NAD
Nassau Airport
Development Company

2020
ANNUAL REPORT

CONTENTS

A MESSAGE FROM THE CHAIRMAN

Q1 of FY2020 was record-setting for NAD across all metrics. We were poised to build on the unprecedented success of FY2019. Our airport saw passenger numbers and revenue performance trend upward. For the period ended December 31, 2019, passenger numbers grew across all sectors (US, International and Domestic departures and arrivals) with a total of 4.1 million passengers moving through LPIA, up 11% YOY.

This momentum was minimally interrupted by the passage of Hurricane Dorian in September 2019. For Nassau/Paradise Island, travel recovered very quickly after the storm that ravaged the northern islands of The Bahamas and LPIA continued its strong performance right through to Q3 of FY2020.

As we headed into the final stretch of the fiscal year, we watched closely as cases of the novel coronavirus (COVID-19) spread across Asia and Europe in early 2020, noting specifically the impact on travel trends. In March 2020, the World Health Organization (WHO) officially declared the COVID-19 outbreak a global pandemic.

Immediately, countries including the United States and Canada began imposing travel restrictions and issuing stay-at-home orders. In an effort to curb the local spread of COVID-19, the government of The Bahamas also implemented restrictions and specific requirements for visitors traveling to the country and for residents returning home from abroad or travelling domestically. Due to our high dependence on the United States for 80% of our passenger traffic, we saw a precipitous decline in passengers to Nassau/Paradise Island near the end of Q3 and into Q4.

At the onset of the virus, NAD immediately began assessing its protocols, to ensure consistency and compliance with standards expected by WHO, the Centers for Disease Control and Prevention (CDC) and our own Bahamas Ministry of Health.

Despite the significant decline in revenue in the final quarter, FY2020 was the first time that NAD was in a financial position to undertake major capital improvements including the rehabilitation of Runway 09/27 (now 10/28). As we move forward, our focus remains on maintaining our facilities and our level of customer service while adapting our systems to the new safety protocols recommended by international and local health officials.

We have a long recovery ahead as we manage our operations and our financial position in the new normal of air travel. We will continue to work closely with our tourism partners to ensure that LPIA operates at the highest standard.

Special thanks to the NAD board for their unwavering support and encouragement. The Vantage director, Mr. Charles Snyder, retired from the board during this period, and we owe him a debt of gratitude for his guidance and advice on all things financial.

Thanks also to our partners and our NAD team for the tremendous dedication shown during unprecedented times.

WALTER WELLS

CHAIRMAN

A MESSAGE FROM THE PRESIDENT & CEO

FY2020 was a year of tremendous growth and extreme loss. The year began with strong performances across all sectors stemming from a record-breaking FY2019. Our airport recovered from the most devastating hurricane to impact our islands in recent history and we were encouraged by the rebound.

In the aftermath of Hurricane Dorian, LPIA accommodated some 1,155 relief flights with NAD waiving all landing and parking fees for those humanitarian efforts. In addition to the fee waivers, we partnered with airport manager Vantage Airport Group and LaGuardia Gateway Partners to create a $30,000 fund to support NAD employees whose families were directly impacted by the storm. Through our in-terminal "Give. Change." collection box initiative and thanks to passenger donations we were also able to give $10,000 to the Bahamas Red Cross' hurricane relief efforts.

Then, in early 2020, we saw operations at LPIA shift overnight as the COVID-19 pandemic significantly impacted the global travel industry. Governments around the world put measures in place to limit air traffic movement in an attempt to curb the spread of the deadly virus.

Immediately, we outfitted our team with Personal Protective Equipment (PPE) and developed new Standard Operating Procedures (SOPs) to meet health and safety requirements mandated by international and local officials. We focused communications across the entire airport campus to inform and admonish airport employees to abide by the new safety protocols and placed signage and sanitization stations throughout our facilities.

I was invited to serve on the Prime Minister's National Coordinating Committee on COVID-19, a multi-sectoral group established to provide the best advice to the government regarding the necessary requirements to protect Bahamians, residents and visitors. The committee also focused on developing protocols to enable the safe reopening of certain sectors of the economy as circumstances permitted.

The tourism industry stakeholders established the Tourism Readiness & Recovery Committee. I served as co-chair of the group focused on the development of protocols for each subsector of the tourism industry. This resulted in the production of a Tourism Recovery Plan, the first of its kind in the region. We were pleased to present the plan to the government and the industry in record time.

In the final quarter of FY2020, our team worked directly with tourism partners and airport stakeholders including tenants and staff to prepare for reopening in a COVID-19 environment for both Domestic and International travel in June and July 2020 respectively.

Prior to the onset of the pandemic, we placed considerable efforts on developing a true passenger-focused experience at LPIA. During this FY, we rebranded our commercial programme, launching the Your Travel, Our Pleasure customer-focused campaign in the fall of 2019. Two new duty-free retail stores also opened in the US Departures terminal and the Domestic/International Departures terminal to bolster the airport's overall commercial portfolio. I am proud of the fact that our airport's customer satisfaction numbers remain high and we continue to be recognized for our commitment to the overall operations and experience at LPIA.

We are encouraged by the resilience of the tourism and travel industry. It is our expectation that with the availability of vaccines to combat COVID-19, the desire for travel will return once passengers are confident that travel can be done safely.

We are very fortunate to be part of the Vantage Airport Group's network of airports, as we benefited from full and persistent engagement of all airports in the network to consider and implement best practices in health and safety protocols at our facilities.

Although the future remains uncertain, our airport will continue to work with our partners to support the tourism and travel industry now and in the future.

Vernice Walkine

VERNICE WALKINE

PRESIDENT

ABOUT THE COMPANY

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 and Latin America. In 2019, LPIA served more than 4.1 million passengers.

Nassau Airport Development Company (NAD), the company that manages and operates LPIA, is a Bahamian company, owned by the government of The Bahamas and managed by Vantage Airport Group, making LPIA part of Vantage's worldwide network. 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 26-year history, Vantage has worked with more than 31 airports developing and implementing best practices that result in financially stronger, more sustainable, better connected airports for the communities they serve. Its current network includes 10 airports on two continents, including LPIA, LaGuardia Terminal B in New York and Chicago Midway International. Together, Vantage airports served more than 58 million passengers in 2019, travelling on 150 different airlines to 375 global destinations.

OUR TEAM

BOARD OF DIRECTORS

Walter Wells – Chairman

Pastor Lyall Bethell

Andrew Malone

Meaghan Peet

Siobhan Reilly-Laing

Christaain Sawyer

Sami Teittinen - Vantage Airport Group

Racardo Underwood

Vincent Wallace-Whitfield

EXECUTIVE TEAM

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

FINANCIAL STATEMENTS

2020

Nassau Airport Development Company Limited

Financial Statements
June 30, 2020

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, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at June 30, 2020;
- the statement of comprehensive (loss) income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter

We draw attention to Notes 2(a) and 2(r) in the financial statements, in which management has described the uncertainties related to the possible impact of COVID-19 on the Company's operations as well as the measures, both taken and planned, to deal with these events or circumstances. Our opinion is not modified in respect of this matter.

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.

PricewaterhouseCoopers, 2 Bayside Executive Park, West Bay Street & Blake Road, P.O. Box N-3910, Nassau, Bahamas T: + 1 242 302 5300, F: + 1 242 302 5350, www.pwc.com/bs, E-mail: pwcbs@bs.pwc.com

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

December 9, 2020

Nassau Airport Development Company Limited
(Incorporated under the laws of The Commonwealth of The Bahamas)

Statement of Financial Position
As at June 30, 2020
(Expressed in Bahamian dollars)

	Notes	June 30, 2020 $	June 30, 2019 $
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents:	16		
Operating accounts		5,258,592	7,188,806
Construction and controlled accounts		21,876,248	42,776,834
Restricted cash	7 & 16	24,672,649	20,932,685
Accounts receivable	3 & 16		
Private sector		2,243,016	17,098,056
Government		7,118,482	7,884,960
Inventories and supplies		2,440,336	2,283,048
Prepaid expenses and deposits		484,142	475,714
Receivable from Management Company	10 & 16	443,081	-
Total current assets		**64,536,546**	**98,640,103**
NON-CURRENT ASSETS:			
Fixed assets – operational	6	23,594,937	20,895,678
Intangible assets – leasehold and financing	4	27,949,217	29,613,687
Intangible assets – resurfacing runways	9	17,176,056	18,461,894
Intangible assets – operational	5	317,405,456	324,843,833
Total non-current assets		**386,125,666**	**393,815,092**
TOTAL ASSETS		**450,662,212**	**492,455,195**

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

Nassau Airport Development Company Limited
(Incorporated under the laws of The Commonwealth of The Bahamas)

Statement of Financial Position (Continued)
As at June 30, 2020
(Expressed in Bahamian dollars)

LIABILITIES AND EQUITY	Notes	June 30, 2020 $	June 30, 2019 $
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities:			
Construction project	16	166,566	447,492
Trade	16	4,597,889	5,640,180
Management fees payable	10 & 16	406,410	295,560
Provision for obligation to resurface runways	9	311,858	15,974,877
Payable to Government entities	8, 10, & 16	2,720,869	6,367,411
Current portion of long-term debts	7 & 16	20,107,500	16,822,500
Total current liabilities		**28,311,092**	**45,548,020**
NON-CURRENT LIABILITIES:			
Long-term debts	7 & 16	479,907,500	500,015,000
Total non-current liabilities		**479,907,500**	**500,015,000**
Total liabilities		**508,218,592**	**545,563,020**
EQUITY:			
Share capital			
Authorized issued and fully paid:			
5,000 ordinary shares of 5 shares of par value 1.00 each		5	5
Deficit		(57,556,385)	(53,107,830)
Total Equity		**(57,556,380)**	**(53,107,825)**
TOTAL LIABILITIES AND EQUITY		**450,662,212**	**492,455,195**

These financial statements were approved by the Board of Directors on December 9, 2020 and are signed on its behalf by:

Director

Director

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

Nassau Airport Development Company Limited
(Incorporated under the laws of The Commonwealth of The Bahamas)

Statement of Comprehensive (Loss) Income
For the year ended June 30, 2020
(Expressed in Bahamian dollars)

	Notes	2020 $	2019 $
OPERATING REVENUE:			
Aeronautical operations revenue:			
Passenger facility charge		45,476,120	63,885,381
Passenger processing fee		11,142,200	15,742,162
Landing fees		6,099,916	7,945,566
Terminal fees		969,365	1,332,365
Loading bridges		501,176	668,104
Aircraft parking fees		106,311	122,223
Total aeronautical operations revenue	15	**64,295,088**	**89,695,801**
Commercial operations revenue:			
Terminal leases and concessions		11,909,235	12,998,420
Car parking		2,576,712	3,357,585
Refueling royalties		1,480,602	1,956,176
Interest and other income		428,435	160,053
Total commercial operations revenue	15	**16,394,984**	**18,472,234**
TOTAL OPERATING REVENUE		**80,690,072**	**108,168,035**
OPERATING EXPENSES:			
Material, supplies and services	12	12,745,864	13,600,827
Salaries and benefits	10 & 11	9,901,511	9,947,880
Management fees	10	2,802,122	4,331,919
Rent	10 & 14	1,613,801	2,163,361
Provision for doubtful accounts	3	2,926,271	13,042
Total operating expenses		**29,989,569**	**30,057,029**
OPERATING INCOME		**50,700,503**	**78,111,006**
NON-OPERATING EXPENSES:			
Interest	7	35,652,776	39,931,452
Amortization - operational	5	12,247,153	18,063,529
Amortization - leasehold and financing	4	1,664,470	1,664,472
Depreciation - operational	6	4,809,618	4,852,163
Amortization - resurfacing runways	9	485,838	271,103
Financing cost		283,785	5,572,943
Loss on disposal of fixed assets - operational		5,418	-
Total non-operating expenses		**55,149,058**	**70,355,662**
NET (LOSS) INCOME AND TOTAL COMPREHENSIVE (LOSS) INCOME		**(4,448,555)**	**7,755,344**

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

Nassau Airport Development Company Limited
(Incorporated under the laws of The Commonwealth of The Bahamas)

Statement of Changes in Equity
For the year ended June 30, 2020
(Expressed in Bahamian dollars)

	Capital $	Deficit $	Total $
Balance at June 30, 2018	**5**	**(60,863,174)**	**(60,863,169)**
Net income and total comprehensive income	-	7,755,344	7,755,344
Balance at June 30, 2019	**5**	**(53,107,830)**	**(53,107,825)**
Net loss and total comprehensive loss	-	(4,448,555)	(4,448,555)
Balance at June 30, 2020	**5**	**(57,556,385)**	**(57,556,380)**

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

Nassau Airport Development Company Limited
(Incorporated under the laws of The Commonwealth of The Bahamas)

Statement of Cash Flows
For the year ended June 30, 2020
(Expressed in Bahamian dollars)

	Notes	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income		(4,448,555)	7,755,344
Adjustments to reconcile net loss to net cash provided by operating activities:			
Adjustments for items not involving use of cash:			
Interest expense		35,652,776	39,931,452
Amortization – operational	5	12,247,153	18,063,529
Provision for doubtful accounts	3	2,926,271	13,042
Depreciation – operational	6	4,809,618	4,852,163
Amortization – leasehold/financing	4	1,664,470	1,664,472
Amortization – resurfacing runways	9	485,838	271,103
Loss on disposal of fixed assets - operational		5,418	-
Adjustment to capital assets		17,630	3,740
Accounts receivable written-off		(477)	(175,547)
		53,360,142	72,379,298
Changes in operating assets and liabilities:			
(Increase)/decrease in restricted cash		(3,739,964)	1,862,516
Decrease/(increase) in accounts receivable		12,695,724	(4,482,824)
Increase in receivable from management company		(443,081)	-
(Increase)/decrease in prepaid expenses and deposits		(8,428)	295,738
(Increase)/decrease in inventory and supplies		(157,288)	115,980
(Decrease)/increase in accounts payable and accrued liabilities		(1,042,291)	1,947,898
(Decrease)/increase in payable to Government entities		(3,646,542)	491,059
Increase/(Decrease) in management fees payable		110,850	(85,479)
Cash generated from operations		57,129,122	72,524,186
Interest paid		(35,652,776)	(31,811,055)
Net cash from operating activities		**21,476,346**	**40,713,131**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in runway resurfacing	9	(14,863,019)	(4,445,119)
Investment in fixed assets – operational	6	(7,531,925)	(5,408,474)
Investment in intangible assets – operational	5	(4,808,776)	(1,720,801)
Decrease in construction payable		(280,926)	(847,454)
Net cash used in investing activities		**(27,484,646)**	**(12,421,848)**

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

Nassau Airport Development Company Limited
(Incorporated under the laws of The Commonwealth of The Bahamas)

Statement of Cash Flows (Continued)
For the year ended June 30, 2020
(Expressed in Bahamian dollars)

	Notes	2020 $	2019 $
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payment of senior notes	7	(16,822,500)	(14,625,000)
Principal payment of participating debt	7	-	(133,434,988)
Proceeds from long-term financing		-	134,750,000
Net cash used in financing activities		**(16,822,500)**	**(13,309,988)**
Net (decrease) increase in cash and cash equivalents		**(22,830,800)**	**14,981,295**
Cash and cash equivalents at beginning of year		**49,965,640**	**34,984,345**
Cash and cash equivalents at end of year		**27,134,840**	**49,965,640**
Cash and cash equivalents is represented by:			
Operating accounts		5,258,592	7,188,806
Construction and controlled accounts		21,876,248	42,776,834
		27,134,840	**49,965,640**
Non-cash transactions:			
Increase in provision for restructuring runways capitalized to intangible assets		-	3,714,888
Capitalized interest	7	-	8,120,397

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

Nassau Airport Development Company Limited

Notes to the Financial Statements
June 30, 2020

1. General

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

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

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

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

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

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

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

1. General (Continued)

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

Stage I

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

Stage II

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

Stage III

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

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions

Use of estimates

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

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

Significant judgement and estimates include the following:

- Allowance for expected credit losses (Notes 2(e) and 3)
- Carrying value of intangible and fixed assets with respect to impairment (Notes 2(j), 2(l), 4, 5, 6 and 9)
- Classification of leases (Notes 2(h) and 14)
- Revenue recognition with respect to reliable measurement (Note 2(i))
- Application of service concession arrangements, including provisions for obligations under the arrangements (Note 2(m))
- Going concern assumption (Note 2(r))

Impairment of intangible and fixed assets

At June 30, 2020, the Company's fixed assets and intangible assets were assessed for impairment using valuation techniques involving significant judgements and estimates. The assessment used fair value less costs of disposal to determine the recoverable amount and was based on discounted cash flows of the entire airport operation as a cash-generating unit (CGU) covering a period of five years. The discounted cash flow analysis included forecasts derived from the most recent financial budgets approved by management, incorporating growth rates based on management's past experience and industry growth forecasts.

The key assumptions underpinning the financial budgets are passenger numbers, the discount rate and the terminal growth rate. Passenger numbers are based on market expectations adjusted for historical experience and for the effect of COVID-19. In the initial year of the forecast, passenger numbers are severely impacted by COVID-19. Management then estimates that the global tourism industry should begin to normalize and an increase of 5% for each of the remaining four years was incorporated. The terminal growth rate and discount rate used are 2% and 10% respectively.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Impact of COVID-19

Beginning of January 2020, global financial markets and local businesses have experienced and continue to experience significant volatility from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty.

Under the Emergency Powers (COVID 19)(No. 2) Order, 2020 which was effective March 24, 2020, except with the prior written permission of the Competent Authority, all airports in The Bahamas were closed to incoming international flights carrying visitors. Additionally, effective March 27, 2020, the Government of The Bahamas extended to closure of the borders to include all incoming passengers, including residents. Inter-island domestic travel did not resume until June 9, 2020, private international flights were permitted effective June 15, 2020 and incoming international commercial travel remained suspended through to the end of the fiscal year.

As the majority of the Company's revenues are dependent on passenger traffic, this has resulted in significant decreases in revenue for the fourth quarter of the fiscal year. Additionally, due to financial difficulties experienced by one of its major customers, the Company has recognized an expected credit loss of $2.5 million against the balance due from this customer in the current year.

In response to COVID-19, measures are being taken to reduce operating costs as well as optimize working capital. These measures include a reduction in staff hours, elimination of operating expenses unrelated to maintenance of the airport and salaries, and deferral of all non-critical capital expenditures. The Company has also taken advantage of the Tax Credit and Tax Deferral Employment Retention Programme offered by the Department of Inland Revenue resulting in a VAT credit of $300,000 (Note 3).

(b) Changes in applicable accounting policies and disclosures

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

Standards, amendments and interpretations to published standards that became effective for the Company's financial year beginning on July 1, 2019 were not relevant or not significant to the Company's operations and accordingly did not have a material impact on the financial statements.

2. Summary of Significant Accounting Policies (Continued)

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

(i) New standards, amendments and interpretation adopted by the Company (continued)

IFRS 16 *Leases* does not have a significant impact on the Company because the Company's lease agreement with the Authority has been deemed as a service concession arrangement under IFRIC 12. Any agreement within the scope of IFRIC 12 will not meet the definition of a lease because the operator in a service concession arrangement does not have the right to control the use of the underlying asset. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of IFRS 16.

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

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

(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 that are readily convertible to known amounts of cash
and which are subject to an insignificant risk of changes in value.

(d) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency, as it represents the currency of the primary economic environment in which the Company operates.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive (loss) income.

2. Summary of Significant Accounting Policies (Continued)

(e) Financial instruments

Financial instruments include financial assets and financial liabilities.

(i) Financial assets

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

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

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

Recognition and derecognition

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

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

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

Measurement

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

2. Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (continued)

(i) Financial assets (continued)

Measurement (continued)

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

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

Impairment of financial assets

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(e) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

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

(ii) Financial liabilities

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

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

(f) Inventories

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

(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 (loss) income in the period in which they are incurred.

2. Summary of Significant Accounting Policies (Continued)

(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. The respective leased assets are included in the statement of financial position based on their nature. Operating lease receipts are recognized as income in the statement of comprehensive (loss) income on a straight-line basis over lease term.

(i) Revenue recognition

The Company recognizes revenue from contracts with customers when all of the following five criteria are met: (i) a contract is identified with a customer, (ii) a performance obligation is identified in the contract, (iii) the transaction price of the contract is determined, (iv) the transaction price is allocated to each identified performance obligation, and (v) a performance obligation has been wholly performed.

Fees earned for the provision of services over a period of time (e.g., monthly) are accrued over that period. These fees include prepaid car parking fees. Transaction based fees for passenger facility charge, passenger processing fee, landing fee, terminal fees, loading bridges, aircraft parking fees, terminal leases and concession, car parking, and refueling royalties are charged to individual customers when the transaction takes place. Revenue for these fees are recognized at a point in time.

Revenue contracts did not contain any variable consideration. Advance receipts are deferred and included in deferred revenue until services are provided to the customers.

All other income are recognized on the accrual basis.

(j) 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:

Roads and parking lots	10 - 30 years
Terminal and structures	10 - 25 years
Leasehold improvements	10 - 25 years
Furniture and office equipment	5 - 10 years
Computer equipment and software	3 - 5 years
Vehicles and machinery	5 - 10 years
Equipment and systems	3 - 15 years

2. Summary of Significant Accounting Policies (Continued)

(j) Fixed assets (continued)

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, is recognized in other income or expense in the statement of comprehensive (loss) income.

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 the amount of the loss is included in the statement of comprehensive (loss) income. No such write downs were recorded during 2020 and 2019.

(k) 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	10 - 37 years
Runways and taxiways	10 - 37 years
Roads and parking lots	10 - 37 years
Terminal and structures	10 - 37 years
Leasehold improvements	10 - 37 years
Furniture and office equipment	10 - 37 years
Equipment and systems	10 - 37 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) income.

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 the amount of the loss is included in the statement of comprehensive (loss) income. No such write downs were recorded during 2020 and 2019.

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of assets

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

(m) Service concession arrangement

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

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

(n) Related-party balances and transactions

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.

(o) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.

2. Summary of Significant Accounting Policies (Continued)

(p) Employee pensions

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

(q) Taxation

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

(r) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern. As part of management's consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of severe scenarios have been reviewed. The assumptions modelled over the next 12 months from the date of approval of these financial statements are based on the estimated potential impact of COVID-19 restrictions and regulations, along with management's proposed responses. These include a range of estimated impacts primarily based on length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions on the Company's operations. Under each scenario, mitigating actions are within management's control and can be initiated as they relate to discretionary spend. Further, under each scenario, the Company is expected to continue operations within available cash levels and continue to meet its debt repayment obligations. The Government of The Bahamas has expressed to the Noteholders of the Company's senior debt (the Senior Noteholders), through a letter dated November 25, 2020 (the Commitment Letter), a commitment to take such action as may be necessary to enable the Company to continue to meet its obligations under the senior financing agreements (Senior Financing Agreements, as more fully defined and explained in Note 18). The Government's obligations under the Commitment Letter extend to the earlier of a) June 30, 2022 b) the first date when the Company delivers a compliance certificate to the Senior Intercreditor Agent of the Senior Noteholders demonstrating the Company's compliance with the debt service coverage ratio covenant requirement (the DSCR Covenant) and the debt service reserve account (refer to Note 7) is fully funded up to the requirements of the Senior

2. Summary of Significant Accounting Policies (Continued)

(r) Going concern (continued)

Financing Agreements or c) an event of default has occurred under the Senior Financing Agreements and the Senior Noteholders exercise their respective rights thereon. The DSCR Covenant requires the Company to maintain a debt service coverage ratio of not less than 1.30 to 1.00 as at the end of each calendar quarter.

While in compliance with the DSCR Covenant at June 30, 2020, the Company was in breach as at September 30, 2020 and the Company's cash flow projections indicate that the DSCR Covenant is expected to be breached for each of the consecutive calendar quarters in the period through to September 30, 2021. Management obtained a waiver from the Senior Noteholders to temporarily waive the DSCR Covenant requirement for the calendar quarter of September 30, 2020. The temporary waiver was subsequently extended on November 25, 2020 through the execution of an amendment and waiver agreement (refer to Note 18) which provided for a waiver of the DSCR Covenant through to June 30, 2022, unless there is an Event of Default under the Senior Financing Agreements resulting in the termination of the DSCR waiver by the Senior Noteholders (the DSCR Waiver).

Management has ultimately concluded, based upon its considerations outlined above, which include: a) the Company's forecast cash flows for the next twelve months under which it expects the Company to continue to meet its obligations as they fall due, including its debt repayment obligations and b) the Commitment Letter issued by the Government and the DSCR Waiver issued by the Noteholders on November 25, 2020, that it is appropriate for the Company's financial statements to be prepared on the going concern basis.

(s) Corresponding figures

Where necessary, certain corresponding figures have been adjusted to conform with changes in presentation in the current year. Accounts Receivable - Private Sector and Accounts Receivable - Government in Note 3, Note 10 and Note 16 have been adjusted to conform with the presentation used in the current year. Trade payables and Payable to Government entities in Note 16 have been adjusted to conform with the presentation used in the current year.

3. Accounts Receivable

At June 30, 2020, accounts receivable comprise:

	2020 $	2019 $
Private Sector		
Trade receivables	3,635,008	18,042,872
Allowance for expected credit losses	(1,391,992)	(944,816)
	2,243,016	**17,098,056**

Government	**2020** **$**	**2019** **$**
Trade receivables		
Bahamasair	9,158,309	7,743,033
The Airport Authority	570,543	31,545
Nassau Flight Services	254,564	146,856
Bahamas Telecommunications Corporation	71,903	45,452
Bahamas Immigration	28,624	30,408
Others	9,178	238,952
Total	**10,093,121**	**8,236,246**
Allowance for expected credit losses	(3,629,360)	(1,150,742)
	6,463,761	**7,085,504**
VAT receivable		
Ministry of Finance – Value Added Tax (VAT)*	654,721	799,456
	7,118,482	**7,884,960**

*Included in the balance from Ministry of Finance is a $300,000 non-reimbursable VAT credit as approved by The Department of Inland Revenue under the Government's Tax Credit and Tax Deferral Employment Retention Programme launched in April 2020. The program aims to provide payroll support and encourage employee retention. This was approved in the amount of $100,000 per month for April, May and June 2020. In accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* the Company accounted for the tax credit in profit or loss as a reduction to salaries and wages for each corresponding month. At June 30, 2020, there were no unfulfilled conditions and contingencies attached to the recognized tax credits.

3. Accounts Receivable (Continued)

The expected credit loss allowance at June 30, 2020 and June 30, 2019 was determined as follows for accounts receivable:

Private

June 30, 2020	**Current** $	**31-60 days** $	**61-90 days** $	**Over 90 days** $	**Total** $
Gross carrying amount	808,484	312,102	474,855	2,039,567	3,635,008
Expected credit loss	30,828	624	39,009	1,321,531	1,391,992

June 30, 2019	**Current** $	**31-60 days** $	**61-90 days** $	**Over 90 days** $	**Total** $
Gross carrying amount	16,010,863	24,757	538,620	1,468,632	18,042,872
Expected credit loss	72,768	117	10,244	861,687	944,816

Government

June 30, 2020	**Current** $	**31-60 days** $	**61-90 days** $	**Over 90 days** $	**Total** $
Gross carrying amount	287,388	70,994	81,325	9,653,414	10,093,121
Expected credit loss	19,892	18,516	18,122	3,572,830	3,629,360

June 30, 2019	**Current** $	**31-60 days** $	**61-90 days** $	**Over 90 days** $	**Total** $
Gross carrying amount	3,721,922	36,399	1,680,580	2,797,345	8,236,246
Expected credit loss	1,350	15	830	1,148,547	1,150,742

The closing loss allowances for trade receivables at June 30, 2020 reconcile to the opening loss allowances as follows:

	Private Sector $	**Government** $	**Total** $
Beginning balance	944,816	1,150,742	2,095,558
Increase in expected credit loss allowance	447,653	2,478,618	2,926,271
Write-offs	(477)	-	(477)
Ending balance	**1,391,992**	**3,629,360**	**5,021,352**

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, 2018	(18,392,875)	(263,051)	(18,655,926)
Charge for the year	(1,641,000)	(23,472)	(1,664,472)
Balance at June 30, 2019	(20,033,875)	(286,523)	(20,320,398)
Charge for the year	(1,641,000)	(23,470)	(1,664,470)
Balance at June 30, 2020	(21,674,875)	(309,993)	(21,984,868)
CARRYING VALUE:			
As at June 30, 2020	**27,555,125**	**394,092**	**27,949,217**
As at June 30, 2019	**29,196,125**	**417,562**	**29,613,687**

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 $166,566 (2019: $447,492).

Nassau Airport Development Company Limited

Notes to the Financial Statements
June 30, 2020
(Continued)

5. Intangible Assets – Operational (Continued)

	Roads and Parking Lots $	Terminal and Structure $	Leasehold Improvements $	Furniture and Office Equipment $	Computer Equipment $	Computer Software $	Vehicles and Machinery $	Capital Assets in Progress $	Total $
COST:									
Balance at June 30, 2018	1,680,805	18,782,421	21,379,170	404,002,057	1,962,878	419,248	5,034,183	144,422	453,405,184
Additions	-	454,851	-	329,223	540,768	-	43,196	352,763	1,720,801
Transfers	-	28,115	-	415,639	103,756	(415,639)	-	(131,871)	-
Disposals	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	(3,740)	(3,740)
Balance at June 30, 2019	**1,680,805**	**19,265,387**	**21,379,170**	**404,746,919**	**2,607,402**	**3,609**	**5,077,379**	**361,574**	**455,122,245**
Additions	9,392	2,171,253	31,753	-	-	-	38,502	2,557,876	4,808,776
Transfers	-	99,025	-	-	-	-	57,913	(156,938)	-
Disposals	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-
Balance at June 30, 2020	**1,690,197**	**21,535,665**	**21,410,923**	**404,746,919**	**2,607,402**	**3,609**	**5,173,794**	**2,762,512**	**459,931,021**
ACCUMULATED AMORTIZATION:									
Balance at June 30, 2018	(410,066)	(4,889,703)	(5,533,455)	(99,744,319)	(331,493)	(96,455)	(1,209,392)	-	(112,214,883)
Amortization	(64,523)	(1,154,458)	(982,126)	(15,538,764)	(101,786)	(112)	(221,760)	-	(18,063,529)
Transfers	-	-	-	(95,099)	-	95,099	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at June 30, 2019	**(474,589)**	**(6,044,161)**	**(6,515,581)**	**(115,378,182)**	**(433,279)**	**(1,468)**	**(1,431,152)**	**-**	**(130,278,412)**
Amortization	(32,336)	(1,894,643)	(2,065,612)	(7,709,697)	(124,692)	(60)	(420,113)	-	(12,247,153)
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance at June 30, 2020	**(506,925)**	**(7,938,804)**	**(8,581,193)**	**(123,087,879)**	**(557,971)**	**(1,528)**	**(1,851,265)**	**-**	**(142,525,565)**
CARRYING VALUE:									
As at June 30, 2020	**1,183,272**	**13,596,861**	**12,829,730**	**281,659,040**	**2,049,431**	**2,081**	**3,322,529**	**2,762,512**	**317,405,456**
As at June 30, 2019	**1,206,216**	**13,221,226**	**14,863,589**	**289,368,737**	**2,174,123**	**2,141**	**3,646,227**	**361,574**	**324,843,833**

Nassau Airport Development Company Limited

Notes to the Financial Statements
June 30, 2020
(Continued)

6. Fixed Assets - Operational

	Roads and Parking Lots $	Terminal and Structure $	Leasehold Improvements $	Furniture and Office Equipment $	Computer Equipment $	Computer Software $	Vehicles and Machinery $	Equipment and Systems $	Capital Assets in Progress $	Total $
COST:										
Balance at June 30, 2018	-	-	549,927	2,448,744	3,962,458	1,616,395	1,430,280	44,097,986	301,461	54,407,251
Additions	-	-	-	39,916	213,234	-	386,350	791,903	3,977,071	5,408,474
Transfers	-	-	-	-	-	-	-	301,461	(301,461)	-
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2019	**-**	**-**	**549,927**	**2,488,660**	**4,175,692**	**1,616,395**	**1,816,630**	**45,191,350**	**3,977,071**	**59,815,725**
Additions	-	17,106	85,838	29,086	240,094	134,007	166,142	1,952,344	4,907,308	7,531,925
Transfers	109,134	-	-	68,639	371,999	-	55,210	2,731,617	(3,336,599)	-
Disposals	-	-	-	-	(139,879)	-	(100,917)	-	-	(240,796)
Adjustment	(17,630)	-	-	-	-	-	-	-	-	(17,630)
Balance at June 30, 2020	**91,504**	**17,106**	**635,765**	**2,586,385**	**4,647,906**	**1,750,402**	**1,937,065**	**49,875,311**	**5,547,780**	**67,089,224**
ACCUMULATED DEPRECIATION:										
Balance at June 30, 2018	-	-	(405,978)	(2,272,486)	(3,467,996)	(1,447,105)	(1,204,677)	(25,269,642)	-	(34,067,884)
Depreciation	-	-	(37,616)	(98,745)	(307,514)	(76,835)	(88,896)	(4,242,557)	-	(4,852,163)
Disposals	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2019	**-**	**-**	**(443,594)**	**(2,371,231)**	**(3,775,510)**	**(1,523,940)**	**(1,293,573)**	**(29,512,199)**	**-**	**(38,920,047)**
Depreciation	(5,262)	(1,405)	(37,147)	(68,617)	(299,072)	(79,848)	(144,274)	(4,173,993)	-	(4,809,618)
Disposals	-	-	-	-	139,879	-	95,499	-	-	235,378
Balance at June 30, 2020	**(5,262)**	**(1,405)**	**(480,741)**	**(2,439,848)**	**(3,934,703)**	**(1,603,788)**	**(1,342,348)**	**(33,686,192)**	**-**	**(43,494,287)**
As at June 30, 2020	**86,242**	**15,701**	**155,024**	**146,537**	**713,203**	**146,614**	**594,717**	**16,189,119**	**5,547,780**	**23,594,937**
As at June 30, 2019	**-**	**-**	**106,333**	**117,429**	**400,182**	**92,455**	**523,057**	**15,679,151**	**3,977,071**	**20,895,678**

7. Long-Term Debts

Long-term debts consist of the following:

	Interest rates	Maturity dates	Balance at 30 June 2020 $	Balance at 30 June 2019 $
Current portion				
Senior debt notes:				
USD senior notes	8.50%	December 31, 2031	720,000	660,000
USD senior notes	7.00%	November 30, 2033	8,250,000	7,425,000
USD senior notes	6.34%	March 31, 2035	4,802,500	3,672,500
USD senior notes	6.44%	June 30, 2035	3,600,000	2,700,000
BSD senior notes	8.50%	December 31, 2031	1,800,000	1,650,000
BSD senior notes	6.34%	March 31, 2035	935,000	715,000
Total			**20,107,500**	**16,822,500**

	Interest rates	Maturity dates	Original Loan Amount $	Balance at 30 June 2020 $	Balance at 30 June 2019 $
Long-term portion					
Senior debt notes:					
USD senior notes	8.50%	December 31, 2031	12,000,000	7,920,000	8,640,000
USD senior notes	7.00%	November 30, 2033	165,000,000	127,875,000	136,125,000
USD senior notes	6.34%	March 31, 2035	113,000,000	94,637,500	99,440,000
USD senior notes	6.44%	June 30, 2035	90,000,000	76,500,000	80,100,000
BSD senior notes	8.50%	December 31, 2031	30,000,000	19,800,000	21,600,000
BSD senior notes	6.34%	March 31, 2035	22,000,000	18,425,000	19,360,000
Participating debt notes:					
USD Global Note	7.50%	December 31, 2035	44,097,067	44,097,067	44,097,067
BSD Global Note	7.50%	December 31, 2035	90,652,933	90,652,933	90,652,933
Total				**479,907,500**	**500,015,000**

7. Long-Term Debts (Continued)

Movement in debt is as follows:

	2020		
	Senior Debt Notes	**Participating Debt Notes**	**Total**
	$	**$**	**$**
Balance at June 30, 2019	382,087,500	134,750,000	516,837,500
Principal payments	(16,822,500)	-	(16,822,500)
Balance at June 30, 2020	365,265,000	134,750,000	500,015,000
Ending balance comprised of:			
Current portion	20,107,500	-	20,107,500
Long-term portion	345,157,500	134,750,000	479,907,500
Total	**365,265,000**	**134,750,000**	**500,015,000**

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

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

7. Long-Term Debts (Continued)

Financing 2009

Senior debt notes

In March 2009, the Company entered into an agreement with several syndicated lenders, to provide senior debt notes in the amount of $30 million BSD and $12 million USD to fund the Terminal Redevelopment project costs. The senior debt notes have a 23-year maturity and bear interest at 8.5% per annum. Interest expense on these facilities during the year amounted to $2,697,581 (2019: $2,878,313) and have been included in the statement of comprehensive (loss) income. 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 at June 30, 2020, 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 at June 30, 2020, amounted to $5,010,075 (2019: $2,718,021).

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 $Nil (2019: $8,272,857) and has been included in the statement of comprehensive (loss) income.

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

7. Long-Term Debts (Continued)

Financing 2010

In June 2010, the Company entered into an agreement with several syndicated lenders, to provide senior debt notes in the amount of $165 million USD to fund the Terminal Redevelopment project costs. The senior debt notes have a 23-year maturity and bear interest at 7% per annum. The senior notes are secured by a first priority security interest in all assets of the Company and rank pari passu in priority of payment with the other senior debt. Interest expense on this facility amounted to $9,868,031 (2019: $10,315,593) and has been included in the statement of comprehensive (loss) income.

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 at June 30, 2020, amounted to $8,853,281 (2019: $8,295,375).

Financing 2012

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

The senior notes are secured by a first priority interest in all assets of the Company and rank pari passu in priority of payment with the other senior debt. Interest expense on this facility amounted to $7,713,799 (2019: $7,970,568) and has been included in the statement of comprehensive (loss) income.

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, 2020, amounted to $6,444,563 (2019: $5,913,996).

Financing 2013

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

7. Long-Term Debts (Continued)

The senior debt notes have a 23-year maturity and bear interest at 6.44% per annum. The senior debt notes are secured by a first priority security interest in all assets of the Company and rank pari passu in priority of payment with the other senior debt. Interest on this facility amounted to $5,267,115 (2019: $5,440,995) and has been included in the statement of comprehensive (loss) income.

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, 2020 amounted to $4,364,730 (2019: $4,005,293).

Financing 2018

In December 2018, the Company entered into an agreement with several syndicated lenders, to provide subordinated participating debt notes in the amount of $134.75 million to refinance the Terminal Redevelopment project costs. The subordinated participating debt notes consist of BSD Global Notes 1 and USD Global Notes 1. BSD Global Note 1 in the amount of $90.75 million BSD and USD Global Note 1 in the amount of $44 million, both Notes bear interest at 7.5% per annum. The subordinated participating debt notes have no scheduled principal repayment but are repayable, at any time without penalty provided that any prepayment includes a premium as necessary to achieve the target internal rate of collateral securing the senior notes. Interest expense on this facility amounted to $10,106,250 (2019: $5,053,125) and has been included in the statement of comprehensive (loss) income.

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

	2020 $	2019 $
Senior debt notes:		
Financing 2009 – $12 million USD/BSD $30 million 8.50%; December 31, 2031	5,010,075	2,718,021
Financing 2010 – $165 million USD 7.00%; November 30, 2032	8,853,281	8,295,375
Financing 2012 – $113 million USD/BSD $22 million 6.34%; March 31, 2035	6,444,563	5,913,996
Financing 2013 –$90 million USD 6.44%; June 30, 2035	4,364,730	4,005,293
	24,672,649	**20,932,685**

7. Long-Term Debts (Continued)

Total interest expense on these facilities amounted to $35,652,776 (2019: $39,931,452) as follows:

	2020 $	2019 $
Financing 2009	2,697,581	11,151,170
Financing 2010	9,868,031	10,315,594
Financing 2012	7,713,799	7,970,568
Financing 2013	5,267,115	5,440,995
Financing 2018	10,106,250	5,053,125
	35,652,776	**39,931,452**

8. Payable to Government Entities

At June 30, 2020, the following amounts were payable to Government entities:

	2020 $	2019 $
The Airport Authority (security fees)	1,847,623	3,455,080
Ministry of Finance	355,288	739,151
Bahamas Power & Light	328,635	510,309
Ministry of Finance (VAT)	135,979	1,199,625
Bahamas Telecommunications Corporation	28,717	27,827
Water & Sewerage	24,627	43,150
The Airport Authority (other)	-	388,655
Public Treasury	-	3,614
	2,720,869	**6,367,411**

9. Provision for Resurfacing Runways

Provision for resurfacing runways included the present value of the initial 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.

9. Provision for Resurfacing Runways (Continued)

During 2019, the Company revised its estimate to resurface the runway at a cost of $24,500,000. In line with the extension of the service concession agreement, the intangible asset is being amortized over the life of the service concession agreement until 2057.

At June 30, 2020, based on its actual cost and estimated cost to complete, the estimate was revised to $19,619,996. The runway resurfacing project is expected to be completed in December 2020.

The movement is as follows:

	Provision $	Amortization $	Intangible $
Balance at June 30, 2018	12,259,989	(1,686,999)	10,572,990
Additional accrual	8,160,007	-	8,160,007
Increase from the passage of time	-	-	-
Charge for the year	-	(271,103)	(271,103)
Balance at June 30, 2019	20,419,996	(1,958,102)	18,461,894
Reduction in accrual based on actual costs incurred	(800,000)	-	(800,000)
Increase from the passage of time	-	-	-
Charge for the year	-	(485,838)	(485,838)
Balance at June 30, 2020	**19,619,996**	**(2,443,940)**	**17,176,056**
Cash payments, June 30, 2019	(4,445,119)		
Cash payments, June 20, 2020	(14,863,019)		
Balance at June 30, 2020	**311,858**		

10. Related-Party Balances and Transactions

The following is a summary of the balances and transactions at June 30, 2020, with related parties:

	2020 $	2019 $
Accounts receivable - Government (gross)	10,747,842	9,035,702
Allowance for expected credit loss	3,629,360	1,150,742
Receivable from Management Company	443,081	-
Payable to Government entities	2,720,869	6,367,411
Management fees payable	406,410	295,560
Accrued rent payable	-	378,011
Aeronautical operations revenue	10,932,029	15,214,812
Commercial operations revenue	1,048,059	1,127,052
Utilities	4,254,993	4,980,786
Government fees	1,006,619	1,252,853
Management fees	2,802,122	4,331,919
Rent expense	1,613,801	2,163,361
Telephone expense	287,420	201,292
Directors' fees	100,170	90,992
Provision for doubtful accounts	2,478,618	1,067,711

Salaries and benefits paid to the Company's key management personnel during the year ended June 30, 2020, amounted to $1,566,568 (2019: $1,470,757).

At June 30, 2020, the subordinated participating debt Global notes and senior debt notes were held by a related Government entity.

	2020 $	2019 $
National Insurance Board	87,412,318	88,987,318

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, 2020, the Company contributed a total of $266,830 (2019: $254,321) to the plan.

At June 30, 2020, approximately 228 (2019: 201) employees were enrolled in the plan.

12. Material, Supplies and Services

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

	2020	**2019**
	$	**$**
Utilities	4,254,993	4,980,785
Repairs and maintenance	3,609,320	3,507,846
Professional fees	619,949	687,809
Others	4,261,602	4,424,387
	12,745,864	**13,600,827**

13. Commitments

The Company is contingently liable for corporate credit cards in the amount of $48,000 utilized limited and $100,000 authorized limited (2019: $50,000 utilized, $100,000 authorized).

On September 4, 2019, the Company and RBC Royal Bank (Bahamas) Limited entered into a Customs Bond agreement with the Comptroller of Customs for $200,000 for the importation of perishable or other goods. At June 30, 2020, $Nil was utilized.

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. At June 30, 2020, the Company had outstanding commitments relating to open capital and maintenance contracts with a value of $7,063,002 (2019: $18,689,563). 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.

14. Operating Leases

The Company has an operating land lease with the Authority for a term of thirty (30) years which expires March 31, 2037. The lease has been extended for an additional 20 years until March 31, 2057. Total rent expense relevant to this operating lease is $1,613,801 (2019: $2,163,361).

14. Operating Leases (Continued)

Future minimum lease rentals receivable due under operating leases at June 30, 2020 are as follows:

	2020 $	2019 $
Within one year	500,000	500,000
Between one to five years	2,500,000	2,500,000
More than five years	15,375,000	15,875,000

In addition, the Company has concessions and terminal leases as lessor. The Company leases out land and space within the airport terminals under operating leases with rentals payable monthly. Lease payments for some contracts include variable lease payments based on a percentage of revenues, but there are no variable lease payments that depend on an index or rate. Total rental income relevant to these concessions and leases is $11,909,235 earned and $11,909,235 recognized (2019: $12,998,420 earned; $12,998,420 recognized). Although the risks associated with rights the Company retains in the underlying assets are not considered to be significant, the Company employs strategies to further minimize these risks. The Company requires the lessee to either deliver an irrevocable letter of credit in an amount equal to three months' rent or to submit a cash security deposit upon signing the lease for the majority of its lease contracts.

Future minimum lease rentals receivable due under operating leases at June 30, 2020 are as follows:

	2020 $	2019 $
Within one year	7,207,105	8,821,714
Between one to five years	27,140,027	33,498,333
More than five years	21,075,226	23,221,422

15. Revenue from contracts with customers

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

	2020		
	At a point in time $	Over time $	Total $
Aeronautical			
Passenger facility charge	45,476,120	-	45,476,120
Passenger processing fee	11,142,200	-	11,142,200
Landing fees	6,099,916	-	6,099,916
Terminal fees	969,365	-	969,365
Loading bridges	501,176	-	501,176
Aircraft parking fees	106,311	-	106,311
Total	**64,295,088**	**-**	**64,295,088**
Commercial			
Concession	8,046,277	-	8,046,277
Car parking	2,183,586	393,126	2,576,712
Refueling royalties	1,480,602	-	1,480,602
Other income	136,172	-	136,172
Total	**11,846,637**	**393,126**	**12,239,763**

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

16. Financial Risk Management Objectives and Policies

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

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

Credit risk

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

It is the Company's policy to enter into financial instruments with a diverse group of 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, 2020 and 2019, 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.

16. Financial Risk Management Objectives and Policies (Continued)

Credit risk (continued)

Impairment

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

Accounts receivable

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

To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due. The expected loss rates for the trade receivables are based on the payment profiles of accounts receivable over a period of 36 months before June 30, 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable.

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

See Note 3 for the aged analysis of accounts receivable.

Other financial assets

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

Interest rate risk

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

16. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

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

16. Financial Risk Management Objectives and Policies (Continued)

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities at June 30, 2020 and 2019. The table presents the undiscounted cash flows payable by the Company under non-derivative financial liabilities by remaining period to contractual maturity from the date of the statement of financial position:

	2020				
	Within 3 Months $	**3-6 Months $**	**6-12 Months $**	**More than 1 Year $**	**Total $**
Financial assets					
Cash and cash equivalents:					
Operating accounts	5,258,592	-	-	-	5,258,592
Construction and controlled accounts	21,876,248	-	-	-	21,876,248
Restricted cash	-	19,662,574	5,010,075	-	24,672,649
Accounts receivable, net:					
Private sector	2,243,016	-	-	-	2,243,016
Governmental	6,463,761	-	-	-	6,463,761
Receivable from Management Company	443,081	-	-	-	443,081
	36,284,698	**19,662,574**	**5,010,075**	-	**60,957,347**
Financial liabilities					
Accounts payable and accrued liabilities:					
Construction project	166,566	-	-	-	166,566
Trade	4,230,085	-	-	-	4,230,085
Management fees payable	406,410	-	-	-	406,410
Payable to Government entities	2,584,890	-	-	-	2,584,890
Long term debt – current portion	11,139,878	11,054,509	22,190,411	-	44,384,798
Long term debt	-	-	-	818,046,532	818,046,532
	18,527,829	**11,054,509**	**22,190,411**	**818,046,532**	**869,819,281**
Net liquidity gap	**17,756,869**	**8,608,065**	**(17,180,336)**	**(818,046,532)**	

Nassau Airport Development Company Limited

Notes to the Financial Statements
June 30, 2020
(Continued)

16. Financial Risk Management Objectives and Policies (Continued)

	2019				
	Within 3 Months $	**3-6 Months $**	**6-12 Months $**	**More than 1 Year $**	**Total $**
Financial assets					
Cash and cash equivalents:					
Operating accounts	7,188,806	-	-	-	7,188,806
Construction and controlled accounts	42,776,834	-	-	-	42,776,834
Restricted cash	-	20,932,685	-	-	20,932,685
Accounts receivable:					
Private sector	17,098,056	-	-	-	17,098,056
Government	7,085,504	-	-	-	7,085,504
	74,149,200	**20,932,685**	-	-	**95,081,885**
Financial liabilities					
Accounts payable and accrued liabilities:					
Construction project	447,492	-	-	-	447,492
Trade	5,026,073	-	-	-	5,026,073
Management fees payable	295,560	-	-	-	295,560
Payable to Government entities	5,167,786	-	-	-	5,167,786
Long-term debt – current portion	12,878,477	12,811,530	26,785,269	-	52,475,276
Long-term debt – non-current	-	-	-	842,107,604	842,107,604
	23,815,388	**12,811,530**	**26,785,269**	**842,107,604**	**905,519,791**
Net liquidity gap	**50,333,812**	**8,121,155**	**(26,785,269)**	**(842,107,604)**	

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

16. Financial Risk Management Objectives and Policies (Continued)

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.

17. 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, 2020 and 2019.

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.

18. Subsequent events

The Company evaluated events occurring after the reporting period for recognition and disclosure through December 9, 2020, the date the financial statements were available for release.

As disclosed in Note 2(a), the outbreak of the novel coronavirus known as COVID-19 has significantly impacted the Company's operations resulting in limited operations at the airport commencing in March 2020. Effective July 1, 2020, the Government of The Bahamas re-opened the borders for international commercial travel with the requirement that visitors present a negative COVID-19 test prior to arrival, however, more restrictive measures were put in place shortly thereafter, requiring travelers to quarantine for two weeks upon arrival. This has resulted in continued low passenger traffic, thus revenues for the first five months of fiscal year 2021 have been significantly lower than the comparative period.

Any further impact of COVID-19 on the Company's operational and financial performance including its impact on revenues will depend on the duration and spread of the outbreak and the impact on the Company's suppliers, customers, employees and vendors, all of which are uncertain.

The Company is continuing to monitor the evolving situation relating to COVID-19 and its impact on both its business and the industry as a whole. As the COVID-19 outbreak continues to evolve, the Company is taking steps to ensure business continuity (See Note 2(r)). While the extent and duration of the impact of COVID-19 is unknown at this point, management believes that these events would not have an impact on the carrying amount of assets and liabilities at the reporting date.

As described in Note 7, the Company has $365,265,000 outstanding in senior debt. These debts are governed by the Common Terms Agreement dated March 2009 as amended, Note Purchase Agreements dated March 20, 2009, June 29, 2010 and April 24, 2012 and the New York Deposit Account Control and Security Agreement dated March 30, 2009 - constituting the Senior Financing Agreements.

As a requirement under the Company's Senior Financing Agreements, the Company is required to maintain a minimum Debt Service Coverage Ratio (DSCR) of 1.30 to 1.00 as at the end of each calendar quarter (the DSCR Covenant). The Company was in compliance with the DSCR Covenant at June 30, 2020 but was not compliant on September 30, 2020 as the DSCR at the end of that quarter was .92 to 1.00. Although not compliant, this was not an “Event of Default” under the Senior Financing Agreements as the Company had obtained a temporary waiver from its obligation to observe the DSCR covenant from the Senior Noteholders under the Senior Financing Agreements at September 30, 2020.

18. Subsequent events (Continued)

This temporary waiver was subsequently extended through the execution of an amendment and waiver agreement on November 25, 2020 (Amendment and Waiver Agreement), which provided for a waiver of the DSCR Covenant through to June 30, 2022, unless there is an Event of Default under the Senior Financing Agreements resulting in the termination of the DSCR Waiver by the Senior Noteholders.

The Amendment and Waiver Agreement also provided for additional interest of 0.75% that would accrue on the senior debt in the event that its assigned credit rating falls below BB-. Such additional interest would be payable in 8 equal quarterly instalments from September 30, 2025. As at the date of approval of these financial statements the senior debt was rated by Fitch as BB-.

The Amendment and Waiver Agreement further provided for the withdrawal of funds from the Debt Service Reserve Account (the DSRA) to pay any deficiency in the payments due to the Senior Noteholders on each quarterly date. The DSRA waiver is effective until the earlier of a) June 30, 2022 b) termination of the Government's Commitment Letter or c) the date the Company demonstrates that it has maintained a minimum DSCR of 1.30 to 1.00 as at the end of the fiscal quarter.

In accordance with the Participating Debt Note Purchase Agreement, New York Deposit Account Control and Security Agreement and Bahamas Deposit Account Control and Security Agreements, the Company did not make any payments to its Participating Debt Noteholders on September 30, 2020 as the Company did not maintain the required DSCR ratio of 1.40:1.00 for such payments to occur.

At June 30, 2020, the Company had outstanding receivables from Government entities totaling $10 million (See Note 3). On October 13, 2020, the Company received $4.5 million as payment against a portion of the amount outstanding. Additionally, on October 20, 2020, the Company received an additional payment of $4.6 million against this balance.

16. Financial Risk Management Objectives and Policies

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

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

Credit risk

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

It is the Company's policy to enter into financial instruments with a diverse group of 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, 2020 and 2019, 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.

Nassau Airport Development Company Limited
Lynden Pindling International Airport
P.O. Box AP-59229, Nassau, The Bahamas
242.702.1000 | www.nassaulpia.com | feedback@nas.bs