CARIBBEAN AIRLINES 2007 ANNUAL ADMINISTRATIVE REPORT

SUBMITTED TO
THE GOVERNMENT OF THE REPUBLIC
OF TRINIDAD AND TOBAGO
09 DECEMBER 2009

Caribbean Airlines
the warmth of the islands

Corporate Profile

Registered Office Caribbean Airlines Limited Iere House, Golden Grove Road, Piarco, Trinidad and Tobago, W.I. Telephone: +1 868 669 3000 Fax: + 1 868 669 1865 Website: www.caribbean-airlines.com	**Bankers** Royal Bank of Trinidad and Tobago Royal Court, 19-21 Park Street Port of Spain, Trinidad and Tobago, W.I. Citibank Trinidad & Tobago Limited #12 Queen's Park East, Port-Of-Spain. Trinidad and Tobago, W.I. N.A 111 Wall Street 21st Floor New York, New York 10043, U.S.A.
Auditors KPMG Scotia Centre 56-58 Richmond Street PO Box 1328 Port of Spain Trinidad and Tobago, W.I.	**Insurance Brokers** Aon Aviation Aon Risk Services Southwest, Inc. 2711 North Haskell Avenue, Suite 800 Dallas, Texas 75204 U.S.A. Local office: Aon Energy Caribbean Limited 1 Murray Street Woodbrook, Port of Spain, Trinidad and Tobago, W.I.

Incorporation Date: 27 September 2006

Operational Launch: 01 January 2007

Board of Directors: Mr. Arthur Lok Jack (Chairman), Mr. Gervase Warner, Mr. Shafeek Sultan-Khan, Mr. Robert Riley

Corporate Headquarters: Iere House, Golden Grove Road,
Piarco, Trinidad, West Indies
+ 868.669.3000

Airline Code: BW

Operational Hub: Piarco International Airport, Trinidad, West Indies

MISSION AND VISION OF CARIBBEAN AIRLINES

THE MISSION OF CARIBBEAN AIRLINES IS:

"To raise customer satisfaction by delivering our promises in providing the highest standards of service and reliability marked by genuine Caribbean hospitality, commitment to safety, and consistent value delivered by passionate people."

CARIBBEAN AIRLINES WILL ACHIEVE THIS MISSION BY:

Managing sustainable profitable growth, and establishing a position of leadership as the first choice carrier to, from, and within the Caribbean. The airline's skills at containing costs enables it to provide flexible travel solutions at an affordable price with a relentless focus on improving service.

THE VISION FOR THE PEOPLE OF CARIBBEAN AIRLINES IS THAT:

We are committed to providing a safe, stable working environment with high levels of productivity, empowerment and personal accountability with opportunity for personal and professional growth.

Our employees' commitment, skills, creativity and pride will be the cornerstone of our success."

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1. Goals and Objectives in 2007

Caribbean Airlines' leadership is based on an unparalleled offer with levels of flexibility, choice, service reliability and value-for-money on a level never achieved before. The airline continues to build on strong foundations which have been established in its first year of operation. This will enable Caribbean Airlines to enter into an accelerated phase of change and transformation.

The industry standard for On Time Performance (OTP) is 85%. In 2007 Caribbean Airlines achieved a system-wide OTP of 86%. The level of Customer Service consistently delivered in 2007 also exceeds industry standards. For instance, although the industry standard is 8 mishandled bags in every 1000, the airline average is around 0.5 mishandled bags per 1000.

1.1 Commercial Strategy

Caribbean Airlines planned to strengthen its position of market share leadership and establish a dominant position over air travel to and from its hub at Piarco International Airport. The airline's budget and business plans continue to project sustainable growth on international routes, thereby reinforcing the attractiveness of its product and capability to win in the struggle with competitors.

The airline continues to develop Piarco International Airport as the leading regional transfer hub connecting the Caribbean to North and South America and the airline plans to seize every available opportunity to reinforce its links with its core "Visiting Friends and Relatives" (VFR) market thanks to its offering of unparalleled value and affordable travel solutions.

The commercial strategy will ensure that it make its environment ever more challenging for competitors and the airline will raise the barriers of entry for any carrier seeking either to enter the market or grow service to the region.

Additional destinations are continuously assessed for the airline's Boeing 737-800 fleet, whilst simultaneously ensuring that it is prepared at all times to reduce exposure to competition.

Trinidad and Tobago Air Bridge – The air bridge is a social service which cannot allow any interruption to its operations. By improving fleet reliability, Caribbean Airlines has demonstrated its commitment to this goal.

Distribution – Caribbean Airlines continues to improve its distribution channels which focus on both domestic and international operations. In order to reduce its "cost to sales" Caribbean Airlines is constantly seeking to improve efficiency and productivity in the distribution of its product. Rigorous analysis including the evaluation of sales commissions, call centre activities, sales channels, customer service, etc., are continuously being reviewed and remains "top of mind" where management is concerned.

Ancillary Revenues – Caribbean Airlines planned to enhance its ancillary revenue streams, for example in the Duty Free retail endeavour.

1.2 Transform Cost Performance

Caribbean Airlines introduced robust efforts to reduce its cost base in 2007. The airline measured its performance against all its unit cost KPIs and drove improved delivery at all levels of the organisation. Relationships with outsourced partners were consistently managed for value.

Strategic cost initiatives, including Information Systems (IS) infrastructure and distribution, will achieve a step change, whilst a review of all activities, suppliers and contracts will secure significant cost savings, as well as a stronger sense of accountability across all functional areas. This cost base was managed aggressively whilst continuing to deliver a high-quality service experience.

2. ACHIEVEMENTS IN 2007

BUILDING CARIBBEAN AIRLINES' ROUTE NETWORK

Since the establishment of Caribbean Airlines, its route network and frequencies have grown in a robust, incremental and focused manner. In fact, its modest base of 62 weekly departures on 01 January 2007 proved to be the perfect base on which to build.

At start-up, the airline offered daily service from Piarco International Airport to New York's John F Kennedy Airport, Toronto's Pearson International Airport and to Miami International Airport. Caribbean Airlines also commenced daily service to Kingston, Jamaica, via Barbados, Antigua and Saint Maarten, as well as three flights per week to Paramaribo in Suriname.

Flights were maintained to London Heathrow until March 2007, after which Caribbean Airlines established a 'code-share' with British Airways, ensuring uninterrupted service to the UK capital for customers of Caribbean Airlines, and the continuation of loyalty benefits.

In March and April 2007 the airline demonstrated its capacity to increase service to satisfy additional demand in support of key regional events and throughout the Tobago Jazz Festival and Cricket World Cup.

On 01 October 2007, Caribbean Airlines assumed service previously provided by Tobago Express. This represented an important milestone for civil aviation in Trinidad and Tobago and ensured reliable service between the sister islands, as well as enhanced access to Caribbean Airlines' international network.

Key benefits were achieved very rapidly for customers on the 'air-bridge' service. First and foremost, a significant improvement in operational performance was achieved almost immediately and an OTP of 92% was recorded for the period October-December 2007 underlining Caribbean Airlines' total commitment to the service.

More options have been provided for customers to facilitate ease of booking; and the display of inventory in the major Global Distribution Systems (GDS) provided, for the first time, access to the 'air-bridge' service to customers based outside of Trinidad and Tobago.

On the international front, by the end of 2007, the airline increased services for the Christmas peak to nine flights per week to Toronto, 13 flights per week to New York, 8 flights per week to Miami, and eight flights per week to Kingston. Throughout 2007 Caribbean Airlines offered double-daily service to Georgetown in Guyana, providing connections to Kingston, New York, Toronto and Miami.

The people of Caribbean Airlines had also successfully grown the airline by the end of 2007 to an operation with 444 weekly services, operated by 6 Boeing 737-800s, one additional Boeing 737-800 on short-term dry lease, and 5 Dash-8 300s.

3. INITIATIVES FOR 2007

Productivity, working practices and processes implemented in 2007 will continue to be enhanced across the board. The airline plans to carry on with its investment in training annually so that it is able to place appropriate resources behind its ambitions.

Commitment to its people is also reflected in our focus on Health and Safety. The airline has strengthened its performance by mirroring its admirable air safety effort in its ground safety environment.

3.1 REGIONAL STRATEGY

Caribbean Airlines continues to grow by focusing on its core model, whilst considering all opportunities to expand and reinforce its position of regional leadership.

3.2 HUMAN CAPITAL

By December 2007, Caribbean Airlines was able to offer permanent contracts for its staff, marking a critical milestone and providing its people with security and the firm knowledge of their role in the airline's future.

3.3 Sustainability Projects

a. Carbon Neutral

As Caribbean Airlines continues its operations the airline has always remained conscious of its impact on the environment and its responsibility as citizens of this fragile world. With this in mind, on 01 July 2007 Caribbean Airlines proceeded to become the first airline in the Caribbean region to launch a leading-edge initiative to provide sustainable air travel by introducing the CarbonNeutral® programme in partnership with the CarbonNeutral Company. Travellers were offered the opportunity to offset airline carbon emissions by investing in eco-friendly projects such as renewable energy and reforestation. The airline sees this as significant potential in gaining greater loyalty from its customers.

b. Greater Operational Efficiency

Caribbean Airlines invested in installing winglets on the entire Boeing 737-800 fleet to increase the efficiency of our aircraft and reduce the CO_2 produced, saving at least 4,000 tons of CO_2 emissions in 2007 alone.

c. ISO Voluntary Standards

Caribbean Airlines is aware that the International Standards Organisation (ISO) has launched the development of the future ISO 26000 standard which seeks to provide voluntary guidance on social responsibility (SR). This standard will be published towards the end of 2010 and includes 7 core subjects:

1. Organizational governance
2. Fair operating practices
3. The environment
4. Human rights
5. Labour practices
6. Consumer issues
7. Community involvement and development.

Once published, Caribbean Airlines is of the belief that voluntary adoption of this standard will provide practical guidance on implementing sustainability throughout the organisation. This enables the airline's communicators to be able to use the standard to develop airline specific practices in sustainability communication and stakeholder engagement.

4. 2007 Financial Performance

4.1 2007 Financial Summary

In 2007, the first year of operation, Caribbean Airlines exceeded expectations by outperforming financial targets. (The Audited Consolidated Financial Statements for the year ending December 31, 2007 can be found in Appendix 1) This can be reported as follows:

- Total revenue exceeded target by USD24.7 million
- A net loss for 2007 of USD 18.7 million, after taking a non-recurring charge of USD25.5 million for restructuring and transition costs

The revenue performance was largely due to better scheduling and capacity utilization on our routes and aggressive but sensible pricing, resulting in more passengers flying with Caribbean Airlines than anticipated.

It should be noted that operating expenses were USD26.7 million higher than budget. This was due in part to operation of the London route longer than expected and also as a result of the introduction of additional services and frequencies. The disciplined control of these expenses will be a top priority in coming years and a number of initiatives have already been designed in this regard.

APPENDIX 1

CARIBBEAN AIRLINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS OF
DECEMBER 31, 2007

Independent Auditor's Report

To the Shareholders of Caribbean Airlines Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Caribbean Airlines Limited and its subsidiary (the Group), which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

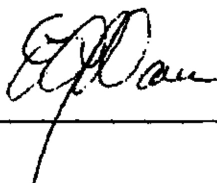
Chartered Accountants

Port of Spain
Trinidad, W.I.
October 10, 2008

CARIBBEAN AIRLINES LIMITED
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2007
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes		
ASSETS			
Non-Current Assets			
Property, plant and equipment	1	$	139,828
Investment in associated companies	2		12,184
Prepaid maintenance reserves			374,077
Aircraft and other deposits	3		128,806
			654,895
Current Assets			
Inventories	4		43,369
Trade receivables			103,051
Due from related parties	5		353,335
Receivable from GORTT			236,367
Other receivables and prepayments	6		72,145
Cash and cash equivalents			484,784
			1,293,051
Goodwill			8,148
Total assets		$	1,956,094
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated capital	7	$	726,606
Accumulated deficit			(117,592)
			609,014
Non-Current Liabilities			
Provisions	9		648,124
Short-term borrowings	10		48,158
			696,282
Current Liabilities			
Accounts payable			130,891
Accrued expenses and other payables	8		70,516
Provisions	9		56,172
Short term borrowings	10		4,536
Unearned transportation revenue			388,683
			650,798
Total Equity and Liabilities		$	1,956,094

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


Director

Director

CARIBBEAN AIRLINES LIMITED
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2007
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes		
Operating Revenues			
Scheduled passengers		$	945,263
Cargo and mail			47,444
Other income	11		117,237
			1,109,944
Operating Expenses			
Staff costs	12		186,312
Fuel			211,997
Lease of aircraft and engines			148,666
Maintenance costs			111,383
Passenger expenses			75,710
Selling and marketing			51,398
Commissions			39,059
Aircraft ground handling and navigation			119,303
Crew expenses			16,543
Rental of fixed assets			7,058
Depreciation			1,258
Other expenses	13		165,052
			1,133,739
Income from operations			(23,795)
Other (Expenses) Income			
Interest income			24,712
Interest expense			(2,262)
Foreign currency translation loss			(7,553)
Negative goodwill			53,280
Restructuring and transition costs	16		(160,984)
			(92,807)
Loss before Taxation			(116,602)
Taxation	14		(990)
Loss for the year		$	(117,592)

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

CARIBBEAN AIRLINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2007

(Expressed in thousands of Trinidad and Tobago dollars)

		Stated Capital	Accumulated Deficit	Total
Issue of stated capital	$	726,606	-	726,606
Loss for the year		-	(117,592)	(117,592)
Balance at December 31, 2007	$	726,606	(117,592)	609,014

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

CARIBBEAN AIRLINES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

(Expressed in thausands of Trinidad and Tobaga dallars)

	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		$	(116,602)
Adjustment to reconcile loss before taxation to net cash used in operating activities:			
Unearned transportation revenue recognised in the year			102,560
Negative goodwill			(53,280)
Depreciation charged			1,258
Interest income			(24,712)
			(90,776)
Net change in operating assets and liabilities	15		(153,264)
Tax paid			(803)
Net cash used in operating activities			(244,843)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in subsidiary and associated companies			(20,784)
Interest received			24,712
Net cash from investing activities			3,928
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repayment			(907)
Net proceeds from issue of shares			726,606
Net cash from financing activities			725,699
Increase in cash and cash equivalents			484,784
CASH AND CASH EQUIVALENTS AT START OF YEAR			-
CASH AND CASH EQUIVALENTS AT END OF YEAR		$	484,784

The consolidated statement of cash flows excludes investing activities representing inflows of non-cash resources totallin $72,803.

The accompanying notes form an integral part af these consolidated financial statements.

INCORPORATION AND PRINCIPAL ACTIVITY

Caribbean Airlines Limited (CAL) was incorporated in the Republic of Trinidad and Tobago on September 27, 2006 and commence commercial operations on January 1, 2007. CAL is the new national airline of Trinidad and Tobago with its main hub at the Piar International Airport in Trinidad and Tobago. It operates international services in the Caribbean and to the United States, Unit Kingdom, Canada and South America. The airline is wholly owned by the Government of the Republic of Trinidad and Toba (GORTT). On October 1, 2007, CAL acquired all of the issued share capital of Tobago Express Limited and assumed all responsibilit for the operation of the domestic route, previously undertaken by Tobago Express Limited. CAL's registered office is located at 17- Pembroke Street, Port of Spain. The consolidated financial statements of the CAL as at and for the year ended December 31, 20 comprise CAL and its subsidiary (together referred to as the "Group" and individually as "Group entities") and the Group's interest associated companies.

	Shareholding	Country of Incorporation
Tobago Express Limited	100%	Trinidad and Tobago
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 Trinid and Tobago. Subsequent to that date, it became dormant and all operations were absorbed by CAL.

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

On October 10, 2008, 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).

(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 consolidated financial statements are presented in Trinidad and Tobago dollars which is the Group's functional currency.

(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.

Judgements made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 20 - Use of Accounting Estimates and Judgements.

(e) Foreign currency transactions

Foreign currency transactions are translated to Trinidad and Tobago currency at the rates of exchange prevailing at the d of each transaction. At the balance sheet date, amounts receivable and payable in foreign currencies are translated at rates of exchange prevailing at that date. Resulting translation differences between the amounts at which transactions originally recorded and those at which they are paid, or to which they are adjusted at the balance sheet date are brou to account as translation gains or losses in the consolidated statement of income in the year in which the translation ra change.

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

(f) Financial Instruments

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

(g) Basis of consolidation

(i) Subsidiary

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

(ii) Associated companies

Associates are those entities in which the Group has significant influence, but not control, over the financial operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of voting power of another entity.

(g) Basis of consolidation (continued)

(ii) Associated companies (continued)

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. 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.

(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. The cost of acquired assets includes the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

(h) ***Property, plant and equipment*** (continued)

(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 the statement of income during the financial period as an expense as incurred.

(iii) *Depreciation*

Depreciation and amortisation are provided on a straight line basis on all items of property, plant and equipment. The depreciation and amortization 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 or amortised 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 and amortisation periods are as follows:

Ground equipment	-	10 years
Leasehold improvements	-	30 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 balance sheet date.

(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) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the statement of income.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(j) 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 the statement of income. 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.

(j) Impairment (continued)

(ii) Non-Financial assets (continued)

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.

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").

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 the statement of income. 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 in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Prepaid Maintenance Reserves

Prepaid maintenance reserves are deposits held by the lessors of aircraft to fund future major overhaul requirements for engine, APU, airframe and landing gear related expenses that meet the criteria of the lease agreement.

(l) 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. These are refundable.

(m) Inventories

Inventories are stated at the lower of cost and net replacement cost, cost being determined on the first in, first out method.

(n) Receivables

Current 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 the consolidated statement of income. Bad debts are written off as incurred.

(o) Cash and cash equivalents

Cash and cash equivalents includes 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.

(p) Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

(q) Payables

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

(r) 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

A provision for 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.

(r) Provisions (continued)

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and t restructuring either has commenced or has been announced publicly. Future operating costs are not provided foi

(iii) Maintenance

A provision for C-check related maintenance expenses is recognised when the Group is required to perform checks.

(iv) Overhaul expenses

A provision for overhaul expenses is recognised when the Group is required to adhere to certain maintenance conditi during the lease term.

(v) Frequent flyer

A provision for frequent flyer is recognised as points are accumulated, net of estimated points that will expire. (S Note 9 and accounting policy (x)).

(vi) Employee leave entitlement

A provision for employee entitlement to annual leave is recognised when it accrues to employees.

(s) Revenue recognition

Passengers, cargo and mail and other revenue

Passengers, cargo and mail and other revenue are recognised in the consolidated statement of income at the fair value of consideration receivable net of passenger and freight interline/IATA commission and applicable taxes. Passenger recover (including fuel surcharge on passenger tickets) are recognised as part of other revenue.

Freight fuel surcharge is recognised as part of cargo and mail revenues. Other sales commissions paid by the Group included in expenditure. Passengers, cargo and mail and other revenue are credited to revenue received in advance unearned transportation revenue and subsequently transferred to revenue when passengers or cargo are uplifted. Chan in these estimation methods could have a material impact on these consolidated financial statements.

(s) *Revenue recognition* (continued)

Other income

Additionally, revenue from aircraft charter and leases, property income, Club Caribbean membership fees, income from the partners in the frequent flyer programme, freight terminal and service fees, commission revenue, age availed surplus revenue and other miscellaneous income are recognised as other income at the time the services are provided.

Finance income

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

Asset disposals

The gain or loss on the disposal of assets is recognised at the date the significant risks and rewards of ownership of the asset passes to the buyer, usually when the purchaser takes delivery of the asset. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(t) *Maintenance and overhaul costs*

Accounting for the cost of providing major airframe and certain engine maintenance is described in the accounting policy for provisions (see accounting policy (r)).

All other maintenance costs are expensed as incurred.

(u) *Employee benefits*

Employee benefits are all forms of consideration given by CAL 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 consolidated balance sheet date. The calculation of these liabilities is based on remuneration wage and salary rates that the Group expects to pay as at consolidated balance sheet date.

(v) *Lease*

Leases of assets under which a significant portion of the risks and benefits of ownership are retained by the lessors classified as operating leases. Payments made under operating leases are charged to the consolidated statement of inco as incurred over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the les by way of penalty is recognised as an expense in the period in which termination takes place. Leases of property, plant a equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases.

(w) *Taxation*

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

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carry amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss). Net deferred tax ass 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 liability is settled. The effect on the deferred tax of any changes in the tax rate is charged to the consolidated statemen income.

(x) *New standards and interpretations not yet adopted*

At the date of authorisation of the consolidated financial statements there were new standards, amendments to standa and interpretations and the related effective dates which were in issue but were not yet effective for the year enc December 31, 2007, and have not been applied in preparing these consolidated financial statements and are as follows

IFRS 1	First-time Adoption of International Financial Reporting Standards— Amendment relating to cost of an investment on first-time adoption	January 1, 2009
IFRS 2	Share-based Payment — Amendment relating to vesting conditions and cancellations	January 1, 2009

(x) ***New standards and interpretations not yet adopted*** (continued)

IFRS 3	Business Combinations — Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRSs	July 1, 2009
IAS 1	Presentation of consolidated financial statements — Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 1	Presentation of consolidated financial statements — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 16	Property, Plant and Equipment — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 19	Employee Benefits — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 20	Government Grants and Disclosure of Government Assistance — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 23	Borrowing Costs — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements — Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 27	Consolidated and Separate Financial Statements — Amendment relating to cost of an investment on first-time adoption	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009

(x) ***New standards and interpretations not yet adopted*** (continued)

IAS 28	Investments in Associates — Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 29	Financial Reporting in Hyperinflationary Economies — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 31	Interests in Joint Ventures — Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 32	Financial Instruments: Presentation — Amendments relating to puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 36	Impairment of Assets — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 38	Intangible Assets — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments for eligible hedged items	July 1, 2009
IAS 40	Investment Property — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 41	Agriculture — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009

(x) ***New standards and interpretations not yet adopted*** (continued)

IFRIC 12	Service Concessions Arrangements	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	January 1, 2008
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008

The adoption of IFRIC 13 is expected to change the way the Group accounts for its frequent flyer program. On adoption of IFRIC 13, revenue received in relation to flight eligible to earn points will be split, based on the fair value between the flight and value of the points awarded. The value attributable to the eligible flight will be recognised on passenger uplift whilst the value attributable to the awarded points will be deferred as a liability until the points are ultimately utilised. The impact of the adoption of IFRIC 13 will have an effect in the results from operations and shareholders' equity.

Except for the impact of the adoption of IFRIC 13 described in the preceding paragraph and additional disclosures required by the adoption of other standards and interpretations, the adoption of these standards and interpretations are not expected to have a material impact on the consolidated financial statements.

(y) ***Borrowings***

The Group's borrowing transactions are recognised in the balance sheet at the time the funds are transferred to the Group. The borrowing transactions are recognised at amortised cost less transaction costs.

1. Property, Plant and Equipment

Of the following items of property, plant and equipment $81,758 were purchased from BWIA West Indies Airways Limit (BWIA) on December 31, 2007. Prior to the acquisition date, these assets were leased from BWIA.

		Aircraft and Aircraft Parts	Computer Equipment	Motor Vehicles	Leasehold Equipment	Other Equipment	Total
Cost/Revaluation							
Purchased from BWIA	$	78,585	1,558	384	470	771	81,768
Tobago Express Limited		98,622	740	-	5,839	2,185	107,386
Balance at December 31, 2007	$	177,207	2,298	384	6,309	2,956	189,154
Depreciation							
Tobago Express Limited	$	(44,214)	(431)	-	(2,790)	(633)	(48,068)
Depreciation charge		(1,258)	-	-	-	-	(1,258)
Balance at December 31, 2007	$	(45,472)	(431)	-	(2,790)	(633)	(49,326)
Carrying amount							
As at December 31, 2007	$	131,735	1,867	384	3,519	2,323	139,828

2. Share of Assets in Associated Companies

Katerserv Limited	$	5,452
Allied Caterers Limited		6,732
	$	12,184

3. Aircraft and Other Deposits

Deposits on aircraft	$	63,824
Other deposits		64,982
	$	128,806

4. Inventories

Expendable aircraft spares - at cost	$	43,174
Duty free items		195
	$	43,369

Included in inventories are items totalling $43,112 which were purchased from BWIA on December 31, 2007.

5. Due from Related Parties

(a) *Identity of related party*

The Group has related party relationships with its shareholder, subsidiaries, associated companies, affiliates, director and executive officers.

(b) *Related party transactions and balances*

(i) *Balances*

Due from related parties:		
Amount due from BWIA West Indies Airways Limited	$	353,335

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled i cash within twelve months of the reporting date. None of the balances are secured.

Trade receivables - GORTT	$	236,367

CAL has a fuel hedge rebate arrangement with the GORTT, which effectively hedges CAL against the downsid risk of rising jet fuel prices. This arrangement allows CAL to recover the difference between the actual co per gallon and the hedged price per gallon of US$1.50 as calculated from the base price of US$50.00 per W barrel of oil (before taxes and delivery charges). This arrangement is for a four year period.

5. Due from Related Parties (continued)

(b) Related party transactions and balances (continued)

(i) Balances

Due to related parties

Trade payables - Katerserv Limited	$	3,587

(ii) Transactions

A number of transactions have been entered into with the shareholder in the normal course of business.Th transactions are included in the respective captions in the consolidated statement of income as follows:

Expenses

GORTT - Operating expenses – Fuel	$	79,312
Katerserv Limited – Operating expenses – Passenger expenses	$	14,178
BWIA – Operating expenses – Rental of fixed assets	$	7,058

(c) Transactions with key management personnel

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

Short-term employee benefits	$	9,642
Directors' fees	$	1B2

6. Other Receivables and Prepayments

Recoverable claims on maintenance reserves	$	23,454
Prepayments		48,691
	$	72,145

7. Stated Capital

Authorised

An unlimited number of ordinary shares of no par value

Issued and fully paid

Ordinary shares of no par value	$	726,606

8. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses:		
- Passenger	$	27,824
- Payroll		7,929
- Other		31,489
Other payables		3,086
Taxes		188
	$	70,516

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19.

9. PROVISIONS

		Re-delivery	C-check Maintenance	Overhaul Expenses	Frequent Flyer	Employment Leave Entitlement	Restructuring	Other	Total
Balances acquired from BWIA	$	126,869	22,270	366,172	156,935	-	-	-	672,246
Provisions made during the period		12,827	30,381	43,465	-	2,287	28,876	1,451	119,287
Provisions used during the period		(24,212)	(28,265)	-	-	-	-	(828)	(53,305)
Provisions recovered during the period		-	-	(33,932)	-	-	-	-	(33,932)
Balance at December 31, 2007	$	115,484	24,386	375,705	156,935	2,287	28,876	623	704,296
Non-current	$	115,484	-	375,705	156,935	-	-	-	648,124
Current		-	24,386	-	-	2,287	28,876	623	56,172
	$	115,484	24,386	375,705	156,935	2,287	28,876	623	704,296

Re-delivery

This provision is based on the present value of the expected future cost of meeting the maintenance return condition having regard to the current fleet plan and long-term maintenance schedules. The present value of non-maintenance return conditions is provided for at the inception of the lease.

Maintenance

The Group provides for aircraft C-check related maintenance expenses based on the expected costs to be incurred on aircraft C-checks during the terms of their leases.

9. PROVISIONS (CONTINUED)

Overhaul expenses

The Group provides for maintenance obligations on leased aircraft, based on the contractual requirements of t individual lease contracts. These provisions are estimated by the lessors with reference to current costs as agreed wi management.

Frequent flyer

A provision has been made for the obligation to provide travel rewards to members for points accumulated from travelli on CAL and partner airline services.

Members of the CAL frequent flyer program accumulate points by travelling on qualifying CAL and partner airline servic The obligation to provide travel rewards to members arising from these points is provided as points are accumulated, r of estimated points that (being the cost of meals and passenger expenses) of providing the travel rewards based on t estimated weighted average cost of the reward mix, that is, redemptions on CAL services on non-airline or other memb airlines.

Changes in cost estimates, breakage assumptions and passenger recoveries could have a material impact on the consolidated financial statements.

Employee leave entitlement

A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to t consolidated balance sheet date.

10. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, whi are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency a liquidity risk, see Note 19.

Non-current liabilities		
Secured bank loans	$	26,027
Finance lease liabilities		22,131
	$	48,158
Current liabilities		
Current portion of secured bank loans	$	3,870
Current portion of finance lease liabilities		666
	$	4,536

10. LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount
EDC Senior loan	USD	7.899%	2013	33,470	22,475
Bombardier Junior loan	USD	8.396%	2013	26,786	22,797
Tobago House of Assembly	TTD	0%	N/A	7,421	7,421

11. OTHER INCOME

Charter	$	5,868
Insurance surcharge		31,032
Fuel surcharge		23,385
Income from the partners in the frequent flyer programme		22,888
Net income from sale of duty free items		10,247
Other		23,817
	$	117,237

12. STAFF COSTS

Salaries and wages	$	147,460
Crew allowances		11,666
National insurance and health surcharge		3,199
Other personnel expenses		23,987
	$	186,312

Total number of employees as at December 31, 2007 was 984.

13. Other Operating Expenses

Security and other direct expenses	$	60,410
Administrative charges		29,895
Professional fees		19,645
Building and utilities		21,567
Provision for bad debts		1,883
Computer, telephone and communication charges		31,652
	$	165,052

14. Taxation

(a) Green fund levy	$	990

(b) The Group's effective tax rate differs from the statutory rate as a result of the differences shown below:

Loss before taxation	$	(116,602)
Corporation tax at the statutory rate of 25%	$	(29,150)
Tax effect of non-deductible items		471
Tax losses not recognised		28,679
Green fund levy		990
	$	990

The Group has unutilised tax losses of $28,679 and which has not yet been assessed and agreed to by the Boa
Inland Revenue

15. Net Change in Operating Assets and Liabilities

Trade receivables	$	(137,288)
Due from related parties		72,804
Miscellaneous receivables and prepayments		(68,795)
Accounts payable		(23,766)
Accrued expenses and other payables		60,930
Inventory		(43,369)
Deposits on aircraft		3,766
Other deposits		(41,437)
Provisions		23,893
	$	(153,264)

16. RESTRUCTURING AND TRANSITION COSTS

During the year, the Group commenced restructuring of its operations, which were acquired from BWIA, resulting in o
time transition and restructuring related costs. Various locations and routes were discontinued resulting in early terminati
costs, retention bonuses and legal fees, as well as, lease commitments on unused aircraft for part of the year. Transiti
costs relate to the re-branding of aircraft and the consulting fees relating to the launch of the Group.

Restructuring and transition costs comprise the following:		
Personnel	$	46,942
Fleet and operations		39,446
Corporate restructure		27,486
Branding, PR and legal		23,315
IT costs		16,942
Cargo handling		5,850
Property costs		1,003
	$	160,984

17. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

a) *Operating lease commitments*

The Group leases six aircraft on short-term leases which are due to expire December 31, 2010.

The Group also leases the majority of its ground facilities including executive and administrative offices, overhaul a
maintenance bases and ticket and reservation offices. Public airports are utilised for flight operations under le
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 expen
applicable to the leased property. All leases also include renewal options.

Minimum Material Operating Lease commitments excluding maintenance provisions as at December 31, 2007 comprise:

2008	$160,000
2009	$160,000
2010	$160,000

17. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (CONTINUED)

b) Other

The Group has established a Letter of Credit with RBTT Bank Limited amounting to US$330 (TT$2,079).

Withholding taxes have not been paid on foreign remittances in relation to services received because managen of the view that the Group will be afforded the same concession for the relief of such taxes as was given to BWI estimated tax not paid totals $1,355.

18. 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, polici processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosu included throughout these consolidated financial statements.

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

The Group's overall risk management programme seeks to minimise potential adverse effects on financial performa 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 m contractual obligations, and arises principally from the Group's receivables from customers and investment balance

Credit risk (continued)
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. There is no significant concentration of credit risk.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

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.

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 assists it 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.

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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than its func currency. These other currencies are, primarily U.S. Dollars (USD), and also the euro ( ) and Sterling (GBP).

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

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

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structu reduce the cost of capital. The Group has no borrowings.

Neither the Group nor any of its subsidiary nor associated companies is subject to externally imposed c requirements.

19. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

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

Trade receivables	$	103,051
Due from related parties		353,335
Other receivables (excluding prepayments)		23,454
Aircraft and other deposits		128,806
Cash and cash equivalents		484,784
	$	1,093,430

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

Domestic	$	103,051
United States		23,454
	$	126,505

The aging of trade receivables at the reporting date was:

Not past due	$	38,161
Past due 0-30 days		60,804
Past due 31-90 days		2,028
More than 90 days		2,058
	$	103,051

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

Balance at January 1	$	-
Impairment loss recognised		1,883
Balance at December 31	$	1,883

During 2007 the Group did not renegotiate any of the terms of its trade receivables.

Credit risk (continued)

Impairment losses

The allowance accounts in respect of trade and other receivables are used to record impairment losses unle is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecov written off against the financial asset directly. At December 31, 2007 the Group has provided for collective im its trade and other receivables of $1,883.

Liquidity risk

The contractual maturities of the accounts payable, accrued expenses and other payables are due within 6-12

Foreign currency risk

Exposure to currency risk

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

Details		USD	TTD	Other	Total
Assets					
Current assets	$	71,464	1,209,730	11,856	1,293,050
Non current assets		502,800	152,095	-	654,895
Goodwill		-	8,148	-	8,148
Total assets	$	**574,264**	**1,369,973**	**11,856**	**1,956,093**
Liabilities and equity					
Equity		-	609,014	-	609,014
Current liabilities		139,900	510,897	-	650,797
Non current liabilities		532,992	163,290	-	696,282
Total liabilities and equity	$	**672,892**	**1,283,201**	**-**	**1,956,093**
Net Gap	$	**98,628**	**(86,772)**	**(11,856)**	**-**

19. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk (continued)

Exposure to currency risk (continued)

The Group does not perform sensitivity analyses with regard to the strengthening or weakening of the TTD against other currencies, as the historical movement of the TTD against the USD has not exceeded 1%.

Fair values

The carrying amount of the financial assets and liabilities shown on the Balance Sheet represents their fair values due to the short term nature of these financial instruments.

20. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the date of the consolidated financial statements and income and expenses during the reporting period. Actual results could differ from these estimates.

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) and note 18	Impairment
Accounting Policy (q) and note 9	Provisions
Accounting Policy (r)	Revenue recognition – Unearned Transportation Revenue
Accounting Policy (f)	Valuation of Financial Instruments

CARIBBEAN AIRLINES LIMITED
NON-CONSOLIDATED FINANCIAL STATEMENTS OF
DECEMBER 31, 2007

Independent Auditor's Report

To the Shareholders of Caribbean Airlines Limited

Report on the Non-Consolidated Financial Statements
We have audited the accompanying non-consolidated financial statements of Caribbean Airlines Limited (the Company), which comprise the non-consolidated balance sheet as at December 31, 2007, and the non-consolidated statement of income, non-consolidated statement of changes in equity and non-consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

Opinion
In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as of December 31, 2007, and of its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

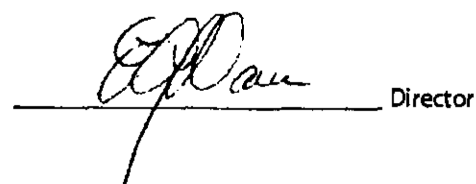
Port of Spain
Trinidad, W.I.
October 10, 2008

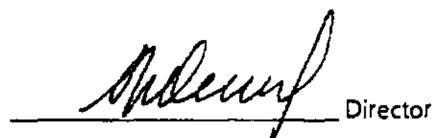
CARIBBEAN AIRLINES LIMITED
NON-CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2007

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes		
ASSETS			
Non-Current Assets			
Property, plant and equipment	1	$	81,768
Investments in subsidiary and associated companies	2		22,936
Prepaid maintenance reserves			374,077
Aircraft and other deposits	3		121,255
			600,036
Current Assets			
Inventories	4		43,369
Trade receivables			185,349
Due from related parties	5		463,791
Other receivables and prepayments	6		68,576
Cash and cash equivalents			481,803
			1,242,888
Total assets		$	1,842,924
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated capital	7	$	726,606
Accumulated deficit			(170,541)
			556,065
Current Liabilities			
Accounts payable			125,618
Accrued expenses and other payables	8		68,907
Provisions	9		56,172
Unearned transportation revenue			388,038
			638,735
Non-Current Liabilities			
Provisions	9		648,124
Total Equity and Liabilities		$	1,842,924

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


Director


Director

CARIBBEAN AIRLINES LIMITED

NON-CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2007

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes		
Operating Revenues			
Scheduled passengers		$	945,2
Cargo and mail			47,4
Other income	10		115,3
			1,108,0
Operating Expenses			
Staff costs	11		186,3
Fuel			211,9
Lease of aircraft and engines			148,6
Maintenance costs			111,3
Passenger expenses			75,7
Selling and marketing			51,3
Commissions			39,0
Aircraft ground handling and navigation			119,3
Crew expenses			16,5
Rental of fixed assets			7,0
Other	12		165,0
			1,132,4
Loss from Operations			(24,4
Other (Expenses) Income			
Interest income			24,7
Interest expense			(1,3
Foreign currency translation loss			(7,5
Restructuring and transition costs	15		(160,9
			(145,1
Loss before Taxation			(169,5
Taxation	13		(9
Loss after taxation		$	(170,5

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

CARIBBEAN AIRLINES LIMITED
NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2007

(Expressed in thousands of Trinidad and Tobago dollars)

		Stated Capital	Accumulated Deficit	Total
Issue of stated capital	$	726,606	-	726,606
Loss for the year		-	(170,541)	(170,541)
Balance at December 31, 2007	$	726,606	(170,541)	556,065

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

CARIBBEAN AIRLINES LIMITED
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007
(Expressed in thousands of Trinidad and Tobago dollars)

	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		$	(169,551)
Adjustment to reconcile loss before taxation to net cash used in operating activities:			
Unearned transportation revenue recognised in the year			102,737
Interest income			(24,712)
			(91,526)
Net change in operating assets and liabilities	14		(154,250)
Net cash outflow			(245,776)
Tax paid			(803)
Net cash used in operating activities			(246,579)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in subsidiary and associated companies			(22,936)
Interest received			24,712
Net cash from investing activities			1,776
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares			726,606
Net cash from financing activities			726,606
Increase in cash and cash equivalents			481,803
CASH AND CASH EQUIVALENTS AT START OF YEAR			-
CASH AND CASH EQUIVALENTS AT END OF YEAR		$	481,803

The non-consolidated statement of cash flows excludes investing activities representing inflows of non-cash resources totalli
$224,566.

The accompanying notes form an integral part of these non-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 new 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, United Kingdom, Canada and South America. The airline is wholly owned by the Government of the Republic of Trinidad and Tobago (GORTT). 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. CAL's registered office is located at 17-19 Pembroke Street, Port of Spain.

	Shareholding	Country of Incorporation
Tobago Express Limited	100%	Trinidad and Tobago
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.

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.

On October 10, 2008, the Board of Directors of CAL authorised these non-consolidated financial statements for issue.

Statement of Significant Accounting Policies

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

(a) *Statement of compliance*

These non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board.

(b) *Basis of preparation*

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

(c) *Functional and presentation currency*

Items in the non-consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company. The non-consolidated financial statements are presented in Trinidad and Tobago dollars which is the Company's functional currency.

(d) *Critical accounting estimates and judgements*

The preparation of these non-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.

Judgements made by management in the application of IFRS that have a significant effect on the non-consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 19 - Use of Accounting Estimates and Judgements.

(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 balance sheet 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 balance sheet date are brought to account as translation gains or losses in the non-consolidated statement of income 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 non-consolidated balance sheet include aircraft and other deposits, trade receivables, due from related parties, other receivables, cash and cash equivalents, accounts payable, accrued expenses and other payables. The particular recognition methods adopted are disclosed in the policy statements associated with each item.

(g) Investments in subsidiary and associated companies

Subsidiary

Shares in the subsidiary are stated at cost. Subsidiaries are entities controlled by the Company. Control exists when the Company 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. Consolidated financial statements are prepared but are presented separately from these non-consolidated financial statements.

- *Associated companies*

Associated companies are stated at cost. Associated companies are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Consolidated financial statements are prepared but are presented separately from these non-consolidated financial statements.

(h) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losse (see accounting policy *(i)*). Items of property, plant and equipment are initially recorded at cost, being the fair valu of the consideration provided plus incidental costs directly attributable to the acquisition. The cost of acquire assets includes the initial estimate at the time of installation and during the period of use, when relevant, of th costs of dismantling and removing the items and restoring the site on which they are located, and changes in th measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow o resources required to settle the obligation or from changes in the discount rate.

(ii) Subsequent expenditure

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

(iii) Depreciation

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

The principal asset depreciation and amortisation periods are as follows:

Leasehold improvements	-	30 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.

(h) *Property, plant and equipment* (continued)

(iii) Depreciation (continued)

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

(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 the statement of income. 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 Company'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.

(h) ***Property, plant and equipment*** (continued)

(iii) *Depreciation* (continued)

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

(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 the statement of income. 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 Company'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.

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

(ii) *Non-Financial assets* (continued)

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

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

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

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

(j) ***Prepaid Maintenance Reserves***

Prepaid maintenance reserves are deposits held by the lessors of aircraft to fund future major overhaul requirements f engine, APU, airframe and landing gear related expenses that meet the criteria of the lease agreement.

(k) ***Aircraft and other deposits***

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

(l) ***Inventories***

Inventories are stated at the lower of cost and net replacement cost, cost being determined on the first in, first out methc

(m) Receivables

Current 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 Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the non-consolidated statement of income. Bad debts are written off as incurred.

(n) Cash and cash equivalents

Cash and cash equivalents includes 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.

(o) Stated capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

(p) Payables

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

(q) 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

A provision for re-delivery is expensed during the lease term when the Company is required to return the aircraft to the lessor in certain contractually pre-determined conditions.

(ii) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(q) Provisions (continued)

(iii) Maintenance
A provision for C-check related maintenance expenses is recognised when the Company is required to perform C-checks.

(iv) Overhaul expenses
A provision for overhaul expenses is recognised when the Company is required to adhere to certain maintenance conditions during the lease term.

(v) Frequent flyer
A provision for frequent flyer is recognised as points are accumulated, net of estimated points that will expire. (See Note 9 and accounting policy (w)).

(vi) Employee leave entitlement
A provision for employee entitlement to annual leave is recognised when it accrues to employees.

(r) Revenue recognition

Passengers, cargo and mail and other revenue
Passengers, cargo and mail and other revenue are recognised in the non-consolidated statement of income at the fair value of the consideration receivable net of passenger and freight interline/IATA commission and applicable taxes. Passenger recoveries (including fuel surcharge on passenger tickets) are recognised as part of other revenue.

Freight fuel surcharge is recognised as part of cargo and mail revenues. Other sales commissions paid by the Company are included in expenditure. Passengers, cargo and mail and other revenue are credited to revenue received in advance i.e. unearned transportation revenue and subsequently transferred to revenue when passengers or cargo are uplifted. Changes in these estimation methods could have a material impact on these non-consolidated financial statements.

Other income
Additionally, revenue from aircraft charter and leases, property income, Club Caribbean membership fees, income from the partners in the frequent flyer programme, freight terminal and service fees, commission revenue, age availed surplus revenue and other miscellaneous income are recognised as other income at the time the services are provided.

(r) *Revenue recognition* (continued)

Finance income

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

Asset disposals

The gain or loss on the disposal of assets is recognised at the date the significant risks and rewards of ownership of the asset passes to the buyer, usually when the purchaser takes delivery of the asset. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(s) Maintenance and overhaul costs

Accounting for the cost of providing major airframe and certain engine maintenance is described in the accounting policy for provisions (see accounting policy (q).

All other maintenance costs are expensed as incurred.

(t) Employee benefits

Employee benefits are all forms of consideration given by CAL 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 non-consolidated balance sheet date. The calculation of these liabilities is based on remuneration wage and salary rates that the Company expects to pay as at non-consolidated balance sheet date.

(u) Lease

Leases of assets under which a significant portion of the risks and benefits of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are charged to the non-consolidated statement of income as incurred over the period of the lease.

(u) *Lease* (continued)

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases.

(v) *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 balance sheet date and green fund 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 the non-consolidated statement of income.

(w) *New standards and interpretations not yet adopted*

At the date of authorisation of the non-consolidated financial statements there were new standards, amendments to standards and interpretations and the related effective dates which were in issue but were not yet effective for the year ended December 31, 2007, and have not been applied in preparing these non-consolidated financial statements and are as follows:

IFRS 1	First-time Adoption of International Financial Reporting Standards— Amendment relating to cost of an investment on first-time adoption	January 1, 2009
IFRS 2	Share-based Payment — Amendment relating to vesting conditions and cancellations	January 1, 2009
IFRS 3	Business Combinations — Comprehensive revision on applying the acquisition method	July 1, 2009

(w) ***New standards and interpretations not yet adopted*** (continued)

Standard	Description	Effective date
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs	July 1, 2009
IAS 1	Presentation of non-consolidated financial statements — Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 1	Presentation of non-consolidated financial statements — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 16	Property, Plant and Equipment — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 19	Employee Benefits — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 20	Government Grants and Disclosure of Government Assistance — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 23	Borrowing Costs — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements — Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 27	Consolidated and Separate Financial Statements — Amendment relating to cost of an investment on first-time adoption	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 28	Investments in Associates — Consequential amendments arising from amendments to IFRS 3	July 1, 2009

(w) ***New standards and interpretations not yet adopted*** (continued)

Standard	Description	Effective date
IAS 28	Investments in Associates — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 29	Financial Reporting in Hyperinflationary Economies — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 31	Interests in Joint Ventures — Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 32	Financial Instruments: Presentation — Amendments relating to puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 36	Impairment of Assets — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 38	Intangible Assets — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments for eligible hedged items	July 1, 2009
IAS 40	Investment Property — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IAS 41	Agriculture — Amendments resulting from May 2008 Annual Improvements to IFRSs	January 1, 2009
IFRIC 12	Service Concessions Arrangements	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008

(w) ***New standards and interpretations not yet adopted*** (continued)

IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	January 1, 2008
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008

The adoption of IFRIC 13 is expected to change the way the Company accounts for its frequent flyer program. On adoption of IFRIC 13, revenue received in relation to flight eligible to earn points will be split, based on the fair value between the flight and value of the points awarded. The value attributable to the eligible flight will be recognised on passenger uplift whilst the value attributable to the awarded points will be deferred as a liability until the points are ultimately utilised. The impact of the adoption of IFRIC 13 will have an effect in the results from operations and shareholders' equity.

Except for the impact of the adoption of IFRIC 13 described in the preceding paragraph and additional disclosures required by the adoption of other standards and interpretations, the adoption of these standards and interpretations are not expected to have a material impact on the non-consolidated financial statements.

1. PROPERTY, PLANT AND EQUIPMENT

The following items of property, plant and equipment were purchased from BWIA West Indies Airways Limited (BWIA) on December 31, 2007:

Aircraft spares and parts	$	78,585
Computer equipment		1,558
Motor vehicles		384
Machinery and equipment		771
Leasehold improvements		470
	$	81,768

Prior to the acquisition date, these assets were leased from BWIA.

2. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

Tobago Express Limited	$	4,396
Katerserv Limited		13,600
Allied Caterers Limited		4,940
	$	22,936

3. AIRCRAFT AND OTHER DEPOSITS

Deposits on aircraft	$	63,824
Other deposits		57,431
	$	121,255

4. INVENTORIES

Expendable aircraft spares - at cost	$	43,174
Duty free items		195
	$	43,369

Included in inventories are items totalling $43,112 which were purchased from BWIA on December 31, 2007.

5. DUE FROM RELATED PARTIES

(a) *Identity of related party*

The Company has related party relationships with its shareholder, subsidiaries, associated companies, affiliates, directors and executive officers.

(b) *Related party transactions and balances*

(i) *Balances*

Due from related parties:

Amount due from BWIA West Indies Airways Limited	$	441,211
Amount due from Tobago Express Limited		22,580
	$	463,791

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within twelve months of the reporting date. None of the balances are secured.

Trade receivables - GORTT	$	85,709

CAL has a fuel hedge rebate arrangement with the GORTT, which effectively hedges CAL against the downside risk of rising jet fuel prices. This arrangement allows CAL to recover the difference between the actual cost per gallon and the hedged price per gallon of US$1.50 as calculated from the base price of US$50.00 per WTI barrel of oil (before taxes and delivery charges). This arrangement is for a four year period.

Due to related parties

Trade payables - Katerserv Limited	$	3,587

5. DUE FROM RELATED PARTIES (CONTINUED)

(b) *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 related to items of revenue and expenditure are included in the respective captions in the non-consolidated statement of income as follows:

Sale of goods and services		
Tobago Express Limited – Other income	$	7,814
Expenses		
GORTT - Operating expenses – Fuel	$	(79,312)
Tobago Express Limited – Operating expenses – Lease costs	$	8,793
Katerserv Limited – Operating expenses – Passenger expenses	$	14,178
BWIA – Operating expenses – Rental of fixed assets	$	7,058

(c) *Transactions with key management personnel*

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

Short-term employee benefits	$	9,642
Directors' fees	$	182

6. OTHER RECEIVABLES AND PREPAYMENTS

Recoverable claims on maintenance reserves	$	23,454
Prepayments		45,122
	$	68,576

7. STATED CAPITAL

Authorised

An unlimited number of ordinary shares of no par value

Issued and fully paid

Ordinary shares of no par value	$	726,606

8. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses:		
- Passenger	$	27,824
- Payroll		7,760
- Other		30,049
Other payables		3,086
Taxes		188
	$	68,907

9. PROVISIONS

		Re-delivery	C-check Maintenance	Overhaul Expenses	Frequent Flyer	Employment Leave Entitlement	Restructuring	Other	Total
Balances acquired from BWIA	$	126,869	22,270	366,172	156,935	-	-	-	672,246
Provisions made during the period		12,827	30,381	43,465	-	2,287	28,876	1,451	119,287
Provisions used during the period		(24,212)	(28,265)	-	-	-	-	(828)	(53,305)
Provisions recovered during the period		-	-	(33,932)	-	-	-	-	(33,932)
Balance at December 31, 2007	$	115,484	24,386	375,705	156,935	2,287	28,876	623	704,296
Non-current	$	115,484	-	375,705	156,935	-	-	-	648,124
Current		-	24,386	-	-	2,287	28,876	623	56,172
	$	115,484	24,386	375,705	156,935	2,287	28,876	623	704,296

Re-delivery

This provision is based on the present value of the expected future cost of meeting the maintenance return condition having regard to the current fleet plan and long-term maintenance schedules. The present value of non-maintenance return conditions is provided for at the inception of the lease.

Maintenance

The Company provides for C-check related maintenance expenses based on the expected costs to be incurred for the C-checks during the term of the lease.

9. PROVISIONS (CONTINUED)

Overhaul expenses

The Company provides for maintenance obligations on leased aircraft, based on the contractual requirements of the individual lease contracts. These provisions are estimated by the lessors with reference to current costs as agreed with management.

Frequent flyer

A provision has been made for the obligation to provide travel rewards to members for points accumulated from travelling on CAL and partner airline services.

Members of the CAL frequent flyer program accumulate points by travelling on qualifying CAL and partner airline services. The obligation to provide travel rewards to members arising from these points is provided as points are accumulated, net of estimated points that will expire. The provision is based on management's estimate of the incremental direct cost (being the cost of meals and passenger expenses) of providing the travel rewards based on the estimated weighted average cost of the reward mix, that is, redemptions on CAL services on non-airline or other member airlines.

Changes in cost estimates, breakage assumptions and passenger recoveries could have a material impact on these non-consolidated financial statements.

Employee leave entitlement

A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the non-consolidated balance sheet date.

10. OTHER INCOME

Charter	$	5,868
Insurance surcharge		31,031
Fuel surcharge		23,385
Income from the partners in the frequent flyer programme		22,888
Net income from sale of duty free items		10,247
Other		21,955
	$	115,374

11. STAFF COSTS

Salaries and wages	$	147,460
Crew allowances		11,666
National Insurance and health surcharge		3,199
Other personnel expenses		23,987
	$	186,312

Total number of employees as at December 31, 2007 was 984.

12. OTHER OPERATING EXPENSES

Security and other direct expenses	$	60,410
Administrative charges		29,890
Professional fees		19,645
Building and utilities		21,567
Provision for bad debts		1,883
Computer, telephone and communication charges		31,652
	$	165,047

13. TAXATION

(a) Green fund levy $ 990

(b) The Company's effective tax rate differs from the statutory rate as a result of the differences shown below:

Loss before taxation	$	(169,551)
Corporation tax at the statutory rate of 25%	$	(42,388)
Tax effect of non-deductible items		471
Tax losses not recognised		41,917
Green fund levy		990
	$	990

The Company has unutilised tax losses of $41,917 and which has not yet been assessed and agreed to by the Board of Inland Revenue

14. NET CHANGE IN OPERATING ASSETS AND LIABILITIES

Trade receivables	$	(185,349)
Due from related parties		(37,517)
Miscellaneous receivables and prepayments		(68,573)
Accounts payable		125,618
Accrued expenses and other payables		68,719
Inventory		(43,369)
Deposits on aircraft		3,766
Other deposits		(41,437)
Provisions		23,892
	$	(154,250)

15. RESTRUCTURING AND TRANSITION COSTS

During the year, the Company commenced restructuring of its operations, which were acquired from BWIA, resulting in one time transition and restructuring related costs. Various locations and routes were discontinued resulting in early termination costs, retention bonuses and legal fees, as well as, lease commitments on unused aircraft for part of the year. Transition costs relate to the re-branding of aircraft and the consulting fees relating to the launch of the Company.

Restructuring and transition costs comprise the following:

Personnel	$	46,942
Fleet and operations		39,446
Corporate restructure		27,486
Branding, PR and legal		23,315
IT costs		16,942
Cargo handling		5,850
Property costs		1,003
	$	160,984

16. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

a) Operating lease commitments

The Company leases all its aircraft.

The Company 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.

16. CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (CONTINUED)

a) Operating lease commitments

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 provisions as at December 31, 2007 comprise:

2008	$160,000
2009	$160,000
2010	$160,000

b) Other

The Company has established a Letter of Credit with RBTT Bank Limited amounting to US$330 (TT$2,079).

Withholding taxes have not been paid on foreign remittances in relation to services received because management is of the view that the Company will be afforded the same concession for the relief of such taxes as was given to BWIA. The estimated tax not paid totals $22,300.

17. FINANCIAL RISK MANAGEMENT

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

credit risk
liquidity risk
market 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 risk, and the Company's management of capital. Further quantitative disclosures are included throughout these non-consolidated financial statements.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company, 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 Company's overall risk management programme seeks to minimise potential adverse effects on financial performance of the Company.

Credit risk

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

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

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no significant concentration of credit risk.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

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

The Company 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

Liquidity risk (continued)
The Company uses budgets which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company 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.

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 Company'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.

Currency risk
The Company 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), and also the euro ( ) and Sterling (GBP).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company 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 Company 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 Company 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 Company's exposure.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital 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. The Company has no borrowings.

Neither the Company nor any of its subsidiary and associated companies are subject to externally imposed capital requirements.

18. FINANCIAL INSTRUMENTS

Credit risk

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.

Trade receivables	$	185,349
Due from related parties		463,791
Other receivables (excluding prepayments)		23,454
Aircraft and other deposits		121,255
Cash and cash equivalents		481,803
	$	1,275,652

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

Domestic	$	185,349
United States		23,454
	$	208,803

18. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Exposure to credit risk (continued)

The aging of trade receivables at the reporting date was:

Not past due	$	77,411
Past due 0-30 days		103,852
Past due 31-90 days		2,028
More than 90 days		2,058
	$	185,349

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

Balance at January 1	$	-
Impairment loss recognised		1,883
Balance at December 31	$	1,883

During 2007 the Company did not renegotiate any of the terms of its trade receivables.

Impairment losses

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable and is written off against the financial asset directly. At December 31, 2007 the Company has provided for collective impairments on its trade and other receivables of $1,883.

18. Financial Instruments (continued)

Liquidity risk

The contractual maturities of the accounts payable, accrued expenses and other payables are due within 6-12 months.

Foreign currency risk

Exposure to currency risk

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

Details		USD	TTD	Other	Total
Assets					
Current assets	$	71,464	1,159,568	11,856	1,242,888
Non current assets		495,332	104,704	-	600,036
Total assets	$	**566,796**	**1,264,272**	**11,856**	**1,842,924**
Liabilities and equity					
Equity		-	556,065	-	556,065
Current liabilities		136,430	114,267	-	250,697
Non current liabilities		491,189	544,973	-	1,036,162
Total liabilities and equity	$	**627,619**	**1,215,305**	-	**1,842,924**
Net Gap	$	**60,823**	**(48,967)**	**(11,856)**	-

The Company does not perform sensitivity analyses with regard to the strengthening or weakening of the TTD against other currencies, as the historical movement of the TTD against the USD has not exceeded 1%.

Fair values

The carrying amount of the financial assets and liabilities shown on the Balance Sheet represents their fair values due to the short term nature of these financial instruments.

19. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of non-consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the date of the non-consolidated financial statements and income and expenses during the reporting period. Actual results could differ from these estimates.

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 non-consolidated financial statements is included in the following accounting policies and notes:

Accounting Policy (i) and note 18	Impairment
Accounting Policy (q) and note 9	Provisions
Accounting Policy (r)	Revenue recognition – Unearned Transportation Revenue.
Accounting Policy (f)	Valuation of Financial Instruments

Caribbean Airlines
the warmth of the islands