

Consolidated Financial Statements of  
**CARIBBEAN AIRLINES LIMITED**  
December 31, 2015

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# CARIBBEAN AIRLINES LIMITED

## Consolidated Financial Statements

December 31, 2015

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<b>C O N T E N T S</b>	<b>Page</b>
Statement of Management Responsibilities	1
Independent Auditors' Report	2-4
Consolidated Statement of Financial Position	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9-42

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**Statement of Management Responsibilities  
Caribbean Airlines Limited**

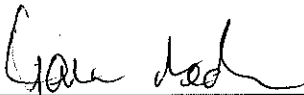
Management is responsible for the following:

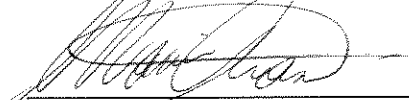
- Preparing and fairly presenting the accompanying consolidated financial statements of Caribbean Airlines Limited (the Company), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where IFRS presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

  
\_\_\_\_\_  
Garvin Medera  
Chief Executive Officer

  
\_\_\_\_\_  
Marina Chase  
Chief Financial Officer

Date: 3 FEB 2020

Date: 3 FEB 2020



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Chartered Accountants  
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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, 2015, 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.

### ***Basis for Qualified Opinion***

We were unable to satisfy ourselves by alternative means concerning either inventory quantities held or accuracy of inventory costing at December 31, 2014. Since closing inventories affect the determination of the Group's financial performance, we were unable to determine whether adjustments to the financial performance and closing retained earnings might have been necessary for December 31, 2014. Our audit opinion on the consolidated financial statements for the period ended December 31, 2014 dated December 14, 2017 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter. The Group's inventories are carried at \$160 million on the statement of financial position as at December 31, 2015. We were not provided with an inventory sub ledger that was complete, accurate or valued appropriately as at December 31, 2015. As a result, we were unable to satisfy ourselves by alternative means the carrying amount of the inventory held at December 31, 2015. Since opening and closing inventories enter into the determination of the financial performance and cash flows we were unable to determine whether any adjustments might have been necessary to the amounts shown in the financial statements for inventory, cost of sales, income taxes, net loss and accumulated deficit as at and for the year ended December 31, 2015.

In addition, no accrual was recorded for vacation leave for employees of the Group and we were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves of the completeness, accuracy and existence of this balance by other means. Consequently, we are unable to determine whether any adjustments to the vacation accrual is necessary. Since adjustments to these balances may affect the determination of the financial performance and cash flows we were unable to determine whether any adjustments might have been necessary to the amounts shown in the financial statements for staff costs, income taxes, net loss and accumulated deficit as at and for the year ended December 31, 2015.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in Trinidad and Tobago, and we have fulfilled our ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



**Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

A handwritten signature of the KPMG firm, written in black ink.

February 3, 2020  
Port of Spain  
Trinidad and Tobago

# CARIBBEAN AIRLINES LIMITED

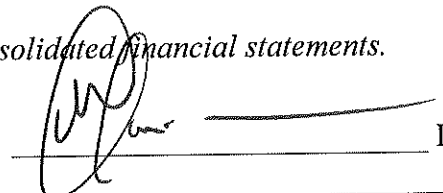
## Consolidated Statement of Financial Position

December 31, 2015

	Note	2015 \$'000	Restated 2014 \$'000	Restated 2013 \$'000
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property, plant and equipment	3	613,395	650,631	675,724
Intangible Assets	4	4,422	-	-
Investments in associated companies	5	30,181	32,518	31,304
Aircraft and other deposits	6	171,504	220,343	215,339
Deferred tax asset	13	106,930	104,927	84,429
		<u>926,432</u>	<u>1,008,419</u>	<u>1,006,796</u>
<b>Current Assets</b>				
Inventories	7	160,444	167,949	173,512
Trade receivables	23	216,409	196,349	136,117
Due from related parties	8	6,887	10,201	33,899
Prepayments and other receivables and in transit spares		75,202	67,372	91,446
Aircraft and other deposits	6	23,205	-	-
Cash and cash equivalents	9	884,447	555,290	412,441
		<u>1,366,594</u>	<u>997,161</u>	<u>847,415</u>
<b>Total assets</b>		<u>2,293,026</u>	<u>2,005,580</u>	<u>1,854,211</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Stated capital	10	1,188,085	1,188,085	1,188,085
Paid in capital	10, 24(i)	411,340	411,340	-
Accumulated deficit		(1,518,853)	(1,371,986)	(1,247,903)
		<u>80,572</u>	<u>227,439</u>	<u>(59,818)</u>
<b>Non-current Liabilities</b>				
Provisions	11	171,996	133,239	124,026
Borrowing and financing	12	434,907	407,902	-
Deferred tax liability	13	106,930	104,927	84,429
		<u>713,833</u>	<u>646,068</u>	<u>208,455</u>
<b>Current Liabilities</b>				
Trade payables		132,643	171,250	172,638
Accrued expenses and other payables	14	416,416	423,982	420,496
Borrowing and financing	12	420,535	-	738,207
Due to related parties	8	34,953	34,747	34,674
Unearned revenue	15	494,074	502,094	339,559
		<u>1,498,621</u>	<u>1,132,073</u>	<u>1,705,574</u>
<b>Total Equity and Liabilities</b>		<u>2,293,026</u>	<u>2,005,580</u>	<u>1,854,211</u>

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

 Director

 Director

# CARIBBEAN AIRLINES LIMITED

## Consolidated Statement of Comprehensive Income

Year ended December 31, 2015

	Notes	2015 \$'000	Restated 2014 \$'000
<b>Operating Revenues</b>			
Scheduled passengers		2,477,426	2,471,044
Cargo and mail (net)	16	68,350	63,223
Other revenue (net)	17	479,847	849,418
		<u>3,025,623</u>	<u>3,383,685</u>
<b>Operating Expenses</b>			
Staff costs	18	494,471	443,256
Fuel		551,993	944,880
Lease of aircraft and engines		383,167	416,835
Maintenance costs		438,655	360,613
Passenger expenses		243,091	247,701
Selling and marketing		137,659	130,114
Commissions		118,731	120,730
Aircraft ground handling and navigation		340,759	348,599
Crew expenses		43,379	39,125
Depreciation		57,458	64,960
Other	19	285,473	263,432
		<u>3,094,836</u>	<u>3,380,245</u>
<b>(Loss) / Profit from operations</b>		<u>(69,213)</u>	<u>3,440</u>
<b>Other Income (Expenses)</b>			
(Loss) / gain on sale of property, plant and equipment		(884)	1,285
Interest income		1,758	2,266
Interest expense		(22,656)	(14,707)
Share of associated Group (loss) / profit		(1,217)	2,814
Foreign currency loss		(44,951)	(113,349)
		<u>(67,950)</u>	<u>(121,691)</u>
<b>Loss before taxation</b>		<u>(137,163)</u>	<u>(118,251)</u>
Taxation	20	(10,519)	(9,512)
<b>Loss after taxation</b>		<u>(147,682)</u>	<u>(127,763)</u>
<b>Other comprehensive income</b>			
Exchange gain		815	3,680
<b>Total comprehensive loss for the year (net of tax)</b>		<u>(146,867)</u>	<u>(124,083)</u>

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



# CARIBBEAN AIRLINES LIMITED

## Consolidated Statement of Changes in Equity

Year ended December 31, 2015

	Notes	Stated Capital \$'000	Paid in Capital \$'000	Accumulated Deficit \$'000	Total \$'000
<b>Year ended December 31, 2013</b>					
<b>Balance at December 31, 2013 as previously reported</b>		1,188,085	-	(1,294,939)	(106,854)
Prior year adjustment	25	-	-	47,036	47,036
<b>Restated balance at December 31, 2013</b>		<b><u>1,188,085</u></b>	<b><u>-</u></b>	<b><u>(1,247,903)</u></b>	<b><u>(59,818)</u></b>
<b>Year ended December 31, 2014</b>					
<b>Restated balance as at January 1, 2014</b>		1,188,085	-	(1,247,903)	(59,818)
Total comprehensive income for year:					
Money received on application of shares	10,24(i)	-	411,340	-	411,340
Loss after taxation restated	25	-	-	(127,763)	(127,763)
Other comprehensive gain		-	-	3,680	3,680
<b>Restated balance as at December 31, 2014</b>		<b><u>1,188,085</u></b>	<b><u>411,340</u></b>	<b><u>(1,371,986)</u></b>	<b><u>227,439</u></b>
<b>Year ended December 31, 2015</b>					
<b>Restated balance as at January 1, 2015</b>		1,188,085	411,340	(1,371,986)	227,439
Total comprehensive income for year:					
Loss after taxation		-	-	(147,682)	(147,682)
Other comprehensive gain		-	-	815	815
<b>Balance as at December 31, 2015</b>		<b><u>1,188,085</u></b>	<b><u>411,340</u></b>	<b><u>(1,518,853)</u></b>	<b><u>80,572</u></b>

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

**CARIBBEAN AIRLINES LIMITED**

## Consolidated Statement of Cash Flows

Year ended December 31, 2015

	Note	2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(137,163)	(118,251)
Adjustment to reconcile loss before taxation to net cash (used in) from operating activities:			
Depreciation		57,458	64,959
Gain on sale of property, plant and equipment		884	(1,285)
Interest income		(1,758)	(2,266)
Share of associated Group profits		2,337	(1,214)
Foreign currency translation		(2,474)	692
		(80,716)	(57,365)
<b>Net change in operating assets and liabilities</b>	21	(6,664)	162,017
		(87,380)	104,652
Taxation paid		(10,519)	(9,512)
		(97,899)	95,140
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(21,108)	(43,634)
Intangible Assets		(4,422)	-
Proceeds from sale of property, plant and equipment		-	5,053
Interest received		1,758	2,266
		(23,772)	(36,315)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Paid in capital		-	411,340
ATR Spares financing payments		-	(5,765)
Repayment of borrowings		(27,005)	(321,551)
Proceeds from borrowings		477,833	-
		450,828	84,024
<b>Net cash from financing activities</b>		450,828	84,024
		329,157	142,849
<b>Increase in cash and cash equivalents</b>		329,157	142,849
<b>CASH AND CASH EQUIVALENTS AT BEGINING OF YEAR</b>		555,290	412,441
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	9	884,447	555,290

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

# CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements

December 31, 2015

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## 1. Incorporation and Principal Activity

Caribbean Airlines Limited (CAL or the Company) was incorporated in the Republic of Trinidad and Tobago on September 27, 2006 and commenced commercial operations on January 1, 2007. CAL is the national airline of Trinidad and Tobago with its main hub at the Piarco International Airport in Trinidad and Tobago. It operates international services in the Caribbean and to the United States, Canada, United Kingdom and South America. The Government of the Republic of Trinidad and Tobago (GORTT) and the Government of Jamaica (GOJ) holds an 84% and 16% ownership interest respectively (See Note 24 (i)). On October 1, 2007, CAL acquired all of the issued share capital of Tobago Express Limited and assumed all responsibilities for the operation of the domestic route, previously undertaken by Tobago Express Limited (TABEX). CAL's registered office is located at Iere House, Golden Grove Road, Piarco.

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

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

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

CAL acquired 40% of 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 36% of 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 February 3, 2020, the Board of Directors of CAL authorised these consolidated financial statements for issue.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Statement of Significant Accounting Policies

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

**(a) Basis 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 (IASB).

**(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.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. 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 2 (j)	Impairment
Accounting Policy 2 (p) and Note 11	Provisions
Accounting Policy 2 (q)	Revenue recognition
Accounting Policy 2 (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 statement of financial position include aircraft and other deposits, trade receivables, due from related parties, other receivables, due to related parties, cash and cash equivalents, trade payables, accrued expenses and other payables, borrowing and financing, provisions and other payables. The particular recognition methods adopted are disclosed in the policy statements associated with each item.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. 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.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. 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 2 (j)). Owned Aircraft are disaggregated into separate components to reflect the planned operational lives of each component. Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition

##### (ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. Major overhaul expenditure of disaggregated separate components of owned aircraft is capitalised and amortised over the average expected life between major overhauls. All other expenditure is recognised as an expense in profit or loss during the financial period when it was 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 of an asset, less any estimated residual value, over the assets' estimated useful lives to the Group. Assets are depreciated from the date of acquisition or, with respect to internally constructed assets, from the time an asset is completed and available for use. The costs of improvements to assets are amortised over the remaining useful life of the asset or the estimated useful life of the improvement, whichever is shorter.

The principal asset depreciation periods are as follows:

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

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

##### (iv) *Disposal*

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

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Statement of Significant Accounting Policies (continued)

#### (i) *Intangible assets*

Intangible assets are held at cost and are either amortised on a straight-line basis over their economic life, or they are deemed to have an indefinite economic life and are not amortised, but tested annually for impairment. Intangible assets with an indefinite economic life are reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite will be accounted for as a change in accounting estimate.

#### (j) *Impairment*

##### (i) *Financial assets*

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

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

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

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

##### (ii) *Non-financial assets*

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

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

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



# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Statement of Significant Accounting Policies (continued)

(j) *Impairment* (continued)

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

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

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

(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 from January to March 2015. The inventory software was changed from April 2015 and the basis for costing the inventories also changed from first in, first out to average costing method. The impact of this change has not been assessed as it was impractical to extract prior year information.

(m) *Trade receivables*

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

(n) *Cash and cash equivalents*

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

# CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements

December 31, 2015

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## 2. Statement of Significant Accounting Policies (continued)

### (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.

#### (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 see Note 11.

### (q) *Revenue recognition*

#### *Scheduled Passengers, cargo and other revenue*

Scheduled 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.

# CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements

December 31, 2015

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## 2. Statement of Significant Accounting Policies (continued)

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

#### *Unused tickets*

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

#### *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.

#### *Interest income*

Interest income 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.

# CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements

December 31, 2015

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## 2. Statement of Significant Accounting Policies (continued)

### (r) *Maintenance and overhaul costs*

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

### (s) *Employee benefits*

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

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

### (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.

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.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Statement of Significant Accounting Policies (continued)

#### (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 business levy.

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities 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, except to the extent that it relates to items previously charged or credited directly to equity.

#### (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 trustee administered fund. In 2015, the Group contributed to the pension plan at the rate of 6% (2014: 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 as a subsidy for the provision of services on the Trinidad and Tobago Airbridge and as subventions to assist with the general provision of air transportation.

The subsidy received for the provision of services on the Trinidad and Tobago Airbridge is a fixed amount based on tickets sold and is recognised as part of passenger revenue in profit or loss when the ticket has been flown. The receivable balance is included in Due from Related Parties. See Note 8(a).

Subventions received are recognised as part of other revenue in the year that funds are received. See Note 17.

#### (x) *Borrowing and financing*

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

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Statement of Significant Accounting Policies (continued)

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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following are likely to have an effect on the separate financial statements.

- IAS 1, Presentation of Financial Statements, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

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

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Statement of Significant Accounting Policies (continued)

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

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

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

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

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

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 2. Statement of Significant Accounting Policies (continued)

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

- Improvements to IFRS 2012-2014 cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Company are as follows:
- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

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

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

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

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

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

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

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



# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

### 3. Property, Plant and Equipment

	Aircraft Spares and Parts	Computer Equipment	Motor Vehicles	Machinery and Equipment	Leasehold Improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>						
Balance as at						
January 1, 2014	942,007	23,817	2,236	19,157	14,717	1,001,934
Restatement	8,214	-	-	-	-	8,214
Additions	28,455	3,251	-	2,594	1,120	35,420
Disposals	(40,917)	-	(118)	-	-	(41,035)
Restated balance as at						
December 31, 2014	<u>937,759</u>	<u>27,068</u>	<u>2,118</u>	<u>21,751</u>	<u>15,837</u>	<u>1,004,533</u>
Balance as at						
January 1, 2015						
as previously stated	929,545	27,068	2,118	21,751	15,837	996,319
Restatement	8,214	-	-	-	-	8,214
Restated balance as at						
January 1, 2015	<u>937,759</u>	<u>27,068</u>	<u>2,118</u>	<u>21,751</u>	<u>15,837</u>	<u>1,004,533</u>
Addition	16,007	3,170	54	512	1,363	21,106
Disposals	(1,272)	-	-	-	-	(1,272)
Balance as at						
December 31, 2015	<u>952,494</u>	<u>30,238</u>	<u>2,172</u>	<u>22,263</u>	<u>17,200</u>	<u>1,024,367</u>
<i>Accumulated Depreciation</i>						
Balance as at						
January 1, 2014						
as previously stated	259,578	22,280	1,457	10,597	5,216	299,128
Restatement	27,082	-	-	-	-	27,082
Restated balance as at						
January 1, 2014	286,660	22,280	1,457	10,597	5,216	326,210
Restatement	16,656	-	-	-	-	16,656
Charge for the period	43,478	1,438	489	1,908	990	48,303
Disposals	(37,175)	-	(92)	-	-	(37,267)
Restated balance as at						
December 31, 2014	<u>309,619</u>	<u>23,718</u>	<u>1,854</u>	<u>12,505</u>	<u>6,206</u>	<u>353,902</u>

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

### 3. Property, Plant and Equipment (continued)

	Aircraft Spares and Parts \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Machinery and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
<i>Accumulated Depreciation</i>						
Balance as at January 1, 2015 as previously stated	265,881	23,718	1,854	12,505	6,206	310,164
Restatement	43,738	-	-	-	-	43,738
Restated balance as January 1, 2015	309,619	23,718	1,854	12,505	6,206	353,902
Charge for the period	52,729	1,645	142	1,878	1,064	57,458
Disposals	(388)	-	-	-	-	(388)
Balance as at December 31, 2015	361,960	25,363	1,996	14,383	7,270	410,972
<i>Carrying Amounts</i>						
At December 31, 2015	590,534	4,875	176	7,880	9,930	613,395
At December 31, 2014 restated	628,140	3,350	264	9,246	9,631	650,631
					<u>2015</u>	<u>2014</u>
					\$'000	\$'000

### 4. Intangible assets

#### *Cost*

Balance as at January 1, 2015	-	-
Additions	4,422	-
Balance as at December 31, 2015	4,422	-

Software cost related to the implementation of a new Revenue Accounting System, Rapid of \$950 and a new Passenger Service System, Amadeus of \$3,472. Both systems were brought into use in December 2015 however, the complete modules rollout was not completed until May 2016 to realize benefit of both systems.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>5. Investments in Associated Companies</b>		
Katerserv Limited	14,863	13,608
Allied Caterers Limited	15,318	18,910
	<u>30,181</u>	<u>32,518</u>
<b>6. Aircraft and Other Deposits</b>		
Current deposits on aircraft	23,205	-
Non-current deposits on aircraft	64,820	99,978
Other deposits	106,684	120,365
Total non-current aircraft and other deposits	<u>171,504</u>	<u>220,343</u>
<b>7. Inventories</b>		
Expendable aircraft spares	131,160	141,617
Commercial items	18,129	16,187
Duty free items	11,155	10,145
	<u>160,444</u>	<u>167,949</u>

### 8. Related Party Transactions

#### (a) Related party transactions and balances

##### (i) Balances

##### Due from related parties

Air Jamaica

GORTT

-	-
<u>6,887</u>	<u>10,201</u>

##### Due to related parties

BWIA West Indies Airways Limited

<u>34,953</u>	<u>34,747</u>
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##### (ii) Transactions

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

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>Revenue</b>		
Airbridge Domestic Subsidy	44,080	42,955
GORTT –Subvention (note 17)	<u>123,165</u>	<u>543,987</u>
<b>Expenses</b>		
Katerserv Limited – Operating expenses – passenger expenses	<u>38,331</u>	<u>31,112</u>

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 8. Related Party Transactions (continued)

#### (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:

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Short-term employee benefits	13,851	12,680
Directors' fees	<u>411</u>	<u>492</u>

### 9. Cash and Cash Equivalents

Bank balances	149,868	169,837
Restricted balances (Venezuela held balances)	355,789	211,279
Short-term deposits	<u>378,790</u>	<u>174,174</u>
	<u>884,447</u>	<u>555,290</u>

Restricted balances represent solely cash balances denominated in Venezuelan Bolivars fuerte (VEF) and which can only be repatriated for use outside of Venezuela by a regulated system of requests and approvals to the Venezuelan Government (see Note 24 (iii)). Generally fluctuations in foreign currencies, including devaluations, cannot be predicted by the Group, however can significantly affect the value of this restricted cash balance.

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>10. Stated Capital</b>		
<i>Authorised</i>		
An unlimited number of ordinary shares of no par value		
<i>Issued and fully paid</i>		
188,600,000 ordinary shares of no par value	<u>1,188,085</u>	<u>1,188,085</u>
<b>Paid in capital</b>	<u>411,340</u>	<u>411,340</u>

Paid in capital was received by the Government of Trinidad & Tobago (see Note 24 (i)).

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>11. Provisions</b>		
Balance at the beginning of year	133,239	124,026
Provisions made	151,175	23,861
Provisions used	<u>(112,418)</u>	<u>(14,648)</u>
Balance at the end of the year	<u>171,996</u>	<u>133,239</u>

This provision relates to accounting policy Note 2 (p).

## 12. Borrowing and Financing

a) Current		
Bank Loans	<u>420,535</u>	<u>-</u>
b) Non-Current		
Bank and other loans	<u>434,907</u>	<u>407,902</u>
c) Bank and other loan comprise of the following:		
First Citizen US\$75M loan (i)	448,547	-
First Citizen US\$64.2M loan (ii)	<u>406,895</u>	<u>407,902</u>
	<u>855,442</u>	<u>407,902</u>

(i) On January 21, 2015 CAL entered into a loan facility with First Citizen for the amount of US\$75 million. The facility has a term of 8 years with interest of 6 month LIBOR plus 2.18% and principal and interest payable semi-annually. The current effective rate is 2.6447%. A bullet payment of approximately US\$39.5 million is payable at the end of first 4 year period of loan term and to be termed out for another 4 year period. This facility is unsecured however guaranteed by the Government of Trinidad and Tobago.

(ii) US\$64.2M facility was refinanced on February 18, 2014. The terms of this loan has an interest rate of 6 months Libor plus 2.15%, interest payable quarterly and a maturity date of January 31, 2016 with a bullet payment at maturity. The current effective rate is 2.6766%. This originally was a US\$14.2M loan facility bearing interest of 6 month Libor plus 3.21% per annum with a term of 18 months ending January 2014 which was refinanced in March 2013 and loan extended by an additional US\$50M. See note 24(ii) for refinancing of this facility. This facility is unsecured however guaranteed by the Government of Trinidad and Tobago

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 13. 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:

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>(i) Deferred Tax Asset</b>		
Balance at beginning of year	104,927	84,429
Movement due to tax losses on temporary difference	<u>2,003</u>	<u>20,498</u>
Balance at end of year	<u>106,930</u>	<u>104,927</u>
<b>(ii) Deferred Tax Liability</b>		
Balance at beginning of year	104,927	84,429
Movement due to tax losses on temporary difference on PP&E	<u>2,003</u>	<u>20,498</u>
Balance at end of year	<u>106,930</u>	<u>104,927</u>
Refer to Note 20 for unutilised tax losses.		
<b>14. Accrued Expenses and Other Payables</b>		
Accrued expenses:		
- Passenger	15,889	13,405
- Personnel	31,029	30,339
- Other	88,235	71,202
Taxation	14,262	1,454
Loan interest payable	6,703	2,004
Air Transportation taxes and fees	<u>260,298</u>	<u>305,578</u>
	<u>416,416</u>	<u>423,982</u>
<b>15. Unearned Revenue</b>		
Transportation	435,465	454,355
Frequent flyer	<u>58,609</u>	<u>47,739</u>
	<u>494,074</u>	<u>502,094</u>
<b>16. Cargo and Mail</b>		
Revenue	178,623	187,119
Less cost of sales:		
Freighter handling	(48,915)	(45,856)
Fuel	(29,273)	(47,513)
Commissions	(1,191)	(360)
Handling	(25,934)	(27,384)
Other	<u>(4,960)</u>	<u>(2,783)</u>
Net income from cargo and mail	<u>68,350</u>	<u>63,223</u>

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

### 17. Other Revenue

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Aircraft Charter	839	4,325
YQ fees	52,993	212,411
Frequent flyer programme revenue	33,080	42,876
Frequent flyer programme cost	(6,638)	(7,611)
Net income from the frequent flyer programme	26,442	35,265
Sale of duty free items	48,311	54,064
Cost of sale of duty free items	(33,358)	(38,448)
Net income from sale of duty free items	14,953	15,616
Other	261,455	37,814
Government Subvention	123,165	543,987
	<u>479,847</u>	<u>849,418</u>

### 18. Staff Costs

Salaries and wages	394,937	351,817
Crew allowances	34,477	34,786
National insurance and health surcharge and payroll taxes	19,162	18,443
Other personnel expenses	45,895	38,210
	<u>494,471</u>	<u>443,256</u>

The total number of employees as at December 31, 2015 was 1,668 (2014: 1,610).

### 19. Other Operating Expenses

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Security and other direct expenses	61,438	57,038
Administrative charges	129,517	95,981
Professional fees	8,391	29,018
Building and utilities	33,259	34,265
Provision for bad debts	20,459	6,626
Computer, telephone and communication charges	32,409	40,504
	<u>285,473</u>	<u>263,432</u>

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

<b>20. Taxation</b>	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<i>(a) Tax expense comprises</i>		
Green fund and Business levy	10,519	9,512
Deferred tax charge	2,003	20,428
Deferred tax recovery	<u>(2,003)</u>	<u>(20,428)</u>
	<u>10,519</u>	<u>9,512</u>
<i>(b) Tax reconciliation</i>		
The Group's effective tax rate differs from the Statutory rate as a result of the differences shown below:		
Loss before taxation	<u>(137,163)</u>	<u>(118,251)</u>
Corporation tax at the statutory rate of 25%	(34,291)	(29,563)
Tax effect of non-deductible items	(6,889)	(4,667)
Prior year (over) under provision	1,062	9,973
Tax effect of losses not recognised	40,118	24,257
Green Fund and Business levy	<u>10,519</u>	<u>9,512</u>
	<u>10,519</u>	<u>9,512</u>

The Group has unutilised tax losses of \$1,911,206 (2014: \$1,846,771) which have not yet been assessed and agreed to by the Board of Inland Revenue.

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
<b>21. Net Change in Operating Assets and Liabilities</b>		
Trade receivables	(20,059)	(60,232)
Net due from/to related parties	3,520	23,770
Prepayments, other receivables and in transit spares	(7,829)	24,073
Accounts payable	(38,607)	(1,386)
Accrued expenses and other payables	(7,566)	3,485
Inventories	7,505	5,563
Aircraft and other deposits	25,635	(5,005)
Provisions	38,757	9,213
Unearned revenue	<u>(8,020)</u>	<u>162,536</u>
	<u>(6,664)</u>	<u>162,017</u>



# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 22. Contingent Liabilities, Commitments and Guarantees

#### a) Operating lease commitments

The Group has 13 Boeing 737 and 2 Boeing 767 aircraft leases in force. In July 2015 CAL also agreed with lessor AerCap to early redeliver its 2 Boeing 767 aircraft on February 1, 2016 and March 15, 2016 respectively with US\$135,000<sup>1</sup> monthly lease payments on each aircraft until the original contractual redelivery date of August 25, 2017.

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

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

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

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Within 1 year	244,449	359,427
Within 2-5 years	718,731	439,132
Over 5 years	<u>10,290</u>	<u>-</u>

#### b) Other

The Group has established Letters of Credit with RBC Royal Bank (Trinidad) Limited amounting to \$25,929,816<sup>1</sup> (2014: \$27,993,538<sup>1</sup>) and Citibank amount to \$61,474,800<sup>1</sup> (2014: \$61,484,800<sup>1</sup>). These Letters of Credit are established with suppliers for provision of air transportation services and credit card acquiring services.

The Group also has Customs Bonds amounting to \$27,835,000<sup>1</sup> (2014: \$27,291,450<sup>1</sup>).

<sup>1</sup> Amount is absolute.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group operates in legal jurisdictions in North America, South America and the Caribbean and is exposed to credit risk as a result of geo-political and legal issues of operating in these jurisdictions. The operations in Venezuela are exposed to credit risk. The Central Bank of Venezuela controls and limits the movement of currency that can be repatriated from the Venezuelan financial market. As at December 31, 2015 VEF 756.3 million (TTD 355.7 million), (2014 VEF 399.5 million (TTD 211.3 million), was held in the Venezuelan financial market.

Significant concentrations of credit risk lies with the related parties referred to in Note 8. In addition, the Group has deposits with aircraft suppliers as referred to in Note 6, 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.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 23. Financial Risk Management (continued)

#### *Exposure to credit risk*

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

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	235,509	245,549
Less provision for trade receivables	(19,100)	(49,200)
Trade receivables (net)	216,409	196,349
Due from related parties	6,887	10,201
Aircraft and other deposits	194,709	220,344
	<u>418,005</u>	<u>426,894</u>

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

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Domestic	30,442	13,107
International	185,967	183,242
	<u>216,409</u>	<u>196,349</u>

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

	<u>2015</u>	<u>2014</u>
	<u>\$'000</u>	<u>\$'000</u>
Not past due	119,519	86,518
Past due 0-30 days	11,384	20,192
Past due 31-90 days	54,828	48,769
More than 90 days	30,678	40,870
	<u>216,409</u>	<u>196,349</u>

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 23. Financial Risk Management (continued)

#### Credit risk (continued)

#### *Exposure to credit risk* (continued)

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

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Balance at January 1	49,200	126,507
Write-offs	(36,911)	(69,000)
Reversals	-	(16,194)
Charge	<u>6,811</u>	<u>7,887</u>
Balance at December 31	<u>19,100</u>	<u>49,200</u>

During 2015 the Group did not renegotiate any of the terms of its trade receivables (2014: 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.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

### 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.

	<u>Carrying Amount</u> \$'000	<u>Contractual Amount</u> \$'000	<u>1 Year and Less</u> \$'000	<u>1-2 Years</u> \$'000	<u>2-5 Years</u> \$'000
<b>December 31, 2015</b>					
Trade payable	(132,643)	(132,643)	(132,643)	-	-
Accrued expenses and other payables	(416,416)	(416,416)	(416,416)	-	-
Due to related parties	(34,953)	(34,953)	(34,953)	-	-
Borrowing and financing Provisions	(855,442)	(932,812)	(442,030)	(18,962)	(471,820)
	(171,996)	(171,996)	-	-	(171,996)
	<u>(1,611,450)</u>	<u>(1,688,820)</u>	<u>(1,026,042)</u>	<u>(18,962)</u>	<u>(643,816)</u>
<b>December 31, 2014</b>					
Trade payable	(171,250)	(171,250)	(171,250)	-	-
Accrued expenses and other payables	(423,982)	(423,982)	(423,982)	-	-
Due to related parties	(34,747)	(34,747)	(34,747)	-	-
Borrowing and financing Provisions	(407,902)	(425,098)	(13,098)	(412,000)	-
	(133,239)	(133,239)	-	-	(133,239)
	<u>(1,171,120)</u>	<u>(1,188,316)</u>	<u>(643,077)</u>	<u>(412,000)</u>	<u>(133,239)</u>

#### Market risk

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

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

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

### 23. Financial Risk Management (continued)

#### Market risk (continued)

##### *Foreign currency risk*

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

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

##### *Exposure to currency risk*

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

	<b>Carrying Amount</b>	<b>USD</b>	<b>TTD</b>	<b>Other</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2015</b>				
Cash and cash equivalents	884,447	118,219	346,822	419,406*
Trade receivables	216,409	185,967	30,442	-
Due from related parties	6,887	-	6,887	-
Aircraft and other deposits	194,709	189,777	127	4,805
Trade payables	(132,643)	(100,242)	(11,606)	(20,795)
Accrued expenses and other payables	(416,416)	22,693	(425,752)	(13,357)
Borrowings	(855,442)	(855,442)	-	-
Provisions	(171,996)	(171,996)	-	-
Net Gap	<u>(274,045)</u>	<u>(611,024)</u>	<u>(53,080)</u>	<u>390,059</u>

\*\$355,789 of this amount relates to Venezuelan currency.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

### 23. Financial Risk Management (continued)

#### Market risk (continued)

#### *Exposure to currency risk (continued)*

	<b>Carrying Amount</b>	<b>USD</b>	<b>TTD</b>	<b>Other</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2014</b>				
Cash and cash equivalents	555,290	158,833	122,311	274,146
Trade receivables	196,349	163,139	33,210	-
Due from related parties	10,201	10,201	-	-
Aircraft and other deposits	220,343	216,222	107	4,014
Trade payables	(171,250)	(147,715)	(6,627)	(16,908)
Accrued expenses and other payables	(423,982)	(425,612)	(40)	1,670
Borrowings	(407,902)	(407,902)	-	-
Provisions	(133,239)	(133,239)	-	-
Net Gap	<u>(154,190)</u>	<u>(566,073)</u>	<u>148,961</u>	<u>262,922</u>

#### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to changes in interest rates on the floating rate component of debt financing, in particular, London Inter-bank Offered Rate (LIBOR). Interest rate risk on borrowings is managed through negotiating with financial institutions the right balance of fixed rate component and floating rate debt within the specific loan financing structure. Market conditions, the Group's financial position and ability to secure debt repayment guarantees from the Government of Trinidad and Tobago, are considered when negotiating the desired balance of fixed and floating rate components of debt financing. If there was a 20 basis point increase in interest rates, there would have been a \$1.7 million unfavourable (2013: \$0.66 million adverse) impact on the Group's shareholders' equity and income statement. A 20 basis point decrease in interest rates would have resulted in a \$1.7 million favourable (2013: \$0.66 million on favourable) impact on shareholders equity and the income statement for the Group. A 20 base point was used given the average movement of LIBOR rates from 2013 to end of 2015.

#### **Capital management**

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

#### *Sensitivity analysis*

The Group settles all its foreign currency obligations in the stated foreign currency, but has substantial long term liabilities denominated in US dollar and cash in bank held in Venezuela (see note 8) that is subject to volatile changes in exchange rates.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

### 23. Financial Risk Management (continued)

#### Market risk (continued)

#### *Exposure to currency risk (continued)*

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

	Profit or Loss	
	Strengthening	Weakening
2015	\$	\$
USD (5% movement)	(50,151)	50,151
VEF (10% movement)	(54,908)	54,908
2014		
USD (5% movement)	(27,127)	27,127
VEF (10% movement)	(21,128)	21,128

### 24. Subsequent Events

#### (i) *Paid in capital*

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

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

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



# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 24. Subsequent Events (continued)

#### (ii) *Borrowings and financing*

The First Citizen loan facility of US\$64.2 million (See Note 12 (c)) with a maturity date of January 31, 2016 was refinanced on April 27, 2016 with a maturity date of April 22, 2019 with 6 month LIBOR plus 2.25% and interest payable semi-annually and principle due at maturity. The guarantor of the facility, the Ministry of Finance of the Government of Trinidad & Tobago, requested to First Citizen on April 8, 2019 an extension of the facility of 3 months from the date of maturity to July 22, 2019. This is to allow the Ministry of Finance to obtain necessary approvals to refinance facility. The Ministry of Finance selected ANSA Merchant Bank, to execute refinancing of the First Citizen US\$64.2 million facility and on July 18 22, 2019 agreed with ANSA Merchant Bank, a 10 year term facility, with a fixed interest rate of 5.875%, interest payable semi-annually and principle due at end of term. ANSA Merchant Bank settled the First Citizen facility on July 22, 2019.

#### (iii) *Cash and cash equivalents*

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

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

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

Cash held in Venezuela is used to settle all liabilities that can be settled in VEF, however with gradually less purchasing power, therefore increasing the amount VEF required to settlement payments. The Venezuelan Government in August 2018 instituted a new currency, the Sovereign Bolivar with each unit equal to 100,000 VEF. As at September 30, 2018 CAL has no VEF balances due to currency conversion and its Sovereign Bolivar held is Bs.S 2,194 (TT\$222). A minimal cash balance is kept active in Venezuela to protect our operating solvency and furnish bank's charges. As at November 30, 2019, 9.5M (TT\$9,550) Sovereign Bolivars was held.

## CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements

December 31, 2015

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### 24. Subsequent Events (continued)

#### (iv) *Discontinuation of London operations and early redelivery of 767 aircraft fleet*

The Group made a decision to discontinue its London operations effective January 31, 2016 after an extensive review of the London route operations performance since 2013. As referenced in Note 22 (a) this resulted in the decision to return its 767 Boeing long haul aircraft fleet before the lease expiration date of July 2017, now by May 2016 after redelivery conditions activities are completed. An impairment loss of TT\$7.53M was recognized in 2016 for the expected loss on disposal of 767 components that the Company has capitalized and will put on the aircraft spares market for sale. In August 2018 an agreement was reached with Aviall Services Limited, a Boeing Aircraft subsidiary, for the sale of the 767 components. It is a consignment arrangement where CAL is entitled to a US\$1M payment on execution of agreement and subsequent payments over 5 years as parts are sold by Aviall Services Limited and only after Aviall Services Limited recovers the US\$1M paid to CAL.

An additional TT\$15.42M charge to income statement was recognized in 2016 for 767 aircraft parts in inventory, where no recovery of cost is expected.

#### (v) *Upgrade of Boeing 737 NG fleet to Boeing 737 Max 8 fleet*

CAL has entered into lease agreements with the following lessors to upgrade its current Boeing 737 NG fleet to Boeing 737 Max 8 fleet

- 1) AerCap in February 2019 for the delivery of eight (8) 737 Max 8 aircraft with first delivery of March 2020, with a 12 year lease term on each aircraft
- 2) Air Lease Corporation in February 2019 for the delivery of four (4) 737 Max 8 aircraft with first delivery of November 2019, with a 12 year lease term on each aircraft
- 3) Delivery of the 737 Max 8 aircraft is delayed beyond the contractual delivery dates as the 737 Max 8 is currently being recertified by the Federal Aviation Administration (FAA) of the United States of America and other international civil aviation authorities, for the commercial operation of air transportation of passengers.

### 25. Prior Year Restatements

#### *Trade Receivables*

To correct overstatement in sales reporting receivables due to incorrect application of foreign exchange rates.

#### *Accrued expenses and other payables*

To correct accrued operating expenses which were subsequently determined to be either over and or understated when more reliable information became available after the completion of the financial statements.

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 25. Prior Year Restatements (continued)

#### *Investments in associated companies*

To correct an error in the 2014 calculation of associate income from the investments in Katerserv Limited and Allied Caterers Limited.

#### *Deferred Tax*

The Group has determined that it has significant deductible temporary differences that will reverse, for which it would be appropriate to recognize a deferred tax asset on carry forward tax loss that would offset the effect of these reversals of tax liabilities. Therefore a deferred tax asset is being recognised to the extent of these temporary tax differences.

#### *Property Plant and Equipment*

International Accounting Standard (IAS) 16, Property, Plant and Equipment, provides that where an asset has major components that require separate restoration, that on recognition each component be capitalized separately to reflect the pattern of depreciation. The Group is now making the appropriate adjustments to recognize same. The Group is also applying a residual value for its own ATR aircraft fleet of US\$5 million each, effective at each aircraft original recognition date.

The following balances have been adjusted as follows:

#### *Consolidated Statement of Financial Position*

	As Previously Reported	Restatement	As Restated
	\$'000	\$'000	\$'000
<b>At January 1, 2014</b>			
Deferred tax asset	-	84,429	84,429
Property, plant and equipment	702,806	(27,082)	675,724
Accrued expense and other payables	(428,161)	7,665	(420,496)
Trade receivables	154,093	(17,976)	136,117
Accumulated deficit	(1,294,939)	47,036	(1,247,903)

# CARIBBEAN AIRLINES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 2015

### 25. Prior Year Restatements (continued)

	As Previously Reported \$'000	Restatement \$'000	As Restated \$'000
<b>At December 31, 2014</b>			
Investment in associated companies	37,093	(4,575)	32,518
Deferred tax asset	-	104,927	104,927
Property, plant and Equipment	686,155	(35,524)	650,631
Deferred tax liability	(109,057)	4,130	(104,927)
Trade receivables	214,325	(17,976)	196,349
Accrued expense and other payables	(442,874)	18,892	(423,982)
Accumulated deficit	(1,441,860)	69,874	(1,371,986)

### *Consolidated Statement of Comprehensive Income*

Share of associated Group profits	7,389	(4,575)	2,814
Taxation	(34,140)	24,628	(9,512)
Depreciation	(48,304)	(16,656)	(64,960)
Maintenance cost	(368,827)	8,214	(360,613)
Cargo and mail (net)	61,653	1,570	63,223
Passenger expenses	(250,116)	2,415	(247,701)
Aircraft ground handling and navigation	(351,774)	3,175	(348,599)
Crew expenses	(39,198)	73	(39,125)
Other	(267,425)	3,993	(263,432)
Loss after tax	(150,600)	22,837	(127,763)
Total comprehensive loss for the year (net of tax)	(146,920)	22,837	(124,083)