Consolidated Financial Statements of

CARIBBEAN AIRLINES LIMITED

December 31, 2012

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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, 2012, 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, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

July 28, 2015
Port of Spain
Trinidad and Tobago

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Financial Position

December 31, 2012

	Notes	2012	Restated 2011
		$'000	$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	1	826,396	514,832
Intangible Asset	2	-	9,569
Investments in associated companies	3	30,819	27,857
Aircraft and other deposits	4	159,922	355,358
		1,017,137	907,616
Current Assets			
Inventories	5	142,198	135,749
Trade receivables		278,130	236,480
Due from related parties	6	67,296	226,847
Prepayments, other receivables and in transit spares		145,142	174,618
Cash and cash in bank	7	140,455	186,219
		773,221	959,913
Total assets		**1,790,358**	**1,867,529**
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated capital	8	1,188,085	1,188,085
Accumulated deficit		(1,147,701)	(484,782)
		40,384	703,303
Non-current Liabilities			
Provisions	9	102,091	85,757
Long term borrowings	10	416,985	11,084
Deferred tax	11	75,145	49,799
		594,221	146,640
Current Liabilities			
Trade payables		322,593	163,235
Accrued expenses and other payables	12	362,358	351,116
Short term borrowings	10	13,598	13,558
Due to related parties	6	35,433	122,587
Unearned revenue	13	421,771	367,090
		1,155,753	1,017,586
Total Equity and Liabilities		**1,790,358**	**1,867,529**

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

Marshall Director   Director

Consolidated Statement of Comprehensive Income

Year ended December 31, 2012

	Notes	2012	Restated 2011
		$'000	$'000
Operating Revenues			
Scheduled passengers		2,531,831	2,325,348
Cargo and mail	15	14,331	38,245
Other revenue	16	401,197	388,045
		2,947,359	2,751,638
Operating Expenses			
Staff costs	17	499,852	408,954
Fuel		661,365	682,926
Lease of aircraft and engines		712,239	453,014
Maintenance costs		343,290	243,449
Passenger expenses		250,812	206,039
Selling and marketing		151,632	140,199
Commissions		138,722	96,532
Aircraft ground handling and navigation		405,144	288,384
Crew expenses		36,701	32,724
Depreciation		86,228	41,396
Other	18	291,316	303,147
		3,577,301	2,896,764
Loss from operations		(629,942)	(145,126)
Other Income (Expenses)			
Profit on sale of property, plant and equipment		15,607	-
Non-operating expenses	19	(6,169)	-
Air Jamaica Network operations		-	(151,665)
Interest income		1,857	7,093
Interest expense		(11,008)	(2,889)
Share of associated Group profits		2,963	2,982
Foreign currency (loss) gain		(542)	2,163
		2,708	(142,316)
Loss before taxation		(627,234)	(287,442)
Taxation	20	(34,243)	(26,078)
Loss after taxation		(661,477)	(313,520)
Other comprehensive income			
Exchange loss		(1,442)	(2,201)
Net loss for the year		(661,477)	(313,520)
Total comprehensive (loss) income for the year (net of tax)		(662,919)	(315,721)

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2012

	Note	Stated Capital	Accumulated Deficit	Total
		$'000	$'000	$'000
Balance as at January 1, 2011		**1,031,478**	**(169,061)**	**862,417**
Shareholder contributions		156,607	-	156,607
Total comprehensive income for year:				
Loss after taxation (as restated)		-	(313,520)	(313,520)
Other comprehensive loss		-	(2,201)	(2,201)
Balance as at December 31, 2011 as restated		**1,188,085**	**(484,782)**	**703,303**
Balance as at January 1, 2012 as previously stated		**1,188,085**	**(506,093)**	**681,992**
Prior period adjustment	14	-	21,311	21,311
Balance as at January 1, 2012 as restated		**1,188,085**	**(484,782)**	**703,303**
Total comprehensive income 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**

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

Consolidated Statement of Cash Flows

Year ended December 31, 2012

	Notes	2012 $'000	Restated 2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(627,234)	(287,442)
Adjustment to reconcile loss before taxation to net cash (used in) from operating activities:			
Depreciation and impairments		86,228	41,396
Gain on disposal of property, plant and equipment		(15,607)	-
Property, plant and equipment adjustment		(109)	-
Write-off fixed assets purchased from Air Jamaica Legacy		-	476
Write-off of property, plant and equipment		1,640	-
Impairment of SAP Software		9,569	-
Interest income		(1,857)	(7,093)
Share of associated Group profits		(2,962)	(1,503)
Foreign currency translation		(1,861)	(1,896)
		(552,193)	(256,062)
Net change in operating assets and liabilities	21	490,825	(323,584)
		(61,368)	(579,646)
Taxation paid		(8,897)	(7,218)
Net cash used in operating activities		(70,265)	(586,864)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(415,781)	(296,140)
Intangible assets		-	(9,569)
Proceed from sale Aircraft		32,065	-
ATR Spares financing payments		(5,284)	(7,380)
Interest received		1,857	8,109
Net cash used in investing activities		(387,143)	(304,980)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from equity injection		-	156,607
FCB loan		411,644	-
Loan repayment (CRAFT)		-	(63,475)
Net cash from financing activities		411,644	93,132
Decrease in cash and cash equivalents		(45,764)	(798,712)
CASH AND CASH EQUIVALENTS AT START OF YEAR		186,219	984,931
CASH AND CASH EQUIVALENTS AT END OF YEAR		140,455	186,219

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

Incorporation and Principal Activity

Caribbean Airlines Limited (CAL or the Company) was incorporated in the Republic of Trinidad and Tobago on September 27, 2006 and commenced commercial operations on January 1, 2007. CAL is the national airline of Trinidad and Tobago with its main hub at the Piarco International Airport in Trinidad and Tobago. It operates international services in the Caribbean and to the United States, Canada 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.

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 July 28, 2015, 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 (j) and Note 23	Impairment
Accounting Policy (p) and Note 10	Provisions
Accounting Policy (q)	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) Intangible assets

(i) Owned assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses (see accounting policy (j)).

(ii) Subsequent cost

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets are amortised on a straight line basis in profit or loss over their estimated useful lives from the date they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(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.

Statement of Significant Accounting Policies (continued)

(j) ***Impairment*** (continued)

(i) Financial assets (continued)

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.

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.

Statement of Significant Accounting Policies (continued)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Trade payables

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

(p) 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.

Statement of Significant Accounting Policies (continued)

(p) Provisions (continued)

(ii) Other provisions

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

(q) 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.

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.

Statement of Significant Accounting Policies (continued)

(q) ***Revenue recognition*** (continued)

Finance income

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

(r) ***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.

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.

(s) ***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.

Statement of Significant Accounting Policies (continued)

(t) 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.

(u) 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.

Statement of Significant Accounting Policies (continued)

(v) ***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 2012 the Group contributed to the pension plan at the rate of 6% (2011: 6%) of its Trinidad and Tobago employees' remuneration and recognises these contributions as an expense when an employee has rendered service during the period.

(w) ***Government grants***

CAL receives government grants for 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:

- Flights originating and terminating in Trinidad and Tobago of US$1.50 (2011: US$2.34)
- Flights originating and terminating in Jamaica of US$2.34 (2011: 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 receivable balance is included within Due from Related Parties. See Note 6(a).

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 within Due from Related Parties. See Note 6(a).

(x) ***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.

Statement of Significant Accounting Policies (continued)

(y) Prior period restatements

Certain amounts in the prior period presented have been restated to correct the omission of passenger ticket sales resulting from the delay in the manual processing of exception ticketing transaction in our SITA Revenue Accounting Application. The effect of this is summarized on Note 14.

(z) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group, with the exception of those described below, the impact of which is still being assessed by the Group:

- IFRS 9, Financial Instruments (2010). The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after January 1, 2015. The revised standard now includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and de-recognition of financial assets and financial liabilities. The Group is assessing the impact that the standard will have on the 2015 financial statements.

- IFRS 12, Disclosures of Interests in Other Entities, effective for periods beginning on or after 1 January 2013. The standard requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated entities.

- IFRS 13, Fair value measurement, effective for periods beginning on or after January 1, 2013. The standard explains how to measure fair value and aims to enhance fair value disclosures. The standard does not change the measurement of fair value but seeks to increase consistency and comparability in fair value measurements.

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, 2011	358,288	19,794	138	12,259	5,667	396,146
Additions	286,334	2,767	1,506	2,156	3,377	296,140
Disposals	-	(11)	-	(70)	(396)	(477)
Balance as at December 31, 2011	644,622	22,550	1,644	14,345	8,648	691,809
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
Depreciation and Impairment losses						
Balance as at January 1, 2011	119,087	8,160	83	6,066	2,186	135,582
Charge for the period	34,195	5,307	153	1,148	593	41,396
Disposals	-	(1)	-	-	-	(1)
Balance as at December 31, 2011	153,282	13,466	236	7,214	2,779	176,977
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
Carrying Amounts						
At December 31, 2012	802,609	4,199	1,301	8,016	10,271	826,396
At December 31, 2011	491,340	9,084	1,408	7,131	5,869	514,832

	2012	2011
	$'000	**$'000**

2. Intangible Assets

	2012 $'000	2011 $'000
Cost		
Balance as at January 1	9,569	-
Additions	-	9569
Impairment	(9,569)	-
Balance as at December 31	-	9,569

3. Investments in Associated Companies

	2012 $'000	2011 $'000
Katerserv Limited	13,190	12,128
Allied Caterers Limited	17,629	15,729
	30,819	27,857

4. Aircraft and Other Deposits

	2012 $'000	2011 $'000
Deposits on aircraft	105,880	337,934
Other deposits	54,042	17,424
	159,922	355,358

5. Inventories

	2012 $'000	2011 $'000
Expendable aircraft spares - at cost	116,665	116,680
Commercial items	13,395	9,732
Duty free items	12,138	9,337
	142,198	135,749

	2012 $'000	2011 $'000

6. Related Party Transactions

(a) *Related party transactions and balances*

(i) *Balances*

Due from related parties		
Air Jamaica	4,005	16,087
GORTT	63,291	210,760
	67,296	226,847
Due to related parties		
BWIA West Indies Airways Limited	35,433	122,587

(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:

	2012 $'000	2011 $'000
Expenses		
GORTT - Operating expenses – Fuel	(501,198)	(187,030)
Katerserv Limited – Operating expenses – Passenger expenses	27,596	28,974

(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:

	2012 $'000	2011 $'000
Short-term employee benefits	13,602	13,408
Directors' fees	501	534

	2012 $'000	2011 $'000
7. Cash and Cash in Bank		
Bank balances	17,848	(6,426)
Short-term deposits	122,607	192,645
	140,455	186,219

8. Stated Capital

Authorised
An unlimited number of ordinary shares of no par value

Issued and fully paid
188,600,000 ordinary shares of no par value

On issue at January 1	1,188,085	1,031,478
Equity injection	-	156,607
On issue at December 31	1,188,085	1,188,085

9. Provisions

Balance at the beginning of year	85,757	82,405
Provisions made	20,039	5,889
Provisions used	(25,803)	(32,344)
Provisions recovered	-	22,113
Other adjustments	22,098	7,694
Balance at the end of the year	102,091	85,757

	2012	2011
	$'000	$'000
10. Borrowings and Financing		
a) Current		
Bank and other loans	7,421	7,421
ATR Finance lease	6,177	6,137
	13,598	13,558
b) Non-Current		
Bank and other loans	411,644	-
ATR Finance lease	5,341	11,084
As at December 31	416,985	11,084
c) Bank and other loan comprise of the following:		
First Citizens Bank US$50M loan (i)	320,722	-
First Citizens Bank US$14.2M loan (ii)	90,922	-
Tobago House of Assembly (iii)	7,421	7,421
	419,065	7,421

(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) US$14.2M bearing interest of 6 month Libor plus 3.21% per annum with a term of 18 months ending January 2014. Interest is payable quarterly and loan is repayable with one bullet payment at maturity.

(iii) The Tobago House of Assembly has assisted Tobago Express Limited operations with the following interest free finance contributions.

a) TT$1,066 is owed to the Tobago House of Assembly as a balance of an interest free deposit paid to Tobago Express Limited on July 5, 2006 to provide additional air-bridge capacity for the period July 15 – September 15, 2006.

b) TT$6,355 is owed to the Tobago House of Assembly on interest free financing assistance provided on June 9, 2005 for Tobago Express Limited to settle urgent obligations to its aircraft lessors.

10. Borrowing and Financing (continued)

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

	2012 $'000	2011 $'000
Within one year	6,572	7,667
After more than one year but within five years	5,476	12,048
	12,048	19,715
Less: Finance charges	(530)	(2,494)
Present value of minimum lease payments	11,518	17,221

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

Current	6,177	6,137
Non-current liabilities	5,341	11,084
	11,518	17,221

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.

11. 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:

	2012 $'000	2011 $'000
Balance at beginning of year	49,799	30,939
Current year charge	25,346	18,860
Balance at end of year	75,145	49,799

	2012 $'000	2011 $'000
12. Accrued Expenses and Other Payables		
Accrued expenses:		
- Passenger	15,986	25,887
- Personnel	31,623	20,094
- Other	138,200	87,799
Taxation	874	2,625
Loan interest payable	2,196	-
Air Transportation taxes and fees	173,479	214,711
	362,358	351,116

13. Unearned Revenue

	2012 $'000	2011 $'000
Transportation	374,576	313,260
Frequent flyer	47,195	53,830
	421,771	367,090

14. Prior Period Adjustment

To record sales not previously recorded as a result of a backlog in processing electronic ticket exchanges and exceptions into the revenue accounting system.

	As Previously Reported $'000	Accounting adjustment $'000	Restated Balance $'000
Consolidated Statement of Financial Position			
December 31, 2011			
Trade receivables	179,346	57,134	236,480
Unearned revenue	331,267	35,823	367,090
Accumulated deficit	(506,093)	21,311	(484,782)
Consolidated Statement of Comprehensive Income			
December 31, 2011			
Other revenue	366,734	21,311	388,045

	2012 $'000	2011 $'000
15. Cargo and Mail		
Revenue	128,160	116,293
Less cost of sales:		
Freighter handling	(49,098)	(38,460)
Fuel	(32,204)	(28,968)
Commissions	(258)	(807)
Handling	(28,045)	(8,040)
Other	(4,224)	(1,773)
Net cargo and mail	14,331	38,245

16. Other Income

Charter	2,896	2,392
YQ fees	254,349	196,507
Frequent flyer programme revenue	35,911	61,882
Frequent flyer programme cost of sales	(7,633)	(4,358)
Net income from the frequent flyer programme	28,278	57,524
Sale of duty free items	54,533	51,884
Cost of sale of duty free items	(37,016)	(35,536)
Net income from sale of duty free items	17,517	16,348
Other	98,157	115,274
	401,197	388,045

17. Staff Costs

Salaries and wages	405,799	331,703
Crew allowances	32,475	27,318
National insurance and health surcharge and payroll taxes	20,329	15,628
Other personnel expenses	41,249	34,305
	499,852	408,954

The total number of employees as at December 31, 2012 was 1,724 (2011: 1,874).

	2012 $'000	2011 $'000

18. Other Operating Expenses

	2012 $'000	2011 $'000
Security and other direct expenses	61,342	62,185
Administrative charges	109,542	75,985
Professional fees	18,014	16,518
Building and utilities	61,965	44,261
Provision for bad debts	9,135	58,305
Computer, telephone and communication charges	31,318	45,893
	291,316	303,147

19. Non-Operating Items

	2012 $'000	2011 $'000
BWIA liability to Tobago Express Limited	87,877	-
ATR aircraft delivery contract termination	(44,480)	-
Dash 8 aircraft transfer	(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)	-
	(6,169)	-

20. Taxation

(a) Tax expense comprises

	2012 $'000	2011 $'000
Green Fund and Business levy	8,895	7,218
Deferred tax	25,348	18,860
	34,243	26,078

(b) Tax reconciliation

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

	2012 $'000	2011 $'000
Loss before taxation	(627,234)	(287,442)
Corporation tax at the statutory rate of 25%	(156,809)	(77,188)
Tax effect of non-deductible items	(14,898)	14,852
Tax effect of losses not recognised	197,055	81,196
Green Fund and Business levy	8,895	7,218
	34,243	26,078

20. Taxation (continued)

The Group has unutilised tax losses of $1,438,208 (2011: $699,358) which have not yet been assessed and agreed to by the Board of Inland Revenue.

	2012 $'000	2011 $'000
21. Net Change in Operating Assets and Liabilities		
Trade receivables	(41,650)	(14,795)
Net due from/to related parties	72,397	(16,152)
Prepayments, other receivables and in transit spares	29,476	(67,660)
Accounts payable	159,358	22,922
Accrued expenses and other payables	11,242	121,162
Inventories	(6,449)	(13,679)
Aircraft and other deposits	232,054	(230,269)
Other deposits	(36,618)	(6,144)
Provisions	16,334	3,352
Unearned revenue	54,681	(122,321)
	490,825	(323,584)

22. 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:

	2012 $'000	2011 $'000
Within one year	404,483	402,914
Within 2-5 years	1,073,103	1,361,652
Over five years	131,363	243,935

22. Contingent Liabilities, Commitments and Guarantees (continued)

b) Other

The Company has established Letters of Credit with RBC Royal Bank (Trinidad) Limited amounting to $420 (2011: USD 7,028 ($44,591) and CAD 150 ($824)).

The Group also has Customs Bonds amounting to $6,664 (2011: $6,971).

23. 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.

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.

23. Financial Risk Management (continued)

Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group operates in legal jurisdictions in North America, South America, and the Caribbean, and is exposed to credit risk as a result of geo-political and legal issues of operating in these jurisdictions. Our 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, 2012 VEF 11.6 million (TTD17.3 million), (2011: VEF 18.7 million (TTD27.9 million) was held in the Venezuelan financial market.

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

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

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

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:

	2012	2011
	$'000	$'000
Trade receivables, net of allowance	278,130	236,480
Due from related parties	67,296	226,847
Aircraft and other deposits	159,922	355,358
	505,348	818,685

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

	2012	2011
	$'000	$'000
Domestic	81,045	144,762
International	197,085	91,718
	278,130	236,480

23. Financial Risk Management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

	2012 $'000	2011 $'000
Not past due	215,209	221,660
Past due 0-30 days	22,150	8,153
Past due 31-90 days	11,612	1,574
More than 90 days	29,159	5,093
	278,130	236,480

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

Balance at January 1	90,755	32,549
Impairment loss recognised	(17,300)	-
Provisions made during the year	9,039	58,206
Balance at December 31	82,494	90,755

During 2012 the Group did not renegotiate any of the terms of its trade receivables (2011: 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.

23. Financial Risk Management (continued)

Liquidity risk (continued)

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

	Carrying Amount	Contractual Amount	1 Year and Less	1-2 Years	2-5 Years
	$'000	$'000	$'000	$'000	$'000
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
December 31, 2011					
Trade payables	163,235	163,235	163,235	-	-
Accrued expenses and other payables	351,116	351,116	351,116	-	-
Due to related parties	122,587	122,587	122,587	-	-
Borrowings	24,642	27,136	15,088	6,572	5,476
Provisions	85,757	85,757	-	-	85,757
Provisions	747,337	749,831	652,026	6,572	91,233

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).

23. Financial Risk Management (continued)

Market risk (continued)

Currency risk

Foreign currency risk (continued)

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

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

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

	Carrying Amount	USD	TTD	Other
	$'000	$'000	$'000	$'000
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)

23. Financial Risk Management (continued)

Market risk (continued)

Currency risk (continued)

Exposure to currency risk (continued)

	Carrying Amount	USD	TTD	Other
	$'000	$'000	$'000	$'000
2011				
Cash and cash equivalents	186,219	159,338	(11,885)	38,766
Trade receivables	236,480	184,016	52,162	302
Due from related parties	226,847	210,760	16,087	-
Aircraft and other deposits	355,358	354,277	183	898
Trade payables	(163,235)	(76,969)	(51,637)	(34,629)
Accrued expenses and other payables	(351,116)	(296,336)	(53,291)	(1,489)
Borrowings	(24,642)	(17,221)	(7,421)	-
Provisions	(85,757)	(85,757)	-	-
Net Gap	380,154	432,108	(55,802)	3,848

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.

24. Subsequent Events

Government Grant - Fuel Subsidy

The Ministry of Finance and the Economy of the Government of The Republic of Trinidad and Tobago communicated to the Company on October 28, 2013 of the termination of the Fuel Subsidy facility effective September 30, 2013.

Borrowing and Financing

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.