

CARIBBEAN AIRLINES LIMITED

Consolidated Financial Statements

December 31, 2017

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Independent auditor's report

To the shareholders of Caribbean Airlines Limited

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of Caribbean Airlines Limited and its subsidiaries (together the "Group"). Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We were engaged to audit the accompanying consolidated financial statements of the Group, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for disclaimer of opinion

We were not appointed as auditors for the 2017 financial statement audit of the Group until 6 December 2022 resulting in an extended passage of time between the reporting period and the date of our audit report, during which there were significant changes in senior management personnel and members of the board of directors. We were unable to satisfy ourselves via alternative means to obtain sufficient appropriate audit evidence regarding multiple elements of the consolidated financial statements, including the ability to perform required audit procedures under International Standards on Auditing (ISAs) as management were not able to provide adequate supporting documentation for audit purposes. As a result of these matters, we were unable to determine whether any adjustments would be required to the consolidated statements of financial position, comprehensive income, changes in equity and cash flows, and notes as at 31 December 2017 and for the year then ended.

Management responsibility for preparation of the consolidated financial statements and management representations

The current senior management are not willing and able to assume responsibility for preparation of the consolidated financial statements in accordance with International Financial Reporting Standards, as required under International Standard on Auditing (ISA) 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing and as recommended practice by the Institute of Chartered Accountants of Trinidad and Tobago. Senior management is also not willing to provide the representations required under the International Standard on Auditing (ISA) 580, Management Representations.

Approval of the consolidated financial statements by the board of directors

The current board of directors are not willing and able to approve the consolidated financial statements as required under Section 154 (1) of Companies Act Chapter 81:01 and International Accounting Standard 10 – Events after the reporting period, which requires disclosure of the date when the financial statements were authorised for issue and who gave the authorisation.

Basis for disclaimer of opinion (continued)

Insufficient accounting records and supporting documentation

We were unable to confirm or verify by alternative means the following financial statement items:

- Restatements made by management to the prior years' audited financial statements, the effects of which are material and pervasive to the opening balances as at 1 January 2017 as disclosed in Note 3s.
- Completeness and accuracy of journal entries due to the large number of management-posted manual top side adjustments made at year end and the lack of sufficient underlying supporting documentation to assess validity of the journal entries, including management's response to its fraud risk assessment.
- Opening and closing balances of property, plant and equipment totalling \$528m and \$556m respectively.
- Opening balances of right of use assets and lease liabilities each totalling \$899m and closing balances of \$653m and \$667m respectively.
- We did not observe the counting of physical inventories at the beginning and end of the year totalling \$128m and \$134m respectively. In addition, we were unable to perform sufficient procedures to support the valuation, completeness and cut-off in respect of inventories.
- The accuracy and valuation of the trade receivables balance of \$99m, prepayments and other receivables balance of \$47m and provisions of \$210m.
- Cash and cash equivalent balances held with financial institutions for several bank accounts, the book balance of which totaled \$41m.
- Unearned revenues totaling \$486m.
- The accuracy, completeness, existence, cut off and valuation regarding trade payables of \$120m and accrued expenses and other payables of \$310m.
- The opening and closing balance of accruals for accumulated vacation leave of employees totalling \$28m and \$24m respectively.
- The occurrence, accuracy and cut-off assertion over passenger revenue of \$2,331m and other revenue of \$46m and the completeness of duty-free revenue of \$53m.
- The completeness, occurrence and accuracy of operating expenses totalling \$2,736m.
- The completeness, occurrence and accuracy of related party transactions disclosures in Note 12 to the financial statements as well as the balances due from related parties of \$25m and due to related parties of \$28m
- We were unable to obtain external legal confirmations regarding the Group's legal matters to determine whether all applicable matters were appropriately accounted for and or disclosed in the consolidated financial statements.
- The Group's accounting records did not provide sufficient appropriate evidence that all subsequent events occurring between the date of the consolidated financial statements and the date of our auditor's report were appropriately identified by management and that the necessary adjustments and/or disclosures were included in the consolidated financial statements.

Basis for disclaimer of opinion (continued)

In addition to the matters described above giving rise to our disclaimer of opinion, the consolidated financial statements are also materially misstated with respect to the following matters:

Withholding taxes, Current and deferred tax

The consolidated financial statements do not include withholding tax liabilities and expenses, including related penalties and interest on unpaid withholding taxes as at 31 December 2017 and the opening balance as at 1 January 2017. The withholding tax relates to leased assets (aircraft) and is payable under the Income Tax Act. Management has prepared an initial estimate of the principal liabilities due, which amounted to \$96m as at 31 December 2017 and \$86m as at 1 January 2017 and which have not been recorded within the consolidated financial statements. As of the date of our audit report, management was in the process of taking steps to quantify the amounts due, including penalties and interest, based on legislative requirements. There are material implications for the effect of this matter on the Group's corporation tax position, tax losses and resultant deferred tax assets recognised, the effects of which are material but have not been quantified and recorded in the consolidated financial statements.

Statement of cash flows

The statement of cash flows reflects a cash outflow of \$52m for repayment of borrowings – government subvention and has omitted to present a reconciliation showing government subvention received of \$86m and finance costs paid of \$34m.

Stated capital

The disclosed number of ordinary shares of no par value of 188,600,000 is not in agreement with the Annual Return filed under the Companies Act for 2017 on 10 January 2018, which reflects 252,800,000 shares.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another firm of auditors whose report, dated 3 April 2025, expressed a qualified opinion on those consolidated financial statements due to limitations in scope regarding inventories, vacation leave and lease disclosures.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
19 December 2025

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Financial Position As at December 31, 2017

(Expressed in thousands of Trinidad and Tobago Dollars, except where otherwise stated)

		2017	2016	1 January 2016
	Notes	\$'000	Restated \$'000	Restated \$'000
Non-current assets				
Property, plant and equipment	4	555,864	528,474	542,079
Intangible assets	5	9,279	11,050	5,887
Right of use assets	6	652,506	—	—
Investments in associates	7	21,171	26,253	30,181
Aircraft and other deposits	8	229,477	180,957	171,504
Deferred tax asset	17	114,887	93,940	106,930
		<u>1,583,184</u>	<u>840,674</u>	<u>856,581</u>
Current assets				
Inventories	9	133,826	128,208	155,841
Trade receivables	10a	99,061	116,193	216,409
Due from related parties	12	25,213	18,162	6,887
Aircraft deposits		—	—	23,205
Prepayments and other receivables	10b	46,519	54,255	75,202
Other financial assets	11	202,915	126,552	378,092
Cash and cash equivalents	13	121,860	142,669	506,355
		<u>629,394</u>	<u>586,039</u>	<u>1,361,991</u>
Total assets		<u>2,212,578</u>	<u>1,426,713</u>	<u>2,218,572</u>
EQUITY AND LIABILITIES				
Equity				
Stated capital	14	1,188,085	1,188,085	1,188,085
Paid in capital	14	411,340	411,340	411,340
Accumulated deficit		(2,243,305)	(2,320,587)	(1,737,488)
Foreign currency translation reserve		(24,392)	(19,735)	2,876
		<u>(668,272)</u>	<u>(740,897)</u>	<u>(135,187)</u>
Non-current liabilities				
Lease liabilities	6	417,530	—	—
Provisions	15	186,269	183,331	161,340
Unearned revenue	19c	146,393	132,456	126,414
Deferred tax liability	17	114,887	93,940	106,930
		<u>865,079</u>	<u>409,727</u>	<u>394,684</u>
Current liabilities				
Trade payables		119,668	59,562	132,644
Accrued expenses and other payables	18	309,800	375,736	400,332
Provisions	15	24,426	15,198	38,740
Tax payable		5,407	7,950	1,803
Borrowings	16	939,098	849,116	855,442
Lease liabilities	6	249,153	—	—
Due to related parties	12	28,316	49,853	34,953
Unearned revenue	19c	339,903	400,468	495,161
		<u>2,015,771</u>	<u>1,757,883</u>	<u>1,959,075</u>
Total equity and liabilities		<u>2,212,578</u>	<u>1,426,713</u>	<u>2,218,572</u>

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Comprehensive Income Year ended 31 December 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

	Notes	2017 \$'000	2016 Restated \$'000
Revenue			
Passenger revenue	19a	2,331,458	2,234,927
Cargo and mail revenue	19a	168,375	166,748
Other revenue	19b	326,253	393,659
		<u>2,826,086</u>	<u>2,795,334</u>
Operating expenses			
Staff costs	20	478,636	507,722
Fuel		493,222	431,580
Maintenance costs		340,785	372,163
Passenger expenses		195,559	208,317
Selling and marketing		117,915	111,201
Commissions		113,578	109,691
Aircraft ground handling and navigation		384,049	385,437
Crew expenses		39,789	37,840
Depreciation and amortisation	4,5,6	304,762	56,447
Other operating expenses	21a	267,532	680,231
		<u>2,735,827</u>	<u>2,900,629</u>
Profit/ (loss) from operations		<u>90,259</u>	<u>(105,295)</u>
Other income/(expenses)			
Write-offs/restructuring costs		(3,034)	(6,330)
Interest income		2,180	3,638
Interest expense	21b	(69,445)	(64,570)
Share of after-tax net loss of associated companies	7	(5,082)	(1,128)
Foreign currency loss	13a	(4,252)	(395,133)
Government subvention (loans)		86,088	6,930
		<u>6,455</u>	<u>(456,593)</u>
Profit/(loss) before taxation		<u>96,714</u>	<u>(561,888)</u>
Taxation	22	(18,673)	(21,211)
Profit/(loss) after taxation		<u>78,041</u>	<u>(583,099)</u>
Other comprehensive loss:			
Foreign exchange differences on translation to presentation currency		(4,657)	(22,611)
Total comprehensive income/(loss) for the year (net of tax)		<u>73,384</u>	<u>(605,710)</u>

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

	Stated capital \$'000	Paid in capital \$'000	Accumulated deficit \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Year ended December 31, 2016					
Balance as at January 1, 2016, as previously reported	1,188,085	411,340	(1,480,071)	–	119,354
Correction of prior period errors (Note 3(s))	–	–	(257,417)	2,876	(254,541)
Restated balance as at January 1, 2016	1,188,085	411,340	(1,737,488)	2,876	(135,187)
Total comprehensive loss for the year:					
Loss after taxation	–	–	(583,099)	–	(583,099)
Other comprehensive loss	–	–	–	(22,611)	(22,611)
Total comprehensive loss	–	–	(583,099)	(22,611)	(605,710)
Restated balance as at December 31, 2016	1,188,085	411,340	(2,320,587)	(19,735)	(740,897)
Year ended December 31, 2017					
Balance as at January 1, 2017	1,188,085	411,340	(2,320,587)	(19,735)	(740,897)
Effect of adopting new accounting standards (Note 3(t))	–	–	(759)	–	(759)
Restated balance as at January 1, 2017	1,188,085	411,340	(2,321,346)	(19,735)	(741,656)
Total comprehensive income/(loss) for the year:					
Profit after taxation	–	–	78,041	–	78,041
Other comprehensive loss	–	–	–	(4,657)	(4,657)
Total comprehensive income/(loss)	–	–	78,041	(4,657)	73,384
Balance as at December 31, 2017	1,188,085	411,340	(2,243,305)	(24,392)	(668,272)

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

CARIBBEAN AIRLINES LIMITED

Consolidated Statement of Cash Flows Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

		2017	2016
	Notes	\$'000	Restated \$'000
Cash flows from operating activities			
Profit/(loss) before taxation		96,714	(561,888)
Adjustment to reconcile profit/(loss) before taxation to net cash from/(used in) operating activities:			
Depreciation and amortisation on property, plant and equipment and intangible assets	4, 5	58,070	56,447
Depreciation on right-of-use assets	6	246,692	–
Loss on sale of property, plant and equipment		2,494	–
Write offs of property, plant and equipment and intangible assets (net)		495	5,939
Interest income		(2,180)	(3,638)
Interest expense on borrowings	21b	31,277	27,988
Interest expense on lease liabilities	21b	31,861	–
Dividends received		–	2,800
Share of after-tax net loss of associated companies	7	5,082	1,128
		470,505	(471,224)
Net change in operating assets and liabilities	23	(99,564)	(35,867)
Cash generated from/(used in) operations		370,941	(507,091)
Taxation paid		(21,704)	(21,210)
Interest received		2,180	3,638
Interest paid on borrowings		(34,176)	(26,338)
Interest paid on lease liability		(31,861)	–
Net cash generated from/(used in) operating activities		285,380	(551,001)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(85,077)	(23,491)
Investments in other financial assets		(202,915)	(119,013)
Maturity of other financial assets		126,552	378,092
Purchase of intangibles assets	5	(281)	(6,066)
Net cash (used in)/generated from investing activities		(161,721)	229,522
Cash flows from financing activities			
Repayment of borrowings – government subvention		(52,107)	(55,155)
Proceeds from borrowings		140,154	–
Principal payments on lease liabilities	6	(232,515)	–
Net cash used in financing activities	26	(144,468)	(55,155)
Decrease in cash and cash equivalents		(20,809)	(376,634)
Foreign exchange differences		–	12,948
Cash and cash equivalents at start of year		142,669	506,355
Cash and cash equivalents at end of year	13	121,860	142,669

The accompanying notes on pages 9 to 66 are an integral part of these consolidated financial statements.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

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, and South America. The Government of the Republic of Trinidad and Tobago (GORTT) and the Government of Jamaica (GOJ) hold ownership interests of 88.1% and 11.9%, respectively. CAL's registered office is located at Iere House, Golden Grove Road, Piarco. These consolidated financial statements comprise CAL and its wholly owned subsidiaries (together referred to as "the Group").

Name of Group	Shareholding	Country of Incorporation
<i>Subsidiary Group</i>		
Tobago Express Limited	100%	Trinidad and Tobago
CARA Limited	100%	Barbados
<i>Associated Companies</i>		
Katerserv Limited	40%	Trinidad and Tobago
Allied Caterers Limited	36%	Trinidad and Tobago

Tobago Express Limited's (Tabex) principal activity was the provision of air transportation services between Trinidad and Tobago. On October 1, 2007, CAL acquired all of the issued share capital of Tabex and assumed all responsibilities for the operation of the domestic route. Subsequent to that date, Tobago Express Limited became dormant as all operations were absorbed by CAL.

CARA Limited was incorporated on May 18, 2008. The principal activities of CARA Limited were 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 three (3) Dash 800 aircraft. CARA Limited became dormant as at December 31, 2013.

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.

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.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

2. Basis of preparation

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

(a) *Basis of accounting*

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC). Prior to December 2022 IFRS Accounting Standards were formerly referred to as International Financial Reporting Standards.

(b) *Basis of measurement*

The consolidated financial statements have been prepared on a historical cost basis except for financial assets measured at fair value through profit or loss.

In preparing the financial statements, management has assessed the Group's business operations, principal risks and uncertainties, financial position and cash flows. Despite liquidity challenges, the Group continues to receive adequate financial support and commitments from its majority shareholder, the GORTT. Based on this, management has concluded that the going concern basis of accounting remains appropriate in preparing these consolidated financial statements. Refer to Note 27 for management's assessment of going concern.

(c) *Functional and presentation currency*

The consolidated financial statements are presented in thousands of Trinidad and Tobago dollars, unless otherwise stated. Management has determined, in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates', that the Group's functional currency is United States dollars, as it is the currency of the primary economic environment in which it operates. This is based on the fact that the majority of the Group's transactions, including revenues, costs, and financing, are denominated in United States dollars.

However, the consolidated financial statements are presented in Trinidad and Tobago dollars for the following reasons:

- A significant portion of the Group's stakeholders, including investors and financial institutions, operate and report in Trinidad and Tobago dollars, and
- Management believes that presenting the financial statements in Trinidad and Tobago dollars provides more relevant and comparable financial information to users of the financial statements.

In accordance with IAS 21, assets and liabilities are translated into the presentation currency at the closing rate at the reporting date, income and expenses are translated at average exchange rates for the year (unless this is not a reasonable approximation), and all resulting exchange differences are recognised in other comprehensive income. The effect of this translation on prior periods is disclosed in Note 3(s).

(d) *Critical accounting judgements, estimates and assumptions*

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

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

2. Basis of preparation (continued)

(d) *Critical accounting judgements, estimates and assumptions (continued)*

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 outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going 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.

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:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. This requires significant management judgement regarding timing and the level of future taxable profits and tax planning opportunities. The Group has not recognised all deferred tax assets on the tax losses carried forward. Further details on taxes are disclosed in Note 17.

- Leases

- (a) Leases - whether the contract is, or contains, a lease. (See note 3 (n))
- (b) Lease term - whether the Group is reasonably certain to exercise extension options.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. (See note 3 (n))

The Group applies judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

In determining the lease term and assessing the length of the non-cancellable period of certain building leases, in lieu of signed contracts, the Group applied judgement by considering the definition of a contract and determining the period for which the contract is enforceable.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

2. Basis of preparation (continued)

(d) *Critical accounting judgements, estimates and assumptions (continued)*

- Government grants

The Group applied judgement in determining whether the grants, relating to interest and principal payments on the Group's borrowings, meet the criteria of government grants in accordance with IAS 20.

Estimates and assumptions

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the Group's control. Such changes are reflected in the assumptions when they occur.

- Impairment of financial assets

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates.

- Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The Group determined the recoverable amount based on independent valuations.

- Useful lives and residual values of property, plant and equipment

The Group reviews the estimated residual values and expected useful lives of property, plant and equipment at least annually.

- Component costs estimated at initial recognition for the owned aircrafts

The Group estimates the value of major aircraft components on initial recognition. These major components are recognised and depreciated separately.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

2. Basis of preparation (continued)

(d) Critical accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

- Provision for return condition

The Group recognises a provision to accrue for estimated costs to return the aircraft to their lessor in the agreed upon condition. This estimate involves assumptions regarding future maintenance costs, aircraft usage, discount rates and related inflation. The provision is also informed by the analysis of actual outcomes which provide a reliable and best estimate. Differences between actual and estimated cost as well as changes in estimates are recognised in maintenance expenses for the period.

- Provision for inventory obsolescence

The provision for obsolescent inventory was determined through the analysis of historical and planned usage of spare parts as well as technological obsolescence.

- Frequent flyer programme

The frequent flyer programme includes two major transactions that are considered revenue arrangements with multiple performance obligations: (i) mileage credits earned with travel and (ii) mileage credits sold to credit cards and other partners. The Group estimates the fair value of the miles in those transactions using a blended calculation of rates charged when miles are sold to other partners and the average value of a mile flown by a customer. The Group also determines and reduces the liability for the value of miles earned but is expected to expire unused (breakage), based on the trends of miles utilised. The Group engages a specialist to assist in the performance of the breakage calculation.

- Incremental borrowing rate (IBR) for leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

- Fair value measurement

The Group measures certain financial instruments at fair value at the date of each statement of financial position. Fair values of financial instruments measured at amortised cost are disclosed in Note 25.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

2. Basis of preparation (continued)

(d) Critical accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

- Fair value measurement (continued)

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies

(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the reporting date. Differences arising from the settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign currency translation rates prevailing at the dates the fair value was determined.

The results and financial position of the Group are translated from the functional currency into the presentation currency as follows:

- Assets and liabilities are translated at foreign exchange rates ruling at the balance sheet date;
- Income and expenses are translated at average exchange rates, unless these do not approximate to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences resulting from retranslation to the presentation currency are recognised in other comprehensive income and accumulated in a separate component of equity shown in the consolidated statement of changes in equity as 'foreign currency translation reserve'.

(b) 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 3(h)). Owned aircraft are disaggregated into major components to reflect differing useful lives aligned with scheduled overhaul cycles.

Subsequent expenditures that enhance the value of the asset are capitalised if the recognition criteria is met.

(ii) 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. For owned aircraft depreciation rates are allocated amongst major components of the aircraft that best fits the components useful life to scheduled overhaul improvement. 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.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(ii) Depreciation (continued)

The five aircraft components (included in 'aircraft parts and spares') are depreciated over the following useful lives:

Engines	–	3 years
Propellers	–	7 years
Landing gears	–	7 years
Flaps	–	8 years
Airframe	–	20 years.

Other assets are depreciated over the following useful lives:

Leasehold improvements	–	the shorter of 5 to 10 years or lease term.
Machinery and equipment	–	5 to 10 years
Motor vehicles	–	5 years
Computer equipment	–	3 years
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.

(iii) Disposal

An item of property, plant and equipment and any part significantly initially recognised is derecognised upon 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 when the asset is derecognised.

(c) Intangible assets

Intangible assets acquired separately are initially measured at cost. Those acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

The cost to purchase or develop computer software that is separable from an item of related hardware that is capitalised and amortised on a straight-line basis generally over a period of five to ten years.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

a. Significant accounting policies (continued)

(d) *Aircraft and other deposits*

Aircraft deposits are cash deposits paid primarily to lessors of aircraft under 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. Other deposits consist primarily of cash security deposits paid to certain credit card institutions which are refundable.

(e) *Inventories*

Inventories are measured at the lower of cost and net realisable value, determined by the average cost method, net of provision for obsolescence. Inventories include mainly aircraft spare parts (expendables), items for duty free operations and items to cater for inflight services.

(f) *Cash and cash equivalents*

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group evaluates the term and conditions relating to its restricted cash to determine where it should be presented, as current assets in cash and cash equivalents or as non-current assets.

(g) *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets in the consolidated statement of financial position include aircraft and other deposits, trade receivables, due from related parties, other receivables, cash and cash equivalents and term deposits and mutual funds.

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. These assets are recognised on the trade date.

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Group's business model for managing them. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(g) *Financial instruments (continued)*

Financial assets (continued)

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. All of the Group's financial assets are measured at amortised cost, except mutual funds which are measured at fair value through profit or loss.

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial instruments are initially recognised and carried at original invoice amount less an allowance for uncollectible amounts or expected credit losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates, if and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(g) *Financial instruments (continued)*

Financial assets (continued)

Impairment

For trade receivables the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Losses arising from impairment are recognised under 'Other operating expenses' in the consolidated statement of profit or loss.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities in the consolidated statement of financial position include due to related parties, trade payables, other payables and borrowings and financing. See details within the respective policy notes. The Group's financial liabilities are classified at amortised cost.

After initial recognition, all borrowings and loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. These liabilities are recognised on the trade date.

(h) *Impairment on 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.

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.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(i) *Trade payables*

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(j) *Provisions*

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Re-delivery and engine repair

The Group recognises a provision for re-delivery expenses (including engine and airframe repairs upon re-delivery) on commencement of the lease, as the Group is required to return the aircraft to the lessor in certain contractually pre-determined conditions. The expected cash outflow, as a result of this obligation, is measured at present value with the discount unwound over the term of the lease.

The Group is also contractually obligated to maintain leased aircraft and engines at pre-determined flight potential. Flight potential is depleted by the usage of aircraft or engines. As such, a provision is also recognised over the period until the next maintenance cycle, by prorating the expense of the expected repairs and maintenance required to restore the flight potential.

The movement of the provision is further disclosed in Note 15.

(k) *Revenue recognition*

Revenue is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The consideration received or receivable is measured taking into account contractually defined terms of payment and excluding taxes or duties.

The following specific recognition criteria must also be met before revenue is recognised:

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(k) *Revenue recognition (continued)*

Passengers

Passenger revenue is primarily comprised of passenger ticket sales, frequent flyer miles redeemed and ancillaries' revenues associated with a passenger's flight (such as miles redeemed, chartered flights, baggage fees, flight date change fees and upgrades).

Passenger revenue from tickets is recognised in profit or loss at the fair value of the consideration receivable net of applicable taxes when transportation is provided or when the ticket expires unused, rather than when a ticket is sold.

Scheduled passengers are credited to unearned revenue on sale of service and subsequently transferred to revenue when passengers or cargo are transported.

The Group sells certain tickets with connecting flights with one or more segments operated by its other airline partners. For segments operated by other airline partners, the Group has determined that it is acting as an agent on behalf of the other airlines as they are responsible for their portion of the contract. The Group, as the agent, reduces its contract liability when consideration is remitted to those airlines, and recognises revenue for the net amount representing commission to be retained by the Group for any segments flown by other airlines.

Contract liabilities (unearned revenue)

A contract liability (unearned revenue) is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer). Contract liabilities comprise unearned transportation revenue for ticket sales for transportation that has not yet been provided, unearned frequent flyer revenue for unutilised miles and Club Caribbean subscriptions.

Expired tickets

A portion of the value of tickets classified as 'expired tickets' is recognised as other revenue using data on the actual expiration of tickets sold as at year end. A year after the sale is made, actual ticket breakage is removed from the contract liability (unearned revenue) and this portion is released as revenue.

The expired tickets expire after one year from the sale date, and any revenue associated with tickets sold for future travel is recognised within 12 months.

Frequent flyer programmes

The airline's frequent flyer programmes operate through the airline's Caribbean Miles membership programme and the Seventh Heaven membership programme for the Jamaica network operations. The programmes 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 contract liability when miles are earned, transferred to unearned transportation liability when miles are redeemed by the participants to whom the miles are issued and recognised as revenue when the passengers are transported.

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Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(k) **Revenue recognition** (continued)

Additionally, frequent flyer miles that are issued but not redeemed by members before they expire or become invalid are classified as "breakage" which is estimated based on redemption patterns. The breakage rates are updated annually and adjusted for non-recurring and specific events that may have an impact on members' behavior based on management's judgement. The Group engages a specialist to assist in the performance of the breakage calculation.

Ancillary revenues

Ancillary revenues are primarily comprised of services performed in conjunction with a passenger's flight, including administrative fees (such as ticket change fees), baggage fees, and other ticket-related fees. These ancillary fees are part of the travel performance obligation and, as such, are recognised as passenger revenue when the travel occurs.

Cargo and mail

Cargo and mail revenue is recognised in profit or loss at the fair value of the consideration receivable net of applicable taxes when transportation is provided and the risks on the merchandise and goods are transferred.

Other operating revenue

Airlines specific transportation fees (also known as YQ fees) are recognised as part of other revenue and is recognised when the transportation service is provided. Other revenue also includes Club Caribbean revenue and duty free revenue. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

Interest income

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

(l) **Maintenance costs**

Maintenance and repair costs for owned and leased aircraft and engines, including heavy C-check maintenance, are charged to operating expenses as incurred. Component maintenance and repair 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 the Group for the cost of any major maintenance activity for which maintenance reserves were paid based on specific recovery criteria. The lessor is entitled to retain any excess deposits at the expiration of the lease.

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Notes to the Consolidated Financial Statements Year ended December 31, 2017

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3. Significant accounting policies (continued)

(l) *Maintenance costs (continued)*

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

(m) *Employee benefits*

Employee benefits are all forms of consideration given by the Group in exchange for services 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 the reporting date.

Retirement plans

On 31 December 2008, the Group established a defined contribution pension plan for its employees in Trinidad and Tobago. For defined contribution plans, the Group pays contributions to the pension plan. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The assets of this Plan are held in a trustee administered fund. In 2017, the Group contributed to the pension plan at the rate of 6% (2016: 6%) of its Trinidad and Tobago employees' remuneration and recognises these contributions as an expense when an employee has rendered service during the period.

(n) *Leases*

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract, conveys the right to control the use of an identified asset, the Group assesses whether:

- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset; and
- The Group has the right to direct the use of the identified asset.

(i) *Right-of-use assets*

At the commencement date, the Group recognises a right-of-use asset and a lease liability (i.e., the date the underlying asset is available for use).

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(n) Leases (continued)

(i) *Right-of-use assets (continued)*

The right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or component, or lease term. The estimated useful life of right-of-use asset is determined on the same basis of owned property, plant and equipment.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. In this regard, the Group applies the following, by class of underlying asset:

- for the leases of real estate, the Group has elected to separate non-lease components.
- for aircraft leases, the value of major maintenance inspection or overhaul embedded in the aircraft is recognised as a separated component and is depreciated over the estimated time period until the first maintenance event is performed or the remaining life of lease term (as appropriate) whichever is shorter.

(ii) *Lease liabilities*

The lease liability, is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined or the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Variable lease payments that do not depend on an index or a rate are recognised as lease expenses in the period in which the event or condition that triggers the payment occurs, under 'Other operating and administrative expenses' in the consolidated statement of comprehensive income.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(n) Leases (continued)

(ii) *Lease liabilities (continued)*

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) *Short term leases and leases of low value assets*

The Group applies the short-term leases lease recognition exemption to those leases that have a lease term of 12 months or less. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(o) *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 or 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).

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.

(p) *Government grants*

CAL receives government grants from the GORTT and records these in accordance with IAS 20 'Government Grants' as follows:

- i. 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 other revenue in profit or loss when the ticket has been flown. The receivable balance is included in due from related parties (see Note 12 (a)). Subventions received are recognised as part of other revenue when there is reasonable assurance that:
 - the entity will comply with the conditions attached to them; and
 - the grants will be received. (see Note 19).

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(p) Government grants (continued)

- ii. Grants relating to the interest and principal payments on the Group's borrowings. The GORTT pays the interest and principal directly to the financial institution when they become due. This is also recorded as a government grant and recognised as 'government subventions (loans)' in the consolidated statement of comprehensive income when the payments are made by the GORTT to the financial institution. See Note 2 (d) for the areas of significant judgement relating to government grants.

(q) Borrowings

The Group's borrowing transactions are recognised in the consolidated statement of financial position at the time the funds are transferred to the Group. The borrowing transactions are recognised at amortised cost, less transaction costs and the interest element of payments made is included in interest expense in profit and loss.

(r) 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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate' in the consolidated statement of comprehensive income.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(r) *Basis of consolidation (continued)*

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(iii) *Loss of control or significant influence*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Upon loss of significant influence over the associate the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(iv) *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 Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(s) Correction of prior period errors

In accordance with IAS 8, 'Accounting, Changes in Accounting Estimates and Errors' the Group corrected the prior period errors explained below by restating each of the affected financial statement line items for the prior periods as follows:

Statement of financial position (extract)	December 31, 2016 - as previously reported	Increase/ (decrease)	December 31, 2016 Restated	December 31, 2015 - as previously reported	Increase/ (decrease)	January 1, 2016 Restated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets						
Property, plant and equipment	577,319	(48,845)	528,474	613,395	(71,316)	542,079
Intangible assets	9,352	1,698	11,050	4,422	1,465	5,887
Deferred tax asset	105,727	(11,787)	93,940	106,930	-	106,930
Current assets						
Inventories	137,414	(9,206)	128,208	160,444	(4,603)	155,841
Trade receivables	127,417	(11,224)	116,193	216,409	-	216,409
Due from related parties	6,938	11,224	18,162	6,887	-	6,887
Other financial assets	-	126,552	126,552	-	378,092	378,092
Cash and cash equivalents	269,221	(126,552)	142,669	884,447	(378,092)	506,355
Total assets	1,494,853	(68,140)	1,426,713	2,293,026	(74,454)	2,218,572
Equity						
Accumulated deficit	(2,175,501)	(145,086)	(2,320,587)	(1,480,071)	(257,417)	(1,737,488)
Foreign currency translation Reserve	-	(19,735)	(19,735)	-	2,876	2,876
Total equity	(576,076)	(164,821)	(740,897)	119,354	(254,541)	(135,187)
Non-current liabilities						
Provisions	230,880	(47,549)	183,331	171,996	(10,656)	161,340
Borrowings	793,959	(793,959)	-	434,907	(434,907)	-
Unearned revenue	-	132,456	132,456	-	126,414	126,414
Deferred tax liability	105,727	(11,787)	93,940	106,930	-	106,930
Current liabilities						
Trade payables	74,621	(15,059)	59,562	132,644	-	132,644
Accrued expenses and other						
Payables	380,362	(4,625)	375,737	377,633	22,699	400,332
Provisions	-	15,198	15,198	-	38,740	38,740
Tax payable	-	7,950	7,950	-	1,803	1,803
Borrowings	55,157	793,959	849,116	420,535	434,907	855,442
Due to related parties	34,794	15,059	49,853	34,953	-	34,953
Unearned revenue	395,429	5,039	400,468	494,074	1,087	495,161
Total liabilities	2,070,929	96,681	2,167,610	2,173,672	180,087	2,353,759

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(s) Correction of prior period errors (continued)

	December 31, 2016 – as previously reported	Profit increase/ (decrease)	Reclassification on adoption of IFRS 15	December 31, 2016 Restated
	\$'000	\$'000	\$'000	\$'000
Statement of profit or loss (extract)				
Revenue				
Passenger revenue	2,119,697	3,444	111,786	2,234,927
Other revenue	512,375	(6,930)	(111,786)	393,659
	2,632,072	(3,486)	-	2,628,586
Operating expenses				
Maintenance costs	465,862	(93,699)	-	372,163
Selling and marketing	111,201	-	-	111,201
Depreciation and amortisation	59,843	(3,396)	-	56,447
Other operating expenses	668,685	11,546	-	680,231
	1,305,591	(85,549)	-	1,220,042
Loss from operations	(187,358)	82,063	-	(105,295)
Other income/(expenses)				
Write offs/restructuring costs	(392)	(5,938)	-	(6,330)
Interest expense	(61,639)	(2,931)	-	(64,598)
Foreign currency loss	(419,536)	24,403	-	(395,133)
Government subventions	-	6,930	-	6,930
	(481,567)	22,464	-	(459,103)
Loss before taxation	(666,415)	104,527	-	(561,888)
Taxation	(29,015)	7,804	-	(21,211)
Loss after taxation	(695,430)	112,331	-	(583,099)
Other comprehensive loss				
Foreign exchange differences on translation to presentation currency	-	(22,611)	-	(22,611)
Total comprehensive loss for the year	(695,430)	89,720	-	(605,710)

(i) Restatements

Unearned revenue – frequent flyer programme

During the current reporting period, adjustments were made to the unearned revenue liability as the portion relating to the frequent flyer programme was understated and also affected the value reported in prior periods. This resulted in a restatement of the unearned revenue, passenger revenue and other comprehensive income.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(s) Correction of prior period errors (continued)

Provisions and accrued expenses and other liabilities

During the current reporting period, the provision for return was reassessed considering the requirements of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. It was determined that this estimate was materially understated and overstated in the year ended December 31, 2015 and December 31, 2016 respectively which affected the value reported in prior periods. This resulted in a restatement of provisions, accrued expenses, accumulated deficit, maintenance cost and interest expense, as well as other comprehensive income for the period ended December 31, 2016.

Property, plant and equipment – aircrafts and rotatable parts

Rotables

Rotable parts are those which rotate between the spare parts pool and the aircraft or engine and are included in property, plant and equipment. During the current reporting period, a physical verification exercise was completed of all rotatable parts. It was identified that assets which were recorded on the Group's fixed asset register could not be verified and therefore there was an overstatement of assets previously reported. It was also identified that revision of the useful lives of these assets was required. These resulted in a restatement of property, plant and equipment, accumulated deficit, depreciation and amortisation and other operating expenses.

Owned aircrafts

A reassessment of the component depreciation approach during the current reporting period resulted in adjustments to the net book value and depreciation of the owned aircrafts for the current and previous periods. This resulted in a restatement of property, plant and equipment, accumulated deficit and depreciation and amortisation.

Functional currency

In previous periods, the Group erroneously determined the Trinidad and Tobago dollar (TTD) as the functional currency and presentation currency. Upon reassessing the functional currency during the current reporting period, considering guidance in *IAS 21 The Effects of Changes in Foreign Exchange Rates* it was identified that the United States Dollar (USD) should have been the functional currency for the prior periods. The Group has maintained the TTD as the presentation currency. This resulted in a restatement of the foreign currency translation reserve, accumulated deficit, provisions, property, plant and equipment, unearned revenue, foreign currency loss, depreciation and amortisation and other comprehensive income.

Inventories – expendables

The provision for obsolete inventory was assessed during the current period, which identified the understatement of the provision in previous periods.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

(s) *Correction of prior period errors (continued)*

(ii) *Reclassifications*

Borrowings

The Group was not compliant with the loan covenants (Note 16) for financial years 2015 and 2016. Accordingly, an event of default under the terms of the loan agreements occurred consequently, the full outstanding loan balance for both loans has been classified as a current liability in the consolidated statement of financial position. Therefore, the amount previously presented under 'non-current liabilities' has been reclassified to 'current liabilities'.

Cash and cash equivalents and other financial assets

An amount previously presented as 'cash and cash equivalents' has been reclassified to other financial assets, to comply with the requirements of IAS 7 'Statement of Cash Flows'.

Due from/to related parties

Note 12 (a) has been restated to comply with the disclosure requirements of IAS 24 *Related Party Disclosures*. As a result an amount previously presented within trade payables has been reclassified to due to related parties. As well as an amount previously presented within trade receivables has been reclassified to due from related parties.

Taxation and accrued liabilities

An amount previously presented within 'accrued liabilities' relating to tax payable has been reclassified to tax payable, to comply with the minimum balance sheet presentation requirements of IAS 1 *Presentation of financial statements*.

Taxation and other operating expenses

An amount previously presented as 'taxation', relating to green fund levy, has been reclassified to 'other operating expense' as it is outside the scope of IAS 12. These reclassifications had no effect on the previously reported equity and profit after tax of the Group for the current or previous years. However, the reclassification of green fund levy resulted in a change in the reported profit before tax for the prior year. Additionally, the restated cash and cash equivalents resulted in changes to cash flows presented for the prior year.

(t) *New, revised and amended standards and interpretations that became effective during the year and standards early adopted during the year*

Certain new revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its consolidated financial statements.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

- (t) *New, revised and amended standards and interpretations that became effective during the year and standards early adopted during the year (continued)*

The following amendments effective for annual periods beginning on or after 1 January 2017, had no impact on the Group's consolidated financial statements:

- Amendments to IAS 12, Income Taxes

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments had no impact on the Group.

- Amendments to IAS 7, Statement of Cash Flows: disclosure initiative

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments resulted in additional disclosure provided by the Group.

The Group has early adopted for the first time the following standards and amendments effective January 1, 2017:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

- IFRS 15 Revenue from Contracts with Customers

The Group has elected to early adopt *IFRS 15 Revenue from Contracts with Customers* issued in May 2014 with a date of initial application of January 1, 2017.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

- (t) *New, revised and amended standards and interpretations that became effective during the year and standards early adopted during the year (continued)*

- *IFRS 15 Revenue from Contracts with Customers (continued)*

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The adoption of IFRS 15 did not have a material impact on the consolidated statement of changes in equity.

This adoption primarily resulted in presentation changes to comply with the revenue disaggregation disclosure requirements. As a result, certain revenue streams that were presented as passenger revenue have been reclassified to other revenue. This resulted in a reclassification of \$111,786 in the comparative information for financial year 2016 from 'Other revenue' to 'Passenger revenue'. Some of these concepts include charter flights, publicity and fees related to cobrand agreements. Although the modified retrospective approach was adopted, the Group chose to reclassify certain amounts in the 2016 comparative information, for consistency and comparability with the year 2017.

Other than the reclassification adjustments, the main change is the adjustment to recognise 'change fees' at the date travel occurs rather than the date that sale occurs as this is in accordance with IFRS 15. Under the new standard these deliverables are considered a single performance obligation, which will not exist without the main performance obligation, the travel service that is fulfilled at departure date. This change also did not have a material impact on the opening consolidated statement of changes in equity (\$759).

Under the new standard these deliverables are considered a single performance obligation, which will not exist without the main performance obligation, the travel service that is fulfilled at departure date.

This resulted in a reclassification of \$111,786 in the comparative information for financial year 2016 between 'Passenger revenue' and 'Other revenue'.

- *IFRS 9 Financial Instruments*

The Group has early adopted *IFRS 9 Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2017. The requirements of IFRS 9 represent a significant change from *IAS 39 Financial Instruments: Recognition and Measurement*.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

- (t) *New, revised and amended standards and interpretations that became effective during the year and standards early adopted during the year (continued)*

- *IFRS 9 Financial Instruments (continued)*

The Group adopted the new standard without restating comparative information. The adjustments arising from the new impairment rules are therefore recognised in the opening balance on January 1, 2017. There were no adjustments to equity

Classification and measurement

The classification and measurement requirements of IFRS 9 did not have an impact on the Group.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9 and therefore reclassification for these instruments was not required. The other financial assets are term deposits and mutual funds which are recognised at fair value through profit or loss under IFRS 9 and therefore, reclassification for these instruments was not required.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group as of 1 January 2017 did not have any such liabilities.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss.

The Group applies the simplified approach, which requires the use of the lifetime expected loss provision for all trade receivables. There were no adjustments to equity.

- *IFRS 16 Leases*

The Group has early adopted IFRS 16 with a date of initial application of January 1, 2017. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 operating leases-incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

- (t) *New, revised and amended standards and interpretations that became effective during the year and standards early adopted during the year (continued)*

- IFRS 16 Leases

The Group adopted IFRS 16 using the modified retrospective method of adoption. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2017. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adopting IFRS 16 as at January 1, 2017 is as follows:

Impact on statement of financial position

Assets	\$'000
Right-of-use assets	899,198
Total assets	899,198
 Liabilities	
Lease liabilities	(899,198)
Total liabilities	(899,198)

There were no adjustments to equity. The adoption of IFRS 16 contributed to the decrease in the 'aircraft and engines rentals' amount shown in Note 21 from \$321,843 in 2016 to \$9,159 in 2017.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee except for short-term leases and leases of low-value assets. Refer to Note 3 (n) for the accounting policy beginning January 1, 2017. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as operating leases – Group as lessee

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

- (t) *New, revised and amended standards and interpretations that became effective during the year and standards early adopted during the year (continued)*

- IFRS 16 Leases

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2017:

- Right-of-use assets of \$899 million were recognised and presented separately in the consolidated statement of financial position.
- Lease liabilities of \$899 million were recognised and presented separately in the consolidated statement of financial position.
- There was no impact on deferred tax assets or liabilities as at 1 January 2017.
- The above adjustments did not affect retained earnings.

The lease liabilities as at January 1, 2017 can be reconciled to the operating lease commitments as of December 31, 2016, as follows:

Operating lease commitments as at December 31, 2016	\$1,063,995
Weighted average incremental borrowing rate as at January 1, 2017	<u>4.10%</u>
Discounted operating lease commitments as at January 1, 2017	\$899,198
Lease liabilities as at January 1, 2017	<u>\$899,198</u>

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are:

- IFRIC 23: Uncertainty over Tax Treatments (effective January 1, 2019)
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective January 1, 2022)
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (effective January 1, 2022)
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract – (effective January 1, 2022)
- IFRS 17: Insurance Contracts (effective January 1, 2023)
- Amendments to IAS 8: Definition of Accounting Estimates (effective January 1, 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective January 1, 2023)
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective January 1, 2023)
- Amendment to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date pending)
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (effective January 1, 2024)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective January 1, 2024)
- Amendments to IAS 7 and IFRS 7: Disclosures: Supplier Finance Arrangements (effective January 1, 2024)
- Amendments to IAS 21: The effects of Changes in Foreign Exchange Rates – effective January 1, 2025
- Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments – effective January 1, 2026
- Amendments to IFRS 9 and IFRS 7: Power Purchase Agreements – effective January 1, 2026
- IFRS 18: Presentation and Disclosure in Financial Statements: Replaces IAS 1 Presentation of Financial Statements – effective January 1, 2027
- IFRS 19: Subsidiaries without Public Accountability: Disclosures – effective January 1, 2027

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

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

- Annual Improvements to IFRS Standards 2015–2017 Cycle, which is effective for annual reporting periods beginning on or after January 1, 2019:
 - Amendments to IFRS 3, *Business Combinations* and IFRS 11, *Joint Arrangements*, clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business. The amendments also provide further guidance on what constitutes the previously held interest. This is the entire previously held interest in the joint operation.
 - Amendments to IAS 12, *Income Taxes*, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
 - Amendments to IAS 23, *Borrowing Costs*, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that are intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. The changes are to be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.
- Annual Improvements to IFRS Standards 2018–2020 cycle contain amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 41 Agriculture, and are effective for annual periods beginning on or after January 1, 2022.
 - (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
 - (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.
 - (iii) The amendments to IAS 41 *Agriculture* removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

3. Significant accounting policies (continued)

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

Improvements to IFRS Accounting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2026:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards – Hedge accounting by a first-time adopter
- IFRS 7 ‘Financial Instruments: Disclosures – Gain or loss on derecognition
- IFRS 9 ‘Financial Instruments – Derecognition of lease liabilities and Transaction price
- IFRS 10 ‘Consolidated Financial Statements – Determination of a ‘de facto agent
- IAS 7 ‘Statement of Cash Flows – Cost method

The Group has not early adopted these new and amended standards and interpretations but will continue to assess and does not anticipate that these new standards and interpretations will have a material impact on the Group's consolidated financial statements when they become effective.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

4. Property, plant and equipment

	Aircraft, spares and parts	Computer equipment	Motor vehicles	Machinery and equipment	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
Restated balance as at						
January 1, 2016 (Note 3(s))	798,166	18,391	2,172	17,963	14,714	851,406
Foreign exchange differences	33,607	—	—	—	—	33,607
Additions	20,345	1,818	107	1,012	209	23,491
Reclassification to intangible Assets	—	(1,132)	—	—	—	(1,132)
Write-off of 767 spares	(19,523)	—	—	—	—	(19,523)
Restated balance as at						
December 31, 2016 (Note 3(s))	832,595	19,077	2,279	18,975	14,923	887,849
Balance as at January 1, 2017	832,595	19,077	2,279	18,975	14,923	887,849
Foreign exchange differences	1,921	—	—	—	—	1,921
Additions	76,455	28	637	3,323	4,634	85,077
Disposals	(430)	(3,028)	(66)	—	(388)	(3,912)
Other movements	(468)	—	—	—	—	(468)
Balance as at						
December 31, 2017	910,073	16,077	2,850	22,298	19,169	970,467
Depreciation						
Restated balance as at						
January 1, 2016 (Note 3(s))	277,396	15,072	1,996	10,082	4,781	309,327
Foreign exchange differences	9,220	—	—	—	—	9,220
Charge for the year	50,494	873	100	1,898	1,047	54,412
Write-offs	(13,584)	—	—	—	—	(13,584)
Restated balance as at						
December 31, 2016 (Note 3(s))	323,526	15,945	2,096	11,980	5,828	359,375
Balance as at January 1, 2017	323,526	15,945	2,096	11,980	5,828	359,375
Foreign exchange differences	601	—	—	—	—	601
Charge for the year	49,844	1,718	136	2,320	3,087	57,105
Disposals	(372)	(993)	(48)	—	(5)	(1,418)
Reclassifications to intangible Assets	—	(1,060)	—	—	—	(1,060)
Balance as at						
December 31, 2017	373,599	15,610	2,184	14,300	8,910	414,603
Net book value						
Restated at January 1, 2016	520,770	3,319	176	7,881	9,933	542,079
Restated at December 31, 2016	509,069	3,132	183	6,995	9,095	528,474
At December 31, 2017	536,474	467	666	7,998	10,259	555,864

'Write-offs' relate to spares for the 767 aircraft, where the underlying leased assets were re-delivered during the financial year ended December 31, 2016.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

5. Intangible assets

	Software
Cost	\$'000
Restated balance as at January 1, 2016	25,099
Additions	6,066
Reclassification from property, plant and equipment	1,132
Restated balance as at December 31, 2016	32,297
 Balance as at January 1, 2017	 32,297
Additions	281
Disposal	(27)
Balance as at December 31, 2017	32,551
 Amortisation	
Restated balance as at January 1, 2016	19,212
Charge for the year	2,035
Restated Balance as at December 31, 2016	21,247
 Balance as at January 1, 2017	 21,247
Reclassification from Property, plant and equipment	1,060
Charge for the year	965
Balance as at December 31, 2017	23,272
 Net book value	
Restated at January 1, 2016	5,887
Restated at December 31, 2016	11,050
At December 31, 2017	9,279

In 2011, the GOJ granted the route rights of Air Jamaica to CAL. The route rights enabled CAL to originate and end flights in Jamaica. These route rights meet the definition of an intangible asset acquired at no cost with an indefinite useful life. The carrying amount of this intangible asset as at December 31, 2017 is nil (2016: NIL).

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

6. Leases

Right of use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	Aircraft	Total
	\$'000	\$'000	\$'000
Balance at initial application of IFRS 16 – January 1, 2017	121,354	777,844	899,198
Depreciation expense	(16,686)	(230,006)	(246,692)
As at December 31, 2017	104,668	547,838	652,506

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2017
	\$'000
Balance at initial application of IFRS 16 – January 1	899,198
Additions	
Accretion of interest (Note 21(b))	31,861
Payments	(265,255)
Foreign exchange loss	879
As at December 31	666,683
 Current	 249,153
Non-current	417,530

The maturity analysis of lease liabilities is disclosed in Note 26.

The Group had total cash outflows for leases of \$429 million.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

6. Leases (continued)

Lease payments:	2017
	\$'000
Fixed rent	265,255
Variable rent	149,190
	<u>414,445</u>

Amounts recognised in the consolidated statement of profit or loss related to leases:

	2017
	\$'000
Depreciation and amortisation	
Depreciation expense of right of use assets	246,692
Finance cost	
Interest expense on lease liabilities	31,861
Operating expenses	
Variable lease payments not included in the measurement of lease liabilities	149,190
Expense relating to short-term leases	31,018
Expense relating to leases of low-value assets	<u>1,391</u>
	<u>442,152</u>

Some aircraft leases contain variable payment terms that depend on the aircraft's flight hours.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

7. Investments in associated companies

The following table summarises the financial information of Katerserv Limited and Allied Caterers Limited.

	Katerserv Limited		Allied Caterers Limited	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Non-current assets	40%	40%	36%	36%
Current assets	458	588	21,439	20,611
Non-current liabilities	17,866	14,755	33,729	22,810
Current liabilities	—	—	(2,745)	(2,425)
	(5,080)	(2,628)	(30,964)	(8,685)
Net assets (100%)	13,244	12,715	21,459	32,311
Group's share of net assets (40%/36%)	5,298	5,086	7,725	11,632
Implicit goodwill on acquisition of investment	8,148	8,148	—	—
Prior year adjustment	—	921	—	466
Carrying amount of interest in associates	13,446	14,155	7,725	12,098
Revenue	21,015	25,339	37,556	35,874
Profit/(loss) from continuing operations and total comprehensive income (100%)	528	5,231	(10,851)	(8,947)
Total comprehensive income	211	2,093	(3,906)	(3,221)
Other adjustments	(1,387)	—	—	—
Group's share of total comprehensive income	(1,176)	2,093	(3,906)	(3,221)
	Aggregate			
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Carrying amount at January 1	26,253	30,181		
Share of after-tax net loss	(5,082)	(1,128)		
Dividends paid	—	(2,800)		
Carrying amount at December 31	21,171	26,253		

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(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

8. Aircraft and other deposits

	2017	2016
	\$'000	\$'000
Aircraft deposits	65,964	66,996
Security deposits made to third-party payment agents	163,513	113,961
	<u>229,477</u>	<u>180,957</u>

9. Inventories

	2017	2016
	\$'000	Restated \$'000
Expendable aircraft spares	126,510	110,673
Commercial items	8,161	14,656
Duty free items	13,043	12,085
Provision for obsolescence	(13,888)	(9,206)
	<u>133,826</u>	<u>128,208</u>

In 2017, inventories of \$110,817 (\$109,210 in 2016) were recognised as an expense and included in operating expenses.

10. Trade and other receivables and prepayments

(a) Trade receivables

	2017	2016
	\$'000	\$'000
Trade receivables	132,110	132,897
Allowance for expected credit losses	(33,049)	(16,704)
	<u>99,061</u>	<u>116,193</u>

CARIBBEAN AIRLINES LIMITED

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(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

10. Trade and other receivables and prepayments (continued)

(a) Trade receivables (continued)

The movement in the allowance for expected credit losses of trade receivables during the year was as follows:

	2017	2016
	\$'000	\$'000
Balance at January 1	16,704	19,100
Write-offs	(17,970)	(27,236)
Other movements	—	(3,870)
Charge for the year (Note 21 (a))	34,315	28,710
Balance at December 31	<u>33,049</u>	<u>16,704</u>

(b) Prepayments and other receivables

	2017	2016
	\$'000	\$'000
VAT receivable	11,460	6,115
Other prepayments	35,059	48,140
	<u>46,519</u>	<u>54,255</u>

11. Other financial assets

	2017	2016
	\$'000	Restated
	\$'000	\$'000
Investments at amortised cost		
Term deposits	103,091	35,451
Investment at fair value through profit or loss		
Mutual funds	99,824	91,101
	<u>202,915</u>	<u>126,552</u>

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(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

11. Other financial assets (continued)

Term deposits earned interest based on rates determined by the banks in which the instruments are held. The use of these instruments before its maturity date depends on the cash requirements of the Group.

As at December 31, 2017, the Group has pledged \$27.5 million (2016: \$24.6 million) of term deposits in order to fulfil the collateral requirements for some letters of credits established with RBC Royal Bank (Trinidad and Tobago) Limited. Refer to Note 24 for further details.

Investments at fair value through profit or loss ("FVPL") include investments in shares of mutual funds. Fair values of these shares are determined by reference to published price quotations in an active market. During 2017, the Group recognised a net unrealised gain on instruments at FVPL of \$0.967 million (2016: \$0.607 million) recorded under 'interest income' in the consolidated statement of comprehensive income.

12. Related party transactions

Related party transactions and balances

	2017	2016
	\$'000	Restated
(i) <i>Balances</i>		\$'000
Due from related parties		
GORTT	17,814	6,938
Nutramix Feeds Limited	1,576	--
Division of Tourism THA	1,254	--
Other	4,569	11,224
	<u>25,213</u>	<u>18,162</u>
Due to related parties		
BWIA West Indies Airways Limited	–	34,794
Trinidad & Tobago National Petroleum Marketing Company	14,622	13,121
Airports Authority Trinidad and Tobago	5,173	132
Katerserv Limited	3,003	1,409
Other	5,518	397
	<u>28,316</u>	<u>49,853</u>

'Other' represents the aggregate of balances with entities also controlled by GORTT. Balances with related parties are unsecured, interest free and repayable on demand.

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(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

12. Related party transactions (continued)

Related party transactions and balances (continued)

(i) *Balances (continued)*

On October 30, 2017, BWIA West Indies Airways Limited (BWIA) confirmed that all matters related to the closure of BWIA and the commencement of operations of CAL as at December 31, 2006, and the resulting transfer of assets and liabilities from BWIA to CAL as approved by the then Cabinet of Trinidad and Tobago, was completed. Accordingly, the outstanding balance as at December 31, 2016, has been treated as forgiven and no amounts remain payable to BWIA as at December 31, 2017. The forgiveness of this debt was recorded within other operating expenses on the statement of comprehensive income.

(ii) *Transactions*

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

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Other revenue		
Airbridge domestic subsidy (see Note 19)	44,873	44,203
Expenses		
Trinidad & Tobago National Petroleum Marketing Company Limited	225,271	189,733
Airports Authority of Trinidad and Tobago	39,627	37,011
Katerserv Limited	26,092	27,668
Other	11,273	19,433
Other income/(expenses)		
Government subvention (loans)	86,088	6,930

'Other' represents the aggregate of transactions with entities also controlled by GORTT.

(a) *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>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term employee benefits	7,798	9,049
Directors' fees	556	350
Pension contributions	329	344

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(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

13. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>Restated</u>
	<u>\$'000</u>	<u>\$'000</u>
Bank balances	121,354	136,051
Restricted balances (Venezuela held balances)	506	6,618
	<u>121,860</u>	<u>142,669</u>

(a) 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 to and approvals by the Venezuelan Government. The Group discontinued sales and collection of VEF in the first half of 2016 and has used VEF cash to pay for the Group's expenses in Venezuela until balances are fully depleted. In 2016, a foreign exchange loss related to the restricted balance of \$349 million, was included in the 2016 'Foreign currency loss' amount of \$395 million charged to the consolidated statement of comprehensive income. Refer to Note 28 ii and iii for details on subsequent movements in this balance.

14. Stated capital

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
188,600,000 ordinary shares of no par value	<u>1,188,085</u>	<u>1,188,085</u>
Paid in capital	<u>411,340</u>	<u>411,340</u>

The Government of Trinidad and Tobago advised the Group on September 23, 2016, that the \$411 million Paid in Capital shall be treated as an equity injection. As such the Group proposed to issue 64,200,000 common shares to the Government of Trinidad & Tobago and in accordance with the Group'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 Group on May 10, 2017, that it shall waive its pre-emptive right to subscribe for any new shares.

The Group's Board of Directors 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. This issuance did not represent a change in the relative ownership interests of the shareholders, as the Government of Trinidad and Tobago has always retained control of the Group. The effect of the issuance was therefore to increase the number of issued shares while maintaining the existing ownership structure, with the Government of Trinidad and Tobago continuing to hold the majority interests.

CARIBBEAN AIRLINES LIMITED

Notes to the Consolidated Financial Statements Year ended December 31, 2017

(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

15. Provisions

	2017 \$'000	2016 Restated \$'000
<i>Aircraft redelivery including engine restoration</i>		
Restated balance at the beginning of year	198,529	200,080
Provisions recognised	22,607	25,101
Provisions utilised	(15,198)	(38,740)
Foreign exchange movements	1,505	9,157
Unwinding of discount (Note 21b)	3,252	2,931
Balance at the end of the year	<u>210,695</u>	<u>198,529</u>
Current	24,426	15,198
Non-current	<u>186,269</u>	<u>183,331</u>
	<u>210,695</u>	<u>198,529</u>

16. Borrowings

	2017 \$'000	2016 Restated \$'000
(a) <i>Current</i>		
Bank loans	<u>939,098</u>	<u>849,116</u>
(b) <i>Bank loans comprise of the following:</i>		
First Citizens Bank Limited US\$75M loan (i)	–	418,276
First Citizens Bank Limited US\$64.2M loan (ii)	434,168	430,840
First Citizens Bank Limited US\$74.66M loan (iii)	<u>504,930</u>	<u>–</u>
	<u>939,098</u>	<u>849,116</u>

- (i) On 21 January 2015, CAL entered into a loan facility with First Citizens Bank Limited (FCB) for the amount of US\$75 million with a term of 8 years, interest of 6-month LIBOR plus 2.18% and principal and interest payable semi-annually. In November 2017, this facility was refinanced and restructured into a new loan. This restructured facility is explained in (iii) below.
- (ii) The FCB loan facility of US\$64.2 million with a maturity date of January 31, 2016 was refinanced on April 27, 2016 with a revised maturity date of April 22, 2019, interest of 6-month LIBOR plus 2.25% and interest payable semi-annually and principal due at maturity. This facility is unsecured and guaranteed by the Government of Trinidad and Tobago.
- (iii) This facility is the restructure of the US\$75 million loan explained in (i) above. In November 2017, the principal of the original facility was adjusted to US\$74.66 million with the disbursement of an additional US\$20 million. The restructured facility has a term of 9 years maturing on 19 November 2026 with interest of 6-month LIBOR plus 2.18%. The current effective rate is 3.1821% per annum. There is a moratorium on principal payments with interest to be paid semi-annually for the first year and an eight (8) year amortisation period with blended payments of principal and interest payable semi-annually. This facility is unsecured and guaranteed by the Government of Trinidad and Tobago.

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16. Borrowings (continued)

As per the terms and conditions under both long-term loan agreements with FCB, the Group is required to comply with certain non-financial covenants, such as the delivery of quarterly management accounts by the 15th day of the month following each quarter then ended and delivery of audited annual financial statements within 180 days after the end of the period. As at December 31, 2017, the Group was not compliant with these covenants and accordingly, an event of default under the terms of the loan agreements has occurred. Consequently, the full outstanding loan balance for both loans has been classified as a current liability in the consolidated statement of financial position. Refer to Note 28 (i) for further details.

17. Deferred tax

Deferred income tax assets and liabilities in the consolidated statement of financial position are attributed to temporary differences relating to property, plant and equipment (PP&E), tax losses and leases. Movement is as follows:

	2017	2016
	\$'000	Restated
	\$'000	\$'000
(i) <i>Deferred tax asset</i>		
Balance at beginning of year	93,940	106,930
Movement due to tax losses and leases	20,947	(12,990)
Balance at end of year	<u>114,887</u>	<u>93,940</u>
(ii) <i>Deferred tax liability</i>		
Balance at beginning of year	93,940	106,930
Movement due to temporary difference on PP&E	20,947	(12,990)
Balance at end of year	<u>114,887</u>	<u>93,940</u>

The Group has unutilised tax losses of \$2,391 million (2016: \$2,486 million) which have not yet been assessed and agreed to by the Board of Inland Revenue.

The Group does not expect to generate taxable income in foreseeable future that would fully utilize existing tax losses and has recognised as deferred tax asset on tax losses and leases only to the extent that there are available taxable temporary differences.

If the Group was able to recognise all unrecognised deferred tax assets, the profit would increase by \$607 million (2016: \$581 million).

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Notes to the Consolidated Financial Statements

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18. Accrued expenses and other payables

	2017	2016 Restated
	\$'000	\$'000
Accrued expenses:		
- Passenger	16,094	16,418
- Personnel	27,039	19,414
- Staff vacation balances	27,529	24,146
- Other	83,250	76,420
- Sales taxes & penalties	11,822	41,588
VAT & payroll taxes	8,901	15,598
Loan interest payable	5,456	8,354
Aircraft handling & navigation	50,045	53,091
Air transportation taxes, charges and fees	79,664	120,707
	<u>309,800</u>	<u>375,736</u>
Current	<u>309,800</u>	<u>375,736</u>

Included in 'other' are amounts relating to accruals for leases of aircrafts and engines, maintenance and building rent.

19. Revenue

(a) Revenue from contracts with customers

Disaggregated revenue information

The following table shows disaggregated operating revenues:

	2017	2016 Restated
	\$'000	\$'000
Passenger		
Passenger revenue	2,134,533	2,126,662
Miles redeemed	72,040	37,564
Chartered flights	5,578	(267)
Baggage fees, flight date change fees and upgrades	119,307	70,968
	<u>2,331,458</u>	<u>2,234,927</u>
Cargo and mail	<u>168,375</u>	<u>166,748</u>

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19. Revenue (continued)

(b) Other revenue

	2017	2016
	\$'000	Restated
		\$'000
Airbridge domestic subsidy (Note 12)	44,873	44,203
Expired tickets	177,473	159,185
Duty free revenue	52,987	50,592
Club Caribbean revenue	4,939	7,310
Other	45,981	132,369
	<u>326,253</u>	<u>393,659</u>
	<u>2,826,086</u>	<u>2,795,334</u>

(c) Contract balances – unearned revenue

The table below presents the changes in the transportation liability:

	2017	2016
	\$'000	\$'000
Balance at the beginning of the year	332,128	435,465
Unearned revenue	2,355,964	2,177,409
Revenue recognised	(2,253,840)	(2,126,662)
Miles redeemed not yet flown	9,284	5,101
Expired tickets	(177,473)	(159,185)
Balance at end of year	<u>266,063</u>	<u>332,128</u>
Current	<u>266,063</u>	<u>332,128</u>

The table below presents the changes in the frequent flyer liability:

	2017	2016
	\$'000	Restated
		\$'000
Restated balance at the beginning of the year	200,796	186,110
Unearned revenue	96,607	57,351
Revenue recognised	(72,040)	(37,564)
Miles redeemed not yet flown	(9,285)	(5,101)
Balance at end of year	<u>216,078</u>	<u>200,796</u>
Current	69,685	68,340
Non-current	<u>146,393</u>	<u>132,456</u>
	<u>216,078</u>	<u>200,796</u>

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19. Revenue (continued)

(c) Contract balances – unearned revenue

The table below presents the changes in the deferred club Caribbean revenue:

	2017	2016
	\$'000	\$'000
Balance at the beginning of the year	–	–
Unearned revenue	9,094	7,310
Revenue recognised	(4,939)	(7,310)
Balance at end of year	<u>4,155</u>	<u>–</u>
Current	<u>4,155</u>	<u>–</u>
Total unearned revenue:		
Current	339,903	400,468
Non-current	146,393	132,456

20. Staff costs

	2017	2016
	\$'000	\$'000
Salaries and wages	381,354	406,894
Crew allowances	30,345	31,196
National insurance and health and payroll taxes surcharge	20,961	18,384
Pension contribution	17,468	23,574
Other personnel expenses	<u>28,508</u>	<u>27,674</u>
	<u>478,636</u>	<u>507,722</u>

The total number of employees as at December 31, 2017 was 1,678 (2016: 1,701).

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Notes to the Consolidated Financial Statements Year ended December 31, 2017

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21. Expenses

(a) Other operating expenses

	2017	2016
	\$'000	Restated \$'000
Security and other direct expenses	7,582	15,630
Administrative charges	58,142	140,646
Professional fees	21,981	24,188
Duty free cost of sales	37,376	35,267
Building and utilities	5,670	24,790
Expected credit losses	34,315	28,710
Computer, telephone and communication charges	43,000	39,455
Freighter rentals	50,307	49,702
Aircraft and engine rentals (see Note 3 (t))	9,159	321,843
	<u>267,532</u>	<u>680,231</u>

(b) Interest expenses

	2017	2016
	\$'000	\$'000
Interest expense on borrowings	31,277	27,988
Unwinding of discount – provision (Note 15)	3,252	2,931
Interest expense on lease liabilities (Note 6)	31,861	–
Late payment charges	3,055	33,651
	<u>69,445</u>	<u>64,570</u>

22. Taxation

	2017	2016
	\$'000	Restated \$'000
(a) Business levy	18,673	21,211
Deferred tax charge/(recovery)	20,947	(12,990)
Deferred tax (recovery)/charge	<u>(20,947)</u>	<u>12,990</u>
	<u>18,673</u>	<u>21,211</u>

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Notes to the Consolidated Financial Statements Year ended December 31, 2017

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22. Taxation (continued)

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

	2017	2016
	\$'000	\$'000
Profit/(loss) before taxation	96,714	(561,888)
Corporation tax at the statutory rate of 30% (2016: 25%)	29,014	(140,472)
Tax effect of non-deductible items	6,481	(11,160)
Non-taxable income	(8,737)	5,944
Tax effect of losses not recognised	(26,255)	145,431
Other movements	(503)	257
Business levy	18,673	21,211
	18,673	21,211

Effective January 1, 2017, the corporation tax structure changed whereby profits up to and equal to TT \$1 million was taxed at 25% while all profits in excess of TT \$1 million incurred a tax charge of 30%. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Refer to Note 17 for further details on the tax losses.

23. Net change in operating assets and liabilities

	2017	2016
	\$'000	Restated
	\$'000	\$'000
Trade receivables	17,132	100,216
Net due from/to related parties	(28,588)	3,625
Prepayments and other receivables	7,736	20,947
Trade payables	60,106	(73,082)
Accrued expenses and other payables	(62,131)	(20,100)
Inventories	(5,618)	27,633
Aircraft and other deposits	(48,520)	17,691
Provisions	10,661	(10,708)
Unearned revenue	(50,342)	(102,089)
	(99,564)	(35,867)

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24. Contingent liabilities, commitments and guarantees

The Group has established Letters of Credit with RBC Royal Bank (Trinidad) Limited amounting to \$28,997 (2016: \$27,117) and Citibank amount to \$64,935 (2016: \$64,494). 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 \$15,870 (2016: \$29,928).

25. Fair value measurement

The carrying amounts of the Group's cash and cash equivalents, other financial assets, trade and other receivables, trade and other payables and due from related parties approximate their fair value, in view of their short-term maturities of a year or less.

The fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values are set out below:

	Carrying amount 2017 \$'000	Fair value 2017 \$'000	Carrying amount 2016 \$'000	Fair value 2016 \$'000
Financial liabilities:				
Borrowings	939,098	946,138	849,116	855,360

Fair value measurement hierarchy as at December 31, 2017:

	Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
Assets measured at fair value:			
Mutual funds	99,824	-	-
Liabilities for which fair values are disclosed:			
Borrowings	-	946,138	-

Fair value measurement hierarchy as at December 31, 2016:

	Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
Assets measured at fair value:			
Mutual funds	91,101	-	-
Liabilities for which fair values are disclosed:			
Borrowings	-	855,360	-

There were no transfers between Level 1 and Level 2 during 2017.

The fair values of the interest-bearing borrowings are determined by using the discounted cashflows method, using discount rates that reflect the issuers' borrowing rates as at the end of the reporting period.

CARIBBEAN AIRLINES LIMITED

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(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

26. 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. Continuous devaluation of the currency by the Central Bank of Venezuela has forced management to discontinue sale of tickets in VEF.

CARIBBEAN AIRLINES LIMITED

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26. Financial risk management (continued)

Credit risk (continued)

In addition, the Group has deposits with aircraft suppliers as referred to in Note 8, 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 expected credit 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.

Cash and cash equivalents and other financial assets

Credit risk from balances with banks and financial institutions is managed by the Group's treasury function in accordance with the Group's policy. The Group invests only in cash, short term deposits and mutual funds with very low credit risk.

Exposure to credit risk

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

	2017	2016
	\$'000	\$'000
Trade receivables	132,110	132,897
Less: allowance for expected credit losses	(33,049)	(16,704)
Trade receivables (net)	99,061	116,193
Cash and cash equivalents	121,860	142,669
Other financial assets	202,915	126,552
Due from related parties	25,213	18,162
Aircraft and other deposits	229,477	180,957
	678,526	584,533

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26. Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

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

	2017 \$'000	2016 \$'000
Domestic	23,710	19,543
International	75,351	96,650
	<u>99,061</u>	<u>116,193</u>

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

Current 0–30 days	74,285	75,429
Past due 31–90 days	6,150	6,721
More than 90 days	18,626	34,043
	<u>99,061</u>	<u>116,193</u>

During 2017, the Group did not renegotiate any of the terms of its trade receivables (2016: 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, the amount is considered irrecoverable and is written off against the financial asset directly.

Changes in liabilities arising from financing activities

The following table shows the Group's contractually agreed undiscounted cash flows, including expected interest payments, which are payable under financial liabilities at the balance sheet date.

	January 1, 2017 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	Other \$'000	December 31, 2017 \$'000
Current lease liabilities (Note 6)	232,515	(232,515)	227	248,926	249,153
Current borrowings (Note 16)	849,116	88,047	–	1,935	939,098
Non-current lease liabilities (Note 6)	666,683	–	652	(249,805)	417,530
Total liabilities from financing activities	<u>1,748,314</u>	<u>(144,468)</u>	<u>879</u>	<u>1,056</u>	<u>1,605,781</u>

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26. Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

	January 1, 2016	Cash flows	Foreign exchange movement	Other	December 31, 2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Current borrowings (Note 16)	420,535	(55,155)	—	483,736	849,116
Total liabilities from financing activities	855,442	(55,155)	—	483,736	849,116

The 'Other' column includes the effect of reclassifications between non-current and current borrowings and lease liabilities, and the effect of accrued but not yet paid interest on borrowings. The Group classifies interest paid as cash flows from operating activities.

Liquidity risk

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

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

The table below summarises the Group's financial liabilities according to their maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual Amount	1 Year and Less	1–2 Years	2–5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2017					
Trade payables	(119,668)	(119,668)	(119,668)	—	—
Other payables (excluding accruals)	(5,456)	(5,456)	(5,456)	—	—
Due to related parties	(28,316)	(28,316)	(28,316)	—	—
Borrowings	(939,098)	(1,255,772)	(981,459)	(46,988)	(227,325)
Lease liabilities	(666,683)	(784,770)	(268,929)	(409,575)	(106,266)
	(1,759,221)	(2,193,982)	(1,403,828)	(456,563)	(333,591)

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26. Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

	Carrying Amount	Contractual Amount	1 Year and Less	1–2 Years	2–5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2016					
Trade payables	(59,562)	(59,562)	(59,562)	–	–
Other payables (excluding accruals)	(8,354)	(8,354)	(8,354)	–	–
Due to related parties	(49,853)	(49,853)	(49,853)	–	–
Borrowings	(849,116)	(910,047)	(25,676)	(18,911)	(865,461)
	<u>(966,885)</u>	<u>(1,027,816)</u>	<u>(143,445)</u>	<u>(18,911)</u>	<u>(865,461)</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 Canadian Dollar (CAD), Sterling (GBP) and Venezuelan Bolívar fuerte (VEF).

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.

Sensitivity analysis

The Group settles all its foreign currency obligations in the stated foreign currency and has substantial long-term liabilities denominated in US dollar and cash in bank held in Venezuela (see Note 13) that is subject to volatile changes in exchange rates.

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

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(Expressed in thousands of Trinidad and Tobago dollars, except where otherwise stated)

26. Financial risk management (continued)

Market risk (continued)

Exposure to foreign currency risk

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

	Carrying Amount	USD	TTD	Other
	\$'000	\$'000	\$'000	\$'000
December 31, 2017				
Cash and cash equivalents	121,860	58,728	3,075	60,057
Trade receivables	99,062	71,135	23,710	4,217
Due from related parties	25,213	—	25,213	—
Other financial assets	202,915	99,824	102,436	655
Aircraft and other deposits	229,477	228,217	176	1,084
Trade payables	(119,668)	(7,097)	(104,456)	(8,115)
Other payables (excluding accruals)	(5,456)	(5,456)	—	—
Due to related parties	(28,316)	—	(28,316)	—
Borrowings	(939,098)	(939,098)	—	—
Lease liabilities	(666,683)	(653,936)	(7,532)	(5,215)
Net Gap	(1,080,694)	(1,147,683)	14,306	52,683
Reasonably possible change in currency rate		±5%	—	±5%
Effect on profit before tax		±57,384	—	±2,634
	Carrying Amount	USD	TTD	Other
	\$'000	\$'000	\$'000	\$'000
December 31, 2016				
Cash and cash equivalents	142,669	90,101	7,265	45,303
Trade receivables	116,193	94,207	21,986	—
Due from related parties	18,162	—	18,162	—
Other financial assets	126,552	24,605	101,095	852
Aircraft and other deposits	180,957	176,025	127	4,805
Trade payables	(59,562)	(12,425)	(15,108)	(32,029)
Other payables (excluding accruals)	(8,354)	(8,354)	—	—
Due to related parties	(49,853)	—	(49,853)	—
Borrowings	(849,116)	(849,116)	—	—
Net gap	(382,352)	(484,957)	83,674	18,931
Reasonably possible change in currency rate		±5%	—	±5%
Effect on profit before tax		±24,248	—	±947

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26. Financial risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating 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 the balance of fixed and floating rate debt within the specific loan financing structure. As the Group's debt obligations are repaid by the GORTT and therefore has a net nil effect on the consolidated statement of comprehensive the impact of changes to the interest rate is consider to be minimal.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, maintain an optimal capital structure, reduce the cost of capital and to provide benefits to it shareholder and stakeholders. Total capital is defined as share capital (Note 14) and accumulated deficit as displayed in the consolidated statement of equity. The majority shareholder, GORTT, has influence as to how the Group manages capital, total debt (Note 16) and total debt to total capital ratio, that would allow the Group to operate as a going concern. Within net debt, the Group includes interest bearing loans and borrowings, lease liabilities, trade and other payables and accrued expenses less cash and cash equivalents.

	2017	2016
	\$'000	\$'000
Borrowings	939,098	849,116
Trade payables	119,668	59,562
Accrued expenses and other payables	309,800	375,736
Lease liabilities	666,683	–
Less: cash and cash equivalents	(121,860)	(142,669)
Net debt	1,913,389	1,141,745

27. Going concern assessment

Management have assessed the Group's ability to continue as a going concern, taking into consideration its principal risks and uncertainties, operating performance and current financial position, including cash flow projections, liquidity status and the availability of financial support.

As at December 31, 2017, the Group reported a working capital deficit of \$1,020 million, a deterioration from the \$38 million surplus in 2016. The Group's ability to meet obligations and fund fleet expansion is dependent on continued financial backing from its majority shareholder. The current financial condition limits the Group's capacity to secure independent third-party financing.

Despite the Group's liquidity constraints and continued working capital deficit, the Government of the Republic of Trinidad and Tobago (GORTT), the Group's majority shareholder, has historically provided financial support. On 11 March 2025, the Honourable Minister of Finance provided a Deed of Support and Guarantee letter from the GORTT stating that the GORTT as majority shareholder will continue to provide appropriate financial support to CAL to enable the Group to continue its operations and meet its obligations as they fall due in the normal course of business for a period of at least 24 months from the date of the letter. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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Notes to the Consolidated Financial Statements Year ended December 31, 2017

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28. Event after the reporting date

(i) *Borrowing and financing*

The First Citizens Bank loan facility of US\$64.2 million (See Note 4 (c)) with a maturity date of January 31, 2016, was refinanced on April 27, 2016 with a maturity date of April 22, 2019. The facility carried an interest rate of six-month LIBOR plus 2.25% with semi-annual interest payments and the principal due at maturity. On April 8, 2019, the Ministry of Finance of the Government of Trinidad & Tobago, acting as guarantor, requested a three-month extension of the facility to July 22, 2019, to allow time for refinancing arrangements. Subsequently, on July 18, 2019, the Ministry selected ANSA Merchant Bank to refinance the facility. A 10-year term loan was executed at a fixed interest rate of 5.875%, with semi-annual interest payments and a bullet principal repayment at maturity. ANSA Merchant Bank fully settled the First Citizens Bank facility on July 22, 2019.

To support operations during the COVID-19 pandemic (see note 26 (v)) the following government-guaranteed loan facilities were secured:

- Ansa Merchant Bank limited – US\$65.6 million on June 24, 2020, with a 7.3% interest rate, interest payable semi-annually and principal due at maturity on (June 24, 2025).
- First Citizens Bank Limited – US\$50 million on July 20, 2021, with a 5.55% interest rate; interest payable semi-annually and principal due at maturity (July 20, 2029).
- NCB Merchant bank (T&T) Limited – US\$25 million on August 8, 2022, with a 5.69% interest rate and an 8-year term; semi-annual blended payments of principal and interest, with a one-year moratorium.
- Ansa Merchant Bank Limited – US\$25 million on November 30, 2022, with a 6.62% effective interest rate and a 5-year term; semi-annual blended payments with a one-year moratorium.

(ii) *Cash and cash equivalents*

Cash held in Venezuela is used to settle liabilities payable in local currency. However, due to diminishing purchasing power, larger amounts of currency are required to settle obligations. In August 2018, the Venezuelan government introduced the Sovereign Bolivar (Bs.S), at a conversion rate of 1 BsS = 100,000 VEF.

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

CAL entered into the following lease agreements to upgrade its Boeing 737 Next Generation (NG) fleet to the Boeing 737 Max 8 model.

- (a) AerCap – February 2019: Eight (8) aircraft, with deliveries beginning in March 2020; each on a 12-year lease.
- (b) Air Lease Corporation: - February 2019: Four (4) aircraft, with deliveries beginning in November 2019; each on a 12-year lease.
- (c) Deliveries were delayed due to the global grounding of the 737 Max 8 for FAA recertification. CAL began accepting deliveries from April 2021.

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28. Event After the Reporting Date (continued)

(v) *COVID-19 Pandemic – Historical Impact and Current Status*

The COVID-19 pandemic (2020 -2022) significantly impacted CAL's operations, with border closures in Trinidad & Tobago and Jamaica resulting in the severe decline of passenger revenue. At its highest impact, in early 2021, passenger revenue was approximately 15% of 2019 levels. Cargo operations remained stable due to freighter capacity, while duty free sales were suspended from April 2020 to July 2021.

GORTT provided US\$165.6 million in loan guarantees and US\$38 million in direct subventions to sustain operations. Lease return obligations were also renegotiated from US\$43 million to US\$21 million by year-end 2020.

The World Health Organisation (WHO) declared the end of the COVID-19 pandemic on May 5, 2023. CAL has since returned to pre-pandemic operational capacity under its 2023-2027 business plan, focusing on revenue diversification, cargo expansion, fleet renewal and route growth.

(vi) *Collective Agreement – Trinidad and Tobago Airline Pilots Association*

On December 11, 2024, CAL and the Trinidad and Tobago Airline Pilots Association finalised the collective agreement for the 2015–2020 period. As at December 31, 2017, a liability of \$1.9 million has been recorded in relation to this, within accrued expenses and other payables in the statement of financial position.