



NATIONAL HELICOPTER SERVICES LIMITED

ADMINISTRATIVE REPORT FISCAL YEAR 2016 - 2017

NATIONAL HELICOPTER SERVICES LIMITED
ADMINISTRATIVE REPORT FISCAL YEAR 2016 - 2017

Board of Directors

Directors appointed February 2017

- Larry D. McIntosh - Chairman
- Jennifer Boucaud-Blake
- Marcus Ganness
- Sham Mahabir

Directors retired January 2017

- Capt. Marc Dasent – Chairman
- Lynford Cheddie
- Parissram Jaggernath
- Barry Samaroo
- Marcus Ganness
- Sham Mahabir

Management Team

- General Manager - Joshey Mahabir
- Director of Operations - Capt. Homer Solomon
- Director of Maintenance - Daryl Collins (Ag)
- Director Corporate Services - Tyrone Rodulfo
- Chief Pilot - Capt. Sean Reid
- Human Resources Manager - Ricky Herbert
- Quality Manager - Dexter Benjamin
- Security Manager - Yvan Spicer
- HSE Manager - Kris Harrikisoon

Establishment

FY 2017	Employees	Males	Females	% Females
Operations	38	33	5	13%
Engineering	75	64	11	15%
Administration	51	33	18	35%
Total	164	130	34	21%

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Civil Aviation Regulatory Compliance, Safety and Standards

Safety and compliance with Regulations and Standards which reinforce safety is essential to NHSL's ability to compete in the market and continue in business.

NHSL's helicopters are registered in Trinidad and Tobago and the Company holds Air Operator's Certificate No: 03. Operations fall under the jurisdiction of the Trinidad & Tobago Civil Aviation Authority (TTCAA). Records and procedures are audited periodically to ensure compliance with the TT Civil Aviation Regulations, that safe standards of maintenance and operations are maintained, and that all directives of the Manufacturers and/or the Regulatory Authorities are complied with.

NHSL is a Gold Standard Member of Basic Aviation Risk Standard (BARS) promoted by the Flight Safety Foundation an international non-profit organization whose sole purpose is to provide impartial, independent, expert safety guidance and resources for the aviation and aerospace industry. The BARS program provides organizations that engage contracted aircraft operators with a standard to assist in the risk-based management of aviation activities. The Company is regularly audited by Oil & Gas clients using BARS.

Technical representatives of Sikorsky Helicopter Corp., Allison Turbine Engines, American Eurocopter Corporation and Turbomeca Engine Corporation provide guidance and review maintenance and flight operations periodically.

NHSL's Operational Base – Camden Heliport, Couva

NHSL's main base is situated at Camden, Couva. The base consists of hangar space for up to six (6) helicopters, offices, aircraft spares bonded stores, workshops, classroom, operations & communications centre, etc. All offices/workshops/stores are air-conditioned. There is a large ramp with lighted landing area, 1,500 ft of grassed flyway (reject area), four (4) re-fuelling stations and 81,000 litres of aviation fuel in two (2) independent systems, 2 electrical power standby generators and a 24-hour security presence.

The 2 passenger check-in areas consists of check in counters with electronic scales, passenger seating lounges for up to 35 persons each with WiFi/TV/Cable for entertainment, refreshment centres, baggage search areas and washrooms. Both check-in facilities have a sterile room with TV/DVD for up to 12 passengers to be seated and briefed prior to flight, and a covered outdoor area under a with additional seating for up to 15 persons. NHSL has Baggage X-Ray and walk- through Scanner Systems.

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Helicopter Fleet

	Registration	Type and Model	Acquired	Manufactured	Holding
1	9Y-MCK	Sikorsky S76C++	Jul-09	2009	Owned
2	9Y-NCN	Sikorsky S76C++	Mar-11	2011	Owned
3	9Y-LAS	Sikorsky S76C++	Sep-13	2013	Owned
4	9Y-DDG	Sikorsky S76D	Feb-15	2014	Leased
5	9Y-AID	Sikorsky S76D	Feb-15	2014	Leased
6	9Y-RKD	Sikorsky S76D	Feb-15	2014	Owned
7	9Y-MAD	Sikorsky S76D	Feb-15	2014	Owned
8	9Y-IHL	Eurocopter EC135	Jan-17	2013	Leased
9	9Y-MRL	AgustaWestland AW139	Jul-17	2014	Leased

The lease for S76D 9Y-DDG ended in December 2016.

Traditionally, Operators owned helicopters that earned revenue through contracts of a few months to a few years. This was changed between 2012 to 2014 by the emergence of global Lessors who bought from Manufacturers and leased to Operators. Operators could now lease helicopters for periods to match contracts, and match and update equipment best suited to the tasking without incurring a long term liability, and the risk of obsolescent aircraft.

Clients

- BHP Billiton (Trinidad) Limited
- EOG Resources Trinidad Limited
- BG Trinidad & Tobago Limited (now SHELL TT)
- Perenco
- National Operations Center - MNS

The Company provides a 24/7 service to the THRA flying critical patients from Tobago to Trinidad and provides support to the TTAG, TTAG, NOC, other agencies of the MNS as well as the ODPM.

Strategic Objectives

To survive the reduction of the market and its own market share, NHSL set 7 strategic targets:

1. To retain existing clients as contracts expired – achieved with the exception of BGTT (SHELL);
2. Seek new markets regionally;
3. Refinance loans which was not successful, however GoRTT committed to fund existing debt servicing;
4. Seek Search and Rescue (SAR) contracts with Oil & Gas companies through GoRTT – unsuccessful;
5. Secure contracts to support TTAG at Piarco – preservation maintenance provided for four (4) AW139 helicopters at TTAG Piarco from November 2017;

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6. Manpower rationalisation – expiring personnel contracts of expats are not being renewed;
7. All infrastructural works were deferred.

Management Realignment

The General Manager and Director Corporate Services were placed on Administrative Leave in mid-2017 and subsequently resigned in early 2018.

Financial Performance (audited)

	FY Sept 2017	FY Sept 2016	Change	
Employees	169	179	10	6%
Flying hours	3,407	4,113	(706)	-17%
	TT\$'000			
Helicopter Revenue	128,354	184,303	(55,949)	-30%
Other income	6,836	2,250	4,586	204%
Direct Aircraft expenses	141,055	140,528	(527)	0%
Admin and Other expenses	<u>33,963</u>	<u>29,971</u>	<u>(3,992)</u>	-13%
Operating Profit/(Loss)	(39,828)	16,054	(55,882)	-348%
Interest	10,027	8,816	(1,211)	-14%
Impairment	13,621	81,414	67,793	83%
Taxation	<u>(17,261)</u>	<u>(16,241)</u>	<u>1,020</u>	-6%
Net Loss	<u>(46,215)</u>	<u>(57,935)</u>	<u>11,720</u>	-20%

Global oil prices continued to decline in 2017, leading to reduction in production and exploration and consequently idle assets in the helicopter industry. The local market was shared between the largest helicopter operator in the world, Bristow, and NHSL. Petroleum Helicopter Inc. the largest US Operator entered the local market in 2017 and NHSL lost 2 major clients BGTT/SHELL and EOG Drilling to them. Helicopter revenue decreased by \$56m (30%).

Lower lease and insurances costs generated by reducing the fleet, and lower employee costs were negated by accelerated amortisation of deferred maintenance costs of \$17m. An increase in other income of \$4.6m was negated by increased Administrative costs such that Operating Profit decreased by \$55.9m, moving from a profit of \$16.1m in 2016 to a loss of \$39.8m in 2017.

The steep loss of market value of helicopters in 2016 (\$81.4m) due to contraction of the global aviation oil and gas industry was stemmed in 2017, so that the impairment loss was only \$13.6m.

As a result, Net Loss of \$57.9m in 2016 was reduced to a Net Loss of \$46.2m in 2017.

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TT\$'000	Sep-17	Sep-16	Change
Non-current Assets	295,767	310,623	
Current Assets ex Cash	148,083	150,592	
Cash	9,201	56,703	(47,502)
Total Assets	453,050	517,918	
Share Capital	23,766	23,766	
Retained Earnings	86,297	132,512	
Equity	110,063	156,278	
Non-current Borrowings	-	249,661	249,661
Non-current other liabilities	43,334	43,441	
	43,334	293,103	
Current Borrowings	259,785	38,023	(221,762)
Current other liabilities	39,868	30,514	
	299,653	68,537	
Total Equity and liabilities	453,050	517,918	

The \$56m (30%) decrease in revenue depleted cash balances by \$47.5m (84%). The Company was unable to service its debt obligations and defaulted on its local loans. This situation was only resolved in late 2018 when the GoRTT funded the outstanding debt obligations and committed to funding the balance as it fell due.

Statutory audits were also delayed by several years as the financiers (RBL and RBC) waited on GoRTT's decision to fund the debt obligations, and the auditors waited on the financiers' decision whether to foreclose or not. All loans were classified as current due to the default, even though the formal expiry dates were 5 to 8 years ahead.

National Helicopter Services Limited

Financial Statements

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

National Helicopter Services Limited

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National Helicopter Services Limited

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of National Helicopter Services Limited (the Company), which comprise the statement of financial position as at 30 September 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

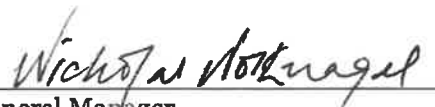
In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Director of Corporate Services
4 August 2020



General Manager
4 August 2020



Independent Auditor's Report

To the shareholders of National Helicopter Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of National Helicopter Services Limited (the Company) as at 30 September 2017, 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 30 September 2017;
- the statement of comprehensive 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 a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

PricewaterhouseCoopers, PO Box 550, 11-13 Victoria Avenue, Port of Spain, Trinidad, West Indies
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PwC refers to PricewaterhouseCoopers, a Trinidad and Tobago partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Independent Auditor's Report (Continued)

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
4 August 2020

National Helicopter Services Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 30 September	
		2017 \$	2016 \$
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5 a.	204,593,425	237,701,952
Deferred expenditure -- major aircraft components	5 b.	64,070,575	62,563,750
Deferred tax assets	12 b.	<u>27,102,745</u>	<u>10,356,941</u>
		<u>295,766,745</u>	<u>310,622,643</u>
<i>Current assets</i>			
Inventories	6	65,540,804	65,933,760
Trade and other receivables	7	73,932,741	75,248,117
Taxation recoverable		8,609,256	9,410,599
Cash and cash equivalents	8	<u>9,200,711</u>	<u>56,703,018</u>
		<u>157,283,512</u>	<u>207,295,494</u>
Total assets		<u>453,050,257</u>	<u>517,918,137</u>
Equity and liabilities			
<i>Capital and reserves attributable to shareholders</i>			
Share capital	9	23,766,278	23,766,278
Retained earnings		<u>86,297,043</u>	<u>132,511,797</u>
		<u>110,063,321</u>	<u>156,278,075</u>
<i>Non-current liabilities</i>			
Borrowings	10 a.	--	249,661,461
Lease liabilities	10 b.	1,357,662	--
Retirement benefit obligation	11	7,132,000	7,663,100
Deferred tax liabilities	12 b.	<u>34,844,296</u>	<u>35,778,286</u>
		<u>43,333,958</u>	<u>293,102,847</u>
<i>Current liabilities</i>			
Borrowings	10 a.	259,785,395	38,022,969
Lease liabilities	10 b.	788,972	--
Trade and other payables	13	<u>39,078,611</u>	<u>30,514,246</u>
		<u>299,652,978</u>	<u>68,537,215</u>
Total liabilities		<u>342,986,936</u>	<u>361,640,062</u>
Total equity and liabilities		<u>453,050,257</u>	<u>517,918,137</u>

The notes on pages 8 to 37 are an integral part of these financial statements.

 Director

 Director

National Helicopter Services Limited

Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 30 September	
		2017 \$	2016 \$
Revenue	14	128,353,652	184,302,728
Cost of providing services	15	<u>(145,150,990)</u>	<u>(143,433,046)</u>
Gross (loss)/profit		(16,797,338)	40,869,682
Other income	16	6,835,892	2,249,818
Administration and other operating expenses	17	(30,776,592)	(27,065,999)
Impairment loss on property, plant and equipment	5 a.	(10,547,763)	(81,414,009)
Impairment loss on deferred expenditure – major aircraft components	5 b.	<u>(3,073,693)</u>	<u>--</u>
Operating loss		(54,359,494)	(65,360,508)
Finance income		473,524	1,358,540
Finance costs		<u>(10,500,691)</u>	<u>(10,174,401)</u>
Finance costs – net		<u>(10,027,167)</u>	<u>(8,815,861)</u>
Loss before taxation		(64,386,661)	(74,176,369)
Taxation credit	12 a.	<u>17,261,257</u>	<u>16,241,225</u>
Loss for the year – attributable to shareholders		<u>(47,125,404)</u>	<u>(57,935,144)</u>
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain/(loss) on retirement benefit obligation		1,214,200	(1,059,500)
Taxation (charge)/credit on actuarial gain/(loss)		<u>(303,550)</u>	<u>264,875</u>
Other comprehensive income/(loss) for the year, net of taxation		<u>910,650</u>	<u>(794,625)</u>
Total comprehensive loss for the year – attributable to shareholders		<u><u>(46,214,754)</u></u>	<u><u>(58,729,769)</u></u>

The notes on pages 8 to 37 are an integral part of these financial statements.

National Helicopter Services Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Share capital \$	Retained earnings \$	Total \$
Year ended 30 September 2017			
Balance at 1 October 2016	23,766,278	132,511,797	156,278,075
Loss for the year	--	(47,125,404)	(47,125,404)
Other comprehensive income	--	910,650	910,650
Total comprehensive loss for the year	--	(46,214,754)	(46,214,754)
Balance at 30 September 2017	<u>23,766,278</u>	<u>86,297,043</u>	<u>110,063,321</u>
Year ended 30 September 2016			
Balance at 1 October 2015	23,766,278	193,880,954	217,647,232
Loss for the year	--	(57,935,144)	(57,935,144)
Other comprehensive loss	--	(794,625)	(794,625)
Total comprehensive loss for the year	--	(58,729,769)	(58,729,769)
Transactions with shareholders:			
Dividends paid (Note 19 a.(vii))	--	(2,639,388)	(2,639,388)
Balance at 30 September 2016	<u>23,766,278</u>	<u>132,511,797</u>	<u>156,278,075</u>

The notes on pages 8 to 37 are an integral part of these financial statements.

National Helicopter Services Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 September	
	2017 \$	2016 \$
Cash flows from operating activities		
Loss before taxation	(64,386,661)	(74,176,369)
Adjustments for:		
Depreciation	28,222,002	28,156,470
Amortisation of deferred expenditure – major aircraft components	25,111,966	8,805,731
Impairment of property, plant and equipment	10,547,763	81,414,009
Impairment of deferred expenditure – major aircraft components	3,073,693	--
Non-cash retirement benefit expense	683,100	426,300
Property, plant and equipment written-off	1,594,848	--
Loss on disposal of property, plant and equipment	--	1,964
Finance income	(473,524)	(1,358,540)
Finance costs	10,500,691	10,174,401
Operating profit before changes in operating assets and liabilities	14,873,878	53,443,966
Decrease/(increase) in inventories	2,537,860	(1,896,720)
Decrease in trade and other receivables	6,126,476	15,846,858
Increase/(decrease) in trade and other payables	8,564,365	(12,206,373)
Cash generated from operations	32,102,579	55,187,731
Interest paid	(10,500,691)	(10,174,401)
Interest received	473,524	1,358,540
Taxes refunded	900,380	--
Taxes paid	(821,125)	(1,984,574)
Net cash inflow from operating activities	22,154,667	44,387,296
Cash flows from investing activities		
Payments for property, plant and equipment	(11,265,099)	(3,307,147)
Proceeds from sale of property, plant and equipment	--	3,409
Payments for deferred expenditure – major aircraft components	(29,692,484)	(13,469,661)
Net cash outflow from investing activities	(40,957,583)	(16,773,399)
Cash flows from financing activities		
Repayment of borrowings and finance leases	(28,699,391)	(19,016,057)
Dividends paid	--	(2,639,388)
Net cash outflow from financing activities	(28,699,391)	(21,655,445)
Net (decrease)/increase in cash and cash equivalents	(47,502,307)	5,958,452
Cash and cash equivalents, beginning of year	56,703,018	50,744,566
Cash and cash equivalents, end of year	9,200,711	56,703,018
Represented by		
Cash at bank and in hand	5,442,831	12,873,220
Short-term deposits	3,757,880	43,829,798
	9,200,711	56,703,018

The notes on pages 8 to 37 are an integral part of these financial statements.

National Helicopter Services Limited

Notes to the Financial Statements

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

1 General information

National Helicopter Services Limited, "the Company" or "NHSL" was incorporated as a company limited by shares under the laws of the Republic of Trinidad and Tobago on 3 October 1989 to establish and carry on the business of air transport and helicopter services. Its registered office is located at NHSL Heliport, Camden, Couva, Trinidad and Tobago.

These financial statements were authorised for issue by the Board of Directors on 4 August 2020.

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) under the historical cost convention and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(i) Going concern

As at 30 September 2017, NHSL incurred a loss of \$46,214,754 (2016: \$58,729,769), had third party debt obligations totalling \$261,932,029 (2016: \$287,684,430) and a gearing ratio of 70% (2016: 60%).

Loan facilities with Republic Bank Limited (RBL), specifically, facilities (i), (iii)(a) and (iv) as per Note 10 a. require NHSL to maintain a Debt Service Coverage Ratio (DSCR) of 1.3 as well as quarterly or semi-annual repayments of principal and interest. Facilities (iii)(a) and (iv) are guaranteed by a Letter of Comfort issued by the Government of the Republic of Trinidad and Tobago (GORTT). The loan facility with RBC Royal Bank (Trinidad and Tobago) Limited (RBC), specifically, facility (ii) as per Note 10 requires NHSL to maintain a DSCR of not less than 1.25: 1 and a maximum Funded Debt to Total Capital of 70%. Principal and interest for this loan are payable quarterly.

Due to declining financial performance, at September 2017 NHSL did not have the cash flows to service its loan payment obligations for facilities (i) from RBL, (ii) from RBC and (iii)(b) from PEFCO and therefore defaulted on these obligations. Furthermore, at October 2017, NHSL defaulted on its loan payment obligations regarding facilities (iii)(a) and (iv) from RBL. In addition, at September 2017 the calculated DSCR and the Funded Debt to Total Capital were also in breach of covenants under the respective loan facilities. The terms of the loan agreements indicate that the loan facilities will become immediately repayable on default. As a result, these loans have become immediately repayable as at 30 September 2017.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(i) Going concern (continued)

In September 2018, NHSL received GORTT funding of \$39,500,000 and settled all past due amounts with RBL and RBC. The GORTT also presented its National Budgets for the financial years 2019 and 2020 which included allocations to NHSL of \$40,000,000 and \$11,528,599 respectively to support its debt servicing obligations. The actual sum received for 2019 was \$49,000,000 as the allocation was increased. In November 2019, NHSL also received GORTT funding of \$30,800,000 and settled past due trade creditors. The allocation for 2020 was also increased to \$46,126,186.

In November 2018 and December 2018 respectively, RBL and RBC confirmed their willingness to work with NHSL to arrive at a mutually acceptable solution given NHSL's financial challenges. In December 2018, the GORTT confirmed its commitment to support NHSL in fulfilling its financial and legal obligations including loans guaranteed and not guaranteed by the GORTT. In July 2019, the GORTT also confirmed that they will not call on NHSL to repay any amounts advanced to them prior to the confirmation date in regard to fulfillment of the Company's obligations. At July 2020, NHSL's loan repayments are up to date in accordance with the terms of the RBL and RBC loan agreements.

NHSL has also embarked on a number of strategies to achieve sustainability which includes but not limited to the following initiatives:

- Revenue generation by aggressively pursuing new markets regionally and securing additional market share in existing markets.
- Fleet rationalisation which will allow for efficient operations of the fleet aligned with market needs.

Based on current plans and strategies being pursued and implemented as well as continued support from the GORTT, management has a reasonable expectation that NHSL will generate adequate cash flows and profitability which would allow NHSL to continue in operational existence for the foreseeable future. On this basis, management is satisfied with the going concern assumption in the preparation of these financial statements.

(ii) Standards, amendments and interpretations adopted by the Company

There were no International Financial Reporting Standards (IFRSs) or International Financial Reporting Interpretation Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 October 2016 that will have a material impact on the Company.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(iii) *Standards, amendments and interpretations that are not yet effective for the financial year beginning 1 October 2016 and not early adopted by the Company. The impact of the following standards have not yet been evaluated:*

- Amendments to IAS 16, 'Property, plant and equipment', (effective 1 January 2016). In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not applicable because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative (effective 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- IFRS 9, 'Financial instruments', effective for financial periods beginning on or after 1 January 2018, addressed the classification, measurement and recognition of financial assets and financial liabilities. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 16, Leases (effective 1 January 2019) eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The most significant effect of the new requirements will be an increase in lease assets and financial liabilities.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

b. Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

b. Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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 recognised in the statement of comprehensive income.

c. Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Projects under construction are stated at historical cost less impairment losses and capitalised when the asset is put into use. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income during the financial period as an expense as incurred.

Depreciation is charged to the statement of comprehensive income on a reducing balance basis, except for aircraft which is on a straight line basis, over its estimated useful life. Freehold land is not depreciated as it is deemed to have an infinite life. Depreciation is provided over the estimated useful life of the respective assets at the following rates and methods:

Leasehold land and buildings	1.67%-2.02%
Aircraft	6.67%-12.5%
Equipment	15%-25%
Computer	20%
Motor vehicles (Finance leases - Note 2 r.)	20%-33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2 e.).

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income within 'Other income'.

d. Deferred expenditure — major aircraft components

For owned aircraft, the cost of major aircraft component overhaul or replacement is accounted for by the deferral method. The cost of each overhaul or replacement is deferred and written-off over the expected life of the component. Overhaul or replacement expenses are allocated to the statement of income when the overhaul or replacement is completed, at which point the accumulated cost is then expensed monthly to the statement of comprehensive income using the deferral method, based on the actual flying hours on each component. For aircraft under operating leases, the cost of maintenance is expensed to the statement of comprehensive income in the period it is incurred.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. *Impairment of non-financial assets*

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

f. *Financial assets*

(i) *Classification*

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Company classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current. Loans and receivables include 'Trade and other receivables' and 'Cash and cash equivalents' in the statement of financial position.

(ii) *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

(iii) *Impairment of financial assets - assets carried at amortised cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

f. *Financial assets (continued)*

(iii) *Impairment of financial assets - assets carried at amortised cost (continued)*

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

g. *Inventories*

Inventories which consist mainly of spare parts are measured at the lower of cost and net realisable value. The cost of the inventories is after allowance has been made for obsolete items. Cost is based on actual suppliers' invoiced prices including taxes, transport and handling, net of trade discounts received.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

h. *Trade receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

i. *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the statement of financial position, bank overdrafts are shown within 'Borrowings' in current liabilities.

j. *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

k. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

l. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

m. Provisions

Provisions are recognised when, the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

n. Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating vacation leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within 'Trade and other payables' in the statement of financial position.

(ii) Post-employment obligations

The Company operates a defined benefit plan, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from the employees and the Company, taking account of the recommendations of independent actuaries. The retirement benefit obligation recognised in the statement of financial position in respect of the defined benefit plan is the fair value of plan assets at the reporting date less the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

n. *Employee benefits (continued)*

(ii) *Post-employment obligations (continued)*

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in 'Administration and other operating expenses' in the statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately as 'Administration and other operating expenses' in the statement of comprehensive income.

o. *Current and deferred income taxes*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/ loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

p. *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax and discounts.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

p. *Revenue recognition (continued)*

The Company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

(i) *Service revenue*

Revenue is recognised on the accrual basis upon performance of services.

(ii) *Other income*

This relates mainly to management fees and is recognised on the accrual basis.

q. *Finance income and finance costs*

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the statement of comprehensive income using the effective interest method.

Finance costs comprise interest expense on borrowings unwinding of the discount on provisions, impairment losses recognised on financial assets recognised on the statement of comprehensive income.

r. *Leases - the Company is the lessee*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in lease liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

s. *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Board of Directors.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

t. Fair value hierarchy

Judgments and estimates are made in determining the fair values for items measured at fair value in the financial statements. The valuation methods used by management were classified into the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3 Financial risk management

a. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. There were no changes in the policies and procedures for managing financial risk compared with prior year.

(i) Market risk

Market risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate because of changes in market prices. The objectives of market risk management are to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company takes on exposure to market risks from changes in foreign exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis.

(a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk arising from currency exposures with respect to the United States dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company manages its foreign exchange risk by the following:

- Ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.
- Holding foreign currency balances.
- Invoicing only in an exchange currency such as in US dollar or in TT dollar.

At 30 September 2017, if the functional currency had weakened/strengthened by 5% against the US dollar with all other variables held constant, pre-tax profit for the year would have been \$1.1m (2016 - \$0.1m) lower/higher mainly as a result of foreign exchange losses/gains on translation of US dollar-denominated trade receivables and payables.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Market risk (continued)

(b) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company finances its operations through a mixture of retained profits and borrowings. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company manages the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments.

The carrying amounts and fair value of fixed rate borrowings are disclosed in Note 10 a. The sensitivity of variable rate borrowings to interest rate fluctuations is also disclosed in Note 10 a.

(ii) Credit risk

The Company is exposed to credit risk, which is the risk that its customers and counterparties may cause a financial loss by failing to discharge their contractual obligations. Credit risk arises from cash equivalents, deposits with financial institutions as well as outstanding receivables.

The Company has minimal exposure to credit risk on its cash equivalents and short term deposits as these are placed only with reputable financial institutions.

The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk. Management does not expect any losses from non-performance by counterparties. There was no concentration of risk due to the number and diversity of operations of the customer base. See Note 20 for more information on the credit quality of financial assets.

During the credit approval process, the customer is assessed for certain indicators of possible delinquency. In monitoring customer credit risk, customers are grouped according to the ageing of their debt.

The Company established an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The allowance for doubtful debts is based on the ageing of the trade receivables. The Company also makes special provision for receivables based on information that they have that shows that the receivables balance is uncollectible. See Note 7 for more information on past due but not impaired as well as impaired trade receivables.

(iii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and availability of funding through an adequate amount of committed credit facilities to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Financial risk factors (continued)

(iii) Liquidity risk (continued)

The table below analyses the Company's liabilities which will be settled on a gross basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 Year \$	Between 2-5 Years \$	More than 5 years \$	Contractual Cash Flows \$	Carrying Amounts \$
2017					
Borrowings	296,144,770	--	--	296,144,770	259,785,395
Lease liabilities	920,209	1,482,172	--	2,402,381	2,146,634
Trade and other payables (excluding statutory obligations)	36,326,718	--	--	36,326,718	36,326,718
	<u>333,391,697</u>	<u>1,482,172</u>	<u>--</u>	<u>334,873,869</u>	<u>298,258,747</u>
2016					
Borrowings	47,725,008	173,649,253	107,917,860	329,292,121	287,684,430
Trade and other payables (excluding statutory obligations)	26,360,154	--	--	26,360,154	26,360,154
	<u>74,085,162</u>	<u>173,649,253</u>	<u>107,917,860</u>	<u>355,652,275</u>	<u>314,044,584</u>

b. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Capital risk management (continued)

The gearing ratios as at 30 September 2017 and 2016 were as follows:

	2017 \$	2016 \$
Total borrowings and lease liabilities	261,932,029	287,684,430
Less: cash and cash equivalents	<u>(9,200,711)</u>	<u>(56,703,018)</u>
Net debt	252,731,318	230,981,412
Total equity	<u>110,063,321</u>	<u>156,278,075</u>
Total capital	<u>362,794,639</u>	<u>387,259,487</u>
Gearing ratio	<u>70%</u>	<u>60%</u>

There were no changes in the policies and procedures for capital risk management compared with prior year.

c. Fair value estimations

The carrying value of short-term financial assets and liabilities comprising trade and other receivables, cash and cash equivalents, short-term portion of borrowings and trade and other payables are a reasonable estimate of their fair values since the interest payable is either close to current market rates or the instruments are of a short-term nature. The fair value of fixed rate borrowings was determined based on future cash flows discounted at current market interest rates and is disclosed in Note 10 a.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Deferred expenditure — major aircraft components

(a) S76C++ aircraft

'Power by the Hour' transaction costs for the S76C++ aircraft are expensed monthly, 30% and 25% for engines and gear boxes respectively.

The remaining 70% and 75% respectively on the engines and the gearboxes are capitalised under 'Deferred expenditure — major aircraft components' on the statement of financial position and accounted for in accordance with Note 2 d.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements (continued)

a. Critical accounting estimates and assumptions (continued)

(i) Deferred expenditure — major aircraft components (continued)

(b) S76D aircraft

'Power by the Hour' transaction costs for the S76D aircraft engines are managed under a Fleet Management Program (FMP) with the S76D aircraft engine manufacture — Pratt and Whitney, and are capitalised under 'Deferred expenditure — major aircraft components' on the statement of financial position and accounted for in accordance with Note 2 d.

The S76D aircraft, excluding the engines, are on a Total Assurance Program (TAP) which covers all time limited components, subject to some exceptions, and all consumable parts valued over US\$200, at a rate per hour based on projected flying hours for each of the aircraft.

For the two (2) owned S76D aircraft, the hourly charge for the time limited components, 30% are expensed monthly and 70% are capitalised under 'Deferred expenditure — major aircraft components' on the statement of financial position and accounted for in accordance with Note 2 d. For all consumable parts valued over \$200, this portion is expensed monthly and all consumable parts received under the program are credited against the amounts expensed and recorded in the inventory at cost price.

For the two (2) leased S76D aircraft, the full 100% is expensed monthly and all parts received under the program are credited against the amounts expensed and recorded in the inventory at cost price.

(ii) Provision for inventory obsolescence — aircraft spares

(a) S76D spares

The S76D aircraft is the newest model and as such no provision for obsolete S76D spares was made (2016 — no provision).

(b) S76A++ and S76C++ spares

The S76A aircraft has been obsolete for some time now and NHSL choose to retire the three (3) S76A++ aircraft in 2015. The Company still operates three (3) S76C++ aircraft. It is estimated that approximately 9.9% of the S76 spares are obsolete for use in NHSL's fleet (2016 — 10.1%).

(c) BO105 spares

NHSL has not operated any BO105 helicopters for financial year 2017 or 2016, however, NHSL continues to provide third party maintenance support to the Ministry of National Security, National Operations Centre (NOC) which has one serviceable BO105 aircraft. It is estimated that approximately 89.0% of the BO105 spares currently held are obsolete for use by NHSL/NOC fleet (2016 — 90.9%).

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements (continued)

a. Critical accounting estimates and assumptions (continued)

(ii) Provision for inventory obsolescence – aircraft spares (continued)

Details of the aircraft spares inventory and the relevant provision for inventory obsolescence as at the years ended are as follows:

	Gross amount \$	Provision for obsolescence \$	Net amount \$	Effective obsolescence %
At 30 September 2017				
S76A++ and S76C++	40,657,458	(4,025,088)	36,632,370	9.9%
BO105	8,506,285	(7,569,585)	936,700	89.0%
S76D	25,485,534	--	25,485,534	0%
Other aircraft spares	2,347,700	--	2,347,700	0%
	<u>76,996,977</u>	<u>(11,594,673)</u>	<u>65,402,304</u>	<u>15.1%</u>
At 30 September 2016				
S76A++ and S76C++	38,845,984	(3,921,129)	34,924,855	10.1%
BO105	8,559,885	(7,776,958)	782,927	90.9%
S76D	29,880,723	--	29,880,723	0%
Other aircraft spares	189,731	--	189,731	0%
	<u>77,476,323</u>	<u>(11,698,087)</u>	<u>65,778,236</u>	<u>15.1%</u>

(iii) Pension benefits

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Company considers the interest rates of long term Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Additional information on key assumptions is disclosed in Note 11.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements (continued)

a. Critical accounting estimates and assumptions (continued)

(iv) Provision for impairment of property, plant and equipment – aircraft and deferred expenditure – major aircraft components

(a) S76A and S76A++

30 September 2017

There were no impairment provisions for S76A and S76A++ for the year ended 30 September 2017.

30 September 2016

There were no impairment provisions for S76A and S76A++ for the year ended 30 September 2016.

(b) S76C++

30 September 2017

Management acquired a desk top valuation for an S76C++ aircraft from Helivalues, Inc which listed the historical manufacturer's price for a basic S76C++ and price options based on varied utilisation and configuration.

When compared to the net carrying value of the property, plant and equipment – S76C++ aircraft, the net market value was lower by TT\$ 6,901,623 and is classified as a level 3 fair value.

30 September 2016

Management acquired a desk top valuation for an S76C++ aircraft from Helivalues, Inc which listed the historical manufacturer's price for a basic S76C++ and price options based on varied utilisation and configuration.

When compared to the net carrying value of the property, plant and equipment – S76C++ aircraft, the net market value was lower by TT\$ 24,015,687 and is classified as a level 3 fair value.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements (continued)

a. Critical accounting estimates and assumptions (continued)

(iv) Provision for impairment of property, plant and equipment – aircraft and deferred expenditure – major aircraft components (continued)

(c) S76D

30 September 2017

Management acquired a desk top valuation for an S76D aircraft from Helivalues, Inc which listed the historical manufacturer's price for a basic S76D and price options based on varied utilisation and configuration.

When compared to the net carrying value of the property, plant and equipment – S76D aircraft, the net market value was lower by TT\$ 6,719,833 and is classified as a level 3 fair value.

30 September 2016

Management acquired a desk top valuation for an S76D aircraft from Helivalues, Inc which listed the historical manufacturer's price for a basic S76D and price options based on varied utilisation and configuration.

When compared to the net carrying value of the property, plant and equipment – S76D aircraft, the net market value was lower by TT\$ 57,398,322 and is classified as a level 3 fair value.

The total impairment loss, which comprise of a property, plant and equipment portion of TT\$ 10,547,763 (2016 - TT\$ 81,414,009) and a deferred expenditure – major aircraft components portion of TT\$ 3,073,693 (2016 - nil) is included in the statement of comprehensive income.

(v) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

5 a. Property, plant and equipment

	Land and Building \$	Aircraft \$	Equipment \$	Computers \$	Motor Vehicles \$	Project Under Construction \$	Total \$
At 30 September 2017							
Cost							
At 1 October 2016	18,697,258	393,639,200	16,669,771	4,718,830	1,135,849	5,974,065	440,834,973
Additions	12,588	--	1,398,529	166,221	--	9,687,761	11,265,099
Impairment (Note 4 a.(iv))	--	(10,547,763)	--	--	--	--	(10,547,763)
Write-offs	--	--	--	--	--	(1,594,848)	(1,594,848)
Transfers and adjustments	187,000	--	143,855	17,926	4,314,905	(7,304,785)	(2,641,099)
	<u>18,896,846</u>	<u>383,091,437</u>	<u>18,212,155</u>	<u>4,902,977</u>	<u>5,450,754</u>	<u>6,762,193</u>	<u>437,316,362</u>
Accumulated depreciation							
At 1 October 2016	3,942,451	183,506,076	11,223,222	3,416,651	1,044,621	--	203,133,021
Charge for the year	353,437	24,429,343	1,823,802	480,628	1,134,792	--	28,222,002
Disposals and adjustments	--	--	--	--	1,367,914	--	1,367,914
	<u>4,295,888</u>	<u>207,935,419</u>	<u>13,047,024</u>	<u>3,897,279</u>	<u>3,547,327</u>	<u>--</u>	<u>232,722,937</u>
Carrying value	<u>14,600,958</u>	<u>175,156,018</u>	<u>5,165,131</u>	<u>1,005,698</u>	<u>1,903,427</u>	<u>6,762,193</u>	<u>204,593,425</u>
At 30 September 2016							
Cost							
At 1 October 2015	17,856,098	475,053,209	14,832,091	4,455,447	1,055,992	10,870,140	524,122,977
Additions	81,980	--	1,675,128	281,973	79,857	1,188,209	3,307,147
Impairment (Note 4 a.(iv))	--	(81,414,009)	--	--	--	--	(81,414,009)
Disposals	--	--	--	(18,590)	--	--	(18,590)
Transfers and adjustments	759,180	--	162,552	--	--	(6,084,284)	(5,162,552)
	<u>18,697,258</u>	<u>393,639,200</u>	<u>16,669,771</u>	<u>4,718,830</u>	<u>1,135,849</u>	<u>5,974,065</u>	<u>440,834,973</u>
Accumulated depreciation							
At 1 October 2015	3,598,067	157,893,984	9,642,580	2,954,279	900,857	--	174,989,767
Charge for the year	344,384	25,612,092	1,580,642	475,588	143,764	--	28,156,470
Disposals	--	--	--	(13,216)	--	--	(13,216)
	<u>3,942,451</u>	<u>183,506,076</u>	<u>11,223,222</u>	<u>3,416,651</u>	<u>1,044,621</u>	<u>--</u>	<u>203,133,021</u>
Carrying value	<u>14,754,807</u>	<u>210,133,124</u>	<u>5,446,549</u>	<u>1,302,179</u>	<u>91,228</u>	<u>5,974,065</u>	<u>237,701,952</u>
At 30 September 2015							
Cost	17,856,098	475,053,209	14,832,091	4,455,447	1,055,992	10,870,140	524,122,977
Accumulated depreciation	3,598,067	157,893,984	9,642,580	2,954,279	900,857	--	174,989,767
Carrying value	<u>14,258,031</u>	<u>317,159,225</u>	<u>5,189,511</u>	<u>1,501,168</u>	<u>155,135</u>	<u>10,870,140</u>	<u>349,133,210</u>

Depreciation expense of \$24,429,343 (2016 - \$25,612,092) has been charged in 'Cost of providing services' (Note 15), and \$3,792,659 (2016 - \$2,544,378) in 'Administrative and other operating expenses' (Note 17) in the statement of comprehensive income.

5 b. Deferred expenditure – major aircraft components

	2017 \$	2016 \$
At beginning of year	62,563,750	57,899,820
Additions for expenditure on major aircraft components	29,692,484	13,469,661
Amortisation expense	(25,111,966)	(8,805,731)
Impairment (Note 4 a.(iv))	(3,073,693)	--
At end of year	<u>64,070,575</u>	<u>62,563,750</u>

Amortisation expense of \$25,111,966 (2016 - \$8,805,731) has been charged in 'Cost of providing services' (Note 15) in the statement of comprehensive income.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

6 Inventories	2017 \$	2016 \$
Aircraft spares	65,402,304	65,778,236
Fuel	<u>138,500</u>	<u>155,524</u>
	<u>65,540,804</u>	<u>65,933,760</u>

Inventories are shown net of provision for obsolescence of \$11,594,673 (2016: \$11,698,087).

7 Trade and other receivables

Trade receivables		
- Third parties	45,078,114	34,117,440
- Related parties (Note 19)	<u>7,954,754</u>	<u>22,687,983</u>
	53,032,868	56,805,423
Less: provision for impairment of receivables	<u>(1,192,812)</u>	<u>(1,192,812)</u>
Trade receivables - net	51,840,056	55,612,611
Other receivables	19,851,121	14,729,913
Prepayments	<u>2,241,564</u>	<u>4,905,593</u>
	<u>73,932,741</u>	<u>75,248,117</u>

The aging of trade receivables at the reporting date was:

0-30 days	31,326,950	34,319,900
31-60 days	5,021,515	3,307,749
61-90 days	7,545,443	9,166,431
Over 90 days	<u>9,138,960</u>	<u>10,011,343</u>
	<u>53,032,868</u>	<u>56,805,423</u>

As at 30 September 2017, trade receivables of \$43,893,909 (2016 - \$46,794,080) were fully performing.

As at 30 September 2017, trade receivables of \$7,946,147 (2016 - \$8,818,531) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

Management expects the amount to be fully recovered. The ageing analysis of these trade receivables is as follows:

Over 3 months	<u>7,946,147</u>	<u>8,818,531</u>
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At 30 September 2017, trade receivables of \$1,192,812 (2016 - \$1,192,812) were impaired and fully provided for. This relates to two customers who are in an unexpectedly difficult economic situation. The ageing of this receivable is as follows:

Over 3 months	<u>1,192,812</u>	<u>1,192,812</u>
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The movement in the Company's provision for impairment of trade receivables is as follows:

Balance as at 1 October	1,192,812	61,205
Increase in allowance	<u>--</u>	<u>1,131,607</u>
Balance as at 30 September	<u>1,192,812</u>	<u>1,192,812</u>

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The other classes within trade and other receivables do not contain impaired assets. The Company does not hold any collateral as security.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

7 Trade and other receivables (continued)

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2017 \$	2016 \$
United States Dollars	35,438,464	42,526,933
Trinidad and Tobago Dollars	<u>17,594,404</u>	<u>14,278,490</u>
	<u>53,032,868</u>	<u>56,805,423</u>

8 Cash and cash equivalents

Cash at bank and in hand	5,442,831	12,873,220
Short-term deposits	<u>3,757,880</u>	<u>43,829,798</u>
	<u>9,200,711</u>	<u>56,703,018</u>

9 Share capital

Authorised

An unlimited number of shares of no par value

Issued and fully paid

23,766,278 ordinary shares of no par value

<u>23,766,278</u>	<u>23,766,278</u>
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10 Borrowings

(i) Facility from Republic Bank Limited (RBL) of US\$27,269,000 (TT\$173,430,840) for the purchase of two (2) Sikorsky S76D helicopters 9Y-MAD and 9Y-RKD. This loan was taken out on the 30 April 2015 and is secured by a Deed of Collateral Aircraft Chattel Mortgage. The loan bears a floating interest rate of 3 months LIBOR plus a spread of 225 basis points which is subjected to a ceiling of 6% for a period of ten (10) years. At 30 September 2017 the interest rate was 3.5454% (2016: 3.1029%). Principal and interest are payable quarterly.	146,694,984	158,112,880
(ii) Facility from RBC Ltd of US\$11,500,000 (TT\$73,600,000) for the purchase of a pre-owned Sikorsky S76C++ helicopter 9Y-LAS. This loan was taken out on the 3 April 2013 and is secured by a Chattel Mortgage over the Helicopter. At 30 September 2017 the interest rate was 3.5794% (2016: 3.1063%). The loan is for a period of five (5) years with an option to re-finance for a further five (5) years. Principal and interest are payable quarterly.	44,634,215	50,231,841

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

10 a. Borrowings (continued)	2017 \$	2016 \$
(iii) Facility from Republic Bank Limited (RBL) for the purchase of a Sikorsky S76C++ helicopter 9Y-MCK. This bridging facility was converted to a long term facility on 28 April 2011, financed as follows:		
(a) Facility with RBL for US\$3,000,000 (TT\$19,200,000). This facility is secured by a Letter of Comfort issued by the Government of the Republic of Trinidad and Tobago (GORTT) and bears an interest rate of 6.135% for a period of ten (10) years. Principal and interest are payable semi-annually.	8,100,000	10,080,000
(b) Facility with PEFCO Bank Ltd for US\$7,453,734 (TT\$47,703,898). This facility is secured by a Letter of Comfort issued by the Government of the Republic of Trinidad and Tobago (GORTT) and bears an interest rate of 3.501% for a period of eight and a half (8 1/2) years. Principal and interest are payable semi-annually.	14,797,855	17,678,503
(iv) Facility with Republic Bank Limited for US\$11,663,013 (TT\$74,643,277) for the purchase of a Sikorsky S76C++ Helicopter 9Y-NCN. This loan was taken out on the 3 April 2011 and is secured by a Letter of Comfort issued by the Government of the Republic of Trinidad and Tobago (GORTT). The loan bears an interest rate of 5.05% for a period of twelve (12) years. Principal and interest are payable semi-annually.	<u>45,558,341</u>	<u>51,581,206</u>
Total borrowings	<u>259,785,395</u>	<u>287,684,430</u>
Disclosed as:		
Current liabilities	259,785,395	38,022,969
Non-current liabilities	<u>---</u>	<u>249,661,461</u>
	<u>259,785,395</u>	<u>287,684,430</u>

At 30 September 2017, all of the Company's borrowings have been classified as current liabilities as a result of breach of loan covenants on these loans (Note 2.a.(i)).

The fair value of fixed rate and floating rate borrowings classified as current liabilities equals their carrying amount, as the impact of discounting is not significant.

The fair value of the non-current portion of the fixed rate borrowings at 30 September 2017 and 30 September 2016 is not materially different as compared with its carrying value. This fair value was determined based on future cash flows discounted at current market interest rates and are within level 2 of the fair value hierarchy.

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

10 a. Borrowings (continued)

A change in interest rates of 100 basis points on the loss for the year based on the non-current borrowings at floating interest rates does not result in a material impact as at 30 September 2017 and 2016.

At 30 September 2017 and 2016 the carrying amounts of the Company's borrowings are entirely denominated in United States Dollars.

10 b. Lease liabilities

The company leases various motor vehicles under non-cancellable finance lease agreements. The lease terms are between 3 and 5 years. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2017 \$	2016 \$
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	920,209	--
Later than 1 year and no later than 5 years	<u>1,482,172</u>	<u>--</u>
Sub-total	2,402,381	--
Future finance charges on finance leases	<u>(255,747)</u>	<u>--</u>
Present value of finance lease liabilities	<u><u>2,146,634</u></u>	<u><u>--</u></u>
The present value of finance lease liabilities is as follows:		
No later than 1 year	788,972	--
Later than 1 year and no later than 5 years	<u>1,357,662</u>	<u>--</u>
Total	<u><u>2,146,634</u></u>	<u><u>--</u></u>

11 Retirement benefit obligation

The Company has established a pension scheme that covers substantially all of the employees. The pension scheme is a final salary defined benefit plan and is fully funded. The assets of the funded plan are held independently of the Company's assets in a separate trustee administered fund. The scheme was valued by independent actuaries as at 30 September 2017 and 2016 using the projected unit credit method.

Net liability in the statement of financial position

Present value of defined benefit obligation	35,221,900	33,734,100
Fair value of plan assets	<u>(28,089,900)</u>	<u>(26,071,000)</u>
Liability recognised in statement of financial position	<u><u>7,132,000</u></u>	<u><u>7,663,100</u></u>

Movement in present value of defined benefit obligation

Defined benefit obligation at start of year	33,734,100	29,265,700
Current service cost	1,646,100	1,770,600
Plan participant contributions	941,000	1,163,300
Interest cost	1,719,000	1,517,200
Actuarial (gains)/losses from changes in financial assumptions	(1,521,800)	796,500
Benefits paid	<u>(1,296,500)</u>	<u>(779,200)</u>
Defined benefit obligation at end of year	<u><u>35,221,900</u></u>	<u><u>33,734,100</u></u>

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

11 Retirement benefit obligation (continued)

	2017 \$	2016 \$
The weighted average duration of the defined benefit obligation at year end	20yrs	22yrs
<i>Movement in fair value of plan assets</i>		
Plan assets at start of year	26,071,000	23,088,400
Expected return on plan assets	1,361,000	1,225,400
Actuarial loss on plan assets	(307,600)	(263,000)
Employer contributions	1,355,000	1,675,100
Plan participant contributions	941,000	1,163,300
Benefits paid	<u>(1,330,500)</u>	<u>(818,200)</u>
Fair value of plan assets at end of year	<u>28,089,900</u>	<u>26,071,000</u>
<i>Actual return on plan assets</i>	<u>1,053,400</u>	<u>962,400</u>
<p>The fair value of plan assets represents the fund balance provided to the actuaries by the plan's investment manager (Pan-American Life Insurance Company Of Trinidad And Tobago Ltd). The Plan's assets are invested in accordance with the Deposit Administration Contract and Managed Fund Contract between the Trustee and Investment Manager.</p>		
<i>Expense recognised in the statement of comprehensive income</i>		
Current service cost	1,646,100	1,770,600
Interest cost	358,000	291,800
Expenses	<u>34,000</u>	<u>39,000</u>
Included in employee costs and benefits (Note 18)	<u>2,038,100</u>	<u>2,101,400</u>
<i>Re-measurements recognised in other comprehensive income</i>		
Actuarial gain/(loss)	1,214,200	(1,059,500)
Deferred tax (Note 12 b.)	<u>(303,550)</u>	<u>264,875</u>
Total amount recognised in other comprehensive income	<u>910,650</u>	<u>(794,625)</u>
<i>Movement recognised in the statement of financial position</i>		
At the beginning of the year	(7,663,100)	(6,177,300)
Pension costs, net	(2,038,100)	(2,101,400)
Contributions paid	1,355,000	1,675,100
Re-measurement recognised in other comprehensive income	<u>1,214,200</u>	<u>(1,059,500)</u>
At the end of the year	<u>(7,132,000)</u>	<u>(7,663,100)</u>
	2017 Per annum	2016 Per annum
<i>Summary of principal assumptions</i>		
Discount rate	5.00%	5.00%
Future salary increases	3.50%	3.50%

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

11 Retirement benefit obligation (continued)

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 30 September 2017 and 2016 are as follows:

	2017 Years	2016 Years
<i>Life expectancy at age 60 for current pensioner</i>		
Male	21.33	21.33
Female	25.09	25.09

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2017 and 2016 would have changed as a result of a change in the assumptions used. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the prior year.

	1% pa increase \$	1% pa decrease \$
2017		
Discount rate	(6,350,000)	6,930,000
Future salary increases	3,140,500	(2,685,500)
2016		
Discount rate	(5,626,300)	7,402,900
Future salary increases	3,206,100	(2,717,000)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2017 by \$619,000 (2016 - \$579,800).

Funding

The Company pays the balance of the cost of funding the defined benefit pension plan to secure the promised benefits. The funding requirements are based on triennial actuarial valuations the last of which was carried out as at 1 September 2017. Expected contributions to the Plan for the year ended 30 September 2018 are \$1,351,300.

12 a. Taxation credit

	2017 \$	2016 \$
<i>Amount recognised in the statement of comprehensive income</i>		
Business levy charge	766,120	1,181,519
Prior year under provision	(44,033)	—
Deferred tax credit	<u>(17,983,344)</u>	<u>(17,422,744)</u>
	<u>(17,261,257)</u>	<u>(16,241,225)</u>
<i>Amount recognised in other comprehensive income</i>		
Taxation charge/(credit) on actuarial loss on retirement benefit obligation	<u>303,550</u>	<u>(264,875)</u>

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

12 a. Taxation credit (continued)	2017 \$	2016 \$
<i>Tax reconciliation of amount recognised in the statement of comprehensive income</i>		
The tax credit on loss before taxation differs from the theoretical amount that would arise using the basic rate of tax as follows:		
Loss before taxation	(64,386,661)	(74,176,369)
Tax calculated at 25%	(16,096,665)	(18,544,092)
Business levy	766,120	1,181,519
Prior year under provision	(44,033)	--
Tax effect of non-deductible items	3,786,261	6,778,586
Tax effect of non-taxable income and allowances	(4,159,035)	(4,773,901)
Other differences	(1,513,905)	(883,337)
	<u>(17,261,257)</u>	<u>(16,241,225)</u>

12 b. Deferred tax liabilities/(assets)

	2016 \$	Charge to OCI \$	Charge/(credit) to SOCI \$	2017 \$
<i>Deferred tax liabilities</i>				
Accelerated tax depreciation	20,137,348	--	(1,310,697)	18,826,651
Other temporary difference - deferred expenses	<u>15,640,938</u>	--	<u>376,707</u>	<u>16,017,645</u>
	<u>35,778,286</u>	--	<u>(933,990)</u>	<u>34,844,296</u>
<i>Deferred tax assets</i>				
Retirement benefit obligation	(1,915,775)	303,550	(170,775)	(1,783,000)
Finance leases	--	--	(60,802)	(60,802)
Tax losses	(5,516,644)	--	(16,843,631)	(22,360,275)
Inventory obsolescence	<u>(2,924,522)</u>	--	<u>25,854</u>	<u>(2,898,668)</u>
	<u>(10,356,941)</u>	<u>303,550</u>	<u>(17,049,354)</u>	<u>(27,102,745)</u>
<i>Net deferred tax liabilities</i>	<u>25,421,345</u>	<u>303,550</u>	<u>(17,983,344)</u>	<u>7,741,551</u>
	2015 \$	Credit to OCI \$	Charge/(credit) to SOCI \$	2016 \$
<i>Deferred tax liabilities</i>				
Accelerated tax depreciation	35,724,812	--	(15,587,464)	20,137,348
Other temporary difference - deferred expenses	<u>14,474,955</u>	--	<u>1,165,983</u>	<u>15,640,938</u>
	<u>50,199,767</u>	--	<u>(14,421,481)</u>	<u>35,778,286</u>
<i>Deferred tax assets</i>				
Retirement benefit obligation	(1,544,325)	(264,875)	(106,575)	(1,915,775)
Other timing difference - pension	(340,530)	--	340,530	--
Tax losses	(2,255,573)	--	(3,261,071)	(5,516,644)
Inventory obsolescence	<u>(2,950,375)</u>	--	<u>25,853</u>	<u>(2,924,522)</u>
	<u>(7,090,803)</u>	<u>(264,875)</u>	<u>(3,001,263)</u>	<u>(10,356,941)</u>
<i>Net deferred tax liabilities</i>	<u>43,108,964</u>	<u>(264,875)</u>	<u>(17,422,744)</u>	<u>25,421,345</u>

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

13 Trade and other payables	2017 \$	2016 \$
Trade payables	15,515,313	9,266,160
Value added tax (VAT) payable	2,751,894	3,295,930
Employee withholdings	1,018,930	858,161
Due to related party (Note 19)	3,168,835	3,590,420
Accrued liabilities	<u>16,623,639</u>	<u>13,503,575</u>
	<u>39,078,611</u>	<u>30,514,246</u>
14 Revenue		
Helicopter services		
- Third parties	121,822,325	170,783,509
- Related parties (Note 19)	<u>6,531,327</u>	<u>13,519,219</u>
	<u>128,353,652</u>	<u>184,302,728</u>
15 Expenses by nature – Cost of providing services		
Aircraft spares and accessories	14,183,895	15,234,749
Amortisation of deferred expenditure – major aircraft components	25,111,966	8,805,731
Rental of aircraft/equipment	20,353,103	29,214,786
Depreciation	24,429,343	25,612,092
Insurance	5,587,595	7,470,040
Fuel	5,051,918	5,752,914
Employee costs and benefits (Note 18)	37,024,778	40,697,945
Operating supplies	634,510	719,736
Purchased services	1,882,977	1,272,888
Training	9,312,217	7,739,695
Other	<u>1,578,688</u>	<u>912,470</u>
	<u>145,150,990</u>	<u>143,433,046</u>
16 Other income		
Management fees (Note 19)	4,781,889	7,731,929
Other	3,043,046	5,727,270
Foreign currency translation differences	(989,043)	(11,207,417)
Loss and disposal of property, plant and equipment	<u>--</u>	<u>(1,964)</u>
	<u>6,835,892</u>	<u>2,249,818</u>

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

17 Expenses by nature – Administration and other operating expenses	2017 \$	2016 \$
Repairs and maintenance	1,827,769	1,820,090
Depreciation	3,792,659	2,544,378
Insurance	425,227	365,126
Employee costs and benefits (Note 18)	11,204,068	10,521,271
Training	742,920	529,066
Vehicle expenses	250,361	362,449
Lease rental of vehicles	--	803,289
Telephone and electricity	718,729	709,874
Travel	564,885	245,757
Entertainment	7,090	2,299
Subscriptions and donations	604,059	533,012
Professional services	3,111,979	854,098
Directors' fees	262,719	326,871
Promotions	166,015	172,897
Security	2,195,346	2,286,140
Staff welfare	610,647	567,662
Purchased services	2,109,386	1,338,433
Printing and stationery	313,011	405,443
Operating supplies	222,759	285,957
Other	963,863	1,965,587
Net pension cost	683,100	426,300
Total administrative and other operating expenses	<u>30,776,592</u>	<u>27,065,999</u>

18 Employee costs and benefits		
Wages and salaries	43,367,471	46,497,944
National insurance and health surcharge cost	3,366,931	2,859,728
Pension and savings plan cost	1,494,444	1,861,544
	<u>48,228,846</u>	<u>51,219,216</u>

19 Related parties

a. Transactions with related parties

The following transactions have been entered into with related parties in the normal work of business. These transactions were conducted at market rates on commercial terms and conditions.

(i) Revenue - helicopter services (Note 14)		
GORTT	4,839,995	3,991,477
NGC	1,691,332	9,527,742
	<u>6,531,327</u>	<u>13,519,219</u>
(ii) Other income (Note 16)		
Management fees - OPM- N.O.C.	4,781,889	7,731,929

The Company provides third party aircraft maintenance services and logistics support to the National Operations Centre (N.O.C.) Air Division under the Office of the Prime Minister (OPM).

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

19 Related parties (continued)

	2017 \$	2016 \$
a. <i>Transactions with related parties (continued)</i>		
(iii) <i>Pension contributions (Note 11)</i>		
National Helicopter Services Limited Pension Fund Plan	<u>1,355,000</u>	<u>1,675,100</u>
(iv) <i>Key management compensation</i>	<u>3,973,075</u>	<u>4,012,378</u>
(v) <i>Directors' fees</i>	<u>262,719</u>	<u>326,871</u>
Fees are based upon rates provided by the Ministry of Finance (Investments).		
(vi) <i>Guarantees</i>		
Certain loan facilities are secured by Letters of Comfort issued by the GORTT (Note 10).		
(vii) <i>Dividends</i>		
Dividends declared and paid during the year ended 30 September 2017 amounted to nil (2016 - \$2,639,388).		

b. *Outstanding balances with related parties*

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

(i) <i>Trade receivables (Note 7)</i>		
GORTT	2,697,554	2,095,553
NGC	87,720	3,482,555
OPM - N.O.C.	<u>5,169,480</u>	<u>17,109,875</u>
	<u>7,954,754</u>	<u>22,687,983</u>

These balances are unsecured, interest free and repayable on demand.

(ii) <i>Trade and other payables (Note 13)</i>		
OPM - N.O.C	<u>3,168,835</u>	<u>3,590,420</u>

20 Financial instruments

a. *Financial instruments by category*

The accounting policies for financial instruments have been applied to the line items below:

	2017 \$	2016 \$
(i) <i>Assets as per statement of financial position</i>		
<i>Loans and receivables:</i>		
Trade and other receivables (excluding prepayments)	71,691,177	70,342,524
Cash and cash equivalents (excluding cash on hand)	<u>9,195,400</u>	<u>56,462,985</u>
	<u>80,886,577</u>	<u>126,805,509</u>

National Helicopter Services Limited

Notes to the Financial Statements (continued)

30 September 2017

(Expressed in Trinidad and Tobago Dollars)

20 Financial instruments (continued)

a. Financial instruments by category (continued)

	2017 \$	2016 \$
(ii) <i>Liabilities as per statement of financial position</i>		
<i>Liabilities at amortised cost:</i>		
Borrowings	259,785,395	287,684,430
Lease liabilities	2,146,634	--
Trade and other payables (excluding statutory obligations)	<u>36,326,718</u>	<u>25,822,469</u>
	<u>298,258,747</u>	<u>313,506,899</u>

b. Credit quality of financial assets

The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to historical information about the counterparty default rates and/or by management's evaluation based on historical recovery.

(i) Trade and other receivables (excluding prepayments)

Counterparties without external credit rating:

Group 1	--	--
Group 2	70,498,365	69,149,712
Group 3	<u>1,192,812</u>	<u>1,192,812</u>
	<u>71,691,177</u>	<u>70,342,524</u>

Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (more than 6 months) with some defaults in the past.

(ii) Cash and cash equivalents (excluding cash on hand)

Cash at bank	5,437,520	12,633,187
Short term deposits	<u>3,757,880</u>	<u>43,829,798</u>
	<u>9,195,400</u>	<u>56,462,985</u>

All cash balances are held with reputable financial institutions with no history of default. The remainder of the statement of financial position item "cash and cash equivalents" is cash in hand.

21 Contingencies and commitments

a. Operating lease commitments – Company as lessee

The Company has operating leases for two (2) leased aircrafts at varying lease terms. During the year ended 30 September 2017 \$20,342,516 (2016 - \$29,999,350) was recognised as an expense in the statement of comprehensive income in respect of these operating leases.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

National Helicopter Services Limited

Notes to the Financial Statements (continued) 30 September 2017

(Expressed in Trinidad and Tobago Dollars)

21 Contingencies and commitments (continued)

	2017	2016
	\$	\$
a. <i>Operating lease commitments – Company as lessee (continued)</i>		
No later than 1 year	16,669,991	13,114,080
Later than 1 year, no later than 5 years	<u>35,445,600</u>	<u>2,550,240</u>
	<u>52,115,591</u>	<u>15,664,320</u>
b. <i>Assets pledged as security</i>		
The carrying amounts of assets pledged as security for borrowings are:		
Property, plant and equipment – Aircraft	<u>175,156,018</u>	<u>183,080,824</u>
c. <i>Contingent liabilities</i>		
(i) <i>Performance bonds</i>		
At 30 September 2017, the Company had performance bonds in favour of Perenco T&T Limited amounting to US\$1.8m (TT\$12.1m). There were no performance bonds as at 30 September 2016.		
(ii) <i>Legal claims</i>		
The Company is party to various claims and actions. Management have considered the matters and where appropriate has obtained external legal advice. No material additional liabilities are expected to arise in connection with these matters, other than those already provided for in these financial statements.		

22 Subsequent events

- a. Refer to note 2 a.(i) for subsequent events relating to the going concern assumption. To the date of management's approval of the financial statements GORTT has continued to support NHSL in fulfilling its financial and legal obligations including loans guaranteed and not guaranteed by the GORTT.
- b. The Company's leased aircraft EC135 (operating lease) hard landed in May 2019 and was deemed a Constructive Total Loss. NHSL settled with the lessor in February 2020 by net payment of US\$6.5m (TT\$44.1m). The Company expects no other associated liabilities in relation to this event and there is no impact on the financial statements for the year ended 30 September 2017.
- c. Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which the Company and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. As of the date of management's approval of the financial statements, management was not aware of any significant adverse effects on the financial statements for the year ended 30 September 2017 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Company.

There were no other material events subsequent to the Statement of Financial Position date.