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**BWIA West Indies Airways Limited**

**Consolidated Financial Statements**

**31 December 2001**

# BWIA West Indies Airways Limited

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## Auditors' Report

To the members of
BWIA West Indies Airways Limited

We have audited the consolidated balance sheet of BWIA West Indies Airways Limited as at 31 December 2001, and the consolidated income and expenditure account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, as set out on pages 2 to 24. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with international standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2001 and the results of its operations and its cash flows for the year then ended in accordance with international accounting standards.

PricewaterhouseCoopers
Chartered Accountants
Port of Spain
Trinidad, West Indies
18 April 2002

# BWIA West Indies Airways Limited

## Consolidated Balance Sheet

| As at 31 December | Notes | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current Assets,** | | | | | |
| Property, plant and equipment | 2 | 85,032 | 81,045 | 532,730 | 507,341 |
| Deferred charges | 3 | 455 | -- | 2,851 | -- |
| Aircraft deposits | | 7,562 | 7,005 | 47,377 | 43,851 |
| Investments | 4 | 1,767 | 229 | 11,071 | 1,435 |
| | | 94,816 | 88,279 | 594,029 | 552,627 |
| **Current Assets** | | | | | |
| Inventories | 5 | 18,333 | 17,369 | 114,859 | 108,731 |
| Receivables and prepayments | | 48,643 | 55,739 | 304,751 | 348,920 |
| Cash | | 15,106 | 9,916 | 94,638 | 62,076 |
| | | 82,082 | 83,024 | 514,248 | 519,727 |
| **Total Assets** | | 176,898 | 171,303 | 1,108,277 | 1,072,354 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share Capital | 6 | 58,996 | 50,061 | 352,806 | 296,876 |
| Application for shares | | -- | 8,881 | -- | 55,594 |
| Translation differences | | (2,654) | (2,637) | -- | -- |
| Deficit | | (32,617) | (31,923) | (204,179) | (199,830) |
| | | 23,725 | 24,382 | 148,627 | 152,640 |
| **Minority interest in Subsidiary** | | 1,985 | 1,313 | 12,431 | 8,218 |
| **Non-current Liabilities** | | | | | |
| Borrowings | 7 | 52,811 | 28,188 | 330,862 | 176,454 |
| Deferred tax liability | 9 | 481 | 475 | 3,016 | 2,973 |
| | | 53,292 | 28,663 | 333,878 | 179,427 |
| **Current Liabilities** | | | | | |
| Accounts payable | | 29,229 | 35,662 | 183,122 | 223,241 |
| Accrued expenses and other payables | | 27,962 | 29,501 | 175,184 | 184,674 |
| Provision for overhaul | | 5,185 | 4,187 | 32,478 | 26,212 |
| Provision for severance liability | | 467 | 562 | 2,917 | 3,515 |
| Unearned transportation revenues | | 24,100 | 23,877 | 151,013 | 149,476 |
| Borrowings | 7 | 10,368 | 23,126 | 64,959 | 144,766 |
| Taxation payable | | 585 | 30 | 3,668 | 185 |
| | | 97,896 | 116,945 | 613,341 | 732,069 |
| **Total Equity and Liabilities** | | 176,898 | 171,303 | 1,108,277 | 1,072,354 |

On 18 April 2002, BWIA West Indies Airways Limited's Board of Directors authorised these financial statements for issue. The accounting policies on pages 6 to 10 and the notes on pages 11 to 24 form an integral part of these financial statements.

____________________ Director ____________________ Director

# BWIA West Indies Airways Limited

## Consolidated Income and Expenditure Account

| Year ended 31 December | Notes | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Scheduled passengers | | 244,054 | 227,605 | 1,528,996 | 1,424,806 |
| Cargo and mail | | 10,023 | 12,015 | 62,794 | 75,208 |
| Incidental and other | | 15,810 | 17,216 | 99,051 | 107,780 |
| | | 269,887 | 256,836 | 1,690,841 | 1,607,794 |
| **Operating Expenses** | | | | | |
| Staff costs | | 60,099 | 60,635 | 376,520 | 379,576 |
| Fuel | | 37,448 | 44,198 | 234,612 | 276,679 |
| Lease of aircraft and engines | | 35,702 | 26,876 | 223,674 | 168,245 |
| Maintenance | | 18,829 | 20,108 | 117,966 | 125,875 |
| Passenger expenses | | 17,663 | 18,993 | 110,659 | 118,896 |
| Marketing | | 13,234 | 11,505 | 82,909 | 72,018 |
| Commissions | | 16,178 | 14,635 | 101,357 | 91,615 |
| Aircraft handling and navigation | | 22,661 | 22,364 | 141,972 | 139,999 |
| Crew route expenses | | 5,270 | 5,386 | 33,016 | 33,716 |
| Other | | 26,184 | 21,912 | 164,041 | 137,168 |
| Depreciation and amortisation | | 19,239 | 9,653 | 120,532 | 60,429 |
| | | 272,507 | 256,265 | 1,707,258 | 1,604,216 |
| **Operating (Loss)/Profit on Ordinary Activities** | 10 | (2,620) | 571 | (16,417) | 3,578 |
| **Non Operating (Expenses)/Income** | | | | | |
| Interest income | | 1,220 | 361 | 7,646 | 2,260 |
| Interest expense | | (7,843) | (5,252) | (49,134) | (32,876) |
| Foreign exchange loss | | 246 | (979) | 1,544 | (6,129) |
| Fixed asset disposal | | 362 | 2,934 | 2,265 | 18,364 |
| Miscellaneous and other | | (1,037) | 878 | (6,497) | 5,492 |
| Profit on sale of investment | 23 | -- | 2,400 | -- | 15,024 |
| Amortization of negative goodwill | 24 | -- | 613 | -- | 3,836 |
| | | (7,052) | 955 | (44,176) | 5,971 |
| **(Loss)/Profit Before Taxation and Extraordinary Item** | | (9,672) | 1,526 | (60,593) | 9,549 |
| **Taxation** | 8 | (956) | (347) | (5,988) | (2,173) |
| **(Loss)/Profit After Taxation** | | (10,628) | 1,179 | (66,581) | 7,376 |
| **Extraordinary Item** | 22 | 9,911 | -- | 62,091 | -- |
| **(Loss)/Profit After Taxation and Extraordinary Item** | | (717) | 1,179 | (4,490) | 7,376 |
| **Minority Interest** | | 23 | (7) | 142 | (43) |
| **Group (Loss)/Profit After Taxation** | | (694) | 1,172 | (4,349) | 7,333 |
| **(Loss)/Earnings Per Share** | 19 | | | | |
| Basic | | (0.017¢) | 1.52¢ | (0.02¢) | 9.5¢ |
| Diluted | | (0.017¢) | 1.27¢ | (0.02¢) | 7.9¢ |

The accounting policies on pages 6 to 10 and the notes on pages 11 to 24 form an integral part of these financial statements.

# BWIA West Indies Airways Limited

## Consolidated Statement of Changes in Equity

| | Translation Differences | Share Capital | | Application For Shares | | Deficit | |
|---|---|---|---|---|---|---|---|
| | US$000's | US$000's | TT$000's | US$000's | TT$000's | US$000's | TT$000's |
| **Balance at 1 January 2000** | (1,353) | 50,061 | 296,876 | -- | -- | (38,883) | (235,353) |
| Effects of adopting IAS 37 & 38 | -- | -- | -- | -- | -- | 5,788 | 28,190 |
| Restated Balance as at 1 January 2000 | (1,353) | 50,061 | 296,876 | -- | -- | (33,095) | (207,163) |
| Application for shares | -- | -- | -- | 8,881 | 55,594 | -- | -- |
| Currency translation adjustment | (1,284) | -- | -- | -- | -- | -- | -- |
| Net profit | -- | -- | -- | -- | -- | 1,172 | 7,333 |
| **Balance at 31 December 2000** | (2,637) | 50,061 | 296,876 | 8,881 | 55,594 | (31,923) | (199,830) |
| **Balance at 1 January 2001** | (2,637) | 50,061 | 296,876 | 8,881 | 55,594 | (31,923) | (199,830) |
| Issue of shares | -- | 8,935 | 55,930 | (8,881) | (55,594) | -- | -- |
| Currency translation adjustment | (17) | -- | -- | -- | -- | -- | -- |
| Loss | -- | -- | -- | -- | -- | (694) | (4,349) |
| **Balance at 31 December 2001** | (2,654) | 58,996 | 352,806 | -- | -- | (32,617) | (204,179) |

The accounting policies on pages 6 to 10 and the notes on pages 11 to 24 form an integral part of these financial statements.

# BWIA West Indies Airways Limited

## Consolidated Cash Flow Statement

| Year ended 31 December | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| (Loss)/profit before taxation and extraordinary item | (9,672) | 1,526 | (60,593) | 9,549 |
| Adjustment to reconcile (loss)/profit to net cash from operating activities: | | | | |
| Depreciation and amortisation | 19,239 | 9,653 | 120,532 | 60,429 |
| Gain on disposal of fixed assets | (364) | (3,734) | (2,278) | (23,373) |
| Net change in operating assets and liabilities | (321) | (18,537) | (1,964) | (116,040) |
| Net cash inflow/(outflow) before extraordinary item | 8,882 | (11,092) | 55,697 | (69,435) |
| Tax paid | (393) | (303) | (2,462) | (1,895) |
| Extraordinary item | 9,911 | -- | 62,091 | -- |
| Net cash inflow/(outflow) from operating activities | 18,400 | (11,395) | 115,326 | (71,330) |
| **Investing Activities** | | | | |
| Purchase of property, plant and equipment | (24,425) | (16,545) | (153,020) | (103,571) |
| Proceeds from sale of property, plant and equipment | 1,852 | 10,370 | 11,600 | 64,916 |
| Purchase of investments | (1,538) | (94) | (9,636) | (588) |
| (Increase)/decrease in deferred charges | (455) | 12,226 | (2,851) | 76,532 |
| Aircraft and other deposits | (563) | (1,048) | (3,525) | (6,560) |
| Net cash (outflow)/inflow from investing activities | (25,129) | 4,909 | (157,432) | 30,729 |
| **Financing Activities** | | | | |
| Issue of/Application for shares | 54 | 8,881 | 334 | 55,594 |
| Long-term loan proceeds | 41,267 | 14,845 | 258,538 | 92,930 |
| Repayment of loans | (29,402) | (9,996) | (184,204) | (62,575) |
| Net cash inflow from financing activities | 11,919 | 13,730 | 74,668 | 85,949 |
| **Increase in Cash and Cash Equivalents** | 5,190 | 7,244 | 32,562 | 45,348 |
| **Cash and Cash Equivalents** | | | | |
| At start of year | 9,916 | 2,672 | 62,076 | 16,728 |
| Increase | 5,190 | 7,244 | 32,562 | 45,348 |
| At end of year | 15,106 | 9,916 | 94,638 | 62,076 |
| **Represented By** | | | | |
| Cash | 15,106 | 9,916 | 94,638 | 62,076 |

The accounting policies on pages 6 to 10 and the notes on pages 11 to 24 form an integral part of these financial statements.

# BWIA West Indies Airways Limited

## Accounting Policies - 31 December 2001

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

i **Basis of Preparation and Reporting**

The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards. The consolidated financial statements are prepared under the historical cost convention.

These financial statements are expressed in Trinidad and Tobago (TT) dollars. Amounts expressed in United States (US) dollars are presented for the convenience of the reader and have been translated at the rate of TT$6.265 to US$1.00, (2000: TT$6.26 to US$1.00) for the balance sheet and items in the income and expenditure statement have been translated at the exchange rates prevailing at the date of the transactions.

The Company generates substantial foreign currency revenues in United States dollars and UK pounds sterling.

ii **Consolidation**

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal subsidiaries is set out in Note 18.

iii **Foreign Currencies**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

iv **Financial Instruments**

The Company enters into forward contracts in order to reduce the business risk of fuel price fluctuation. These contracts provide for the purchase of fuel at a pre-determined rate at a future date and are not recorded in these financial statements.

Fees were not incurred as a result of these contracts, since they were negotiated as zero cost collar options.

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the policy statements associated with each item.

v **Property, Plant and Equipment**

Property, plant and equipment are stated at cost, or if acquired under finance leases, at the lower of the present value of minimum lease payments and fair market value at the inception of the lease. Maintenance and repairs are charged to operating expense as incurred and costs of major improvements are capitalized for both owned and leased assets. Depreciation and amortization for principal asset classifications are provided on a straight-line basis to estimated residual values over estimated service lives as follows:

| | | Estimated Service Life |
|---|---|---|
| Flight equipment | - Dash 8 Turbo Prop | 15 years |
| | - L1011's | 4 years |
| | - Other aircraft | 20 years |
| | - Engines and related spares | 15 years |
| Other equipment | | 2 - 10 years |
| Buildings | | 25 years |

vi **Taxation**

The Company is exempt from Trinidad and Tobago taxation on its income for a period of seven (7) years which commenced 1 January 1995. The company is liable to pay the environmental tax "Green Fund" of .10% of its gross sales for the year ended 31 December 2001.

The subsidiary Allied Caterers Limited (ACL) provides for deferred income tax using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on property, plant and equipment and tax losses carried forward.

The subsidiary Tobago Express Limited is exempt from business levy for a period of three years following the commencement of business.

The subsidiary West Indies Airways Aircraft Limited (WIAAL) is incorporated in the Cayman Islands and is not subject to corporation taxes in that jurisdiction.

vii **Cash and Cash Equivalents**

For financial statement purposes, cash and cash equivalents comprise cash on hand and deposits held at bank net of bank overdraft.

viii **Accounts Receivables**

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off when identified.

ix **Inventories**

Inventories are stated at the lower of cost and net realisable value.

The cost of expendable aircraft spares is determined by the weighted average method. The Company provides for losses due to obsolescence and deterioration of expendable aircraft spares. The provision is calculated on the carrying value of the inventory at the rate of 0.34% per month up to a maximum of 50% of the value of the item.

The cost of goods held for resale and food and beverage items is determined by the first in first out method.

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

x **Retirement Plans**

The Company operates separate pension plans for different categories of employees in Trinidad and Tobago and for its overseas employees. The pension plans for locally employed pilots and general and management staff are defined contribution plans. There are separate defined benefit plans for employees based in overseas territories which are not material to these financial statements. The assets of these plans are held in separate trustee administered funds which are funded by payments from employees and by the Company, taking account of the recommendations of independent qualified actuaries.

The Company's contributions to the defined contributions pension plans are charged to the income and expenditure statement as incurred.

xi **Development and Pre-operating Costs**

The Company adopted International Accounting Standard 38 (IAS 38) (Intangible Assets) with effect from 1.1.2000. Under the provisions of this standard, development and pre-operating costs including new aircraft integration costs are expensed when incurred.

xii **Airline Revenue**

Passenger and cargo revenue are recognized as operating revenues when the transportation is furnished. The value of unused passenger tickets is included in current liabilities as Unearned Transportation Revenue.

xiii **Frequent Traveller Awards**

BWIA accrues the estimated incremental cost of providing free travel awards earned by participants in frequent traveller programs which BWIA sponsors or participates in when award levels are reached.

xiv **Investments**

At 1 January 2001 the Company adopted International Accounting Standard 39 (IAS 39) Financial Instruments: Recognition and Measurement and classified its investments into the following categories:

- Trading
- Held-to-Maturity
- Available-for-Sale

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. During the period the Company did not hold any investments in this category.

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. During the period the Company did not hold any investments in this category.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for- sale; these are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on a regular basis.

xiv **Investments (Continued)**

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Trading and available-for-sale investments are subsequently carried at fair value except for unquoted investments where the fair value cannot be reliably determined. Such unquoted investments are carried at cost. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments and available-for-sale investments are included in the income and expenditure account in the period in which they arise.

Prior to the adoption of IAS 39, the Company recorded its investments at cost less provision for any diminution in value considered to be permanent.

xv **Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(i) **Overhaul expenses**

The Company adopted International Accounting Standard 37 (IAS 37), (Provisions, Contingent Liabilities and Contingent Assets), with effect from 1 January 2000. Under this standard major overhaul on leased aircraft is capitalised and amortised over the period to the next major overhaul. The cost of major overhauls on owned aircraft are capitalised as part of the holding cost of the asset and depreciation is accelerated to ensure that this cost is amortised to zero at the date of the next major overhaul.

The Company provides for the return condition obligations on leased aircraft.

(ii) **Employee leave entitlement**

Employee entitlements to annual leave is recognized when it accrues to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

xvi **Accounting for Leases**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessors are classified as operating leases. Payments made under operating leases are charged to the income and expenditure account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period on which termination takes place.

Finance leases are capitalised at the lower of the present value of minimum lease payments and fair market value at the inception of the lease. Each lease payment is allocated between the liability and finance charges so as to provide a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset.

### xvii Segment Reporting

Business segments:

The directors regard all material activities of the Company as relating to airline operations. Airline operations relate to scheduled passenger and other airline related operations which includes the transportation of cargo, mail and freighter services, duty-free sales, sale of package holidays, third party aircraft maintenance and incidental revenue.

Catering operations relates to the activities of a subsidiary and segmental revenue, expenses and results are shown for information purposes only.

The segmental results are calculated after deducting directly attributable costs of these segments.

The major revenue-earning assets of the Company consist of its aircraft fleet and related spares and inventory. These assets are employed flexibly within the airline operations. Segmental assets of the catering operations are shown for information purposes only.

Geographic segments:

The major geographic locations of the Company's operations are Trinidad and Tobago, Caribbean and South/Central America, North America and UK/Europe.

The analysis of scheduled passenger revenues by area of sale is derived by allocating revenue to the region where the sale was made.

The analysis of scheduled passenger revenues by points of origin and destination between Trinidad and Tobago and overseas points is attributed to the geographic region in which the relevant overseas point lies. Revenue on the Trinidad to Tobago service is shown as domestic revenue.

Revenues attributed to other airline operations and catering operations are derived mainly in Trinidad and Tobago.

Segmental reports are set out in Note 20.

# BWIA West Indies Airways Limited

## Notes To The Financial Statements - 31 December 2001

### 1 Incorporation and Principal Activity

BWIA West Indies Airways Limited ("BWIA", "New BWIA" or the "Company") is incorporated in Trinidad and Tobago and was established by the BWIA International Airways Limited (Vesting) Act, 1995. BWIA is successor to the scheduled airline business formerly operated by Trinidad and Tobago (BWIA International) Airways Corporation owned by the Government of the Republic of Trinidad and Tobago ("GORTT").

### 2 Property, Plant and Equipment

| | Buildings $000's | Flight Equipment and Related Spares $000's | Other Property and Equipment $000's | Total $000's | |
|---|---|---|---|---|---|
| **Year ended 31 December 2001** | | | | | |
| Opening net book amount | 27,364 | 434,353 | 45,624 | 507,341 | |
| Additions | 5,623 | 141,909 | 5,488 | 153,020 | |
| Disposals | -- | (9,540) | (24) | (9,564) | |
| Depreciation charge | (3,676) | (102,941) | (11,450) | (118,067) | |
| Closing net book value | TT$ | 29,311 TT$ | 463,781TT$ | 39,638 TT$ | 532,7 |
| | US$ 4,679 | US$ 74,027 | US$ 6,326 | US$ 85,032 | |
| **At 31 December 2001** | | | | | |
| Cost | 55,702 | 668,884 | 111,979 | 836,565 | |
| Accumulated depreciation | (26,391) | (205,103) | (72,341) | (303,835) | |
| Net book value | TT$29,311 | TT$463,781 | TT$39,638 | TT$532,730 | |
| | US$ 4,679 | US$ 74,027 | US$ 6,326 | US$ 85,032 | |
| **At 31 December 2000** | | | | | |
| Cost | 50,079 | 536,515 | 106,515 | 693,109 | |
| Accumulated depreciation | (22,715) | (102,162) | (60,891) | (185,768) | |
| Net book value | TT$27,364 | TT$434,353 | TT$45,624 | TT$507,341 | |
| | US$ 4,371 | US$ 69,385 | US$ 7,289 | US$ 81,045 | |

The depreciation charge in the Income and Expenditure Account is a net figure of:

| | TT$000's | US$000's |
|---|---|---|
| Depreciation on property, plant and equipment | (118,067) | (18,846) |
| Increase in provision for obsolescence on expendables (note 5 – Inventories) | (2,465) | (393) |
| | (120,532) | (19,239) |

# BWIA West Indies Airways Limited



3 **Deferred Charges**

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| **Costs** | | | | |
| Systems Development costs | 455 | -- | 2,851 | -- |

The deferred charges relate to new information system software/hardware costs, amortisation for which will commence when the system is available for use in 2002.

4 **Investments**

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| **Available for Sale** | | | | |
| LIAT (1974) Limited (29% interest) at cost | 2,679 | 2,679 | 16,771 | 16,771 |
| Post acquisition profits | 86 | 86 | 540 | 540 |
| | 2,765 | 2,765 | 17,311 | 17,311 |
| Provision for diminution in value | (2,765) | (2,765) | (17,311) | (17,311) |
| Net carrying value | -- | -- | -- | -- |
| France Telecom at cost | 5,000 | -- | 31,325 | -- |
| Fair value adjustment | (3,501) | -- | (21,934) | -- |
| Net carrying value | 1,499 | -- | 9,391 | -- |
| Other available for sale | 268 | 229 | 1,680 | 1,435 |
| Total available for sale investments at fair value | 1,767 | 229 | 11,071 | 1,435 |

5 **Inventories**

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Expendable aircraft spares – at cost | 14,940 | 14,657 | 93,599 | 91,753 |
| Less: Provision for obsolescence | (2,066) | (1,674) | (12,945) | (10,480) |
| | 12,874 | 12,983 | 80,654 | 81,273 |
| Goods held for resale | 2,700 | 2,463 | 16,917 | 15,416 |
| Food and beverage | 2,171 | 1,893 | 13,602 | 11,855 |
| Other | 588 | 30 | 3,686 | 187 |
| | 18,333 | 17,369 | 114,859 | 108,731 |

### 6 Share Capital

The authorised share capital of the Company consists of:

a) One Golden Share to be issued and held only by the Minister of Finance on behalf of the GORTT.

b) An unlimited number of Class A Preference Shares and Class B Convertible Preference Shares without nominal or par value which may be issued and held only by the Minister of Finance on behalf of the GORTT. Class B Convertible Preference Shares are convertible into Class A Series I Ordinary Shares (described below).

c) An unlimited number of Ordinary Shares without nominal or par value divided into the following classes:

   (i) Class A Series I Ordinary Shares may only be issued to the Minister of Finance on behalf of the GORTT.

   (ii) Class A Series II Ordinary Shares may only be issued to Regional Shareholders including Trinidad and Tobago Nationals.

   (iii) Class B Ordinary Shares may only be issued to Foreign Shareholders.

Issued and fully paid:

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| 1 Golden share | -- | -- | -- | -- |
| Preference shares | | | | |
| Class A - 10,000 shares | 10,000 | 10,000 | 59,500 | 59,500 |
| Ordinary shares: | | | | |
| Class A Series I – 23,219,999 | 24,633 | 19,592 | 147,461 | 116,080 |
| Class A Series II – 9,992,693 | 9,065 | 7,153 | 54,269 | 42,398 |
| Class B – 13,920,864 | 15,298 | 13,316 | 91,576 | 78,898 |
| | 58,996 | 50,061 | 352,806 | 296,876 |

With effect from 1 January 1998, holders of Class A Preference shares shall be entitled to 6% annual cumulative dividends amounting to TT$3,570,000 per annum payable quarterly. The liquidation value of Class A Preference shares is increased by the amount of unpaid cumulative dividends which at 31 December 2001 amounted to TT$14,280,000. Dividends can only be paid from distributable profits and in accordance with the provisions of the Companies Act 1995, as amended. Unless full cumulative dividends (including additional dividends) on the Preference shares have been paid, or set aside for payment, no dividends shall be declared, paid, or distributed upon the ordinary shares of the Company ranking junior to or on par with the Preference shares as to dividends on liquidation.

| 7 | **Borrowings** | **2001 US$000's** | **2000 US$000's** | **2001 TT$000's** | **2000 TT$000's** |
|---|---|---|---|---|---|
| a) | Barbados Mutual Life Assurance Society | 991 | 1,063 | 6,209 | 6,657 |
| b) | Clico Investment Bank Limited | 16,916 | 4,000 | 105,980 | 25,039 |
| c) | Royal Bank of Trinidad & Tobago Limited | 1,394 | 6,002 | 8,734 | 37,576 |
| d) | International Lease Finance Corporation | 270 | 3,096 | 1,693 | 19,381 |
| e) | Fleet Capital Leasing | 3,317 | -- | 20,784 | -- |
| f) | Citibank (Trinidad & Tobago) Limited | 3,814 | -- | 23,896 | -- |
| g) | Canadian Regional Aircraft Finance | 25,686 | 26,807 | 160,922 | 167,803 |
| h) | Export Development Corporation | 5,335 | -- | 33,424 | -- |
| i) | Bombardier Capital Inc. | 4,268 | -- | 26,739 | -- |
| j) | Government of Trinidad & Tobago | 1,188 | -- | 7,440 | -- |
| k) | Royal Merchant Bank and Finance Company Limited | -- | 799 | -- | 5,000 |
| l) | Finova Capital Corporation | -- | 9,547 | -- | 59,764 |
| | Total | 63,179 | 51,314 | 395,821 | 321,220 |
| | Less current maturities | (10,368) | (23,126) | (64,959) | (144,766) |
| | | 52,811 | 28,188 | 330,862 | 176,454 |

(a) The loan with Barbados Mutual Life Assurance Society is repayable in 180 equal monthly payments of US$14,692 plus interest at 11.25% per annum and is secured by a first legal mortgage over the property at Sunjet House, Bridgetown, Barbados. This loan is repayable by December 2010.

(b) The Company obtained the following facilities from Clico Investment Bank Limited:

A short-term loan facility renegotiated in October 2001 for US$1M which is secured by the assignment of travel agent receipts in the United States of America.

A US$20,000,000 loan agreement was negotiated in March 2001 at a rate of 10.5%. This is divided into two (2) series – 1&2. These loans are secured by investments certificates amounting to US$2 million and TT$10 million and the assignment of certain receivable balances.

Series 1 being a short-term loan for US$5,000,000. This loan was structured such that only interest is payable for the first three months. Thereafter, equal monthly principal payments of US$500,000 in addition to interest at the agreed rate is payable. This loan is repayable by March 2002.

Series 2 being a longer-term agreement, of three tranches of US$5,000,000 each (US$15,000,000 in total) with a moratorium on principal payments for the first twelve months, followed by twelve (12) equal principal payments of US$1,250,000. This loan is repayable by May 2003.

(c) Two loans from the Royal Bank of Trinidad and Tobago Limited (RBTT) were negotiated at RBTT US prime less 0.35%. These facilities are secured by proceeds from credit card sales due to the Company and the assignment of an aircraft engine.

The loan for US$5,000,000 is repayable in thirty-five (35) monthly installments of principal and interest inclusive, followed by a final bullet payment. This loan is repayable by February 2002.

The loan for US$3,000,000 is repayable in fourteen (14) monthly installments of principal and interest inclusive, followed by a final bullet payment. This loan is repayable by June 2002.

## 7 Borrowings (Continued)

(d) The Company entered into a loan agreement in October 2000 to reschedule its obligations with International Lease Finance Corporation for US$3,096,059. The loan is unsecured and is to be repaid over 12 months commencing January 2001 and interest is calculated at 11.0%.

(e) In January 2001, the Company entered into a loan agreement with Fleet Capital Leasing to purchase L1011 N3140D at an agreed price of US$5M. An amount of US$621,000 which was held on deposit for this aircraft, has been applied as a down payment. The balance of US$4,379,000 is repayable in 36 equal monthly payments of US$126,860, which is inclusive of principal and interest at 10.25%. This loan is unsecured.

(f) The Company entered into a loan agreement with Citibank (Trinidad and Tobago) Limited in July 2001 for US$5,000,000 for twelve months at an interest of 9.00%. This is an unsecured loan.

(g) The fully owned special purpose company – WIAAL financed the purchase of three (3) de Havilland DHC-8-300 aircraft from loans received from Canadian Regional Aircraft Finance Transactions No. 1 Limited, a Jersey Channel Islands company.

The first two (2) aircraft were purchased in February 1999 from Bombardier Inc at a cost of US$10,900,000, each. The Company financed 85% of the cost amounting to US$9,265,000 for each aircraft, by way of a loan for twelve (12) years ending 18 February 2011, bearing interest at 8.3175% per annum and repayable in fixed monthly installments of $89,087.32 per aircraft. The loan is secured by a mortgage on the aircraft and a pledge of the shares in the WIAAL.

A third aircraft was acquired in December 1999 at a cost of US$11,222,477 of which 90% or US$10,100,229, was financed by a loan. This is repayable over twelve (12) years ending 30 November 2011, bearing interest at 9.482% by fixed monthly installments of US$105,612.76. The loan is secured by a mortgage on the aircraft and a pledge of the shares in the WIAAL.

(h, i) The fully owned special purpose subsidiary of Tobago Express Limited – Caribbean Aircraft Acquisition Limited (CAAL) financed the purchase of one de Havilland DHC-8-Q300 aircraft at a cost of US$9.6M. This was financed from loans received from Export Development Corporation (Senior Lender) and Bombardier Capital Inc, (Junior Lender). The Senior debt is repayable at an interest rate of 7.899% over a period of twelve (12) years ending 19 December 2013, with fixed monthly installments of US$348,078.59. The loan is secured by a mortgage on the aircraft. The Junior debt is repayable over twelve (12) years ending 19 December 2013 with fixed monthly principal installments of US$8,803.82 and monthly interest based on one (1) month LIBOR.

(j) Government of the Republic of Trinidad and Tobago assisted the airline in meeting the increased cost of passenger insurance premiums, (following the events of 11 September 2001), with an unsecured, interest free loan of US$1.24M.

(k, l) These loans were repaid during the year.

## 8 Taxation

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| (a) Current tax | 643 | 301 | 4,027 | 1,885 |
| Deferred tax | 6 | 18 | 43 | 112 |
| Prior year under provision | 19 | 18 | 116 | 112 |
| Business levy | 10 | 10 | 61 | 64 |
| Green fund levy | 278 | -- | 1,741 | -- |
| | 956 | 347 | 5,988 | 2,173 |

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

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Profit before taxation | 1,809 | 904 | 11,334 | 5,657 |
| Corporation tax at the statutory rate of 35% | 633 | 316 | 3,967 | 1,980 |
| Tax effect of non-deductible items | | | | |
| Temporary difference | 35 | 21 | 219 | 129 |
| | 668 | 337 | 4,186 | 2,109 |
| Business levy | 10 | 10 | 61 | 64 |
| | 678 | 347 | 4,247 | 2,173 |
| (c) Green Fund levy | 278 | -- | 1,741 | -- |
| | 956 | 347 | 5,988 | 2,173 |

## 9 Deferred Tax Liability

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Opening amount | 475 | 457 | 2,973 | 2,861 |
| Charge to income statement | 6 | 18 | 43 | 112 |
| Closing amount | 481 | 475 | 3,016 | 2,973 |

The subsidiary's deferred tax has been charged on the following temporary differences:

| | 31/12/00 TT$000's | Charge to Profit and Loss TT$000's | 31/12/01 TT$000's |
|---|---|---|---|
| Accelerated tax depreciation | 2,973 | 43 | 3,016 |

| 10 **Operating (Loss)/Profit on Ordinary Activities** | **2001 US$000's** | **2000 US$000's** | **2001 TT$000's** | **2000 TT$000's** |
|---|---|---|---|---|
| The following items have been charged in arriving at operating (loss)/profit: | | | | |
| Staff costs (see note 11) | 60,099 | 60,635 | 376,520 | 379,576 |
| Directors' fees and expenses | 59 | 56 | 365 | 355 |
| Depreciation and amortization | 19,239 | 9,653 | 120,532 | 60,429 |

| 11 **Staff Costs** | **2001 US$000's** | **2000 US$000's** | **2001 TT$000's** | **2000 TT$000's** |
|---|---|---|---|---|
| Salaries and wages | 47,735 | 48,523 | 299,720 | 303,751 |
| Crew allowances | 3,434 | 3,572 | 21,329 | 22,362 |
| Pension fund contributions | 4,157 | 3,976 | 25,825 | 24,890 |
| National and health insurance | 2,735 | 2,655 | 16,999 | 16,618 |
| Other personnel expenses | 2,038 | 1,909 | 12,647 | 11,955 |
| Total | 60,099 | 60,635 | 376,520 | 379,576 |

Total number of employees as at 31 December, 2001 was 2,843. The comparative figure for 2000 was 2,688.

12 **Contingent Liabilities and Capital Commitments**

a) Lease commitments

The Company leases the majority of its ground facilities including executive and administrative offices, overhaul and maintenance bases and ticket and reservation offices. Public airports are utilized for flight operations under lease arrangements with the governments or agencies owning or controlling such airports. Substantially all leases provide that the lessee shall pay taxes, maintenance, insurance and certain other operating expenses applicable to the leased property. Most leases also include renewal options.

Lease commitments as at 31 December 2001:

| | **2001 US$000's** | **2000 US$000's** | **2001 TT$000's** | **2000 TT$000's** |
|---|---|---|---|---|
| 2001 | -- | 35,702 | -- | 223,674 |
| 2002 | 39,922 | 38,457 | 250,109 | 240,741 |
| 2003 | 41,854 | 30,253 | 262,215 | 189,384 |
| 2004 | 37,069 | 25,650 | 232,237 | 160,569 |
| 2005 | 37,465 | 25,269 | 234,719 | 158,184 |
| 2006 | 37,839 | 25,545 | 237,064 | 159,912 |
| Thereafter | 104,742 | 95,381 | 656,211 | 597,085 |

b) Legal proceedings

The Company has been named as defendant in various suits and proceedings which involve principally employment matters. These suits and proceedings are at various stages of litigation and their outcomes are difficult to predict. In the Company's opinion, however, the disposition of these matters is not likely to have a materially adverse effect on its financial condition or results of operations.

## 12 Contingent Liabilities and Capital Commitments (Continued)

c) Capital commitments

The Company has embarked on the replacement of the existing fleet of ageing L1011 aircraft. Two A340-300 airbus aircraft are due for arrival in June and December 2002. Lease agreements with International Lease Finance Corporation over an initial five-year period amount in excess of US$30M each.

The Company is upgrading its financial computerized system to Sap R3. The Sap software, hardware and implementation costs amount to some US$1.4M.

d) Severance liabilities

Under the terms of the Retrenchment and Severance Benefits Act 1985 and the collective bargaining agreements, the Company is contingently liable to employees for severance benefits if their services are terminated through redundancy.

Subsequent to the balance sheet date, the parent company has announced that it would be reducing staff due to the events of 11 September 2001. No provision has been made for severance liabilities of the parent in these financial statements as at 31 December 2001.

The severance provision on the balance sheet is in relation to one of the Company's subsidiaries.

## 13 Investment Agreement and Preference Share Option

In accordance with the terms of an Agreement with The Government of the Republic of Trinidad and Tobago (GORTT) and pursuant to subsequent discussions thereto, the following was agreed on 10 September 2001:

a) GORTT to set off its entitlement to exercise preference share options of approximately US$11 million against adjustment payments due to BWIA resulting from the deficiency in the restructuring surplus at the time of privatization amounting to US$12 million.

b) Preference shares and restructuring surplus foregone amounted to a negotiated settlement of US$10 million and contra to NIL and had no effect on the income and expenditure account for the year ended 31 December 2001.

## 14 Management Share Options

At the 60th Board Meeting of the Board of Directors of BWIA held on 9 July 1999 the Board approved the establishment of a Share Option Plan for Management ("the Share Option Plan") for the benefit of the Chief Executive Officer and full-time employees of the Company employed in Executive, Senior or Middle Management positions ("Eligible Persons") in a maximum aggregate of 4% of the total number of issued Ordinary Shares of the Company (subject to adjustment by the Auditors in the event of the alteration of the capital) to be allocated under the Share Option Plan.

Grant of further options are under the control and absolute discretion of the Directors and can be effected under the Share Option Plan throughout the Plan Term of ten (10) years expiring on 30 July 2009. The option period for each option shall not exceed eight (8) years from the grant date and vests over a four (4) year period in equal tranches of 25% each year.

Options may be granted by Directors to Eligible Persons on an Option Price equivalent to the average of the closing quoted prices of Shares of the Company as derived from the Stock Exchange on the three (3) trading days preceding the day before the date of the offer of such option.

## 14 Management Share Options (Continued)

The Ordinary Shares to be issued by the Company on the exercise of options under the Share Option Plan will rank equally in all respects with the existing issued Ordinary Shares of the Company. On exercise of the option, the Option Price will be paid to the Company and form part of its stated capital.

Also, at the 60th Meeting of the Board of Directors of the Company, the Board approved the grant of share options to individuals recommended by the President and Chief Executive Officer and approved by the Chairman as "turn around team members". As at 31 December 2001 the total number of Ordinary Shares for which options were granted to seven (6) individuals identified as the "Turnaround Team Leaders" was 352,000 of which all were exercised.

The Company has also granted Air West Indies Limited options to acquire up to 600,000 Ordinary Shares at the lower of US$0.25 per share or the price of any Issue but no later than 31 July 2002. In 1999 Air West Indies exercised its rights with respect to 200,000 shares.

## 15 Employee Share Ownership Plan

The Company established an employee Share Ownership Plan (ESOP) for all its permanent employees and has filed the draft Trust Deed and Rules with the Board of Inland Revenue seeking approval of same.

Under the ESOP employee participants will be entitled to purchase newly issued Ordinary Shares up to an aggregate of 10% of the issued share capital of the Company.

## 16 Option to Acquire Catering Business

An option has been granted to one of the existing shareholders of ACL, to acquire a further 15% of the issued share capital of that Company. This option can be exercised at any time between December 2005 and December 2006.

## 17 Financial Instruments

The Company uses derivative financial instruments with off-balance sheet risk selectively for treasury and fuel risk management purposes.

### (i) Credit risk

Credit risk is managed by limiting the aggregate exposure to any individual counter party, customer or financial institution. The Company has no significant concentration of credit risk.

### (ii) Financing and interest rate risk

Most of the Company's debt is asset related, reflecting the capital-intensive nature of the airline industry and the attractiveness of aircraft as security to lenders and financiers. All of the Company's borrowings are at fixed rates of interest and most of these borrowings are denominated in United States dollars. The Company is able to negotiate loans linked to US Prime which is lower than rates available for local borrowing. External borrowings are repaid from externally generated cash flows, mainly United States dollars, which minimises finance and interest rate risks.

## 17 Financial Instruments (Continued)

### (iii) Foreign currency risk

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

### (iv) Fair values

The carrying amount of the following financial assets and liabilities approximate to their fair value: cash, investments, receivables, payables, short term and long-term borrowings.

## 18 Principal Subsidiaries

| | Undertakings/shareholdings | Country of Incorporation |
|---|---|---|
| Allied Caterers Limited | 55% | Trinidad and Tobago |
| West Indies Airways Aircraft Limited | 100% | Cayman Islands |
| Tobago Express Limited | 49% | Trinidad and Tobago |
| **Associated Company** | | |
| LIAT (1974) Limited | 29% | Antigua |

## 19 (Loss)/Earnings Per Share

Basic (LPS)/EPS is calculated by dividing the net profit attributable to shareholders, after deducting preference dividends of TT$3,570,000 (See Note 6), by the weighted average number of common shares in issue during the year. For the diluted EPS, the weighted average number of common shares in issue is adjusted to assume conversion of all dilutive potential common shares. The management shares options of 4% of the issued share capital are to be issued to fair value at the date of issue and therefore are not dilutive in nature. However, the options to Air West Indies Limited at a price of the lower of US 25 cents and fair value are considered to be dilutive.

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Group (loss)/profit after taxation | (694) | 1,172 | (4,349) | 7,333 |
| Preference share dividend | (568) | (570) | (3,570) | (3,570) |
| (Loss)/net profit attributable to shareholders | (1,262) | 602 | (7,908) | 3,763 |
| Weighted average number of ordinary shares in issue | 46,581 | 39,540 | 46,581 | 39,540 |
| Weighted average number of diluted ordinary shares | 46,756 | 47,372 | 46,756 | 47,372 |
| Basic(LPS)/EPS | (0.017¢) | 1.52¢ | (0.02¢) | 4.5¢ |
| Diluted (LPS)/EPS | (0.017¢) | 1.27¢ | (0.02¢) | 7.4¢ |

## 20 Segment Reporting

a. Business segment information is analysed as follows:

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| **Revenue by business segment:** | | | | |
| Airline operations - scheduled passenger | 244,054 | 227,605 | 1,528,996 | 1,424,806 |
| - other airline related | 21,356 | 25,776 | 133,799 | 161,358 |
| | 265,410 | 253,381 | 1,662,795 | 1,586,164 |
| Catering operations | 4,477 | 3,455 | 28,046 | 21,630 |
| Operating revenue | 269,887 | 256,836 | 1,690,841 | 1,607,794 |
| **Expenses by business segment:** | | | | |
| Airline operations | 269,758 | 253,192 | 1,690,054 | 1,584,980 |
| Catering operations | 2,749 | 3,073 | 17,204 | 19,236 |
| Operating expenses | 272,507 | 256,265 | 1,707,258 | 1,604,216 |
| **Segment result:** | | | | |
| Airline operations | (4,351) | 189 | (27,259) | 1,184 |
| Catering operations | 1,731 | 382 | 10,842 | 2,394 |
| Operating (loss)/profit | (2,620) | 571 | (16,417) | 3,578 |
| **Segmental assets:** | | | | |
| Airline operations | 170,882 | 164,947 | 1,070,586 | 1,032,570 |
| Catering operation | 6,016 | 6,356 | 37,691 | 39,784 |
| Group | 176,898 | 171,303 | 1,108,277 | 1,072,354 |
| **Segmental liabilities:** | | | | |
| Airline operations | 149,223 | 142,890 | 934,907 | 894,493 |
| Catering operation | 1,965 | 2,718 | 12,312 | 17,003 |
| Group | 151,188 | 145,608 | 947,219 | 911,496 |
| **Segmental capital expenditure:** | | | | |
| Airline operations | 24,288 | 16,391 | 152,170 | 102,611 |
| Catering operation | 136 | 153 | 850 | 960 |
| Group | 24,424 | 16,544 | 153,020 | 103,571 |

20 **Segment Reporting (Continued)**

a. Business segment information is analysed as follows:

**Segmental depreciation and amortisation:**

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Airline operations | 18,879 | 9,266 | 118,274 | 58,002 |
| Catering operation | 360 | 387 | 2,258 | 2,427 |
| Group | 19,239 | 9,653 | 120,532 | 60,429 |

b. Segmental revenue by geographic location is analysed as follows:

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Scheduled passenger revenue by area of sale: | | | | |
| Trinidad and Tobago | 52,542 | 45,884 | 329,173 | 287,234 |
| Other Caribbean, South and Central America | 62,693 | 58,315 | 392,768 | 365,052 |
| North America | 85,229 | 83,175 | 533,961 | 520,676 |
| United Kingdom and Europe | 43,590 | 40,231 | 273,094 | 251,844 |
| | 244,054 | 227,605 | 1,528,996 | 1,424,806 |

Scheduled passenger revenue by point of origin and destination:

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Domestic | 3,771 | 4,073 | 23,618 | 25,497 |
| Other Caribbean, South and Central America | 40,649 | 36,311 | 254,668 | 227,307 |
| North America | 142,317 | 134,926 | 891,618 | 844,637 |
| United Kingdom and Europe | 57,317 | 52,295 | 359,092 | 327,365 |
| | 244,054 | 227,605 | 1,528,996 | 1,424,806 |

## 21 Related Party Transactions

The Company has had related party transactions, during the year under review, with LIAT (1974) Limited in which it has a 29% interest, see Note 5. LIAT (1974) Limited provides ground handling services at Antigua and Grenada, and the Company provides similar services for LIAT (1974) Limited in Guyana.

As is common practice in the airline industry, both airlines accept passenger tickets and cargo airway bills raised by one airline for carriage on the other airline. The settlement between the two carriers is actioned through the IATA Clearing House, of which both airlines are members.

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Amounts due from related party | 1,392 | 1,392 | 8,721 | 8,717 |
| Amount due to related party | (2,406) | (2,256) | (15,074) | (14,126) |
| Passenger, cargo and ground handling services provided by the Company | 2,940 | 3,587 | 18,421 | 22,455 |
| Passenger, cargo and ground handling services provided by LIAT (1974) Limited | (4,770) | (5,206) | (29,885) | (32,590) |

## 22 Extraordinary Item - Government Grant

In accordance with International Accounting Standard - IAS 20, Accounting for Government Grants and Disclosure of Government Assistance the accounting policy adopted for government grants related to income is as follows:

(i) Where compensation is for expenses/losses already incurred, the grant is recognized as income in the period in which it is receivable.

(ii) Where the grant is to lend assistance for current or future expenses, it is recognized as income over the period of the expense to which is specifically relates.

(iii) The income is credited to a separate account and is not netted against the expense.

The sum of US$9.9M, which was credited to income in the year 2001, relates to the following:

(i) Settlement of the 1995 Investment Agreement and related issues.

(ii) Limited compensation for the loss of the Atlanta route due to Trinidad & Tobago's downgrade to Category 2 by the Federal Aviation Authority.

(iii) Relief for losses directly attributable to the events of 11 September 2001

(iv) Assistance in meeting the increased cost of passenger insurance premium for the Tobago Airbridge.

There are no conditions or contingencies attached to the government assistance that has been recognized.

## 23 Profit on Sale of Investment

In 1995 the Company, together with the other major carriers, were allocated "Certificates of Deposits" by Societe Internationale De Telecommunications Aeronatiques (SITA), the airline industry communications company, in the SITA Foundation, the trustees to which under certain circumstances have the right to convert these " Certificates of Deposit" into Class A ordinary shares in SITA's publicly quoted associate company, Equant Limited.

The Company sold its entire holding of Equant certificates of deposit in July 2000 for US$5 M. The transaction gave the buyer a put option on the Company to be exercised before July 2001. The difference between the put option and market value of the underlying securities has been provided for in the accounts.

## 24 Negative Goodwill

| | 2001 US$000's | 2000 US$000's | 2001 TT$000's | 2000 TT$000's |
|---|---|---|---|---|
| Excess of fair value of assets acquired over the cost | -- | (613) | -- | (3,836) |
| Amount written back | -- | 613 | -- | 3,836 |
| Net book amount | -- | -- | -- | -- |

Consequent upon the sale of its forty-five percent interest of its catering business, negative goodwill which was brought forward following the acquisition of the catering business, was written back to the income and expenditure account.