Consolidated Financial Statements of

CARIBBEAN AIRLINES LIMITED

December 31, 2013

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Independent Auditors' Report to the Shareholders of Caribbean Airlines Limited

We have audited the accompanying consolidated financial statements of Caribbean Airlines Limited and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 financial position of the Group as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Significant Accounting Policy Note (x), *Continuity of operations*, in the consolidated financial statements which describes that the Group incurred a net loss of $147,238,000 during the year ended December 31, 2013 and, as of that date, the Group's total liabilities exceeded its total assets by $106,854,000. These conditions, along with other matters as set forth in Note 22, wherein the Group received significant capital injections subsequent to year end to assist in stabilising its cash position, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

KPMG

Chartered Accountants

June 30, 2016
Port of Spain
Trinidad and Tobago

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Financial Position

December 31, 2013

	Notes	2013	2012
		$'000	$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	1	702,806	826,396
Investments in associated companies	2	31,304	30,819
Aircraft and other deposits	3	215,339	159,922
		949,449	1,017,137
Current Assets			
Inventories	4	173,512	142,198
Trade receivables		154,093	278,130
Due from related parties	5	33,899	67,296
Prepayments, other receivables and in transit spares		91,445	145,142
Cash and cash in bank	6	412,441	140,455
		865,390	773,221
Total assets		**1,814,839**	**1,790,358**
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated capital	7	1,188,085	1,188,085
Accumulated deficit		(1,294,939)	(1,147,701)
		(106,854)	40,384
Non-current Liabilities			
Provisions	8	124,026	102,091
Long term borrowings	9	-	416,985
Deferred tax	10	84,429	75,145
		208,455	594,221
Current Liabilities			
Trade payables		172,637	322,593
Accrued expenses and other payables	11	428,161	362,358
Short term borrowings	9	738,207	13,598
Due to related parties	5	34,674	35,433
Unearned revenue	12	339,559	421,771
		1,713,238	1,155,753
Total Equity and Liabilities		**1,814,839**	**1,790,358**

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

Director

Director

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Comprehensive Income

Year ended December 31, 2013

	Notes	2013	2012
		$'000	$'000
Operating Revenues			
Scheduled passengers		2,656,525	2,531,831
Cargo and mail	13	56,393	14,331
Other revenue	14	482,541	401,197
		3,195,459	2,947,359
Operating Expenses			
Staff costs	15	463,718	499,852
Fuel		735,526	661,365
Lease of aircraft and engines		464,571	712,239
Maintenance costs		386,465	343,290
Passenger expenses		244,585	250,812
Selling and marketing		141,594	151,632
Commissions		142,777	138,722
Aircraft ground handling and navigation		342,494	405,144
Crew expenses		41,967	36,701
Depreciation		53,043	86,228
Other	16	310,835	291,316
		3,327,575	3,577,301
Loss from operations		**(132,116)**	**(629,942)**
Other Income (Expenses)			
Profit on sale of property, plant and equipment		35,178	15,607
Non-operating expenses	17	9,785	(6,169)
Interest income		1,098	1,857
Interest expense		(28,514)	(11,008)
Share of associated Group profits		3,125	2,963
Foreign currency loss		(12,556)	(542)
		8,116	2,708
Loss before taxation		**(124,000)**	**(627,234)**
Taxation	18	(19,126)	(34,243)
Loss after taxation		**(143,126)**	**(661,477)**
Other comprehensive income			
Exchange loss		(4,112)	(1,442)
Net loss for the year		(143,126)	(661,477)
Total comprehensive loss for the year (net of tax)		**(147,238)**	**(662,919)**

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

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2013

	Stated Capital $'000	Accumulated Deficit $'000	Total $'000
Balance as at January 1, 2012	**1,188,085**	**(484,782)**	**703,303**
Total comprehensive income (loss) for year:			
Loss after taxation	-	(661,477)	(661,477)
Other comprehensive loss	-	(1,442)	(1,442)
Balance as at December 31, 2012	**1,188,085**	**(1,147,701)**	**40,384**
Balance as at January 1, 2013	**1,188,085**	**(1,147,701)**	**40,384**
Total comprehensive income (loss) for year:			
Loss after taxation	-	(143,126)	(143,126)
Other comprehensive loss	-	(4,112)	(4,112)
Balance as at December 31, 2013	**1,188,085**	**(1,294,939)**	**(106,854)**

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

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2013

	Note	2013	2012
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(124,000)	(627,234)
Adjustment to reconcile loss before taxation to net cash used in operating activities:			
Depreciation and impairments		53,043	86,228
Gain on disposal of property, plant and equipment		(35,178)	(15,607)
Property, plant and equipment adjustment		-	(109)
Tobago House of Assembly advancement		(7,421)	-
Write-off of property, plant and equipment		-	1,640
Impairment of SAP Software		-	9,569
Interest income		(1,098)	(1,857)
Share of associated Group profits		(485)	(2,962)
Foreign currency translation		(2,944)	(1,861)
		(118,083)	(552,193)
Net change in operating assets and liabilities	19	(20,790)	490,825
Net cash flow		(138,873)	(61,368)
Taxation paid		(9,842)	(8,897)
Net cash used in operating activities		(148,715)	(70,265)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18,668)	(415,781)
Proceed from sale aircraft		123,225	32,065
ATR Spares financing payments		(5,788)	(5,284)
Interest received		1,098	1,857
Net cash from (used in) investing activities		99,867	(387,143)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan financing		320,834	411,644
Net cash from financing activities		320,834	411,644
Net increase (decrease) in cash and cash equivalents		271,986	(45,764)
CASH AND CASH EQUIVALENTS AT START OF YEAR		140,455	186,219
CASH AND CASH EQUIVALENTS AT END OF YEAR		**412,441**	**140,455**

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

Incorporation and Principal Activity

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

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

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

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

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

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

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

On June 30, 2016, the Board of Directors of CAL authorised these consolidated financial statements for issue.

Statement of Significant Accounting Policies

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

(a) Statement of compliance

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

(b) Basis of preparation

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

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgements

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

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

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

Statement of Significant Accounting Policies (continued)

(d) Critical accounting estimates and judgements (continued)

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

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

(e) Foreign currency transactions

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

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

(f) Financial instruments

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

Statement of Significant Accounting Policies (continued)

(g) Basis of consolidation

(i) Subsidiary

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

(ii) Associated companies

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

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

(iii) Transactions eliminated on consolidation

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

Statement of Significant Accounting Policies (continued)

(h) Property, plant and equipment

(i) Owned assets

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

The principal asset depreciation periods are as follows:

Buildings	-	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.

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

Statement of Significant Accounting Policies (continued)

(h) Property, plant and equipment (continued)

(iv) Disposal

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

(i) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

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

Statement of Significant Accounting Policies (continued)

(i) Impairment (continued)

(ii) Non-financial assets (continued)

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 profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a *pro rata* basis.

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

(j) Aircraft and other deposits

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

(k) Inventories

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

(l) Trade receivables

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 profit or loss. Bad debts are written off as incurred.

Statement of Significant Accounting Policies (continued)

(m) Cash and cash in bank

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

(n) Trade payables

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

(o) Provisions

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

(i) Re-delivery and engine repair

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

(ii) Other provisions

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

(p) Revenue recognition

Passengers, cargo and other revenue

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

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

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

Statement of Significant Accounting Policies (continued)

(p) Revenue recognition (continued)

Unused tickets

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

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

Mileage programmes

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

Finance income

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

(q) Maintenance and overhaul costs

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

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

Statement of Significant Accounting Policies (continued)

(q) Maintenance and overhaul costs (continued)

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

(r) 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 the reporting date. The calculation of these liabilities is based on remuneration wage and salary rates that the Group expects to pay as at reporting date.

(s) Leases

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

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

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

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

Statement of Significant Accounting Policies (continued)

(t) Taxation

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

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

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

(u) Retirement plans

On December 31, 2008, the Group established a defined contribution pension plan for its employees in Trinidad and Tobago. The assets of this plan are held in a consolidated Trustee administered fund. In 2013 the Group contributed to the pension plan at the rate of 6% (2012: 6%) of its Trinidad and Tobago employees' remuneration and recognises these contributions as an expense when an employee has rendered service during the period.

(v) Government grants

CAL receives government grants in two instances: as a rebate on the fuel costs incurred and as a subsidy for the provision of services on the Trinidad and Tobago Airbridge.

The fuel hedge rebate arrangement 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 as follows:

a) Flights originating and terminating in Trinidad and Tobago of US$1.65 (2012: US$1.50)
b) Flights originating and terminating in Jamaica of US$2.57 (2012: US$2.34).

This grant is offset against the fuel cost recognised in profit or loss on a systematic basis in the same period in which the costs are recognised. The grant was terminated by the Government of Trinidad and Tobago on September 30, 2013. The receivable balance is included within Due from Related Parties. See Note 5(a).

Statement of Significant Accounting Policies (continued)

(v) ***Government grants*** (continued)

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

(w) ***Borrowings and financing***

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

(x) ***Continuity of operations***

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB which contemplates the Group's continuation as a going concern, notwithstanding the net loss incurred of $147,238,000 and the fact that the Group's total liabilities exceeded its total assets by $106,854,000. The Group has incurred significant losses from intense market pressures from its Jamaican based operations and fuel cost inflated by crude oil prices that have averaged over US$90 per barrel from 2011 to 2013. As a result, the Group is dependent on debt and equity financing to fund its future operations. The Group plans to continue as a going concern by successfully stabilising its cash position through debt and equity financing, maintaining its market share position on key routes and by the implementation of cost saving programmes and ancillary revenues enhancements.

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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following are likely to have an effect on the consolidated financial statements.

- IAS 1, Presentation of Financial Statements, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;

Statement of Significant Accounting Policies (continued)

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

- IAS1 (continued)

    - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;

    - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and

    - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

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

- Amendments to IFRS 10, Consolidated Financial Statements, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, Investments in Associates and Joint Ventures, effective for accounting periods beginning on or after January 1, 2016, have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

    The Group is assessing the impact that these amendments will have on its 2017 financial statements.

Statement of Significant Accounting Policies (continued)

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

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

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

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

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

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

The Group is assessing the impact that these amendments will have on its 2018 financial statements.

1. Property, Plant and Equipment

	Aircraft Spares and Parts	Computer Equipment	Motor Vehicles	Machinery and Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
Balance as at January 1, 2012	644,622	22,550	1,644	14,345	8,648	691,809
Additions	406,424	482	481	2,512	5,882	415,781
Disposals	(18,512)	-	-	-	-	(18,512)
Balance as at December 31, 2012	1,032,534	23,032	2,125	16,857	14,530	1,089,078
Balance as at January 1, 2013	1,032,534	23,032	2,125	16,857	14,530	1,089,078
Additions	14,110	792	111	2,300	187	17,500
Disposals	(104,637)	(7)	-	-	-	(104,644)
Balance as at December 31, 2013	942,007	23,817	2,236	19,157	14,717	1,001,934
Depreciation and impairment losses						
Balance as at January 1, 2012	153,282	13,466	236	7,214	2,779	176,977
Charge for the period	53,790	5,367	588	1,627	1,589	62,961
Disposals	(414)	-	-	-	-	(414)
Impairments	23,267	-	-	-	-	23,267
Adjustments	-	-	-	-	(109)	(109)
Balance as at December 31, 2012	229,925	18,833	824	8,841	4,259	262,682
Balance as at January 1, 2013	229,925	18,833	824	8,841	4,259	262,282
Charge for the period	46,247	3,450	633	1,756	957	53,043
Disposals	(16,594)	(3)	-	-	-	(16,597)
Balance as at December 31, 2013	259,578	22,280	1,457	10,597	5,216	299,128
Carrying Amounts						
At December 31, 2013	682,429	1,537	779	8,560	9,501	702,806
At December 31, 2012	802,609	4,199	1,301	8,016	10,271	826,396

	2013 $'000	2012 $'000
2. Investments in Associated Companies		
Katerserv Limited	13,666	13,190
Allied Caterers Limited	17,638	17,629
	31,304	30,819
3. Aircraft and Other Deposits		
Deposits on aircraft	99,340	105,880
Other deposits	115,999	54,042
	215,339	159,922
4. Inventories		
Expendable aircraft spares	148,526	116,665
Commercial items	14,069	13,395
Duty free items	10,917	12,138
	173,512	142,198

5. Related Party Transactions

(a) Related party transactions and balances

(i) Balances

	2013 $'000	2012 $'000
Due from related parties		
Air Jamaica	4,548	4,005
GORTT	29,351	63,291
	33,898	67,296
Due to related parties		
BWIA West Indies Airways Limited	34,674	35,433

5. Related Party Transactions (continued)

(a) *Related party transactions and balances* (continued)

(ii) *Transactions*

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

	2013 $'000	2012 $'000
Revenue		
Airbridge Domestic Subsidy	41,094	36,137
Expenses		
GORTT - Operating expenses – Fuel cost off set	(309,609)	(501,198)
Katerserv Limited – Operating expenses – passenger expenses	32,532	27,596

(b) *Transactions with key management personnel*

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

	2013 $'000	2012 $'000
Short-term employee benefits	12,099	13,602
Directors' fees	498	501

6. Cash and Cash in Bank

	2013 $'000	2012 $'000
Bank balances	144,164	4,075
Restricted balances (Venezuela held balances)	145,482	13,773
Short-term deposits	122,795	122,607
	412,441	140,455

Restricted balances represent solely cash balances denominated in Venezuelan bolivars (VEF) and which can only be repatriated for use outside of Venezuela by a regulated system of requests and approvals to the Venezuelan Government (see Note 21). Generally fluctuations in foreign currencies, including devaluations, cannot be predicted by the Group, however can significantly affect the value of this restricted cash balance.

7. Stated Capital

	2013 $'000	2012 $'000
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
188,600,000 ordinary shares of no par value	1,188,085	1,188,085

8. Provisions

	2013 $'000	2012 $'000
Balance at the beginning of year	102,091	85,757
Provisions made	24,437	20,039
Provisions used	(2,502)	(3,705)
Balance at the end of the year	124,026	102,091

9. Borrowings and Financing

a) Current

	2013 $'000	2012 $'000
Bank loans	732,478	-
ATR Finance lease as at December 31	5,729	6,177
As at December 31	738,207	6,177

	2013	2012
	$'000	**$'000**

9. Borrowings and Financing (continued)

b) Non-Current

	2013	2012
Bank and other loans	-	411,644
ATR Finance lease	-	5,341
As at December 31	-	416,985

c) Bank and other loans comprise of the following:

	2013	2012
First Citizen Bank Limited US$50M loan (i)	320,722	320,722
First Citizen Bank Limited US$64.2M loan (ii)	411,756	90,922
	732,478	411,644

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

(ii) This US$14.2M loan facility bearing interest of 6 month Libor plus 3.21% per annum with a term of 18 months ending January 2014 was refinanced in March 2013 and loan extended by an additional US$50M. The new loan facility of US$64.2M bearing interest of 6 month Libor plus 3.21% per annum effective May 28, 2013 with a term of 18 months ending January 2014. For the period November 28, 2012 to May 27, 2013 the effect rate of interest is 3.738% per annum. Interest is payable quarterly and loan is repayable with one bullet payment at maturity.

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

	2013	2012
	$'000	**$'000**
Within one year	6,049	6,572
After more than one year but within five years	-	5,476
	6,049	12,048
Less: Finance charges	(320)	(530)
Present value of minimum lease payments	5,729	11,518

9. Borrowings and Financing (continued)

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

	2013 $'000	2012 $'000
Current	5,729	6,177
Non-current liabilities	-	5,341
	5,729	11,518

On October 31, 2011, the Group entered into an ATR finance lease for US$3,844,295 to purchase ATR spares. On execution of the lease an initial deposit of 30% was due and thirty-six monthly payments of US$85,573 commencing in November 2011.

10. Deferred Tax

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

	2013 $'000	2012 $'000
Balance at beginning of year	75,145	49,799
Current year charge	9,284	25,346
Balance at end of year	84,429	75,145

11. Accrued Expenses and Other Payables

	2013	2012
Accrued expenses:		
- Passenger	16,675	15,986
- Personnel	36,163	31,623
- Other	88,741	138,200
Taxation	6,464	874
Loan interest payable	4,885	2,196
Air transportation taxes and fees	275,233	173,479
	428,161	362,358

	2013 $'000	2012 $'000
12. Unearned Revenue		
Transportation	280,733	374,576
Frequent flyer	58,826	47,195
	339,559	421,771

	2013 $'000	2012 $'000
13. Cargo and Mail		
Revenue	178,877	128,160
Less cost of sales:		
Freighter handling	(48,544)	(49,098)
Fuel	(40,092)	(32,204)
Commissions	(2,814)	(258)
Handling	(26,847)	(28,045)
Other	(4,187)	(4,224)
Net cargo and mail	56,393	14,331

	2013 $'000	2012 $'000
14. Other Income		
Charter	6,182	2,896
YQ fees	297,485	254,349
Frequent flyer programme revenue	32,929	35,911
Frequent flyer programme cost	(7,205)	(7,633)
Net income from the frequent flyer programme	25,724	28,278
Sale of duty free items	56,214	54,533
Cost of sale of duty free items	(40,037)	(37,016)
Net income from sale of duty free items	16,177	17,517
Other	136,973	98,157
	482,541	401,197

	2013	2012
	$'000	$'000

15. Staff Costs

	2013 $'000	2012 $'000
Salaries and wages	371,969	405,799
Crew allowances	36,219	32,475
National insurance and health surcharge and payroll taxes	19,017	20,329
Other personnel expenses	36,513	41,249
	463,718	499,852

The total number of employees as at December 31, 2013 was 1,722 (2012: 1,724).

16. Other Operating Expenses

	2013 $'000	2012 $'000
Security and other direct expenses	56,537	61,342
Administrative charges	97,142	109,542
Professional fees	20,607	18,014
Building and utilities	44,112	61,965
Provision for bad debts	50,936	9,135
Computer, telephone and communication charges	41,501	31,318
	310,835	291,316

17. Non-Operating Items

	2013 $'000	2012 $'000
BWIA liability to Tobago express limited	-	87,877
Tobago House Assembly liability	7,422	-
ATR aircraft delivery contract termination	-	(44,480)
Dash 8 aircraft transfer	2,363	(26,179)
Dash 8 spares inventory write-down to net realisable value	-	(18,100)
Tabex receivable write-off	-	(1,593)
Bank reconciliation adjustment	-	13,388
SAP software impairment	-	(9,569)
Restructuring cost (Jamaica operations integration)	-	(7,513)
	9,785	(6,169)

	2013 $'000	2012 $'000
18. Taxation		
(a) Tax expense comprises		
Green Fund and Business levy	9,842	8,895
Deferred tax	9,284	25,348
	19,126	34,243
(b) Tax reconciliation		
The Group's effective tax rate differs from the Statutory rate as a result of the differences shown below:		
Loss before taxation	(124,000)	(627,234)
Corporation tax at the statutory rate of 25%	(31,000)	(156,809)
Tax effect of non-deductible items	(12,592)	(14,898)
Prior period adjustments	(1,892)	-
Tax effect of losses not recognised	54,768	197,055
Green Fund and Business levy	9,842	8,895
	19,126	34,243

The Company has unutilised tax losses of $1,598,375 (2012: $1,438,208) which have not yet been assessed and agreed to by the Board of Inland Revenue.

	2013 $'000	2012 $'000
19. Net Change in Operating Assets and Liabilities		
Trade receivables	124,037	(41,650)
Net due from/to related parties	32,639	72,397
Prepayments, other receivables and in transit spares	53,696	29,476
Accounts payable	(149,955)	159,358
Accrued expenses and other payables	65,802	11,242
Inventories	(31,315)	(6,449)
Aircraft and other deposits	6,540	232,054
Other deposits	(61,957)	(36,618)
Provisions	21,935	16,334
Unearned revenue	(82,212)	54,681
	(20,790)	490,825

20. Contingent Liabilities, Commitments and Guarantees

a) Operating lease commitments

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

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

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

Minimum material operating lease commitments excluding maintenance reserve supplemental rent as at December 31, 2012 comprise:

	2013 $'000	2012 $'000
Within 1 year	399,584	404,483
Within 2-5 years	760,601	1,073,103
Over 5 years	46,853	131,363

b) Other

The Company has established Letters of Credit with RBC Royal Bank (Trinidad) Limited amounting to $430,000 (2012: $420,000).

The Company also has Customs Bonds amounting to $24,234,360 (2012: $6,664,000).

21. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk.

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

21. Financial Risk Management (continued)

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

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

Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The company operates in legal jurisdictions in North America, South America and the Caribbean and is exposed to credit risk as a result of geo-political and legal issues of operating in these jurisdictions. The operations in Venezuela are exposed to credit risk. The Central Bank of Venezuela controls and limits the movement of currency that can be repatriated from the Venezuelan financial market. As at December 31, 2013 VEF 142.8 million (TTD 145.9 million), (2012: VEF 11.6 million (TTD 17.3 million), was held in the Venezuelan financial market.

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

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

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

21. Financial Risk Management (continued)

Credit risk (continued)

Exposure to credit risk

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

	2013 $'000	2012 $'000
Trade receivables, net of allowance	154,093	278,130
Due from related parties (Note 5(a)(i))	33,899	67,296
Aircraft and other deposits (Note 3)	215,339	159,922
	403,331	505,348

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

	2013 $'000	2012 $'000
Domestic	47,171	81,045
International	106,922	197,085
	154,093	278,130

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

	2013 $'000	2012 $'000
Not past due	96,269	215,209
Past due 0-30 days	6,361	22,150
Past due 31-90 days	4,463	11,612
More than 90 days	46,999	9,159
	154,092	258,130

21. Financial Risk Management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

	2013 $'000	2012 $'000
Balance at January 1	77,898	86,159
Impairment loss recognised	-	(17,300)
Provisions made during the year	48,609	9,039
Balance at December 31	126,507	77,898

During 2013 the Group did not renegotiate any of the terms of its trade receivables (2012: NIL).

Impairment losses

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

Liquidity risk

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

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

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

21. Financial Risk Management (continued)

Liquidity risk (continued)

	Carrying Amount $'000	Contractual Amount $'000	1 Year and Less $'000	1-2 Years $'000	2-5 Years $'000
December 31, 2013					
Accounts payable	172,637	172,637	172,637	-	-
Accrued expenses and other payables	428,161	428,161	428,161	-	-
Due to related parties	34,674	34,674	34,674	-	-
Borrowings and financing	738,207	769,014	769,014	-	-
Provisions	124,026	124,026	-	-	124,026
	1,497,705	1,528,512	1,404,486	-	124,026
December 31, 2012					
Trade payables	322,593	322,593	322,593	-	-
Accrued expenses and other payables	362,358	362,358	362,358	-	-
Due to related parties	35,433	35,433	35,433	-	-
Borrowings and financing	430,583	451,492	30,171	421,323	-
Provisions	102,091	102,091	-	-	102,091
	1,253,058	1,273,967	750,555	421,323	102,091

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.

Currency risk

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

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

21. Financial Risk Management (continued)

Market risk (continued)

Currency risk (continued)

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

Exposure to currency risk

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

	Carrying Amount $'000	USD $'000	TTD $'000	Other $'000
2013				
Cash and cash equivalents	412,441	167,847	27,571	217,023
Trade receivables	154,093	120,883	33,210	-
Due from related parties	33,899	29,351	-	4,548
Aircraft and other deposits	215,339	211,136	107	4,096
Accounts payable	(172,637)	(109,159)	(46,571)	(16,907)
Accrued expenses and other payables	(428,161)	(340,616)	(88,302)	757
Borrowings	(738,207)	(738,207)	-	-
Provisions	(124,026)	(124,026)	-	-
Net Gap	(647,259)	(782,791)	(73,985)	209,517
2012				
Cash and cash equivalents	140,455	116,592	14,945	8,918
Trade receivables	278,130	222,562	51,140	4,428
Due from related parties	67,296	63,291	-	4,005
Aircraft and other deposits	159,922	157,202	191	2,529
Trade payables	(322,593)	(171,809)	(67,730)	(83,054)
Accrued expenses and other payables	(362,358)	(319,137)	(42,319)	(902)
Borrowings	(430,583)	(423,162)	(7,421)	-
Provisions	(102,091)	(102,091)	-	-
Net Gap	(571,822)	(456,552)	(51,194)	(64,076)

21. Financial Risk Management (continued)

Market risk (continued)

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 USD, as the movement of the TTD against the USD is not expected to be significant. The Group settles all its foreign currency obligations in the stated foreign currency and a historical analysis of the exposure during the year indicates that at year end sensitivity analysis of its financial assets and liabilities would be not representative of the Group's foreign currency risk on fair value cash flows.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

22. Subsequent Events

Borrowing and Financing

On April 3, 2014 US$50M of the US$64.2M refinanced loan facility was repaid and as indicated below the balance of US$14.2 was refinanced.

First Citizen loan facilities of US$50M and US$14.2M were refinanced by consolidating both loans into a US$64.2M facility with First Citizen on February 18, 2014. The terms of this loan has an interest rate of 6 months Libor plus 2.40%, interest payable quarterly and a maturity date of January 31, 2016 with a bullet payment of principle at maturity.

Stated Capital

The Company has received equity injections from the Government of Trinidad and Tobago the majority shareholder as follows:

a) April 3, 2014, USD 50.67M to assist with repayment of loan facility
b) April 24, 2014, USD 15M to assist with operational cash flow
c) June 23, 2014, USD 23M to assist with operational cash flow
d) September 18, 2014, USD 26.7M for recapitalization
e) October 6, 2014, TTD 214M for recapitalization.