Consolidated Financial Statements of

CARIBBEAN AIRLINES LIMITED

December 31, 2014

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Independent Auditors' Report
To the Shareholders of Caribbean Airlines Limited

We have audited the accompanying separate financial statements of Caribbean Airlines Limited (the Company), which comprise the separate statement of financial position as at December 31, 2014, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Basis for Qualified Opinion

We could not observe the counting of the physical inventories at the end of the year as a count was not performed. We did not complete our procedures over the costing of inventories as some records were unavailable. We were unable to satisfy ourselves by alternative means concerning either inventory quantities held or accuracy of inventory costing at December 31, 2014. Since closing inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the loss for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2014, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

December 14, 2017
Port of Spain
Trinidad and Tobago

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Financial Position

December 31, 2014

	Notes	2014	2013
		$'000	$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	1	686,155	702,806
Investments in associated companies	2	37,093	31,304
Aircraft and other deposits	3	220,344	215,339
		943,592	949,449
Current Assets			
Inventories	4	167,949	173,512
Trade receivables		214,325	154,093
Due from related parties	5	14,597	33,899
Prepayments, other receivables and in transit spares		67,372	91,445
Cash and cash equivalents	6	555,290	412,441
		1,019,533	865,390
Total assets		1,963,125	1,814,839
EQUITY AND LIABILITIES			
Equity			
Stated capital	7	1,188,085	1,188,085
Paid in capital	7, 22(i)	411,340	-
Accumulated deficit		(1,441,860)	(1,294,939)
		157,565	(106,854)
Non-current Liabilities			
Provisions	8	133,239	124,026
Borrowing and financing	9	407,902	-
Deferred tax	10	109,057	84,429
		650,198	208,455
Current Liabilities			
Trade payables		171,252	172,637
Accrued expenses and other payables	11	442,874	428,161
Borrowing and financing	9	-	738,207
Due to related parties	5	39,142	34,674
Unearned revenue	12	502,094	339,559
		1,155,362	1,713,238
Total Equity and Liabilities		1,963,125	1,814,839

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

Director

Director

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Comprehensive Income

Year ended December 31, 2014

	Notes	2014	2013
		$'000	$'000
Operating Revenues			
Scheduled passengers		2,471,044	2,656,525
Cargo and mail (net)	13	61,653	56,393
Other revenue (net)	14	849,418	482,541
		3,382,115	3,195,459
Operating Expenses			
Staff costs	15	443,256	463,718
Fuel		944,881	735,526
Lease of aircraft and engines		416,835	464,571
Maintenance costs		368,827	386,465
Passenger expenses		250,116	244,585
Selling and marketing		130,114	141,594
Commissions		120,730	142,777
Aircraft ground handling and navigation		351,774	342,494
Crew expenses		39,198	41,967
Depreciation		48,303	53,043
Other	16	267,425	310,835
		3,381,459	3,327,575
Gain (loss) from operations		656	(132,116)
Other Income (Expenses)			
Gain on sale of property, plant and equipment		1,285	35,178
Non-operating expenses	17	-	9,785
Interest income		2,266	1,098
Interest expense		(14,707)	(28,514)
Share of associated Group profits		7,389	3,125
Foreign currency loss		(113,350)	(12,556)
		(117,117)	8,116
Loss before taxation		(116,461)	(124,000)
Taxation	18	(34,140)	(19,126)
Loss after taxation		(150,601)	(143,126)
Other comprehensive income			
Exchange gain (loss)		3,680	(4,112)
Total comprehensive loss for the year (net of tax)		(146,921)	(147,238)

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

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2014

	Stated Capital $'000	Paid in Capital $'000	Accumulated Deficit $'000	Total $'000
Balance as at January 1, 2013	1,188,085	-	(1,147,701)	40,384
Total comprehensive income for year:				
Loss after taxation	-	-	(143,126)	(143,126)
Other comprehensive loss	-	-	(4,112)	(4,112)
Balance as at December 31, 2013	**1,188,085**	**-**	**(1,294,939)**	**(106,854)**
Balance as at January 1, 2014	1,188,085	-	(1,294,939)	(106,854)
Money received in application of shares	-	411,340	-	411,340
Total comprehensive income for year:				
Loss after taxation	-	-	(150,601)	(150,601)
Other comprehensive gain	-	-	3,680	3,680
Balance as at December 31, 2014	**1,188,085**	**411,340**	**(1,441,860)**	**157,565**

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

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2014

	Note	2014	2013
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(116,461)	(124,000)
Adjustment to reconcile loss before taxation to net cash (used in) from operating activities:			
Depreciation		48,303	53,043
Gain on sale of property, plant and equipment		(1,285)	(35,178)
Tobago House of Assembly advancement		-	(7,421)
Interest income		(2,266)	(1,098)
Share of associated Group profits		(5,789)	(485)
Foreign currency translation		692	(2,944)
		(76,806)	(118,083)
Net change in operating assets and liabilities	19	173,244	(20,790)
		96,438	(138,873)
Taxation paid		(9,512)	(9,842)
Net cash from (used in) operating activities		86,926	(148,715)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(35,420)	(18,668)
Proceeds from sale of property, plant and equipment		5,053	123,225
Interest received		2,266	1,098
Net cash (used in) from investing activities		(28,101)	105,655
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid in capital		411,340	-
ATR Spares financing payments		(5,765)	(5,788)
Borrowing repayment		(321,551)	-
Borrowing proceeds		-	320,834
Net cash from financing activities		84,024	315,046
Increase in cash and cash equivalents		142,849	271,986
CASH AND CASH EQUIVALENTS AT START OF YEAR		412,441	140,455
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**555,290**	**412,441**

The accompanying notes form an integral part of these consolidated financial statements

Incorporation and Principal Activity

Caribbean Airlines Limited (CAL or the Company) was incorporated in the Republic of Trinidad and Tobago on September 27, 2006 and commenced commercial operations on January 1, 2007. CAL is the national airline of Trinidad and Tobago with its main hub at the Piarco International Airport in Trinidad and Tobago. It operates international services in the Caribbean and to the United States, Canada, United Kingdom and South America. The Government of the Republic of Trinidad and Tobago (GORTT) and the Government of Jamaica (GOJ) holds an 84% and 16% ownership interest respectively (See Note 22 (i)). On October 1, 2007, CAL acquired all of the issued share capital of Tobago Express Limited and assumed all responsibilities for the operation of the domestic route, previously undertaken by Tobago Express Limited (TABEX). CAL's registered office is located at Iere House, Golden Grove Road, Piarco.

	Shareholding	**Country of Incorporation**
Tobago Express Limited	100%	Trinidad and Tobago
CARA Limited	100%	Barbados
Katerserv Limited	40%	Trinidad and Tobago
Allied Caterers Limited	36%	Trinidad and Tobago

Up to October 1, 2007, Tobago Express Limited's principal activity was the provision of air transportation services between Trinidad and Tobago. Subsequent to that date, it became dormant and all operations were absorbed by CAL.

CARA Limited was incorporated on May 18, 2008. The principal activities of CARA Limited are to facilitate the repayment of a loan with Canadian Regional Aircraft Finance Transaction No.1 Limited (CRAFT) for the purchase and transfer of ownership of 3 Dash 800 aircraft. CARA Limited became dormant as at December 31, 2013 with transfer of all aircraft to CAL

CAL acquired the shares in Katerserv Limited on December 20, 2007. The principal activities of Katerserv Limited are the catering of food, beverage and other airport services for the airline industry, and the operation of a restaurant

CAL acquired the shares in Allied Caterers Limited on December 20, 2007. The principal activities of Allied Caterers Limited are the catering of food and beverage for the airline operations and the rental of its facilities and delivery equipment to Katerserv Limited.

These consolidated financial statements comprise the Company and its subsidiaries (collectively, the Group and individually, the Group Companies).

On December 14, 2017, the Board of Directors of CAL authorised these consolidated financial statements for issue.

Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

Items in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group. The Group's functional currency is Trinidad and Tobago dollars. The consolidated financial statements are presented in thousands of Trinidad and Tobago dollars, unless otherwise stated.

(d) Critical accounting estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Statement of Significant Accounting Policies (continued)

(d) Critical accounting estimates and judgements (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following accounting policies and notes:

Accounting Policy (i)	Impairment
Accounting Policy (o) and Note 9	Provisions
Accounting Policy (p)	Revenue recognition – Unearned Transportation Revenue, Mileage programme
Accounting Policy (f)	Valuation of Financial Instruments.

(e) Foreign currency transactions

Foreign currency transactions are translated to Trinidad and Tobago currency at the rates of exchange prevailing at the date of each transaction. At the reporting date, amounts receivable and payable in foreign currencies are translated at the rates of exchange prevailing at that date. Resulting translation differences between the amounts at which transactions are originally recorded and those at which they are paid, or to which they are adjusted at the reporting date are brought to account as translation gains or losses in profit or loss in the year in which the translation rates change.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the translation rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Trinidad and Tobago dollars at foreign currency translation rates prevailing at the dates the fair value was determined.

(f) Financial instruments

Financial instruments in the consolidated balance sheet include aircraft and other deposits, trade receivables, due from related parties, other receivables, cash and cash equivalents, trade payables, accrued expenses, provisions and other payables. The particular recognition methods adopted are disclosed in the policy statements associated with each item.

Statement of Significant Accounting Policies (continued)

(g) Basis of consolidation

(i) Subsidiary

Subsidiaries are all entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiary have been changed when necessary to align it with the policies adopted by the Group.

(ii) Associated companies

Associated companies are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Statement of Significant Accounting Policies (continued)

(h) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy *(j)*). Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition

(ii) Subsequent expenditure

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 benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in profit or loss during the financial period as an expense as incurred.

(iii) Depreciation

Depreciation is provided on a straight line basis on all items of property, plant and equipment. The depreciation rates of owned assets are calculated so as to allocate the cost or valuation of an asset, less any estimated residual value, over the assets' estimated useful lives to the Group. Assets are depreciated from the date of acquisition or, with respect to internally constructed assets, from the time an asset is completed and available for use. The costs of improvements to assets are amortised over the remaining useful life of the asset or the estimated useful life of the improvement, whichever is shorter.

The principal asset depreciation periods are as follows:

Leasehold improvement	-	5 to 10 years
Ground equipment	-	10 years
Furniture and office equipment	-	5 years
Motor vehicles	-	5 years
Computer equipment	-	3 years
Aircraft and aircraft parts and spares	-	10 to 20 years.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Statement of Significant Accounting Policies (continued)

(h) Property, plant and equipment (continued)

(iv) Disposal

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining the net income for the year.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses, if any, are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Statement of Significant Accounting Policies (continued)

(i) ***Impairment*** (continued)

(ii) Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(j) ***Aircraft and other deposits***

Aircraft deposits are cash deposits paid primarily to lessors of aircraft under operating leases. The aircraft deposits are refundable to the Group at the end of the lease term once the leased aircraft are returned to the lessors in the conditions stipulated in the respective lease agreements. Miscellaneous deposits consist primarily of cash security deposits paid to certain credit card institutions which are refundable.

(k) ***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of the inventories is based on the first in, first out principle and includes expenditure incurred in acquiring the inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of selling expenses.

(l) ***Trade receivables***

Trade receivables are recognised and carried at original invoice amount less impairment losses. A provision of impairment for receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in profit or loss. Bad debts are written off as incurred.

Statement of Significant Accounting Policies (continued)

(m) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, cash at call and short-term money market securities and term deposits with an original maturity of three months or less.

(n) Trade payables

Liabilities for trade creditors and other amounts are carried at amortised cost.

(o) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as a finance charge.

(i) Re-delivery and engine repair

A provision for re-delivery (including engine repairs upon re-delivery) is expensed during the lease term when the Group is required to return the aircraft to the lessor in certain contractually pre-determined conditions.

(ii) Other provisions

Other provisions include provisions for leave arising from employees' entitlement to annual leave which is recognised when it accrues to employees.

(p) Revenue recognition

Passengers, cargo and other revenue

Passengers and cargo revenue are recognised in profit or loss when the transportation service is provided, at the fair value of the consideration receivable net of applicable taxes. Airlines YQ fees are recognised as part of other revenue and are recognised when transportation service is provided. Passengers, cargo and airline YQ are credited to unearned transportation revenue on sale of service and subsequently transferred to revenue when passengers or cargo are transported

Additionally, revenue from aircraft charter, property income, Club Caribbean membership fees, income from the partners in the frequent flyer programmes, duty free products and other miscellaneous income are recognised as other revenue at the time the services are provided.

Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

Statement of Significant Accounting Policies (continued)

(p) ***Revenue recognition*** (continued)

Unused tickets

Ticket sales that are not expected to be used for transportation ('unused tickets') are recognised as other revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends.

Changes in these estimation methods could have a material impact on these consolidated financial statements.

Mileage programmes

The airline's frequent flyer programmes operates through the airline's Caribbean Miles membership programme and the Seventh Heaven membership programme for the Jamaica network operations. The programme allow frequent travelers usage of the programme partners services to accumulate mileage credits that entitle them to a choice of various awards, primarily free travel. The fair value attributed to the awarded mileage credits is deferred as a liability and recognised as revenue on redemption of the miles by the participants to whom the miles are issued.

Finance income

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(q) ***Maintenance and overhaul costs***

Maintenance and repair costs for owned and leased aircraft and engines, including heavy c-check maintenance and the overhaul of aircraft components, are charged to operating expenses as incurred. Component overhaul costs covered by Component Support Programme (CSP) arrangements are paid and expensed as incurred, on the basis of hours flown per the contract. Under the terms of these agreements, a set dollar amount per aircraft fleet flight hours flown on a monthly basis is paid to a third-party vendor who assumes the obligation to repair the components, subject to certain specified exclusions.

Additionally, under the terms of the 737 lease agreements, the Group pays maintenance reserves supplemental rent to aircraft and engine lessors to cover maintenance of leased aircraft and engines. These reserves are calculated based on flight hours, and the lessor is legally obligated to reimburse Caribbean Airlines for the cost of any major maintenance activity for which maintenance reserves were paid based on specific recovery criteria. If there are excess amounts on deposit at the expiration of the lease, the lessor is entitled to retain any excess amounts.

Statement of Significant Accounting Policies (continued)

(q) Maintenance and overhaul costs

The maintenance reserves paid under lease agreements do not transfer either the obligation to maintain the aircraft, or the cost risk associated with the maintenance activities, to the aircraft lessor. In addition, the Group maintains the right to select any third-party maintenance providers. The Group records the maintenance reserves paid as maintenance cost in profit or loss account and recognises as a trade receivable the actual cost of major maintenance activities where a claim against maintenance reserves supplemental rent paid is allowed for the maintenance event.

(r) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave and non-monetary benefits such as medical care and loans.

Liabilities in respect of employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end, represent present obligations resulting from employees' services provided to the reporting date. The calculation of these liabilities is based on remuneration wage and salary rates that the Group expects to pay as at reporting date.

(s) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Leases of ATR spares where the Group assume substantially all the benefits and risks of ownership are classified as finance leases. Rights to such assets held under finance leases are capitalised at the estimated present value of the minimum lease payments at the inception of the lease. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the balance outstanding. The corresponding lease obligations, net of finance charges, are included in current and non- current liabilities.

The interest element of the finance lease is charged to profit or loss over the lease period and is included in finance costs. The ATR spares held under finance leasing contracts are included in property, plant and equipment, and depreciated over the useful life of the assets.

Payments made under operating leases are recognised in profit or loss on a straightline basis over the term of the lease. Lease incentives received are recognised as an intergral part of the total lease expense.

Statement of Significant Accounting Policies (continued)

(t) Taxation

Tax on income comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the reporting date and green fund levy and business levy.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on the deferred tax of any changes in the tax rate is charged to profit or loss.

(u) Retirement plans

On December 31, 2008, the Group established a defined contribution pension plan for its employees in Trinidad and Tobago. The assets of this plan are held in a consolidated Trustee administered fund. In 2014 the Group contributed to the pension plan at the rate of 6% (2013: 6%) of its Trinidad and Tobago employees' remuneration and recognises these contributions as an expense when an employee has rendered service during the period.

(v) Government grants

CAL receives government grants as a subsidy for the provision of services on the Trinidad and Tobago Airbridge and as subventions to assist with the general provision of air transportation.

The subsidy received for the provision of services on the Trinidad and Tobago Airbridge is a fixed amount based on tickets sold and is recognised as part of passenger revenue in profit or loss when the ticket has been flown. The receivable balance is included in Due from Related Parties. See Note 5(a).

Subventions received are recognised as part of other income in the year that funds are received. See Note 14.

Statement of Significant Accounting Policies (continued)

(w) ***Borrowing and financing***

The Group's borrowing transactions are recognised in the statement of financial position at the time the funds are transferred to the Group and or when financed assets are recognised as plant, property and equipment or other receivables as determined on a delivery schedule of aircraft spares. The borrowing transactions are recognised at amortised cost less transaction cost and the interest element of payments made is included in interest expense in the statement of comprehensive income.

(x) ***New, revised and amended standards and interpretations not yet effective***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following are likely to have an effect on the separate financial statements.

- IAS 1, Presentation of Financial Statements, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

  The Group is assessing the impact that this amendment will have on its 2016 financial statements.

Statement of Significant Accounting Policies (continued)

(x) ***New, revised and amended standards and interpretations not yet effective*** (continued)

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  The Company is assessing the impact that this amendment will have on its 2017 financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS *39 Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The Group is assessing the impact that this amendment will have on its 2018 financial statements.

Statement of Significant Accounting Policies (continued)

(x) ***New, revised and amended standards and interpretations not yet effective*** (continued)

- Improvements to IFRS 2012-2014 cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Company are as follows:

  - IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

    The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

    There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

    The Group is assessing the impact that this amendment will have on its 2018 financial statements.

  - IFRS 16, Leases, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

    Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

Statement of Significant Accounting Policies (continued)

(x) ***New, revised and amended standards and interpretations not yet effective*** (continued)

Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers is also adopted.

The Company is assessing the impact that this amendment will have on its 2018 financial statements.

1. Property, Plant and Equipment

	Aircraft Spares and Parts	Computer Equipment	Motor Vehicles	Machinery and Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
Balance as at January 1, 2013	1,032,534	23,032	2,125	16,857	14,530	1,089,078
Additions	14,110	792	111	2,300	187	17,500
Disposals	(104,637)	(7)	-	-	-	(104,644)
Balance as at December 31, 2013	942,007	23,817	2,236	19,157	14,717	1,001,934
Balance as at January 1, 2014	942,007	23,817	2,236	19,157	14,717	1,001,934
Additions	28,455	3,251	-	2,594	1,120	35,420
Disposals	(40,917)	-	(118)	-	-	(41,035)
Balance as at December 31, 2014	929,545	27,068	2,118	21,751	15,837	996,319
Depreciation						
Balance as at January 1, 2013	229,925	18,833	824	8,841	4,259	262,682
Charge for the period	46,247	3,450	633	1,756	957	53,043
Disposals	(16,594)	(3)	-	-	-	(16,597)
Balance as at December 31, 2013	259,578	22,280	1,457	10,597	5,216	299,128
Balance as at January 1, 2014	259,578	22,280	1,457	10,597	5,216	299,128
Charge for the period	43,478	1,438	489	1,908	990	48,303
Disposals	(37,175)	-	(92)	-	-	(37,267)
Balance as at December 31, 2014	265,881	23,718	1,854	12,505	6,206	310,164
Carrying Amounts						
At December 31, 2014	663,664	3,350	264	9,246	9,631	686,155
At December 31, 2013	682,429	1,537	779	8,560	9,501	702,806

	2014	2013
	$'000	**$'000**

2. Investments in Associated Companies

	2014 $'000	2013 $'000
Katerserv Limited	15,922	13,666
Allied Caterers Limited	21,171	17,638
	37,093	31,304

3. Aircraft and Other Deposits

	2014 $'000	2013 $'000
Deposits on aircraft	99,978	99,340
Other deposits	120,366	115,999
	220,344	215,339

4. Inventories

	2014 $'000	2013 $'000
Expendable aircraft spares	141,617	148,526
Commercial items	16,187	14,069
Duty free items	10,145	10,917
	167,949	173,512

5. Related Party Transactions

(a) Related party transactions and balances

(i) Balances

Due from related parties

	2014 $'000	2013 $'000
Air Jamaica	4,397	4,548
GORTT	10,200	29,351
	14,597	33,899

Due to related parties

	2014 $'000	2013 $'000
BWIA West Indies Airways Limited	39,142	34,674

5. Related Party Transactions (continued)

(a) Related party transactions and balances (continued)

(ii) Transactions

A number of transactions have been entered into with the shareholder in the normal course of business. The transactions relating to items of revenue and expenditure are included in the respective captions in the consolidated statement of income as follows:

	2014	2013
	$'000	$'000
Revenue		
Airbridge Domestic Subsidy	42,955	41,094
GORTT – Other Income subvention	543,987	-
Expenses		
GORTT - Operating expenses – Fuel cost off set	-	(309,609)
Katerserv Limited – Operating expenses – passenger expenses	31,112	32,532

(b) Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to executive officers. The key management personnel compensation is as follows:

	2014	2013
	$'000	$'000
Short-term employee benefits	12,680	12,099
Directors' fees	492	498

6. Cash and Cash Equivalents

Bank balances	169,837	144,164
Restricted balances (Venezuela held balances)	211,279	145,482
Short-term deposits	174,174	122,795
	555,290	412,441

Restricted balances represent solely cash balances denominated in Venezuelan Bolivars fuerte (VEF) and which can only be repatriated for use outside of Venezuela by a regulated system of requests and approvals to the Venezuelan Government (see Note 22 (iv)). Generally fluctuations in foreign currencies, including devaluations, cannot be predicted by the Group, however can significantly affect the value of this restricted cash balance.

	2014 $'000	2013 $'000
7. Stated Capital		
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
188,600,000 ordinary shares of no par value	1,188,085	1,188,085
Paid in capital	411,340	-

Paid in capital was received by the Government of Trinidad & Tobago (see Note 22 (i)).

	2014 $'000	2013 $'000
8. Provisions		
Balance at the beginning of year	124,026	102,091
Provisions made	23,861	24,437
Provisions used	(14,648)	(2,502)
Balance at the end of the year	133,239	124,026

9. Borrowing and Financing

	2014	2013
a) Current		
Bank Loans	-	732,478
ATR finance lease	-	5,729
As at December 31	-	738,207
b) Non-Current		
Bank and other loans	407,902	-

	2014 $'000	2013 $'000

9. Borrowing and Financing (continued)

c) Bank and other loan comprise of the following:

	2014 $'000	2013 $'000
First Citizen US$50M loan (i)	-	320,722
First Citizen US$64.2M loan (ii)	407,902	411,756
	407,902	732,478

(i) US$50M bearing interest of 6 month Libor plus 3.21% per annum with a term of 18 months ending April 2014. Interest is payable quarterly and loan is repayable with one bullet payment at maturity.

(ii) This US$64.2M loan facility was refinanced on February 18, 2014. The terms of this loan has an interest rate of 6 month Libor plus 2.40% interest payable quarterly and a maturity date of January 31, 2016 with a bullet payment at maturity. This originally was US$14.2M loan facility bearing interest of 6 months Libor plus 3.21% per annum with a term of 18 months ending January 2014 was refinanced in March 2013 and loan extended by an additional US$50M.

The future minimum lease payments under ATR spares financing are as follows:

	2014 $'000	2013 $'000
Within one year	-	6,049
Less: Finance charges	-	(320)
Present value of minimum lease payments	-	5,729

The present value of minimum lease payments is analysed as follows:

	2014 $'000	2013 $'000
Current	-	5,729

10. Deferred Tax

Deferred income tax liabilities in the consolidated statement of financial position are attributed to temporary differences relating to property, plant and equipment. Movement is as follows:

	2014 $'000	2013 $'000
Balance at beginning of year	84,429	75,145
Current year charge	24,628	9,284
Balance at end of year	109,057	84,429

11. Accrued Expenses and Other Payables

Accrued expenses:		
- Passenger	15,820	16,675
- Personnel	30,338	36,163
- Other	87,680	88,741
Taxation	1,454	6,464
Loan interest payable	2,004	4,885
Air Transportation taxes and fees	305,578	275,233
	442,874	428,161

12. Unearned Revenue

Transportation	454,355	280,733
Frequent flyer	47,739	58,826
	502,094	339,559

13. Cargo and Mail

Revenue	187,119	178,877
Less cost of sales:		
Freighter handling	(47,426)	(48,544)
Fuel	(47,513)	(40,092)
Commissions	(360)	(2,814)
Handling	(27,384)	(26,847)
Other	(2,783)	(4,187)
Net income from cargo and mail	61,653	56,393

	2014	2013
	$'000	**$'000**
14. Other Income		
Charter	4,325	6,182
YQ fees	212,411	297,485
Frequent flyer programme revenue	42,876	32,929
Frequent flyer programme cost	(7,611)	(7,205)
Net income from the frequent flyer programme	35,265	25,724
Sale of duty free items	54,064	56,214
Cost of sale of duty free items	(38,448)	(40,037)
Net income from sale of duty free items	15,616	16,177
Other	37,814	136,973
Government Subvention	543,987	
	849,418	482,541

15. Staff Costs

	2014	2013
Salaries and wages	351,817	371,969
Crew allowances	34,786	36,219
National insurance and health surcharge and payroll taxes	18,443	19,017
Other personnel expenses	38,210	36,513
	443,256	463,718

The total number of employees as at December 31, 2014 was 1,610 (2013: 1,722).

	2014	2013
	$'000	**$'000**
16. Other Operating Expenses		
Security and other direct expenses	57,038	56,537
Administrative charges	99,974	97,142
Professional fees	29,018	20,607
Building and utilities	34,265	44,112
Provision for bad debts	6,626	50,936
Computer, telephone and communication charges	40,504	41,501
	267,425	310,835

	2014	2013
	$'000	$'000

17. Non-Operating Items

	2014 $'000	2013 $'000
Tobago House Assembly Liability	-	7,422
Dash 8 aircraft transfer	-	2,363
	-	9,785

18. Taxation

(a) Tax expense comprises

	2014 $'000	2013 $'000
Green fund and Business levy	9,512	9,842
Deferred tax	24,628	9,284
	34,140	19,126

(b) Tax reconciliation

The Group's effective tax rate differs from the Statutory rate as a result of the differences shown below:

	2014 $'000	2013 $'000
Loss before taxation	(116,461)	(124,000)
Corporation tax at the statutory rate of 25%	(29,115)	(31,000)
Tax effect of non-deductible items	(7,075)	(12,592)
Prior period adjustments	13,180	(1,892)
Tax effect of losses not recognised	47,638	54,768
Green Fund and Business levy	9,512	9,842
	34,140	19,126

The Company has unutilised tax losses of $1,846,771 (2013: $1,695,459) which have not yet been assessed and agreed to by the Board of Inland Revenue.

19. Net Change in Operating Assets and Liabilities

	2014 $'000	2013 $'000
Trade receivables	(60,233)	124,037
Net due from/to related parties	23,771	32,639
Prepayments, other receivables and in transit spares	24,073	53,696
Accounts payable	(1,386)	(149,955)
Accrued expenses and other payables	14,713	65,802
Inventories	5,563	(31,315)
Aircraft and other deposits	(5,005)	(55,417)
Provisions	9,213	21,935
Unearned revenue	162,535	(82,212)
	173,244	20,790

20. Contingent Liabilities, Commitments and Guarantees

a) Operating lease commitments

The Group has 15 Boeing 737s and 2 Boeing 767 aircraft leases in force.

The Group also leases the majority of its ground facilities including executive and administrative offices, overhaul and maintenance bases and ticket and reservation offices. Public airports are utilised for flight operations under lease arrangements with the governments or agencies owning or controlling such airports.

All leases provide that the lessee shall pay taxes, maintenance, insurance and certain other operating expenses applicable to the leased property. All leases also include renewal options.

Minimum material operating lease commitments excluding maintenance reserve supplemental rent as at December 31 comprise:

	2014 $'000	2013 $'000
Within 1 year	359,427	399,584
Within 2-5 years	439,132	760,601
Over 5 years	-	46,853

b) Other

The Company has established Letters of Credit with RBC Royal Bank (Trinidad) Limited amounting to $27,993,538 (2013: $29,833,882) and Citibank amount to $61,484,800 (2013: $61,484,800). These Letters of Credit are established with suppliers for provision of air transportation services and credit card acquiring services.

The Company also has Customs Bonds amounting to $27,291,450 (2013: $24,664,360).

21. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

21. Financial Risk Management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's overall risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment balances.

The Group seeks to manage credit risk by limiting the aggregate exposure to any individual counterparty, customer or financial institution.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group operates in legal jurisdictions in North America, South America and the Caribbean and is exposed to credit risk as a result of geo-political and legal issues of operating in these jurisdictions. The operations in Venezuela are exposed to credit risk. The Central Bank of Venezuela controls and limits the movement of currency that can be repatriated from the Venezuelan financial market. As at December 31, 2014 VEF 399.5 million (TTD 211.3 million), (2013: 142.8 million (TTD 145.9 million), was held in the Venezuelan financial market.

Significant concentrations of credit risk lies with the related partiers referred to in Note 6. In addition, the Group has deposits with aircraft suppliers as referred to in Note 4, however, these are considered fully secured against leased aircraft.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

21. Financial Risk Management (continued)

Credit risk (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014 $'000	2013 $'000
Trade receivables, net of allowance	214,325	154,093
Due from related parties	14,597	33,899
Aircraft and other deposits	220,344	215,339
	449,266	403,331

The maximum exposure to credit risk from trade and other receivables, net of allowance, at the reporting date by geographic region was:

	2014 $'000	2013 $'000
Domestic	13,107	47,171
International	201,218	106,922
	214,325	154,093

The aging of trade receivables, net of allowance, at the reporting date was:

	2014 $'000	2013 $'000
Not past due	86,518	96,269
Past due 0-30 days	20,192	6,362
Past due 31-90 days	48,769	4,463
More than 90 days	58,846	46,999
	214,325	154,093

21. Financial Risk Management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2014 $'000	2013 $'000
Balance at January 1	126,507	77,898
Write-offs	(69,000)	-
Reversals	(16,194)	-
Charge	7,887	48,609
Balance at December 31	49,200	126,507

During 2014 the Group did not renegotiate any of the terms of its trade receivables (2013: NIL).

Impairment losses

The allowance accounts in respect of trade and other receivables are used to record impairment losses. If the Group is satisfied that no recovery of the amount owing is possible at that point the amount is considered irrecoverable and is written off against the financial asset directly.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses budgets which assist in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

21. Financial Risk Management (continued)

Liquidity risk (continued)

The table below analyses the consolidated financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying Amount $'000	Contractual Amount $'000	1 Year and Less $'000	1-2 Years $'000	2-5 Years $'000
December 31, 2014					
Accounts payable	(171,252)	(171,252)	(171,252)	-	-
Accrued expenses and other payables	(442,874)	(442,874)	(442,874)	-	-
Due to related parties	(39,142)	(39,142)	(39,142)	-	-
Borrowing and financing	(407,902)	(425,098)	(13,098)	(412,000)	-
Provisions	(133,239)	(133,239)	-	-	(133,239)
	(1,194,409)	(1,211,605)	(666,366)	(412,000)	(133,239)
December 31, 2013					
Trade payables	(172,637)	(172,637)	(172,637)	-	-
Accrued expenses and other payables	(428,161)	(428,161)	(428,161)	-	-
Due to related parties	(34,674)	(34,674)	(34,674)	-	-
Borrowing and financing	(738,207)	(769,014)	(769,014)	-	-
Provisions	(124,026)	(124,026)	-	-	(124,026)
	(1,497,705)	(1,528,512)	(1,404,486)	-	(124,026)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than its functional currency. These other currencies are primarily U.S. Dollars (USD), Canadian Dollar (CAD), Sterling (GBP) and Venezuelan Bolívar fuerte (VEF).

21. **Financial Risk Management** (continued)

Market risk (continued)

Foreign currency risk

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group does business in approximately 15 currencies and generates surpluses in most of these currencies after paying local expenses. Surpluses are converted mainly to United States dollars or local currency to meet payments for fuel, lease costs, major overhaul, payments to other carriers, local salaries and expenses. The Group manages its foreign currency exposure arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, either spot or forward, for United States dollars. Balances held in soft currencies are constantly reviewed and managed to reduce the Group's exposure.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	Carrying Amount $'000	USD $'000	TTD $'000	Other $'000
2014				
Cash and cash equivalents	555,290	158,833	122,311	274,146
Trade receivables	214,325	181,115	33,210	-
Due from related parties	14,597	10,200		4,397
Aircraft and other deposits	220,344	216,223	107	4,014
Trade payables	(171,252)	(147,717)	(6,627)	(16,908)
Accrued expenses and other payables	(442,874)	(444,504)	(40)	1,670
Borrowings	(407,902)	(407,902)	-	-
Provisions	(133,239)	(133,239)	-	-
Net Gap	(150,711)	(566,991)	148,961	267,319

21. Financial Risk Management (continued)

Market risk (continued)

Exposure to currency risk (continued)

	Carrying Amount $'000	USD $'000	TTD $'000	Other $'000
2013				
Cash and cash equivalents	412,441	167,847	27,571	217,023
Trade receivables	154,093	120,883	33,210	-
Due from related parties	33,899	29,351	-	4,548
Aircraft and other deposits	215,339	211,136	107	4,096
Trade payables	(172,637)	(109,159)	(46,571)	(16,907)
Accrued expenses and other payables	(428,161)	(340,616)	(88,302)	757
Borrowings	(738,207)	(738,207)	-	-
Provisions	(124,026)	(124,026)	-	-
Net Gap	(647,259)	(782,791)	(73,985)	209,517

Capital management

The Group's objectives when managing capital are to safeguard the Group'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.

Sensitivity analysis

The Group settles all its foreign currency obligations in the stated foreign currency, but has substantial long term liabilities denominated in US dollar and cash in bank held in Venezuela (see note 6) that is subject to volatile changes in exchange rates.

21. Financial Risk Management (continued)

Market risk (continued)

Sensitivity analysis (continued)

The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in the US dollar and Venezuelan bolivars exchange rates, with all other variables held constant on comprehensive income.

	Profit or Loss	
	Strengthening	**Weakening**
2014	**$**	**$**
USD (5% movement)	(27,127)	27,127
VEF (10% movement)	(21,128)	21,128
2013		
USD (5% movement)	(26,590)	26,590
VEF (10% movement)	(14,548)	14,548

22. Subsequent Events

(i) Paid in capital

The Government of Trinidad and Tobago advised the Company on September 23, 2016, that the TT$411M Paid in Capital shall be treated as an equity injection. As such the Company proposed to issue 64,200,000 common shares to the Government of Trinidad & Tobago and in accordance with the Company's Articles at item 6 and the Shareholders Agreement at clause 2.7 advised the Government of Jamaica on April 4, 2017 of its pre-emptive right to subscribe for new shares. The Government of Jamaica advised the Company on May 10, 2017 that it shall waive its pre-emptive right to subscribe for new share.

22. Subsequent Events

(i) Paid in capital (continued)

The Company's Board of Director approved on May 23, 2017 a resolution to issue 64,200,000 shares to the Government or Trinidad & Tobago with a date of issuance of May 23, 2017. The issuance of these shares will have the following effect on shareholder interest:

	Current % Holding	**% Holding after Share Issuance**
Government of Trinidad & Tobago	84%	88.1%
Government of Jamaica	16%	11.9%

(ii) Lease of aircraft and engines

On March 1, 2015, CAL negotiated with lessor AerCap, the extension of lease term by 54 months for 8 of its Boeing 737 aircraft fleet. In July 2015 CAL also agreed with lessor AerCap to early redeliver its 2 Boeing 767 aircraft as part of it termination of its UK Gatwick operations and discontinuation of 767 operations. This agreement to early redeliver the 767 fleet included an early termination penalty of US$135,000 per month on each 767 aircraft from the dates of early redelivery of February 1, 2016 and March 15, 2016 respectively to the original contractual redelivery date of August 25, 2017.

The terms above had the following effect on total operating lease commitments as at December 31, 2014:

	TTD $'000
Within 1 year	359,427
Within 2-5 years	887,330
Over 5 years	131,667

22. Subsequent Events (continued)

(iii) Borrowings and financing

On January 21, 2015 CAL entered into a loan facility with First Citizen for the amount of US$75 million. The facility has a term of 8 years with interest of 6 month LIBOR plus 2.18% and principle and interest payable semi-annually. A bullet payment of approximately US$39.5 million is payable at the end of first 4 year period of loan term.

The First Citizen loan facility of US$64.2 million (See Note 9 (c)) with a maturity date of January 31, 2016 was refinanced on April 27, 2016 with a maturity date of April 22, 2019 with 6 month LIBOR plus 2.25% and interest payable semi-annually and principle due at maturity.

(iv) Cash and cash equivalents

The volatile economic situation in Venezuela has continued to place pressure on the Venezuelan Bolívar fuerte (VEF) and has progressively worsened with the Venezuelan Government discounting the repatriation of funds from the financial system via the Comisión de Administración de Divisas (CADIVI) during the first quarter of 2015.

The Company's management subsequently met with Venezuelan Government officials in March 2015 and May 2016 to assess funds blocked from repatriation and to seek agreement on a repatriation plan. To date no funds have been repatriated since first quarter 2015.

To compound the situation the Venezuelan Government announced in January 2016 a new currency exchange system for air transportation, Las Divisas Complementarias (DICOM) effective March 9, 2016. The effect of this change was a TT$358.5 million foreign exchange loss on the VEF 794.3 million held as that date. The airline continues to operate in Venezuela, but at a reduced scale from the 2nd quarter of 2016 and has discontinued all sales of tickets in Venezuela and in VEF since that period. The Company's management has made representation to the Government of Trinidad & Tobago in advocating its position on repatriation of funds of out Venezuela.