805 | 18,530,037 | 21,302,930 | 401,580,912 | 1,684,535 | 419,248 | 4,965,033 | 2,890,341 | 453,053,841 |
| Additions | - | - | 76,240 | - | - | - | - | 650,964 | 727,204 |
| Transfers | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | (29,503) | - | - | - | - | (29,503) |
| **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** |
| **ACCUMULATED AMORTIZATION:** | | | | | | | | | |
| Balance at June 30, 2016 (As restated) | (275,108) | (3,421,923) | (3,851,510) | (67,715,236) | (170,813) | (62,292) | (804,977) | - | (76,301,859) |
| Amortization | (67,473) | (726,035) | (840,565) | (15,750,652) | (72,659) | (17,027) | (199,484) | - | (17,673,895) |
| Disposals | - | - | - | 3,211 | - | - | - | - | 3,211 |
| **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)** |
| **CARRYING VALUE:** | | | | | | | | | |
| **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** |
| **As at June 30, 2017** | **1,338,224** | **14,382,079** | **16,687,095** | **318,088,732** | **1,441,063** | **339,929** | **3,960,572** | **3,541,305** | **359,778,999** |

6. **Fixed Assets - Operational**

| | 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, 2016 (As restated) | 25,953 | 2,429,015 | 2,413,583 | 3,328,718 | 1,437,350 | 1,475,555 | 43,284,046 | 1,816,100 | 56,210,320 |
| Additions | - | - | - | 19,775 | - | - | 147,588 | 159,007 | 326,370 |
| Transfers | - | (100) | - | 3,207 | (2,180) | 19,867 | 1,152,155 | (1,172,949) | - |
| Disposals | (16,480) | (2,011,157) | (85,426) | (36,639) | (59,807) | (65,142) | (333,278) | - | (2,607,929) |
| **Balance at June 30, 2017 (As restated)** | **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) |
| Adjustment | | - | - | - | - | - | - | (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** |
| **ACCUMULATED DEPRECIATION:** | | | | | | | | | |
| Balance at June 30, 2016 (As restated) | (25,953) | (2,396,995) | (1,880,529) | (2,878,946) | (1,241,698) | (1,082,095) | (17,531,162) | - | (27,037,378) |
| Depreciation | - | (4,541) | (255,502) | (239,679) | (138,621) | (99,787) | (4,153,919) | - | (4,892,049) |
| Disposals | 16,480 | 2,011,257 | 85,426 | 36,639 | 59,807 | 78,621 | 334,201 | - | 2,622,431 |
| **Balance at June 30, 2017 (As restated)** | **(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)** |
| **As at June 30, 2018** | **-** | **143,949** | **176,258** | **494,462** | **169,290** | **225,603** | **18,828,344** | **301,461** | **20,339,367** |
| **As at June 30, 2017** | **-** | **27,479** | **277,552** | **233,075** | **54,851** | **327,019** | **22,899,631** | **802,158** | **24,621,765** |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2018

7. **Long-Term Debts**

Long-term debts consists of the following:

| | Interest rates | Maturity dates | Balance at 30 June 2018 $ | Balance at 30 June 2017 $ |
|---|---|---|---|---|
| **Current portion** | | | | |
| Senior debt notes: | | | | |
| USD senior notes | 8.50% | December 31, 2031 | 600,000 | 540,000 |
| USD senior notes | 7.00% | November 30, 2033 | 5,775,000 | 4,950,000 |
| USD senior notes | 6.34% | March 31, 2035 | 3,390,000 | 2,542,500 |
| USD senior notes | 6.44% | June 30, 2035 | 2,700,000 | 1,800,000 |
| BSD senior notes | 8.50% | December 31, 2031 | 1,500,000 | 1,350,000 |
| BSD senior notes | 6.34% | March 31, 2035 | 660,000 | 495,000 |
| 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** | | | **14,625,000** | **11,677,500** |

| | Interest rates | Maturity dates | Original Loan Amount $ | Balance at 30 June 2018 $ | Balance at 30 June 2017 $ |
|---|---|---|---|---|---|
| **Long-term portion** | | | | | |
| Senior debt notes: | | | | | |
| USD senior notes | 8.50% | December 31, 2031 | 12,000,000 | 9,300,000 | 9,900,000 |
| USD senior notes | 7.00% | November 30, 2033 | 165,000,000 | 143,550,000 | 149,325,000 |
| USD senior notes | 6.34% | March 31, 2035 | 113,000,000 | 103,112,500 | 106,502,500 |
| USD senior notes | 6.44% | June 30, 2035 | 90,000,000 | 82,800,000 | 85,500,000 |
| BSD senior notes | 8.50% | December 31, 2031 | 30,000,000 | 23,250,000 | 24,750,000 |
| BSD senior notes | 6.34% | March 31, 2035 | 22,000,000 | 20,075,000 | 20,735,000 |
| Participating debt notes: | | | | | |
| USD participating – Series A | 13.00% | March 29, 2034 | 10,000,000 | 15,245,986 | 13,678,176 |
| USD participating – Series B | 13.00% | March 29, 2034 | 50,000,000 | 94,822,619 | 83,435,660 |
| BSD participating | 13.00% | March 29, 2034 | 10,000,000 | 15,245,986 | 13,678,176 |
| **Total** | | | **502,000,000** | **507,402,091** | **507,504,512** |

Movement in debt is as follows:

| | 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** |

**7. Long-Term Debts (Continued)**

| | Senior Debt Notes $ | Participating Debt Notes $ | Total $ |
|---|---|---|---|
| Balance at June 30, 2016 | 418,485,000 | 105,135,196 | 523,620,196 |
| Principal payments | (10,095,000 ) | (8,000,000 ) | (18,095,000) |
| Capitalized interest | - | 13,656,816 | 13,656,816 |
| Balance at June 30, 2017 | 408,390,000 | 110,792,012 | 519,182,012 |
| Ending balance comprised of: | | | |
| Current portion | 11,677,500 | - | 11,677,500 |
| Long-term portion | 396,712,500 | 110,792,012 | 507,504,512 |
| **Total** | **408,390,000** | **110,792,012** | **519,182,012** |

***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 $3,050,119 (2017: $3,188,456) 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, 2018, amounted to $4,980,868 (2017: $4,940,119).

***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 $15,092,692 (2017: $14,061,999) and has been included in the statement of comprehensive loss.





**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 $10,669,312 (2017: $10,994,156) 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, 2018, amounted to $7,679,719 (2017: $8,496,952).

***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 $8,195,243 (2017: $8,366,423) 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, 2018, amounted to $6,042,381 (2017: $5,469,019).

***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.

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 $5,578,650 (2017: $5,694,570) 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, 2018 amounted to $4,092,233 (2017: $3,703,815).

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

| | 2018 $ | 2017 $ |
|---|---|---|
| Senior debt notes: | | |
| Financing 2009 –$12 million USD/BSD 30 million 8.50%; December 31, 2031 | 4,980,868 | 4,940,119 |
| Financing 2010 –$165 million USD 7.00%; November 30, 2032 | 7,679,719 | 8,496,952 |
| Financing 2012 –$113 million USD/BSD 22 million 6.34%; March 31, 2035 | 6,042,381 | 5,469,019 |
| Financing 2013 – USD 90 million 6.44%; June 30, 2035 | 4,092,233 | 3,703,815 |
| | **22,795,201** | **22,609,905** |

Total interest expense on these facilities amounted to $42,586,015 (2017: $42,305,604) as follows:

| | 2018 $ | 2017 $ |
|---|---|---|
| Financing 2009 | 18,142,811 | 17,250,455 |
| Financing 2010 | 10,669,312 | 10,994,156 |
| Financing 2012 | 8,195,242 | 8,366,423 |
| Financing 2013 | 5,578,650 | 5,694,570 |
| | **42,586,015** | **42,305,604** |

**8. Payable to Government Entities**

At June 30, 2018, the following amounts were payable to Government entities:

| | 2018 $ | 2017 $ |
|---|---|---|
| The Airport Authority (security fees) | 3,471,714 | 3,097,982 |
| The Airport Authority (other) | 424,319 | 422,452 |
| Ministry of Finance | 728,719 | 598,916 |
| Ministry of Finance (VAT) | 601,114 | 366,174 |
| Bahamas Power & Light | 493,392 | 1,834,817 |
| Water & Sewerage | 118,644 | 149,245 |
| Bahamas Telecommunications Corporation | 35,377 | 32,174 |
| Public Treasury | 3,073 | - |
| National Insurance Board | - | 44,117 |
| | **5,876,352** | **6,545,877** |

**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.

The movement is as follows:

| | Provision $ | Amortization $ | Intangible $ |
|---|---|---|---|
| Balance at June 30, 2016 | 8,001,142 | (914,905 ) | 7,086,237 |
| Additional accrual | 904,129 | - | 904,129 |
| Increase from the passage of time | 1,040,148 | - | 1,040,148 |
| Charge for the year | - | (337,440 ) | (337,440 ) |
| 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** |

**10. Related-Party Balances and Transactions**

The following is a summary of the balances and transactions at June 30, 2018, with related parties:

| | 2018 $ | 2017 $ |
|---|---|---|
| Accounts receivable – Government (gross) | 7,193,163 | 4,091,761 |
| Payable to Government entities | 5,876,352 | 6,545,877 |
| Management fees payable | 381,039 | 214,258 |
| Accrued rent payable | 418,592 | 18,047 |
| Aeronautical operations revenue | 17,386,976 | 11,084,219 |
| Commercial operations revenue | 984,061 | 792,926 |
| Utilities | 4,554,489 | 4,166,582 |
| Government fees | 1,113,953 | 1,151,129 |
| Management fees | 3,562,951 | 2,619,645 |
| Rent expense | 1,787,915 | 1,540,555 |
| Telephone expense | 163,467 | 156,257 |
| Directors' fees | 103,460 | 118,320 |





**10. Related-Party Balances and Transactions (Continued)**

Salaries and benefits paid to the Company's key management personnel during the year ended June 30, 2018, amounted to $1,423,150 (2017: $1,205,012).

As at June 30, 2018, the subordinated participating debt notes Series A and B and senior debt notes were held by a related Government entity.

| | 2018 $ | 2017 $ |
|---|---|---|
| National Insurance Board | 88,703,841 | 84,136,402 |

**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 $264,442 (2017: $278,321) to the plan.

As at June 30, 2018, approximately 198 (2017: 210) employees were enrolled in the plan.

**12. Material, Supplies and Services**

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

| | 2018 $ | 2017 $ |
|---|---|---|
| Others | 4,105,081 | 4,064,029 |
| Utilities | 4,554,489 | 4,083,845 |
| Repairs and maintenance | 2,327,331 | 2,457,887 |
| Professional fees | 273,703 | 240,938 |
| | **11,260,604** | **10,846,699** |

**13. Commitments**

The Company is contingently liable for corporate credit cards in the amount of $50,000 utilized limited and $100,000 authorized limited (2017: $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, 2018, the Company had outstanding commitments relating to open capital and maintenance contracts with a value of $1,600,809 (2017: $1,406,385). 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. Total rent expense relevant to this operating lease is $1,787,915 (2017: $1,540,555).

Future minimum lease rentals receivable due under operating leases as of June 30, 2018 are as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Within one year | 500,000 | 500,000 |
| Between one to five years | 2,500,000 | 2,500,000 |
| More than five years | 6,375,000 | 6,875,000 |

In addition, the Company has concessions and terminal leases as lessor. Total rental income relevant to these concessions and leases is $11,527,910 earned and $11,527,910 recognized (2017: $10,858,690 earned; $10,858,690 recognized).

Future minimum lease rentals receivable due under operating leases as of June 30, 2018 are as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Within one year | 6,944,204 | 6,442,663 |
| Between one to five years | 16,783,898 | 21,252,979 |
| More than five years | 22,824,826 | 24,114,064 |

**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 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, 2018 and 2017, 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.

***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.





**15. 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, 2018 and 2017:

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Within 3 Months<br>$ | 3-6 Months<br>$ | 6-12 Months<br>$ | More than 1 Year<br>$ | Total<br>$ |
| **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 | 3,450,000 | 3,450,000 | 7,725,000 | - | 14,625,000 |
| Long term debt – non-current | - | - | - | 507,402,091 | 507,402,091 |
| | **14,694,619** | **3,450,000** | **7,725,000** | **507,402,091** | **533,271,710** |
| **Net liquidity gap** | **40,627,413** | **14,364,333** | **(2,744,132 )** | **(507,402,091 )** | **(455,154,477 )** |

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

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Within 3 Months $ | 3-6 Months $ | 6-12 Months $ | More than 1 Year $ | Total $ |
| **Financial assets** | | | | | |
| Cash and cash equivalents: | | | | | |
| Operating accounts | 5,164,336 | - | - | - | 5,164,336 |
| Construction and controlled accounts | 12,590,959 | - | - | - | 12,590,959 |
| Restricted cash | - | 22,609,905 | - | - | 22,609,905 |
| Accounts receivable: | | | | | |
| Private sector | 11,218,222 | - | - | - | 11,218,222 |
| Government | 4,024,490 | - | - | - | 4,024,490 |
| | **32,998,007** | **22,609,905** | **-** | **-** | **55,607,912** |
| **Financial liabilities** | | | | | |
| Accounts payable and accrued liabilities: | | | | | |
| Construction project | 1,477,604 | - | - | - | 1,477,604 |
| Trade | 3,556,447 | - | - | - | 3,556,447 |
| Management fees payable | 214,258 | - | - | - | 214,258 |
| Payable to Government entities | 6,545,877 | - | - | - | 6,545,877 |
| Long term debt – current portion | 2,782,500 | 2,782,500 | 6,112,500 | - | 11,677,500 |
| Long term debt – non-current | - | - | - | 507,504,512 | 507,504,512 |
| | **14,576,686** | **2,782,500** | **6,112,500** | **507,504,512** | **530,976,198** |
| **Net liquidity gap** | **18,421,321** | **19,827,405** | **(6,112,500)** | **(507,504,512)** | **(475,368,286)** |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2018

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

***Fair Values of Financial Instruments***

Fair value estimates are generally subjective in nature and are dependent upon a number of significant assumptions associated with each instrument or group of similar instruments, including estimates of discount rates, risks associated with specific financial instruments, estimates of future cash flows and relevant available market information. Fair value information is intended to represent an estimate of an amount at which a financial instrument could be exchanged in a current transaction between a willing buyer and seller engaging in an exchange transaction.

The carrying amounts of financial assets and liabilities are considered to approximate their fair value, given that they are either short-term in nature or for long term financial liabilities with fixed interest rates, despite a change in market rates since the issuance of the financial liabilities there has been no observable change in fair values; accordingly, the carrying values approximate fair values. Per the fair value hierarchy of IFRS 13, financial assets and liabilities are principally classified as Level 2.

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. Total capital is calculated as 'equity' as shown in the statement of financial position.

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, 2018 and 2017.

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.

**Cover Image: Hawksbill Cay, The Bahamas**
Hawksbill Cay is an uninhabited cay within the Exuma Cays Land and Sea Park and is located 87 km off the coast of Nassau.

NAD | Nassau Airport Development Company

**Nassau Airport Development Company**
Lynden Pindling International Airport
P.O. Box AP-59229, Nassau, The Bahamas
242.377.0209 | www.nassaulpia.com | feedback@nas.bs