

Financial Statements of

**NASSAU FLIGHT SERVICES
LIMITED**

December 31, 2016

NASSAU FLIGHT SERVICES LIMITED

Financial Statements

December 31, 2016

C O N T E N T S

	Page
Independent Auditors' Report	1 – 3
Statement of Financial Position	4
Statement of Comprehensive Loss	5
Statement of Changes in Deficit	6
Statement of Cash Flows	7
Notes to Financial Statements	8 – 22



**BAKER TILLY
GOMEZ**

CHARTERED ACCOUNTANTS

The Deanery
28 Cumberland Street
P.O. Box N-1991
Nassau, Bahamas
Tel: +1 (242) 356-4114
Fax: +1 (242) 356-4125
Email: info@btgomez.com
Website: www.btgomez.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NASSAU FLIGHT SERVICES LIMITED

Qualified Opinion

We have audited the financial statements of Nassau Flight Services Limited ("the Company"), which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive loss, changes in deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Qualified Opinion

We have been unable to obtain sufficient appropriate audit evidence about the completeness and existence of accounts payable balances totaling \$1,375,166 (2015: \$1,335,953) as at December 31, 2016 because we were not provided with supporting documents to verify these balances. Consequently, we were unable to determine whether any adjustments might be necessary.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to Note 4 to the financial statements which states that the Company has experienced recurring losses from operations resulting in an accumulated deficit of \$12,444,718 (2015: \$10,604,937) and current liabilities exceed current assets by \$824,894 (2015: \$2,049,130) as of the reporting date. These conditions raise significant doubt about its ability to continue as a going concern without the continued financial support of its sole shareholder, the Government of The Bahamas. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITORS' REPORT (continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The board of directors is 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 skepticism 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.

INDEPENDENT AUDITORS' REPORT (continued)

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



CHARTERED ACCOUNTANTS

February 27, 2018
Nassau, Bahamas

NASSAU FLIGHT SERVICES LIMITED

Statement of Financial Position

December 31, 2016

(Expressed in Bahamian dollars)

	2016	2015
ASSETS		
Current assets		
Cash on hand and at bank (Note 5)	\$ 40,613	\$ 75,960
Accounts receivable (Notes 6, 16)	1,241,632	840,810
Prepayments and other assets	25,425	25,425
Inventories	18,901	13,846
Total current assets	1,326,571	956,041
Fixed assets (Note 7)	640,386	836,428
Total assets	\$ 1,966,957	\$ 1,792,469
LIABILITIES AND DEFICIT		
Current liabilities		
Bank overdraft (Note 8(a))	\$ 98,916	\$ 424,517
Accounts payable and accrued expenses (Notes 9, 16)	1,933,386	2,464,310
Employee benefits payable (Note 10)	119,163	116,344
Total current liabilities	2,151,465	3,005,171
Employee benefits payable (Note 10)	2,364,037	2,181,351
Total Liabilities	4,515,502	5,186,522
Deficit		
Share capital		
Authorized, issued and fully paid:		
5,000 shares of \$1.00 each	5,000	5,000
Contributed surplus	9,891,173	7,205,884
Accumulated deficit	(12,444,718)	(10,604,937)
Total deficit	(2,548,545)	(3,394,053)
Total liabilities and deficit	\$ 1,966,957	\$ 1,792,469

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

The financial statements were approved by the board of directors and authorized for issuance on February 27, 2018, and signed on its behalf by:


Chairman


Director

NASSAU FLIGHT SERVICES LIMITED

Statement of Comprehensive Loss

For the year ended December 31, 2016

	2016	2015
REVENUE (Notes 11, 16)	\$ 7,450,776	\$ 6,930,516
LESS: DIRECT COSTS (Note 12)	(5,425,222)	(5,354,837)
GROSS PROFIT	2,025,554	1,575,679
General and administrative expenses		
Payroll and related expenses (Note 13)	2,580,238	2,523,307
Rent (Note 16)	348,844	340,212
Depreciation (Note 7)	231,274	303,202
Utilities (Note 16)	189,729	192,307
Insurance	128,242	122,041
Communication	100,554	75,604
Professional fees	94,783	62,262
Directors' fees and expenses (Note 16)	78,832	70,670
Repairs and maintenance	58,072	61,011
Education and training	56,690	61,581
Miscellaneous	50,039	39,901
Interest and bank charges	38,399	95,086
Allowance for doubtful debts (Note 6)	36,000	36,000
Office supplies	32,444	33,401
Travel and accommodations	27,343	18,394
Memberships and subscriptions	8,291	10,264
Courier and postage	2,718	1,142
	4,062,492	4,046,385
Loss from operations	(2,036,938)	(2,470,706)
Other income (Note 14)	327,580	313,181
Net loss	(1,709,358)	(2,157,525)
Other comprehensive loss		
Actuarial loss (Note 10)	(130,423)	(101,788)
NET LOSS AND TOTAL COMPREHENSIVE LOSS	\$(1,839,781)	\$(2,259,313)

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

NASSAU FLIGHT SERVICES LIMITED

Statement of Changes in Deficit

For the year ended December 31, 2016

	Share Capital	Contributed Capital	Accumulated Deficit	Total
Balance as at December 31, 2014	\$5,000	\$5,144,571	\$ (8,345,624)	\$(3,196,053)
Capital contributed during the year (Note 15)	-	2,061,313	-	2,061,313
Total comprehensive loss	-	-	(2,259,313)	(2,259,313)
Balance as at December 31, 2015	5,000	7,205,884	(10,604,937)	(3,394,053)
Capital contributed during the year (Note 15)	-	2,685,289	-	2,685,289
Total comprehensive loss	-	-	(1,839,781)	(1,839,781)
Balance as at December 31, 2016	\$5,000	\$9,891,173	\$(12,444,718)	\$(2,548,545)

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

NASSAU FLIGHT SERVICES LIMITED

Statement of Cash Flows

For the year ended December 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN):		
Cash flows from operating activities:		
Net loss	\$(1,839,781)	\$(2,259,313)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	395,107	474,136
Allowance for doubtful debts	36,000	36,000
Interest expense	14,067	74,125
Cash used in operations before changes in operating assets and liabilities	(1,394,607)	(1,675,052)
(Increase) decrease in operating assets:		
Accounts receivable	(436,822)	60,429
Prepayments and other assets	-	(4,838)
Inventories	(5,055)	2,350
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(530,924)	296,388
Employee benefits payable	185,505	(143,569)
Net cash used in operating activities	(2,181,903)	(1,464,292)
Cash flows from investing activities:		
Acquisition of fixed assets	(199,065)	(95,439)
Net cash used in investing activities	(199,065)	(95,439)
Cash flows from financing activities:		
Capital contributed	2,685,289	1,061,313
Interest paid	(14,067)	(74,125)
Net cash provided by financing activities	2,671,222	987,188
Net increase (decrease) in cash and cash equivalents	290,254	(572,543)
Cash and cash equivalents, beginning of year	(348,557)	223,986
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (58,303)	\$ (348,557)
Represented by:		
Cash on hand and at bank (Note 5)	\$ 40,613	\$ 75,960
Bank overdraft (Note 8)	(98,916)	(424,517)
	\$ (58,303)	\$ (348,557)
Supplemental disclosure of cash flow information:		
Demand loan repaid by the Government recorded as capital contributed	\$ -	\$ 1,000,000

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

1. GENERAL

Nassau Flight Services Limited ("the Company") was incorporated on August 14, 1979 and is wholly-owned by the Government of the Commonwealth of The Bahamas ("the Government"). The Company provides ground-handling services and commenced operations at:

- Nassau International Airport on February 1, 1980;
- San Salvador International Airport on June 26, 1999; and
- Exuma International Airport on March 17, 2004.

As at December 31, 2016, the Company has 248 employees (2015: 243).

The registered office of the Company is located at Lynden Pindling International Airport, P.O. Box AP-59203, Nassau, Bahamas.

These financial statements were authorized to be issued by the Board of Directors on February 27, 2018.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of these financial statements, the following standards and amendments to the existing standards issued by the International Accounting Standards Board ("IASB") have not been applied in these financial statements as they are not yet effective:

IFRS 9	-	Financial Instruments – effective from January 1, 2018
IFRS 15	-	Revenue from Contracts with Customers – effective from January 1, 2018
IFRS 16	-	Leases – effective from January 1, 2019
IFRS 2 (amendments)	-	Share-based Payment – amendments for clarifications on classification and measurement of share-based payment transactions – effective from January 1, 2018
IAS 7 (amendments)	-	Statement of Cash Flows (Disclosure Initiative) – amendments to require disclosure of changes in liabilities arising from financing activities – effective from January 1, 2017

The Board of Directors has concluded that the adoption of such standards and amendments is unlikely to have a significant impact on the Company's financial statements.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies set out below have been consistently applied to all years presented.

b) Basis of preparation

These financial statements have been prepared on the historical cost basis. The financial statements are expressed in Bahamian dollars, which is the functional and reporting currency of the Company.

c) Use of estimates and judgments

The preparation of financial statements in compliance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- Note 3(e) - Impairment of financial assets
- Note 3(n) - Impairment of depreciable assets
- Note 3(u) - Defined benefit plan
- Note 10 - Employee benefits payable
- Note 18 - Fair value of financial instruments
- Note 19 - Financial risk management

d) Financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method less any impairment losses. Balances included in this classification are cash on hand and at bank and accounts receivable.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets

The carrying amounts of the Company's financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If such evidence exists, the asset's recoverable amount is estimated. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of impairment loss for an asset carried at amortized cost is calculated as the difference between the carrying value of the asset and the present value of the expected future cash flows discounted at the asset's original effective interest rate and recognized in the statement of comprehensive loss.

f) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities.

- Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Balances included in this classification are bank overdraft and accounts payable and accrued expenses.

g) Recognition of financial assets and liabilities

The Company recognizes financial assets and financial liabilities on the day it becomes a party to the contractual provisions of the instruments.

h) Derecognition of financial assets and liabilities

The Company derecognizes financial assets when the contractual rights to receive the cash flows from the assets expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership of the assets. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank. Bank overdraft is also classified as cash and cash equivalents for the statement of cash flows purposes.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Accounts receivable

Accounts receivable include trade receivables and other receivables, and are stated at the principal amount outstanding less an allowance for doubtful debts. The allowance for doubtful debts is determined by individually identifying accounts that are considered uncollectible or for which collection is doubtful. Factors considered in determining whether an account is considered uncollectible or doubtful include, but are not limited to, expected cash flows, the financial condition of the debtors and the current economic conditions.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell. Inventories comprise fuel for sale and for use in the Company's vehicles and ground handling equipment. Cost is calculated using the weighted average cost method.

m) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided on the straight-line basis at the following annual rates:

Leasehold improvements	-	20%
Motor vehicles	-	20%
Furniture and office equipment	-	20%
Ramp equipment	-	10%
Fuel farm	-	10%
Parking lot	-	10%

n) Impairment of depreciable assets

Depreciable assets are reviewed for impairment at each reporting date or when events or operational changes indicate that the carrying value is higher than the asset's estimated net recoverable amount or value in use. An impairment loss is recognized whenever the carrying amount of a depreciable asset exceeds its net recoverable amount or value in use. Impairment losses are recognized in the statement of comprehensive loss.

An impairment loss is reversed only to the extent that the depreciable asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

o) Foreign currency transactions and balances

These financial statements are expressed in Bahamian dollars. Foreign currency transactions are translated into Bahamian dollars at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are retranslated at the applicable exchange rates prevailing at the reporting date. Non-monetary assets and liabilities are translated at historic rates. Exchange gains and losses are included in the statement of comprehensive loss.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Revenue and expenses recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of business.

Revenue and expenses are recognized on the following basis:

i. Services

Revenue from ground handling and ancillary services is recognized when services are rendered.

ii. Sale of fuel

Revenue from the sale of fuel is recognized upon delivery of fuel to the buyer.

iii. Commissions

Revenue from commissions on disbursements to third-parties on behalf of the Company's customers is recognized when the Company's right to receive reimbursements is established. Commissions on sale of tickets and cargo services are recognized upon completion of the respective services.

iv. Interest income

Interest income from term deposit is recognized using the effective interest method.

v. Expenses

Expenses are recognized on an accrual basis.

q) Related parties

All government-owned agencies and entities, members of the board of directors and key management are considered related parties.

r) Contributed surplus

Contributed surplus is comprised of cash injected by the shareholder, and liabilities owed to the shareholder or to agencies and entities of the shareholder that were converted to equity.

s) Share capital

Share capital is comprised of ordinary shares. Ordinary shares are classified as equity.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution plan are recognized as an expense in the statement of comprehensive loss in the periods during which services are rendered by employees.

The Company has a defined contribution plan known as the Provident Fund. Membership in the Provident Fund is mandatory for all confirmed employees of the Company who are required to complete Form 1 as prescribed in the schedule of rules of the Provident Fund.

The Company contributes to the Provident Fund for employees covered under the industrial agreement, matching employee contributions at 5% of salaries for those employees with less than ten (10) years of service; 7% of salaries for those employees with more than ten (10) years of service but less than fifteen (15) years of service; and 8% of salaries for those employees with fifteen (15) or more years of service. For all management employees, not covered in the industrial agreement, the Company contributes 10% of their salaries, matching employee contributions.

The vesting period is two (2) years of membership in the Provident Fund. In the event that the employee leaves the Company before the expiry of two (2) years of membership in the Provident Fund, the Company's contributions, in respect of that employee, remain a part of the Provident Fund, and are available for re-allocation to the remaining members of the Provident Fund.

u) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company has an unfunded post-employment gratuity plan for its employees. The benefit under this plan is a lump-sum gratuity payable to its employees upon separation from the Company, subject to certain vesting conditions. The gratuity is contingent upon the length of service by the employee to the Company, with a maximum amount payable of a normal pay at the time of retirement. Such gratuities payable are in addition to any lump-sum amounts available from the Provident Fund.

The gratuity benefits payable recognized in the statement of financial position represents the present value of the defined benefit obligation. The gratuity benefits obligation is calculated by an actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using a discount rate based on recently-issued, long-term Bahamas Government Registered Stock. Re-measurements, comprising actuarial gains and losses, are recognized in the statement of financial position with a corresponding debit or credit to accumulated deficit through other comprehensive income/loss in the period in which they occur. Past service costs are recognized immediately to the extent that the benefits are already vested, and otherwise are amortized on a straight-line basis over the average period until benefits become vested.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

4. GOING CONCERN

These financial statements have been prepared assuming that the Company will continue as a going concern. As at December 31, 2016, the Company has an accumulated deficit of \$12,444,718 (2015: \$10,604,937) and its current liabilities exceed current assets by \$824,894 (2015: \$2,049,130). The Company's continued existence as a going concern is ultimately dependent upon the success of future operations and funding of the accumulated deficit by its shareholder.

5. CASH ON HAND AND AT BANK

As at December 31, 2016, cash on hand and at bank are comprised of the following:

	2016	2015
Cash on hand		
Petty cash	\$ 2,850	\$ 2,750
Cash at bank		
Current accounts		
RBC Royal Bank (Bahamas) Limited	32,754	68,210
Term deposit		
RBC Royal Bank (Bahamas) Limited	5,009	5,000
	37,763	73,210
	\$40,613	\$75,960

The term deposit earns interest at a rate of 0.10% (2015: 0.20%) per annum.

6. ACCOUNTS RECEIVABLE

As at December 31, 2016, accounts receivable are as follows:

	2016	2015
Trade receivables (Note 16)	\$1,307,126	\$ 896,792
Value added-tax	129,768	90,458
Other receivables	8,679	21,629
Less: allowance for doubtful debts	(203,941)	(168,069)
	\$1,241,632	\$ 840,810

The movement in the allowance for doubtful debts is as follows:

	2016	2015
Beginning balance	\$ 168,069	\$ 132,069
Provision for the year	36,000	36,000
Written-off during the year	(128)	
Ending balance	\$ 203,941	\$ 168,069

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

7. FIXED ASSETS

As at December 31, 2016, fixed assets are comprised of the following:

	Ramp equipment	Leasehold improvements	Fuel farm	Motor vehicles	Furniture and office equipment	Parking lot	Total
Cost							
Balance as at December 31, 2014	\$3,325,428	\$ 984,713	\$35,512	\$668,778	\$666,789	\$15,900	\$5,697,120
Additions	4,418	-	-	73,557	17,464	-	95,439
Balance as at December 31, 2015	3,329,846	984,713	35,512	742,335	684,253	15,900	5,792,559
Additions	7,124	49,919	-	114,083	27,939	-	199,065
Balance as at December 31, 2016	3,336,970	1,034,632	35,512	856,418	712,192	15,900	5,991,624
Accumulated depreciation							
Balance as at December 31, 2014	2,800,271	664,657	35,512	416,943	548,712	15,900	4,481,995
Charge for the year	170,934	142,199	-	105,199	55,804	-	474,136
Balance as at December 31, 2015	2,971,205	806,856	35,512	522,142	604,516	15,900	4,956,131
Charge for the year	163,833	95,292	-	105,642	30,340	-	395,107
Balance as at December 31, 2016	3,135,038	902,148	35,512	627,784	634,856	15,900	5,351,238
Net book value 2016	\$ 201,932	\$ 132,484	\$ -	\$228,634	\$ 77,336	\$ -	\$ 640,386
Net book value 2015	\$ 358,641	\$ 177,857	\$ -	\$220,193	\$ 79,737	\$ -	\$ 836,428

The depreciation charge included in direct costs is \$163,833 (2015: \$170,934) and included in general and administrative expenses is \$231,274 (2015: \$303,202) for a total depreciation charge of \$395,107 (2015: \$474,136).

8. BANK CREDIT FACILITIES

The Company has credit facilities with RBC Royal Bank (Bahamas) Limited ("the Bank") as follows:

- An overdraft facility of \$490,000 (2015: \$490,000) bearing interest at a rate of 6.75% (Nassau prime plus 2%) (2015: 6.75%) per annum. As at December 31, 2016, the overdraft balance is \$98,916 (2015: \$424,517).
- Customs bonds for a maximum of \$70,000 (2015: \$80,000) to assist with the importation of fixed assets.
- A corporate credit card facility for a maximum of \$32,000 (2015: \$32,000) to assist with corporate expenses. This facility carries a standard rate of interest.

The credit facilities are secured by a letter of support from the Government and are repayable on demand.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As at December 31, 2016, accounts payable and accrued expenses balances are as follows:

	2016	2015
Departure tax - Bahamas Customs (Note 16)	\$ 488,365	\$ 473,559
Overtime - Bahamas Immigration (Note 16)	437,351	437,351
Overtime - Bahamas Customs (Note 16)	298,539	298,539
Accounts payable, other	281,903	339,915
Landing fees - Bahamas Customs (Note 16)	150,911	126,504
Payables to third-parties - staff loans deductions	143,109	130,146
National insurance (Note 16)	89,343	476,536
Collections on behalf of customers	3,958	24,556
	1,893,479	2,307,106
Accrued expenses	39,907	157,204
	\$1,933,386	\$2,464,310

10. EMPLOYEE BENEFITS PAYABLE

As at December 31, 2016, employee benefits payable are as follows:

	Notes	2016	2015
Gratuity benefits	(a)	\$2,364,037	\$2,181,351
Provident fund	(b)	119,163	116,344
		\$2,483,200	\$2,297,695

(a) Gratuity benefits

The expenses related to gratuity benefits for the year were as follows:

	2016	2015
Current service cost	\$ 128,025	\$ 134,965
Interest cost	110,805	107,087
	\$ 238,830	\$ 242,052

Included in direct costs and payroll and related expenses are expenses related to the gratuity benefits for the year totaling \$176,234 (2015: \$182,626) and \$62,596 (2015: \$59,426), respectively.

The actuarial loss resulting from the re-measurement of gratuity benefits obligation was as follows:

	2016	2015
<u>Other comprehensive loss:</u>		
Actuarial loss	\$ 130,423	\$ 101,788

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

10. EMPLOYEE BENEFITS PAYABLE (continued)

(a) Gratuity benefits (continued)

The movement in the present value of the gratuity benefits obligation for the year was as follows:

	2016	2015
Beginning balance	\$2,181,351	\$2,176,036
Current service cost	128,025	134,965
Interest cost	110,805	107,087
Actuarial loss	130,423	101,788
Benefits paid	(186,567)	(338,525)
Ending balance	\$2,364,037	\$2,181,351

The principal assumptions used for the purpose of the re-measurement were as follows:

	2016	2015
Discount rate	4.5%	5.0%
Expected rate of salary increase	4.0%	4.0%

(b) Provident fund

Included in direct costs and payroll and related expenses were contributions made by the Company to the Provident Fund for the year totaling \$192,868 (2015: \$192,917) and \$111,591 (2015: \$104,944), respectively.

11. REVENUE

For the year ended December 31, 2016, revenue was as follows:

	2016	2015
Ramp services	\$6,113,946	\$5,664,354
Station overtime and employee meals	412,700	443,990
Fuel	261,386	274,464
Freight and cargo	216,336	213,073
Baggage scanning	131,377	48,741
Aircraft push-backs	127,706	118,855
Equipment rental	104,991	80,140
Communications	61,838	65,596
Commissions	20,496	21,303
	\$7,450,776	\$6,930,516

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

12. DIRECT COSTS

For the year ended December 31, 2016, direct costs were as follows:

	2016	2015
Payroll	\$3,887,921	\$3,793,073
National insurance (Note 16)	218,628	215,630
Cost of sales - fuel (Note 16)	208,292	182,588
Equipment maintenance	193,843	210,531
Provident fund (Note 10)	192,868	192,917
Expenses related to gratuity benefits (Note 10)	176,234	182,626
Depreciation (Note 7)	163,833	170,934
Employee incentives	136,917	137,761
Fuel - ramp equipment	92,274	111,602
Uniforms	59,530	69,450
Employees expenses	59,483	48,116
Fuel - motor vehicles	33,649	37,759
License fees	1,750	1,850
	\$5,425,222	\$5,354,837

13. PAYROLL AND RELATED EXPENSES

For the year ended December 31, 2016, payroll and related expenses were as follows:

	2016	2015
Payroll	\$1,888,993	\$1,832,405
Group insurance	461,291	472,119
Provident fund (Notes 10, 16)	111,591	104,944
Expenses related to gratuity benefits (Notes 10, 16)	62,596	59,426
National insurance (Note 16)	48,625	47,187
Staff recognition	7,142	7,226
	\$2,580,238	\$2,523,307

14. OTHER INCOME

For the year ended December 31, 2016, other income was as follows:

	2016	2015
Cash handling fee	\$ 209,356	\$ 184,256
Cargo processing fee	105,902	118,625
Exchange fee	12,322	10,300
	\$ 327,580	\$ 313,181

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

15. CONTRIBUTED CAPITAL

Included in contributed capital for the year ended December 31, 2016 is an amount of \$2,685,289 (2015: \$2,061,313) in funding from the Government. Contributed capital for the prior year included a direct repayment of the Company's demand loan with the Bank of \$1,000,000.

16. RELATED PARTY TRANSACTIONS AND BALANCES

Balances with related parties as at December 31, 2016 are as follows:

	2016	2015
<u>Accounts receivable:</u>		
Bahamasair Holdings Limited	\$ 61,628	\$ 38,981
<u>Accounts payable and accrued expenses:</u>		
Bahamas Customs Department - departure tax	\$ 488,365	\$ 473,559
Bahamas Immigration Department - overtime	437,351	437,351
Bahamas Customs Department - overtime	298,539	298,539
Bahamas Customs Department - landing fees	150,911	126,504
The National Insurance Board - national insurance	89,343	476,536
	<u>\$1,464,509</u>	<u>\$1,812,489</u>

These balances are unsecured, interest-free and have no stated terms of repayment.

Related party transactions during the year were as follows:

	2016	2015
<u>Revenue:</u>		
Bahamasair Holdings Limited	\$ 176,460	\$ 162,409
<u>Expenses:</u>		
The Airport Authority - rent	\$ 300,669	\$ 288,537
The National Insurance Board - national insurance	267,253	262,817
Bahamasair Holdings Limited - cost of sales - fuel	139,403	127,465
The Airport Authority - utilities	127,978	127,897
Provident Fund - management	111,591	104,944
Directors' fees	66,000	63,000
Expenses related to gratuity benefits - management	62,596	59,426
BTC - utilities	33,326	34,144
Bahamas Customs Department - rent	30,355	30,355
Bahamas Electricity Corporation - utilities	5,923	7,193
	<u>\$1,145,094</u>	<u>\$1,105,778</u>

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

17. SUBSEQUENT EVENTS

The Company has the following subsequent events:

- (a) In 2017, the Company received additional capital contributions from the Government amounting to \$1,266,600.
- (b) As at December 31, 2017, the Company's unaudited financial statements reflect a net loss for the year of \$1,484,485, an accumulated deficit of \$2,766,432, and its current liabilities exceeded its current assets by \$932,738.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management estimates that the carrying values of the financial assets and liabilities disclosed in the statement of financial position approximate the fair values at the reporting date for one or both of the following reasons:

- (i) Immediate or short-term maturities;
- (ii) Interest rates approximate market rates.

Financial assets and liabilities are principally level 2 in the fair value hierarchy.

19. FINANCIAL RISK MANAGEMENT

The Company may have exposure to the following risks from its use of financial instruments:

(a) Credit risk

Credit risk is the possibility that one party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. It arises principally from cash at bank and accounts receivable. The Company mitigates the risk associated with cash at bank by placing funds with a reputable financial institution. Accounts receivable are primarily due from customers and are monitored on an on-going basis. No financial assets carried at amortized cost were past due or impaired at the reporting date except as provided for in Note 6.

The maximum exposure to credit risk for the Company at the reporting date equals the carrying value of its financial assets in the statement of financial position.

(b) Liquidity risk

Liquidity risk is the possibility that the Company will encounter difficulties in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company. Ultimate responsibility for liquidity risk management rests with the Company's Board of Directors. The Company manages liquidity risk by maintaining adequate banking facilities, continuously monitoring forecasts, actual cash flows and credit quality.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

19. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The following table details the Company's expected contractual maturities of its financial liabilities as at December 31, 2016 and indicates the undiscounted cash flows of such financial liabilities based on the earliest date on which the Company can be required to pay. The table includes only principal cash flows.

	2016		
	1- 30 days	Over 30 days	Total
Financial liabilities			
Bank overdraft	\$ 98,916	\$ -	\$ 98,916
Accounts payable and accrued expenses	558,220	1,375,166	1,933,386
	<u>\$ 657,136</u>	<u>\$1,375,166</u>	<u>\$2,032,302</u>

	2015		
	1- 30 days	Over 30 days	Total
Financial liabilities			
Bank overdraft	\$ 424,517	\$ -	\$ 424,517
Accounts payable and accrued expenses	1,128,357	1,335,953	2,464,310
	<u>\$1,552,874</u>	<u>\$1,335,953</u>	<u>\$2,888,827</u>

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The majority of the Company's transactions are denominated in Bahamian dollars. For transactions in United States dollars, the effect of any movement in the exchange rate is not considered significant by the Company as the parity between the United States and the Bahamian dollar is unlikely to change in the short-term. Therefore, a sensitivity analysis of currency risk is not deemed significant.

(ii) Interest rate risk

Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises from the term deposit and bank overdraft. If interest rates were higher/lower by 1%, net loss would have increased/decreased by \$939 (2015: \$4,195) as a result of the change in interest rates.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2016

19. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices and other market factors. It embodies not only the potential for loss but also the potential for gain. The Company is not exposed to other price risk as it does not hold financial instruments subject to market conditions.

(d) Capital management

The Company manages its capital to ensure that the entity will be able to continue as a going concern while maximizing the return to the shareholder. The capital structure of the Company is represented by issued share capital, contributed surplus and accumulated deficit. There are no changes in the Company's approach to capital management during the year. The Company is not subject to externally-imposed capital requirements.

See Independent Auditors' Report pages 1 to 3.