

Financial Statements of

**NASSAU FLIGHT SERVICES
LIMITED**

December 31, 2015

NASSAU FLIGHT SERVICES LIMITED
Financial Statements

December 31, 2015

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BAKER TILLY GOMEZ

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NASSAU FLIGHT SERVICES LIMITED

We have audited the accompanying financial statements of Nassau Flight Services Limited ("the Company") as at December 31, 2015, which comprise the statement of financial position and the statements of comprehensive loss, changes in deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (continued)

Basis for Qualified Opinion

We have been unable to satisfy ourselves as to the completeness and existence of accounts payable balances totaling \$1,335,953 (2014: \$1,335,768) as at December 31, 2015. We were not provided with supporting documents to verify these balances through alternative procedures. Consequently, we were unable to determine whether any adjustments might be necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 \$10,604,937 (2014: \$8,345,624) and current liabilities exceed current assets by \$2,049,130 (2014: \$2,235,142) 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.



CHARTERED ACCOUNTANTS

March 23, 2017
Nassau, Bahamas

NASSAU FLIGHT SERVICES LIMITED


Statement of Financial Position

December 31, 2015
(Expressed in Bahamian dollars)

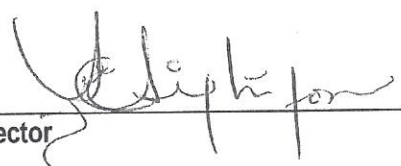
	2015	2014
ASSETS		
Current assets		
Cash on hand and at bank (Note 5)	\$ 75,960	\$ 739,145
Accounts receivable (Notes 6, 16)	840,810	937,239
Prepayments and other assets	25,425	20,587
Inventories	13,846	16,196
Total current assets	956,041	1,713,167
Fixed assets (Note 7)	836,428	1,215,125
Total assets	\$ 1,792,469	\$ 2,928,292
LIABILITIES AND DEFICIT		
Current liabilities		
Bank overdraft (Note 8(b))	\$ 424,517	\$ 515,159
Demand loan (Note 8(a))	-	1,000,000
Accounts payable and accrued expenses (Notes 9, 16)	2,464,310	2,167,922
Employee benefits payable (Note 10)	116,344	265,228
Total current liabilities	3,005,171	3,948,309
Employee benefits payable (Note 10)	2,181,351	2,176,036
Total Liabilities	5,186,522	6,124,345
Deficit		
Share capital		
Authorized, issued and fully paid:		
5,000 shares of \$1.00 each	5,000	5,000
Contributed surplus	7,205,884	5,144,571
Accumulated deficit	(10,604,937)	(8,345,624)
Total deficit	(3,394,053)	(3,196,053)
Total liabilities and deficit	\$ 1,792,469	\$ 2,928,292

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

Approved on behalf of the Board of Directors:



for Chairman



Director

NASSAU FLIGHT SERVICES LIMITED

Statement of Comprehensive Loss

For the year ended December 31, 2015

	2015	2014
REVENUE (Notes 11, 16)	\$ 6,930,516	\$ 7,539,157
LESS: DIRECT COSTS (Note 12)	(5,354,837)	(5,422,196)
GROSS PROFIT	1,575,679	2,116,961
General and administrative expenses		
Payroll and related expenses (Note 13)	2,523,307	2,634,840
Rent (Note 16)	340,212	331,601
Depreciation (Note 7)	303,202	310,900
Utilities (Note 16)	192,307	207,546
Insurance	122,041	103,722
Interest and bank charges	95,086	124,656
Communication	75,604	154,536
Directors' fees and expenses (Note 16)	70,670	68,553
Professional fees	62,262	71,061
Education and training	61,581	28,300
Repairs and maintenance	61,011	77,936
Miscellaneous	39,901	46,881
Allowance for doubtful debts (Note 6)	36,000	57,800
Office supplies	33,401	36,587
Travel and accommodations	18,394	19,699
Memberships and subscriptions	10,264	7,516
Courier and postage	1,142	974
	4,046,385	4,283,108
Loss from operations	(2,470,706)	(2,166,147)
Other income (Note 14)	313,181	359,973
Net loss	(2,157,525)	(1,806,174)
Other comprehensive loss:		
Actuarial loss (Note 10)	(101,788)	(80,480)
NET LOSS AND TOTAL COMPREHENSIVE LOSS	\$(2,259,313)	\$(1,886,654)

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

NASSAU FLIGHT SERVICES LIMITED

Statement of Changes in Deficit

For the year ended December 31, 2015

	Share Capital	Contributed Capital	Accumulated Deficit	Total
Balance as at December 31, 2013	\$5,000	\$3,974,571	\$ (6,458,970)	\$(2,479,399)
Capital contributed during the year	-	1,170,000	-	1,170,000
Total comprehensive loss	-	-	(1,886,654)	(1,886,654)
Balance as at December 31, 2014	5,000	5,144,571	(8,345,624)	(3,196,053)
Capital contributed during the year (Notes 8(a), 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)

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

NASSAU FLIGHT SERVICES LIMITED

Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
CASH PROVIDED BY (USED IN):		
Cash flows from operating activities:		
Net loss	\$(2,259,313)	\$(1,886,654)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	474,136	491,844
Allowance for doubtful debts	36,000	57,800
Cash used in operations before changes in operating assets and liabilities	(1,749,177)	(1,337,010)
Decrease (increase) in operating assets:		
Accounts receivable	60,429	11,271
Prepayments and other assets	(4,838)	-
Inventories	2,350	1,411
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	296,388	(986,826)
Employee benefits payable	(143,569)	336,126
Net cash used in operating activities	(1,538,417)	(1,975,028)
Cash flows from investing activities:		
Acquisition of fixed assets	(95,439)	(64,646)
Net cash used in investing activities	(95,439)	(64,646)
Cash flows from financing activities:		
Capital contributed	1,061,313	1,170,000
Proceeds of demand loan	-	1,000,000
Net cash provided by financing activities	1,061,313	2,170,000
Net (decrease) increase in cash and cash equivalents	(572,543)	130,326
Cash and cash equivalents, beginning of year	223,986	93,660
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (348,557)	\$ 223,986
Represented by:		
Cash on hand and at bank (Note 5)	\$ 75,960	\$ 739,145
Bank overdraft (Note 8)	(424,517)	(515,159)
	\$ (348,557)	\$ 223,986
Supplemental disclosure of cash flow information:		
Demand loan paid by the Government recorded as capital contribution	\$ 1,000,000	\$ -
Interest paid	\$ 74,125	\$ 86,878
Interest received	\$ 193	\$ 1,195

See accompanying notes. See Independent Auditors' Report on pages 1 and 2.

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statement

December 31, 2015

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, 2015, the Company has 243 employees (2014: 245).

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 March 23, 2017.

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 (the "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 14	-	Regulatory Deferral Accounts - effective from January 1, 2016
IFRS 15	-	Revenue from Contracts with Customers - effective from January 1, 2017
IFRS 11 (amendments)	-	Joint Arrangements - amendments to clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business - effective from January 1, 2016
IFRS 10, 12 and IAS 28 (amendments)	-	Investment Entities - amendments to address issues that have arisen in the context of applying the consolidation exception for investment entities - effective from January 1, 2016
IAS 16, IAS 38 (amendments)	-	Intangible Assets - amendments regarding the clarification of acceptable methods of depreciation and amortization - effective from January 1, 2016

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, 2015

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 described in Notes 3, 6, 7, 10, 18 and 19.

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, 2015

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, demand loan 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, 2015

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.

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, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Revenue and expense 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, 2015

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. Confirmed employees 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 represent 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, 2015

4. GOING CONCERN

These financial statements have been prepared assuming that the Company will continue as a going concern. As at December 31, 2015, the Company has an accumulated deficit of \$10,604,937 (2014: \$8,345,624) and its current liabilities exceed current assets by \$2,049,130 (2014: \$2,235,142). 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, 2015, cash on hand and at bank are comprised of the following:

	2015	2014
Cash on hand		
Petty cash	\$ 2,750	\$ 2,650
Cash at bank		
Current accounts		
RBC Royal Bank (Bahamas) Limited	68,210	661,760
Term deposit		
RBC Royal Bank (Bahamas) Limited	5,000	74,735
	73,210	736,495
	\$75,960	\$739,145

The term deposit earns interest at a rate of 0.20% (2014: 0.20%) per annum.

6. ACCOUNTS RECEIVABLE

As at December 31, 2015, accounts receivable are as follows:

	2015	2014
Trade receivables (Note 16)	\$ 896,792	\$1,064,754
Value added-tax	90,458	-
Other receivables	21,629	4,554
Less: allowance for doubtful debts	(168,069)	(132,069)
	\$ 840,810	\$ 937,239

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

	2015	2014
Beginning balance	\$ 132,069	\$ 98,919
Provision for the year	36,000	57,800
Written-off during the year	-	(24,650)
Ending balance	\$ 168,069	\$ 132,069

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2015

7. FIXED ASSETS

As at December 31, 2015, 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, 2013	\$3,307,088	\$984,713	\$35,512	\$644,752	\$644,509	\$15,900	\$5,632,474
Additions	18,340	-	-	24,026	22,280	-	64,646
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
Accumulated depreciation							
Balance as at							
December 31, 2013	2,619,327	517,256	35,512	318,210	483,946	15,900	3,990,151
Charge for the year	180,944	147,401	-	98,733	64,766	-	491,844
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
Net book value 2015	\$ 358,641	\$177,857	\$ -	\$220,193	\$ 79,737	\$ -	\$ 836,428
Net book value 2014	\$ 525,157	\$320,056	\$ -	\$251,835	\$118,077	\$ -	\$1,215,125

The depreciation charge included in direct costs is \$170,934 (2014: \$180,944) and included in general and administrative expenses is \$303,202 (2014: \$310,900) for a total depreciation charge of \$474,136 (2014: \$491,844).

8. BANK CREDIT FACILITIES

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

- On August 14, 2014, the Government mediated a demand loan of \$1,000,000 for the Company from the Bank for working capital requirements. The demand loan carried interest at a rate of 6.75% (Nassau prime plus 2%) per annum. The Government repaid the demand loan on behalf of the Company on October 8, 2015 (See Note 15).
- An overdraft facility of \$490,000 (2014: \$490,000) bearing interest at a rate of 6.75% (Nassau prime plus 2%) (2014: 6.75%) per annum. As at December 31, 2015, the overdraft balance of \$424,517 (2014: \$515,159) is within the overdraft facility limit (2014: exceeded the overdraft facility limit by \$25,159).
- Customs bonds for a maximum of \$80,000 (2014: \$80,000) to assist with the importation of fixed assets.
- A corporate credit card facility for a maximum of \$32,000 (2014: \$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, 2015

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As at December 31, 2015, accounts payable and accrued expenses balances are as follows:

	2015	2014
National insurance (Note 16)	\$ 476,536	\$ 189,737
Departure tax - Bahamas Customs (Note 16)	473,559	473,159
Overtime - Bahamas Immigration (Note 16)	437,351	437,566
Accounts payable, other	339,915	279,055
Overtime - Bahamas Customs (Note 16)	298,539	298,539
Payables to third-parties - staff loans deductions	130,146	219,556
Landing fees - Bahamas Customs (Note 16)	126,504	126,504
Collections on behalf of customers	24,556	54,971
	2,307,106	2,079,087
Accrued expenses	157,204	88,835
	\$2,464,310	\$2,167,922

10. EMPLOYEE BENEFITS PAYABLE

As at December 31, 2015, employee benefits payable are as follows:

	Notes	2015	2014
Gratuity benefits	(a)	\$2,181,351	\$2,176,036
Provident fund	(b)	116,344	265,228
		\$2,297,695	\$2,441,264

(a) Gratuity benefits

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

	2015	2014
Current service cost	\$ 134,965	\$ 125,845
Interest cost	107,087	102,693
	\$ 242,052	\$ 228,538

Included in direct costs and payroll and related expenses are expenses related to the gratuity benefits for the year totaling \$182,626 (2014: \$175,451) and \$59,426 (2014: \$53,087), respectively.

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

	2015	2014
<u>Other comprehensive loss:</u>		
Actuarial loss	\$ 101,788	\$ 80,480

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2015

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:

	2015	2014
Beginning balance	\$2,176,036	\$1,989,024
Current service cost	134,965	125,845
Interest cost	107,087	102,693
Actuarial loss	101,788	80,480
Benefits paid	(338,525)	(122,006)
Ending balance	\$2,181,351	\$2,176,036

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

	2015	2014
Discount rate	5.0%	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 \$192,917 (2014: \$185,129) and \$104,944 (2014: \$105,202), respectively.

11. REVENUE

For the year ended December 31, 2015, revenue was as follows:

	2015	2014
Ramp services	\$5,664,354	\$6,252,729
Station overtime and employee meals	443,990	392,842
Fuel	274,464	290,485
Freight and cargo	213,073	189,388
Aircraft push-backs	118,855	167,241
Equipment rental	80,140	81,018
Communications	65,596	63,370
Baggage scanning	48,741	58,761
Commissions	21,303	43,323
	\$6,930,516	\$7,539,157

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

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12. DIRECT COSTS

For the year ended December 31, 2015, direct costs were as follows:

	2015	2014
Payroll	\$3,793,073	\$3,817,851
National insurance (Note 16)	215,630	210,138
Equipment maintenance	210,531	213,976
Provident fund (Note 10)	192,917	185,129
Expenses related to gratuity benefits (Note 10)	182,626	175,551
Cost of sales - fuel (Note 16)	182,588	234,037
Depreciation (Note 7)	170,934	180,944
Employee incentives	137,761	140,072
Fuel - ramp equipment	111,602	130,899
Uniforms	69,450	58,814
Employees expenses	48,116	41,369
Fuel - motor vehicles	37,759	31,866
License fees	1,850	1,550
	\$5,354,837	\$5,422,196

13. PAYROLL AND RELATED EXPENSES

For the year ended December 31, 2015, payroll and related expenses were as follows:

	2015	2014
Payroll	\$1,832,405	\$1,919,906
Group insurance	472,119	503,688
Provident fund (Notes 10, 16)	104,944	105,202
Expenses related to gratuity benefits (Notes 10, 16)	59,426	53,087
National insurance (Note 16)	47,187	46,674
Staff recognition	7,226	6,283
	\$2,523,307	\$2,634,840

14. OTHER INCOME

For the year ended December 31, 2015, other income was as follows:

	2015	2014
Cash handling fee	\$ 184,256	\$ 252,790
Cargo processing fee	118,625	95,865
Exchange fee	10,300	11,318
	\$ 313,181	\$ 359,973

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15. CONTRIBUTED CAPITAL

Included in contributed capital for the year ended December 31, 2015 is an amount of \$2,061,313 in funding by the Government, of which \$1,000,000 was by a direct repayment of the Company's demand loan with the Bank on October 8, 2015 (See Note 8(a)).

16. RELATED PARTY TRANSACTIONS AND BALANCES

Balances with related parties as at December 31, 2015 are as follows:

	2015	2014
<u>Accounts receivable:</u>		
Bahamasair Holdings Limited	\$ 38,981	\$ 41,570
<u>Accounts payable and accrued expenses:</u>		
The National Insurance Board - national insurance	\$ 476,536	\$ 189,737
Bahamas Customs Department - departure tax	473,559	473,159
Bahamas Immigration Department - overtime	437,351	437,566
Bahamas Customs Department - overtime	298,539	298,539
Bahamas Customs Department - landing fees	126,504	126,504
	\$1,812,489	\$1,525,505

These balances are unsecured, interest-free and have no stated terms of repayment, except for national insurance contributions which are paid under deferred payment arrangements made by the Company with The National Insurance Board.

Related party transactions during the year were as follows:

	2015	2014
<u>Revenue:</u>		
Bahamasair Holdings Limited	\$ 162,409	\$ 202,099
<u>Expenses:</u>		
The Airport Authority - rent	\$ 288,537	\$ 286,982
The National Insurance Board - national insurance	262,817	256,812
The Airport Authority - utilities	127,897	135,739
Bahamasair Holdings Limited - cost of sales - fuel	127,465	161,119
Provident Fund - management	104,944	105,202
Directors' fees	63,000	56,400
Expenses related to gratuity benefits - management	59,426	53,087
BTC - utilities	34,144	35,877
Bahamas Customs Department - rent	30,355	22,599
Bahamas Electricity Corporation - utilities	7,193	10,722
	\$1,105,778	\$1,124,539

NASSAU FLIGHT SERVICES LIMITED

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December 31, 2015

17. SUBSEQUENT EVENTS

The Company has the following subsequent events:

- (a) In 2016, the Company received additional capital contributions from the Government amounting to \$2,685,289.
- (b) As at December 31, 2016, the Company's unaudited financial statements reflect a net loss for the year of \$1,528,588, an accumulated deficit of \$11,846,711, and its current liabilities exceeded its current assets by \$1,061,790.

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.

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 a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Company and causes 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. Management does not anticipate non-performance of these amounts. 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, 2015

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, 2015 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. Also, a maturity analysis of financial assets has been included on the same basis.

	2015		
	1- 30 days	Over 30 days	Total
Financial assets			
Cash on hand and at bank	\$ 70,960	\$ 5,000	\$ 75,960
Accounts receivable	840,810	-	840,810
	<u>\$ 911,770</u>	<u>\$ 5,000</u>	<u>\$ 916,770</u>
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>
	2014		
	1- 30 days	Over 30 days	Total
Financial assets			
Cash on hand and at bank	\$ 664,410	\$ 74,735	\$ 739,145
Accounts receivable	937,239	-	937,239
	<u>\$1,601,649</u>	<u>\$ 74,735</u>	<u>\$1,676,384</u>
Financial liabilities			
Bank overdraft	\$ 515,159	\$ -	\$ 515,159
Demand Loan	1,000,000	-	1,000,000
Accounts payable and accrued expenses	832,154	1,335,768	2,167,922
	<u>\$2,347,313</u>	<u>\$1,335,768</u>	<u>\$3,683,081</u>

NASSAU FLIGHT SERVICES LIMITED

Notes to Financial Statements

December 31, 2015

19. FINANCIAL RISK MANAGEMENT (continued)

(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 Bahamian dollars 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, bank overdraft and demand loan. If interest rates were higher/lower by 1%, net loss would have increased/decreased by \$4,195 (2014: \$14,404) as a result of the change in interest rates.

(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 risk 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 and 2.