
2001
BWIA WEST INDIES AIRWAYS LIMITED
BWIA West Indies Airways

THE MECHANICS OF PEOPLE

THE RIGHT PEOPLE,
IN THEIR SPECIALISED ROLES,
IN A WELL-MANAGED ORGANISATION,
WORKING TOGETHER WITH
PRECISION AND COMMITTMENT...

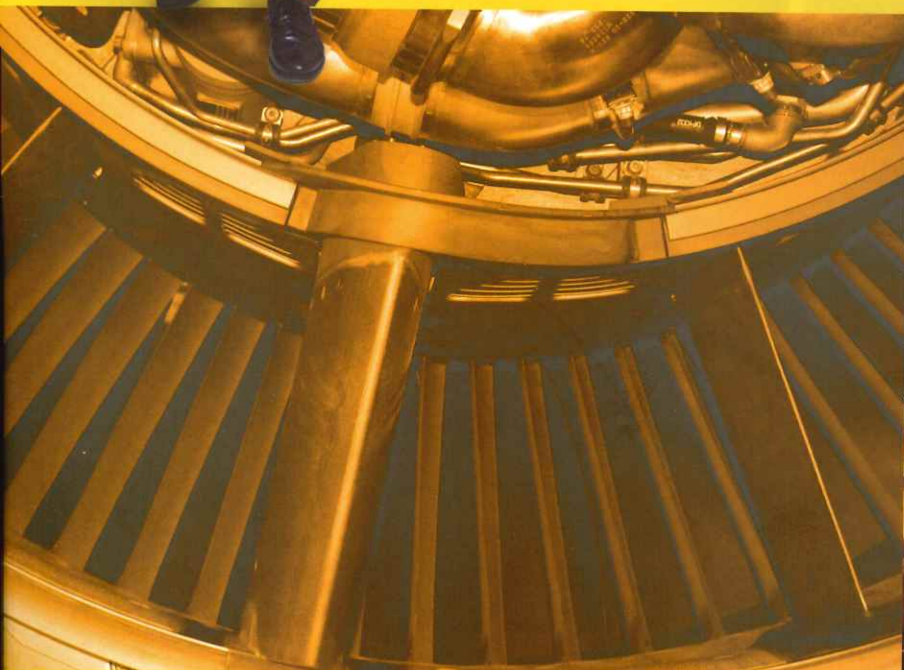
BWIA - AN AIRLINE POWERED BY PEOPLE

BWIA West Indies AIRWAYS

SHARING OUR WARMTH WITH THE WORLD

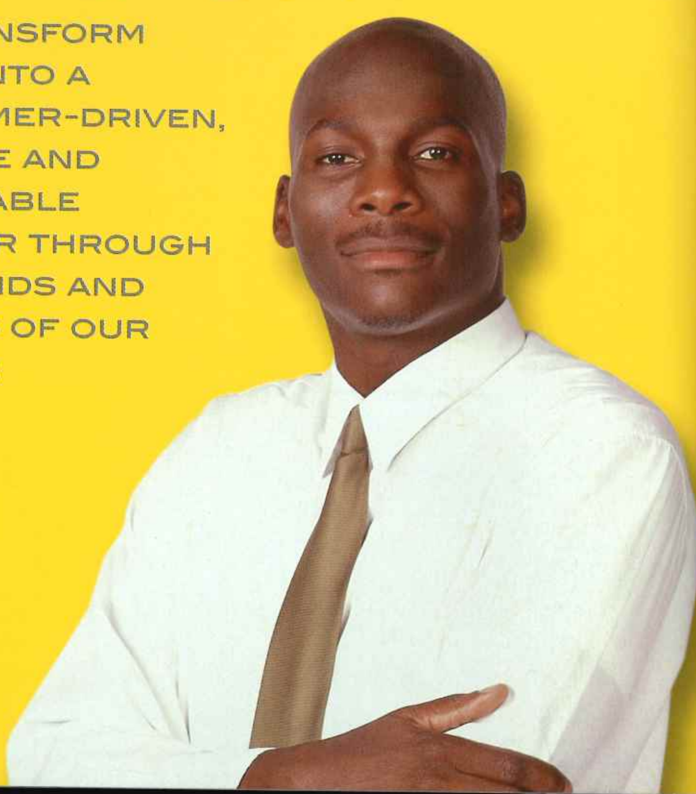
OUR VISION

BWIA RENOWNED FOR SUPERIOR CUSTOMER SERVICE, HIGH PERFORMANCE AND NATURAL CARIBBEAN WARMTH



OUR MISSION

TO TRANSFORM BWIA INTO A CUSTOMER-DRIVEN, ON-TIME AND PROFITABLE CARRIER THROUGH THE MINDS AND HEARTS OF OUR PEOPLE



ANNUAL REPORT 2001

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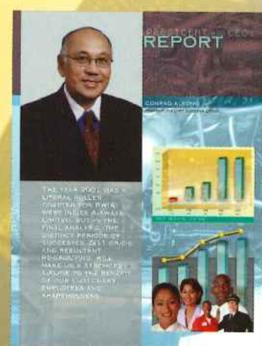
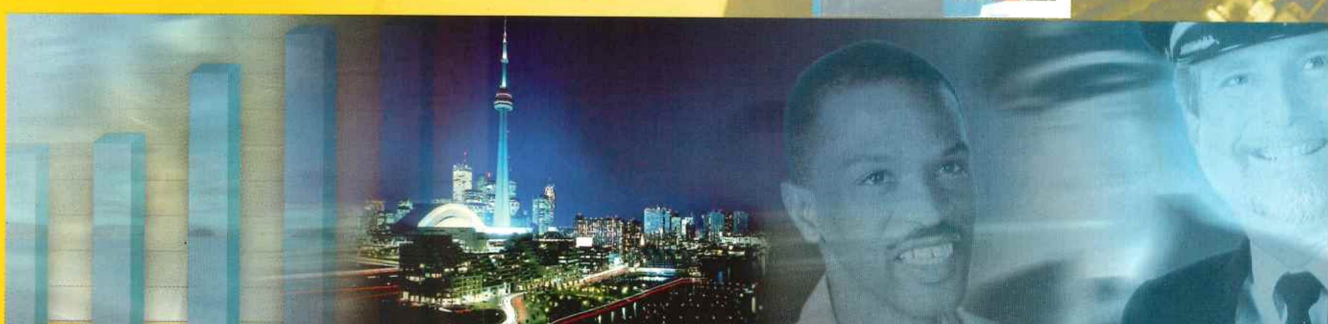




CORPORATE INFORMATION

Registered Office:

BWIA West Indies Airways Limited
30 Edward Street
Port-of-Spain
Trinidad
West Indies

Board of Directors:

Mr Lawrence A. Duprey, CMT	-	Chairman
* Mr Anthony Jacelon	-	Director
Mr Gordon Deane	-	Director
* Mrs Indira Maharaj-Ramrekersingh	-	Director
Mr Krishna Narinesingh, CMT	-	Director
Captain John O'Brien	-	Director
Mr Rodney Sastri Prasad	-	Director
Mr Rajveer Ranawat	-	Director
* Mr Michael Small	-	Director
Mr Michael Stanfield	-	Director

Bankers:

RBTT Bank Limited
Royal Court
19-21 Park Street
Port-of-Spain
Trinidad
West Indies

CITIBANK N.A.
111 Wall Street
New York
NY 10043
USA

Auditors:

PricewaterhouseCoopers
11-13 Victoria Avenue
Port-of-Spain
Trinidad
West Indies

Registrar:

BWIA West Indies Airways Limited
Golden Grove Road
Piarco
Trinidad
West Indies

Corporate Secretary:

Ms Nicole Richards
BWIA West Indies Airways Limited
Golden Grove Road
Piarco
Trinidad
West Indies

Attorneys-at-Law:

Messrs Pollonais, Blanc, de la Bastide & Jacelon
17-19 Pembroke Street
Port-of-Spain
Trinidad
West Indies

* Pursuant to a Resolution of the sole holder of Class A Series I Ordinary Shares in accordance with Section 132 of The Companies Act, Chap. 81:01, Directors Messrs Ameer Edoo, Fazal Karim and Errol Mahabir were replaced by Messrs Anthony Jacelon and Michael Small and Mrs Indira Maharaj-Ramrekersingh who were appointed as Directors of the Company to hold office until the close of the Second Annual Meeting following their appointment.

NOTICE OF ANNUAL MEETING

NOTICE is hereby given that an Annual Meeting of the Shareholders of BWIA West Indies Airways Limited will be held at **Angostura House, Angostura Street and Eastern Main Road, Laventille on Friday May 24, 2002** at **11:00 a.m.** for the following purposes:-

1. To review and consider the Report of the Directors and the Consolidated Audited Financial Statements for the year ended December 31, 2001, together with the Auditors' Report thereon.

2. To re-appoint Auditors and empower the Directors to determine their remuneration for the ensuing year.

BY ORDER OF THE BOARD

Nicole Richards
Corporate Secretary

April 04, 2002

NOTES: 1. In accordance with Section 110 of the Companies Act, Chap. 81:01, the Directors of the Company have fixed April 12, 2002 as the record date for the determination of Shareholders who are entitled to receive notice of the Annual Meeting. Only Shareholders on record at the close of business on Friday April 12, 2002 are entitled to receive Notice of the Annual Meeting. A list of such Shareholders will be available for examination by Shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

2. A Shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint one (1) or more proxies to attend and vote instead of him/her/it. A proxy need not be a Shareholder. Attached is a Proxy Form for your convenience which must be completed and signed in accordance with the Notes on the Proxy Form and then deposited with the Corporate Secretary at the Registered Office of the Company at least forty-eight (48) hours before the time appointed for the Meeting.

3. A Shareholder that is a body corporate may, in lieu of appointing a proxy, authorise an individual by resolution of its directors or its governing body to represent it at the Annual Meeting.

FORM OF PROXY

Republic of Trinidad & Tobago
The Companies Act, Chap. 81:01, Section 143(1)

BWIA WEST INDIES AIRWAYS LIMITED

Company No: B-997 (C)

ANNUAL MEETING scheduled for **May 24, 2002** at **11:00 a.m.** at **Angostura House, Angostura Street and Eastern Main Road, Laventille**, Trinidad.

I/We ____
(Block Letters)

of ____
(Block Letters)

Shareholder(s) of the above Company, hereby appoint(s) the Chairman of the Meeting or failing him,

Mr./Mrs. ____

of ____

as my/our Proxy to vote for me/us on my/our behalf at the above meeting and any adjournment thereof as indicated below on the Resolutions to be proposed in the same manner, to the same extent and with the same powers as if I/we were present at the said meeting or such adjournment or adjournments thereof.

Dated this day of 2002.

Signature of Shareholder ______________________________

Signature of Shareholder ______________________________

Please indicate with an "X" in the spaces below how you wish your Proxy to vote on the Resolutions referred to:

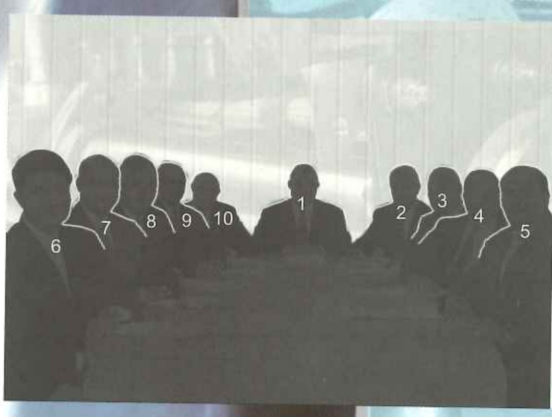
ORDINARY RESOLUTIONS:		FOR:	AGAINST:
1.	The Report of the Directors and the Audited Financial Statements as at December 31, 2001 together with the Auditors' Report thereon be and are hereby received.		
2.	PricewaterhouseCoopers be re-appointed Auditors of the Company and the Directors be authorised to fix their remuneration for the ensuing year.		

NOTES:

1. A Shareholder may appoint a proxy of his own choice. If such an appointment is made, delete the words "the Chairman of the Meeting" and insert the name of the person appointed proxy in the space provided.
2. If the Shareholder is a corporation, this form must be under its common seal or under the hand of some Officer or Attorney duly authorised in that behalf.
3. In a case of a joint holding, the signature of any one Shareholder is sufficient, but the names of all joint Shareholders should be stated.
4. If the Proxy Form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
5. To be valid, a stamp of not less than 10¢ must be affixed to this form and cancelled by the person completing the proxy. The completed form must be deposited with the Corporate Secretary, BWIA West Indies Airways Limited, 30 Edward Street, Port-of-Spain, Trinidad at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.
6. Any alterations made on this form should be initialled.

RETURN TO:
The Corporate Secretary, BWIA West Indies Airways Limited, 30 Edward Street, Port-of-Spain, Trinidad, West Indies

BOARD OF DIRECTORS



1. Mr. Lawrence A. Duprey, CMT - Chairman
2. Mr. Ameer Edoo - Deputy Chairman
3. Mr. Errol Mahabir - Director
4. Mr. Michael Stanfield - Director
5. Mr. Fazal Karim - Director
6. Mr. Rajveer Ranawat - Director
7. Mr. Gordon Deane - Director
8. Captain John O'Brien - Director
9. Mr. Rodney Sastri Prasad - Director
10. Mr. Krishna Narinesingh, CMT - Director

CHAIRMAN's REPORT

LAWRENCE A. DUPREY, CMT
Chairman

THE TRAGIC EVENTS OF SEPTEMBER 11, 2001 WILL CAUSE THIS YEAR TO BE RECORDED AS THE MOST CHALLENGING EVER FACED BY THE COMMERCIAL AIRLINE INDUSTRY INTERNATIONALLY. ALTHOUGH BWIA WAS NO EXCEPTION, THE MANAGEMENT AND STAFF RALLIED AND IN THIS MOMENT OF DEEP INTERNAL AND EXTERNAL CRISIS, CARRIED ON THE COMPANY'S DAILY OPERATIONS WITH AN AURA OF PROFESSIONALISM AND NORMALCY, WHICH FOSTERED IN THE MINDS OF THE TRAVELLING PUBLIC A FEELING OF 'BUSINESS AS USUAL' CONDITIONS.

Many of you would not know as intimately as those of us on the Board and in Management, how much of the last quarter of 2001 was touch and go. In fact BWIA and the industry are not out of the woods yet. Surviving, recovering, but still getting by on a day-by-day basis.

In the last quarter of 2001, the world was shocked by one airline closure after another. The mighty Swissair, Sabena and Ansett Australian were written into history in very short order, victims of a staggering industry. Closer to home, in 2001, ALM, the Netherlands Antilles flag carrier of some 40 years, also succumbed. So too did E.C. Express.

The fourth quarter of 2001 was marked by severely disrupted schedules, discontinued flights, large numbers of planes taken out of service - 220 aircraft were returned in North America alone, a 4% asset reduction in that market - defaults on aircraft leases, massive layoffs of staff, and other damage control responses. In fact, in the United States 100,000 airline industry employees were laid off. Material adverse changes were the order of the day with the global airline industry undergoing a forced restructuring.

The sad reality is that we had turned around the Airline and were meeting our targets in the IPO Prospectus before the disaster turned our dreams of success into a reality of chaos. After eight months of operations in 2001, that is by August 31, the unaudited profit stood at US$9.3M (TT$57M). Then the events of September 11 shook the world and the bright prospects turned dark and uncertain.

The qualities and strengths of the Management were demonstrated in those darkest days after 9/11. It is my pleasant duty to advise Shareholders of the internationally competitive and competent capability of the BWIA Management. As Chairman of the Board, I observed first-hand the manner in which they handled complex decision-making processes when cataclysmic unforeseen events occurred.

Disaster recovery skills were demonstrated in our marketing, scheduling, and operations departments, not only as events unfolded and changed daily but especially when large volumes of business dropped overnight to almost uneconomic levels, levels at which we could barely operate our flights.

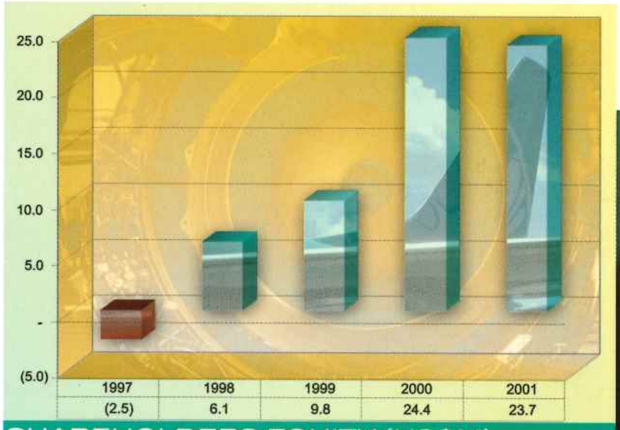
The Board is grateful for the deep commitment of all employees and, in recognition of the extreme and unforeseeable challenges of the post 9/11 industry, wishes to extend congratulations to the BWIA extended family, and thanks to the "Friends of BWee", and the many unnamed supporters and partners who have helped us salvage 2001 with a minimal net loss of US$694,000 (TT$4.349M).

The Airline has survived this most challenging year in aviation history - Tested, Evolved and Ready to perform in the new industry paradigm facing it.

BWIA is being positioned to operate efficiently and remain competitive despite the still uncertain market conditions. Management continues to structure operations and investments with an adherence to the Company vision of self-sustained growth and performance. Our determination to succeed is demonstrated in the decision to introduce the A340-300 to replace the L1011s on our lucrative trans-Atlantic route.

I assure you that the Board, Management and Staff remain committed to delivering top performance for our customers, employees and foremost, our Shareholders.

Lawrence A. Duprey



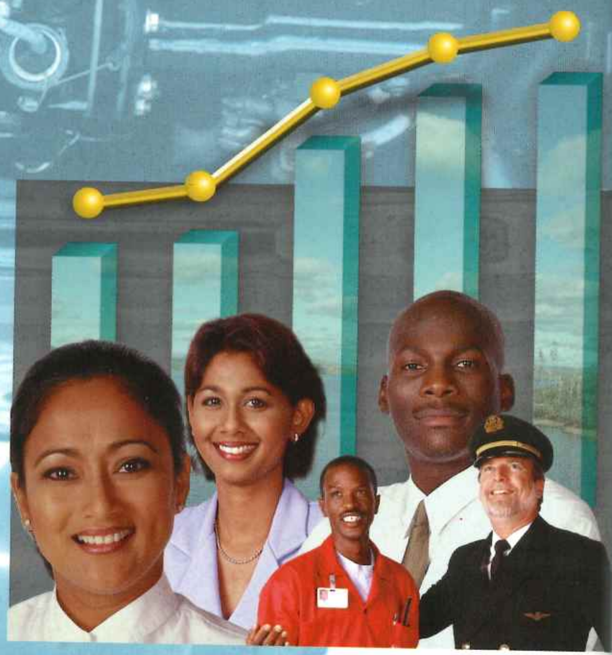
SHAREHOLDERS EQUITY (US$M)

PRESIDENT AND CEO'S REPORT

CONRAD ALEONG
President and Chief Executive Officer

NET ASSETS (US $M)

THE YEAR 2001 WAS A LITERAL ROLLER COASTER FOR BWIA WEST INDIES AIRWAYS LIMITED, BUT IN THE FINAL ANALYSIS, THE DISTINCT PERIODS OF SUCCESSES, 9/11 CRISIS AND RESULTANT RE-GROUPING, WILL MAKE US A STRONGER AIRLINE TO THE BENEFIT OF OUR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS.



The first eight months of 2001 reflected highly successful accomplishments in customer service, growth, airline transformation and profitability. The universe was unfolding (and the team was achieving) as it should, in conformity with the forecast of the 2000 IPO Prospectus. That all changed at the end of summer.

September 11, 2001 was a fateful day for the United States of America, the Free World, and BWIA. In the three short months following that date, the unaudited profit of US$9.3M (TT$57M) up to August 31 had been eliminated, and the Airline found itself struggling to pay its bills. My letter to Shareholders dated November 6, 2001, described the tenuous situation at that time and assured that Management was still working diligently to produce a profit, 'if at all one could be produced.' Unfortunately, the months of November and December were just not good enough to allow us to salvage a breakeven or profit.

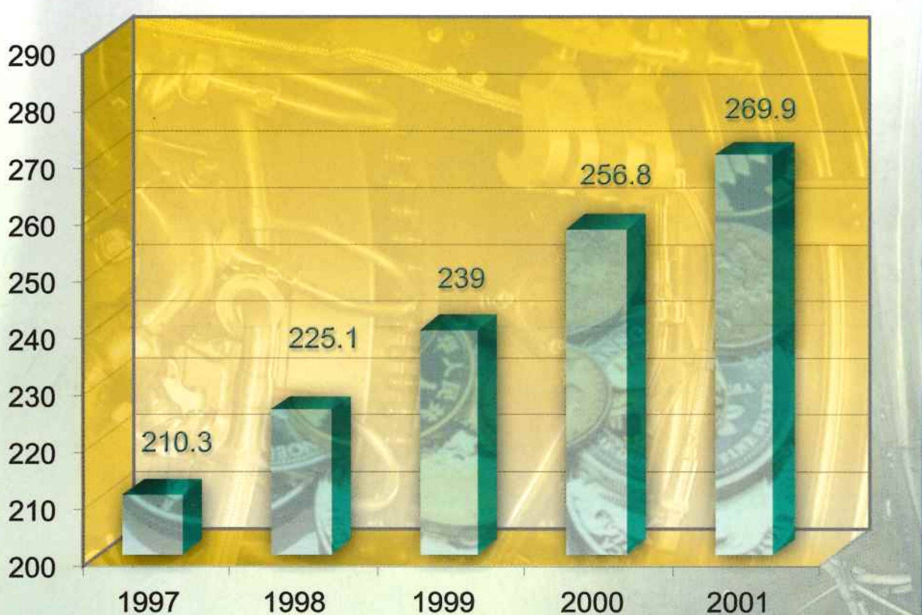
The consolidated loss of US$694,000 (TT$4.349M), even though a loss, is a noteworthy achievement in the circumstances. We must recognise that not many airlines in the world have come through this business and industry crisis in such a relatively stable state, ready to take back up the growth path.

Although profitability was eliminated, the gains in customer service, infrastructure advancements and image, were preserved despite 9/11. In addition, the crisis management mode into which the Airline was propelled caused its focus to shift dramatically to cost reduction, and this shift is the silver lining in the dark cloud of September 11.

BWIA has come out of this crisis better managed in terms of cost effectiveness and productivity, and even more business-focused. The fundamentals have been strengthened to ensure not only a return to profitability, but more so the capability to sustain it in the years ahead.

The top priority as we started the year 2001, was to achieve the required revenue growth on which the key strategies of fleet renewal, hub and spoke, new destinations, re-branding, and state-of-the-art technology were based. In 1998 we adopted 19 strategies to transform the Airline into a "customer-driven, on-time and profitable air carrier." In the intervening years we invested heavily in these strategies. 2001 was to be the first payback year. This was to be the first mature year with practically all the tools in place to achieve the revenues required to produce the return on the investments made on products and capacity in 1999 and 2000. And the BWIA team was doing exactly that. The growth up to August 31, 2001 was 13% in terms of revenue and 19% in terms of number of passengers.

The transformation was being concretised. BWIA moved to a new higher standard of international carrier service and operations.



REVENUE (US $M)

In 2001, the airline went on to achieve many other significant milestones:

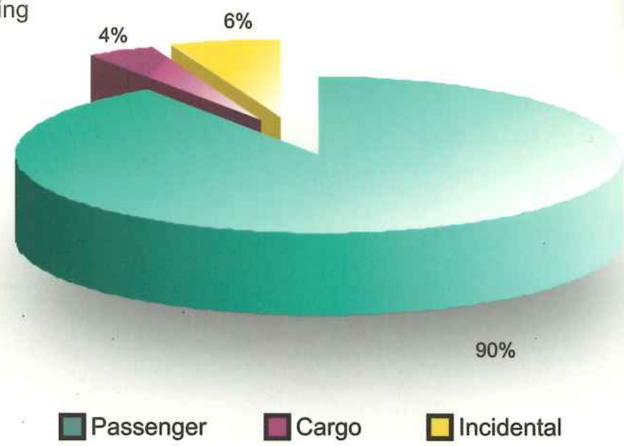
- **BWee Travel Solutions was introduced**
- **A record-breaking July and August was achieved, registering the highest levels of reliable service delivery, revenue and profitability for similar periods in years past**
- **Operations at the new Piarco International Airport terminal commenced**
- **Became the first regional airline with an International Call Centre in the Caribbean**
- **Tobago Express - new domestic carrier - was launched**
- **Entered into a strategic alliance agreement with LIAT (1974) Limited for seamless connections from our international destinations to and from LIAT's wide regional network**
- **Appointed Ground Service Agent (GSA) for Air France at Piarco International Airport**
- **Sure Xcess for travellers out of North America was introduced**
- **First Boeing 737-800 'C' check completed by Maintenance and Engineering**
- **First 'C' check on Dash 8 Q300-A aircraft completed by Maintenance and Engineering**
- **Catering partnership agreement with Miami-based Goddard Catering Group was executed.**

The impact of 9/11 is not permanent, nor has it done structural damage. BWIA will recover to its pre-September 11 levels and will go on to surpass that; the open question is that of timing. The cost focus, already yielding positive results in January and February 2002, will provide a new lower cost base which will contribute materially to resuming and sustaining target profitability.

As we enter 2002, it is clear that the business is coming back. The Carnival season was a bit less busy than previous Carnivals, but the volumes did peak, and the 9/11 effect on revenue was much smaller than in late 2001. Management sees the keys to success in 2002 as the continuation of cost reduction gains (in this regard the will of our people and their union leaders to be patient for compensation increases will be indispensable); the return of volumes (especially as the US economy recovers); and the regaining of higher price levels which prevailed in early to mid 2001.

These base objectives can be attained and we are counting on our most valued resource, our people, to continue to work diligently at executing this, so that by the end of 2002, the mission on which we embarked in 1998 - including the completion of our fleet renewal - would have been accomplished.

Conrad Aleong



Composition of Revenue

EXECUTIVE MANAGEMENT TEAM

Mr. Conrad Aleong
President
& Chief Executive Officer

Mr. Paul Schütz
Vice President, Finance
& Chief Financial Officer

Mrs. Beatrix Carrington
Vice President, Marketing & Sales

Mr. Donald MacLean
Vice President, Customer Service
& Operations

Mr. Kimchand Rampaul
Vice President,
Maintenance & Engineering

Ms Brenda Billy
Vice President, Procurement
& Material Administration

Mr. Frank Sampson
Vice President, Employee Service

Ms Nicole Richards
Corporate Secretary
& General Counsel

Mr. Nelson Tom Yew
General Manager,
Strategic Alliance &
Government Relations

Mr. Peter McCarthy
Director, Security

Mr. Michael Clarke
Director, Cargo

Mr. Clint Williams
Director, Corporate Communications

REPORT FROM VICE PRESIDENT MARKETING AND SALES

BEATRIX CARRINGTON

Vice President, Marketing and Sales

Despite a serious downturn in passenger traffic, deeply discounted fares on offer and consequently reduced revenues as a result of the September tragedy BWIA increased its passenger revenue over the corresponding period January to December 2000 by 7.23%.

BWIA continued on its projected growth path for much of the year 2001, increasing frequency from the United States and Canada to Guyana, from Washington to the Caribbean and enhancing its intra-Caribbean network to give more convenient connections to its international flights.

BWIA remains very strong at its Trinidad and Barbados hubs, transporting 80% of all passenger traffic into and out of Trinidad and 28% of all passenger traffic through Barbados. For comparative purposes, in Barbados, the second largest carrier transported 12.3% of total traffic.

Having clearly positioned the Airline as the uniquely Caribbean, future-minded carrier that delivers total reliability in concert with sincere hospitality, we assured our customers the most pleasant flying experience imaginable, and continued to update our brand in 2001.

Focus on yield optimisation by the BWIA Sales Team and excellent revenue management have been critical to our success and, coupled with load factor improvement strategies on our long-haul routes, have resulted in not only revenue enhancement but also increased market share in the majority of our markets.

Internationally, the major airlines were experiencing downturns from as early as March 2001, which was further exacerbated by September 11, resulting in mass layoffs and diminishing revenues in most industries. Business travellers re-evaluated the importance of in-person meetings and conferences and some companies reduced their travel budgets by as much as 70%, thus compounding the problem. Hardest hit were the larger airlines, hotel chains, rental car agencies and corporate travel bureaus.

REVENUE

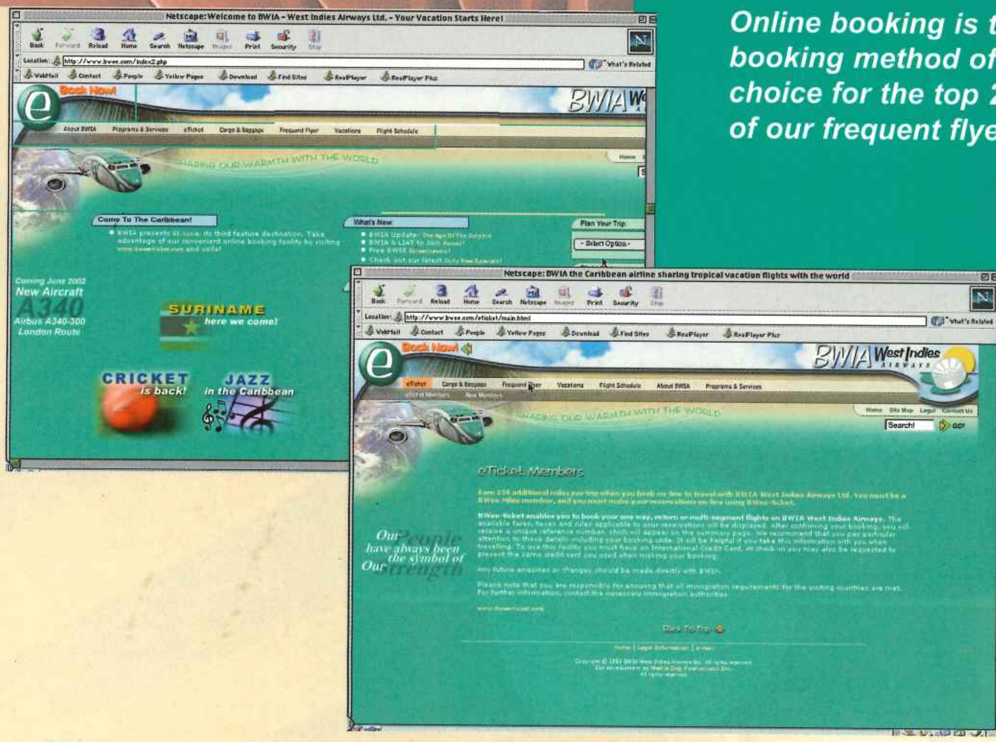
Despite a serious downturn in passenger traffic, deeply discounted fares on offer, and consequently, reduced revenues as a result of the September tragedy, BWIA increased its passenger revenue over the corresponding period January to December 2000 by 7.23%.

ROUTE ANALYSIS

United Kingdom

In the face of continuing strong Charter activity from the United Kingdom/Europe into the Caribbean with some operators providing weekly services, and carriers such as British Airways upgrading their equipment on the route to B-777 equipment, BWIA increased its passenger uplift from this market by 6.5% and revenue by 12.5%.

Online booking is the booking method of choice for the top 20% of our frequent flyers...



U.S.A
The Visiting Friends and Relatives (VFR) base was maintained and the leisure segment from the United States increased mainly through growth at our Washington, D.C. gateway. This has largely been achieved through the innovative and effective use of distribution methods and increased advertising in both the Trade and Consumer media as well as through the Company's website.

Caribbean
Our brand loyalty remained strong with no appreciable shift in passenger demand despite a new entrant. This was the fourth new entrant in the last seven years. The first three closed their doors as the market continued to consistently choose the BWIA and LIAT brands.

DISTRIBUTION

Online Sales
Online booking is now a mainstay for the frequent traveller and is the booking method of choice for the top 20% of our frequent flyers, resulting in BWIA's Internet sales doubling over the previous year.

BWIA's internet presence has taken on new dimensions. The developments in bwee.com and bwee-ticket.com have been based largely on customer feedback, and together with the use of flash technology, have positioned BWIA as the leader in the Caribbean online market. The development of the information website includes: New Flash Website, Schedule Link, Travel Solutions Online, Seat Maps, Virtual Tours, Downloadable BWee Miles and Club BWee Membership Guides.

Loyalty Programme
Membership in our loyalty programme BweeMiles (with United Airlines' Mileage Plus, as its partner), increased by 70% and is now the preferred mileage program among Caribbean travellers.

Beatrix Carrington

REPORT FROM VICE PRESIDENT
CUSTOMER SERVICE AND OPERATIONS

DONALD MACLEAN

Vice President, Customer Service and Operations

Operations and Infrastructure

BWIA started the year 2001 with very strong passenger traffic. For the first eight months the Airline carried 1,011,991 passengers or 19.4% more than 2000, and operated 19,482 flights or 13.7% more for the same eight-month period in 2000. For the full year, we operated a total of 27,911 flights versus 25,933 in 2000.

In May the Company began operations at our Port-of-Spain hub from our new, state-of-the-art Piarco International Airport facilities. These facilities greatly improved the level of customer service we were able to offer our guests. The check-in area, baggage claim, duty-free and departure lounge gave us the ability to offer much improved customer service.

All of our jet aircraft had access to loading bridges. This enhanced the handling of wheelchair passengers, while protecting all passengers from the elements and also improved our ability to quickly connect passengers at our Piarco hub. An excellent On-Time Performance at Piarco contributed to a better overall performance system-wide. We also opened our Piarco First Class Lounge that provides a Business Meeting Centre, quiet lounge area, as well as a Euro-style café.

Developing the Service Product

Training continued to be a strong focus, with over 425 staff members of Customer Service and Inflight Departments participating throughout 2001. In addition, more than 50 pilots received upgrade training to facilitate the change in our fleet composition which commenced in 2000.

During August the Company introduced new uniforms for our flight attendants and ground staff. These uniforms were designed by Caribbean nationals to reflect the style, culture and natural warmth of our people.

We continue to challenge our international caterers to provide meals that reflect Caribbean flavours. In spite of financial challenges, BWIA West Indies Airways is proud to serve refreshments and appetising meals on flights of an hour and a half or more.

Company-wide Committment

I wish to thank all BWIA staff, not just those in Customer Service and Operations, for the excellent effort they made to improve the Airline's On-Time Performance. There was significant improvement each day/month in 2001. This continued into the following year and remains one of our top priority objectives for 2002.

Our renewed enforcement of a strict policy on baggage allowance is working extremely well and in 2001 we saw positive improvement in our baggage handling with a corresponding significant reduction of passenger complaints. As the Company strives to give superior customer service and to be a customer-driven Airline, we must continue to focus on On-Time Performance, having customers arrive at their destination with their bags in-hand.

September 11 truly tested the BWIA Team. We had to immediately make changes to our schedules; to quickly adjust to the changes in security and safety measures implemented by the regulators around the world. The implementation of the new passenger screening pre-requirements, baggage processing and baggage policy changes brought further adjustments. At the same time we managed to further develop superior customer service and high performance with our natural Caribbean warmth.

Donald MacLean

REPORT FROM VICE PRESIDENT
EMPLOYEE SERVICE

FRANK SAMPSON

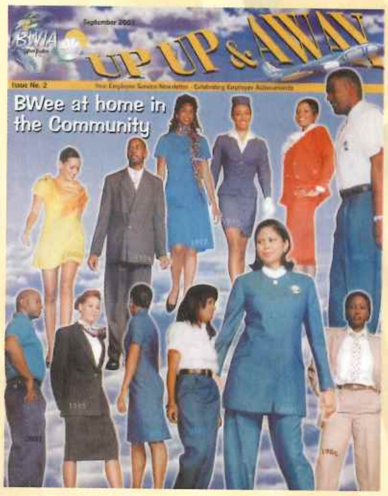
Vice President, Employee Service

Training and Development
In 2001, an increasingly competitive aviation industry prompted particular emphasis on enhancing workforce capability through programmes to upgrade management competences and improve workforce productivity. As part of the Company's all-round development of staff, over 450 employees received training in superior customer service skills, computer literacy and Microsoft applications, Employee Assistance Programme (EAP) usage and in personal stress and health management. Additionally, an average of 215 flight attendants and pilots were exposed to special EAP and Medical modules as part of recurrent training to keep them abreast of latest developments.

Parallel training also took place in the key middle management group of 113 members in results-oriented leadership and team management, complete with action plans for applying this learning on the job. This knowledge was fully tested by the events of September 11. A further cycle of training in project management skills began and will continue into 2002.

Workforce realignment
The permanent withdrawal from service of two L1011s under the Airline's fleet renewal programme created the need to re-adjust manpower levels in the Maintenance and Engineering operation. After careful analysis of maintenance requirements and review of the existing workforce, particularly with respect to the reduced need for skills associated with aging-aircraft, 55 persons were released from the organisation in accordance with established industrial relations practice regarding redundancies. Several of those released were volunteers.

Recognition & Reward
The Dolphin Recognition and Reward Scheme continued to be a popular means of recognising and reinforcing the positive behaviour of employees who go above and beyond the call of duty in the performance of their job. In 2001, a greater effort was made to elicit comments from our external customers who interact with our front line staff in such positions as Reservations, Airport Customer Service and Inflight Services. Seven hundred and sixty-five awards were distributed in 2001, up 40% from 2000.



Employee Involvement
Our "Plane Talk" sessions were piloted in Trinidad as a forum for the open expression of employees' views and opinions about the Company in which they spend most of their lives. In these sessions, small groups of up to 20 employees meet face-to face with Executive and Senior Management to discuss any matter of concern to them, including information shared in staff meetings. Their issues are recorded, researched and answers are fed back in writing to each participant. Seven sessions were held with the active participation of 58 representatives with very interesting and positive results. The sessions will be extended to other locations in 2002, and expanded in Trinidad and Tobago.

Company activities received tremendous support during 2001 despite staff reductions and the impact of September 11. The two issues of our new Employee Service newsletter "Up, Up, and Away" record the large attendance and happy faces at Family Day, the Seven-a-Side Small Goal Interdepartmental Football Tournament, Employee Recognition Staff Rally and Christmas lime. Other activities included community outreach, fun and togetherness in our line stations from the metropoles of London, Washington, New York, Miami and Toronto to Barbados, Guyana and other points in the Caribbean. We look forward to an even more hectic social calendar this year for the Bwee family.

Frank Sampson

REPORT FROM VICE PRESIDENT

MAINTENANCE AND ENGINEERING

KIMCHAND RAMPAUL

Vice President, Maintenance and Engineering

Introduction

The year 2001 was one of continuous change and challenges. From fleet rationalisation to major organisational restructuring to the events of September 11 in the USA. Through it all, the Maintenance and Engineering Team was able to stay focused on its objectives and accomplish the mission.

Fleet Structure

As part of our fleet renewal, following the introduction of six new B737-800 aircraft in 2000, BWIA redelivered an MD83 aircraft in January. This was closely followed by the retirement of two L1011 aircraft in January and May 2001. We also completed the re-branding of our entire fleet into our new and exciting livery. In the midst of these events, the Airline inducted a Dash 8 aircraft for our local customer Tobago Express thereby underscoring our continuing efforts to aggressively pursue third-party maintenance revenue.

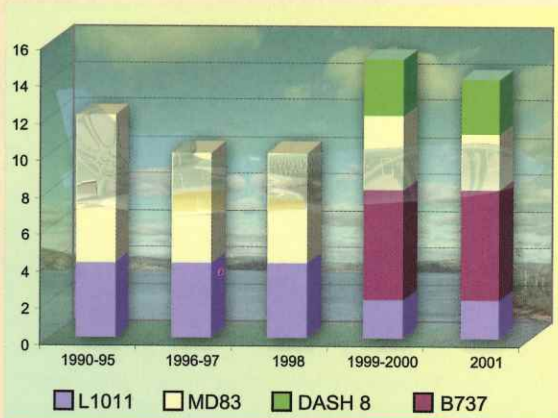
Organisational Restructuring

The reduction of the L1011 and MD83 fleets and the continuing need to reduce cost in a fiercely competitive global economy forced the Maintenance and Engineering Department to review staffing levels. This culminated in having to make the difficult decision to reduce staff by 12% from 453 to 398. This was achieved through a combination of voluntary separation and redundancies to facilitate our reengineering efforts. Testimony of the successful transformation is the fact that BWIA Maintenance and Engineering was successful in 47 Quality Audits accomplished by internal and external regulatory agencies including the Federal Aviation Authority (FAA), Trinidad & Tobago Civil Aviation Authority (TTCAA) and External Suppliers. The TTCAA increased its surveillance of our maintenance practices by approximately 200% over the previous year, and we have continued to meet and surpass all the regulatory requirements - an internal testament to our Team's professionalism.

ACHIEVEMENTS

Financial

Through effective management of resources and processes, Maintenance and Engineering's contribution to the Company's total operating cost was reduced from 12% in 2000 to 10% in 2001. This represented a saving of approximately US$3.6M.



FLEET STRUCTURE

Operational

- As part of the strategy of streamlining our engine overhaul costs, a "power-by-the-hour" agreement was negotiated with G.E. Engine Services, Inc. for the B737-800 aircraft. This will hedge the financial and operational risks of unplanned engine maintenance
- Fleet utilisation was approximately 95% between major scheduled maintenance - our aircraft spent more time in the air earning revenue
- We accomplished 12 major "C" and "D" checks and 3309 Line Maintenance checks on our fleet
- We completed the Traffic Collision Avoidance System (TCAS) installation on one of our Dash 8 aircraft and in 2002 all our aircraft are now fully equipped with TCAS capability
- In accordance with FAA guidelines, installation of an enhanced cockpit door security mechanism on our fleet of L1011, B737 and MD83 aircraft was achieved
- We accomplished a major modification on an MD83 aircraft. This involved the complete disassembly of the aircraft cabin, cockpit, cargo bays and electrical equipment bays and the replacement of all the insulation lagging
- In compliance with the requirement of TTAR 145.30, 22 training courses were developed and implemented internally. The regulatory authorities approved all of these programmes. In total, 489 persons were trained at Piarco and 18 at Washington, New York and London. The programmes included Aircraft Type Training, Extended Twin-Engine Operations (ETOPS), Human Factors, Policies and Procedures, Aircraft Ground Handling, and Deicing.

Kimchand Rampaul

REPORT FROM

CHIEF FINANCIAL OFFICER

PAUL SCHÜTZ

Vice President, Finance and Chief Financial Officer

There is no question that the strategies and plans implemented in 2001 for BWIA's success were the most appropriate ones and that up to September 10, 2001, were working as forecasted in the IPO Prospectus dated November 22, 2000.

Revenue growth for the eight-month period ended August 31, 2001 was 13%, and unaudited Net Profit was US$9.3M (TT$57M). In addition, On-Time Performance and other customer satisfaction indicators were positive.

The consolidated net loss of US$694,000 (TT$4.349M) was therefore not reflective of the overall performance of the Company and its people, but rather the uncontrollable effects of a historic tragedy for the world, the airline industry and BWIA.

Shareholders and potential investors need to take serious note of the material non-recurring items that produced the first loss at the Airline in four years. The largest abnormal factor, the September 11 tragedy, will have a continuing but declining impact in 2002, while the others will not likely recur in the foreseeable future.

The estimated adverse revenue effect on the fourth quarter results, considering the pre-September 11 growth trend, was US$5.67M (TT$35.52M). This was a material financial blow. Sudden and devastating. This includes a passenger revenue impact of US$5.49M (TT$34.39M), while cargo's effect was US$0.18M (TT$1.12M).

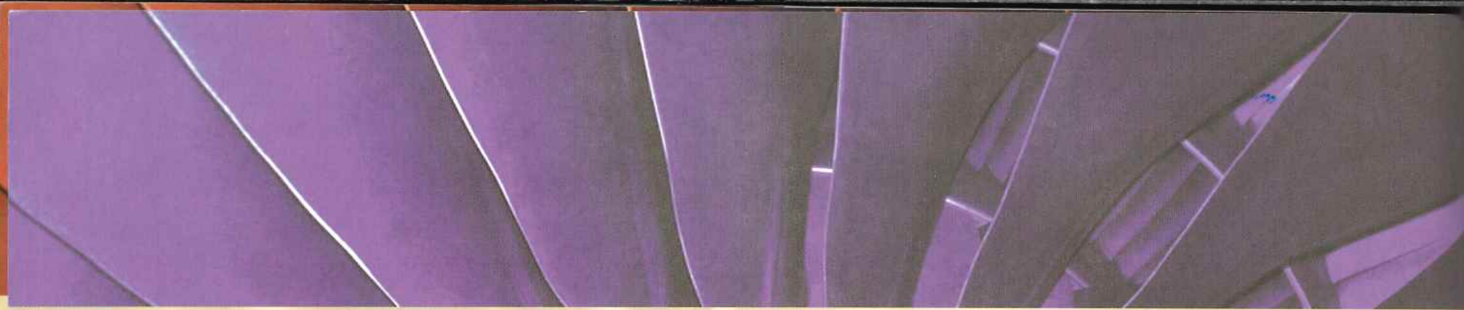
TOTAL ASSETS (US$M)

There are also non-recurring items in the Operating Expenses. The Airline booked one-time maintenance costs in the amount of US$3.07M (TT$19.24M), to recognise the redelivery costs of leased MD83 aircraft, both with respect to the one taken out of service in October 2001, and the remaining three that will be returned in 2002.

Additionally, the L1011 fleet values were written down to net realizable value. This resulted in a special depreciation charge of US$2.40M (TT$15.03M) in the 2001 accounts. Furthermore the Company took the decision to provide fully for certain receivables to eliminate bad debt exposure in future years. This charge amounted to US$1.55M (TT$9.71M).

These non-recurring items (with the exception of the declining September 11 effect) are behind us, leaving the Company's results from operations and Balance Sheet in a much stronger financial position for profitability in 2002 and beyond.

In the non-operating category, Shareholders and potential investors should also take note of the interest expense which will be reduced in 2002 since approximately two thirds of the borrowings are being refinanced at today's lower interest rates. We commenced this process in 2001. When concluded, our average cost of borrowing will have been reduced from 11.88% to 9.50%.



Also included in the non-operating category is one-time settlement incomes from the Government of the Republic of Trinidad and Tobago with respect to the 1995 Investment Agreement (US$5.42M, TT$33.94M) and the loss of the Atlanta route due to the country's Category 2 downgrade by the Federal Aviation Authority (FAA) (US$3.05M, TT$19.09M). Finally this extraordinary non-operating item includes the US$1.38M (TT$8.64M) Government subsidy related to the five-day suspension of services to the United States and Canada, caused by the September 11 terrorist attacks in New York and Washington.

All of the above items demonstrate that 2001 was an abnormal year for BWIA in terms of measuring the true results of operations. Accordingly, Shareholders and potential investors should take account of these non-recurring and extraordinary items in assessing the future.

MANAGEMENT OUTLOOK FOR 2002

The 2002 focus will be on costs. There is no higher priority especially given the cash drain of the last three months of 2001, and the ongoing smaller and decreasing effect in 2002. Staff reductions, fuel hedges, reduced travel agency commissions and other distribution costs, and additional similar measures are already implemented or will be effected.

Investment in technology will continue with the proviso that the projects must reduce operating costs in the short term. Phase one of our enterprise solution, using the latest SAP software will be rolled out, replacing our current Financial, Human Resource and Procurement systems and greatly enhancing our ability to identify and control costs quickly.

From a commercial perspective, BWIA will generally stick to the product and network enhancements introduced over the past four years. The new initiatives include operations to Paramaribo, Suriname and Maturin, Venezuela, as well as a direct service from Washington, USA to Caracas, Venezuela. On the fleet renewal front, two Airbus A340-300 aircraft will replace the remaining L1011 equipment. In a year where it is estimated that the world's airlines will lose US$6Billion in international services this replacement is of vital importance to BWIA. Long-haul trans-Atlantic customers will be very pleased with this new equipment type, and market share will be increased. Productivity increases among pilots and cabin crew will be gained as the fleet types are reduced from four to three by the end of the year.

2002 will be a year of fleet rationalisation, network growth and strict cost control. BWIA will end the year a more efficient airline group equipped with state-of-the-art aircraft and systems and well-positioned to continue and accelerate its growth in 2003.

Paul Schütz

MANAGEMENT PROXY CIRCULAR

REPUBLIC OF TRINIDAD AND TOBAGO
THE COMPANIES ACT, CHAP. 81:01 (SECTION 144)

1. **Name of Company:**
   BWIA WEST INDIES AIRWAYS LIMITED Company No. B-997 (C)

2. **Particulars of Meeting:**
   Annual Meeting of the Shareholders of the Company to be held on Friday May 24, 2002 at 11:00 a.m. at Angostura House, Angostura Street & Eastern Main Road, Laventille, Trinidad.

3. **Solicitation:**
   It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified herein and, in the absence of a specific direction, in the discretion of the Proxy-holder in respect of any other resolution.

4. **Any Director's statement submitted pursuant to Section 76(2):**
   No statement has been received from any Director pursuant to Section 76(2) of the Companies Act, Chap. 81:01.

5. **Any Auditor's statement submitted pursuant to Section 171(1):**
   No statement has been received from the Auditors of the Company pursuant to Section 171(1) of the Companies Act, Chap. 81:01.

6. **Any Shareholder's proposal submitted pursuant to Sections 116(a) and 117(2):**
   No proposal has been received from any Shareholder pursuant to Sections 116(a) and 117(2) of the Companies Act, Chap. 81:01.

DATE	NAME AND TITLE	SIGNATURE
April 04, 2002	Nicole Richards Corporate Secretary	N. Richards

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report for the year ended December 31, 2001:

Financial Results:	**US$'000**	**TT$'000**
Turnover	269,887	1,690,841
Net (Loss)/Profit for the Year	(694)	(4,349)
After charging/(crediting) the following:-		
Depreciation & Amortisation	19,239	120,532
Directors' Fees & Expenses	59	365
Foreign Exchange	(246)	(1,544)
Interest Expenses	7,843	49,134
Interest Income	(1,220)	(7,646)
Retirement Plan Contributions	4,167	25,896

Dividend:

The Directors do not recommend the payment of a dividend for the year ended December 31, 2001.

Directors' and Substantial Interests:

In accordance with paragraphs 7(f) and 7(g) of the Company's Listing Agreement with the Trinidad and Tobago Stock Exchange Limited, and paragraphs 17(f) and 17(g) of the Company's Listing Agreement with the Securities Exchange of Barbados Limited, we record hereunder particulars of the interest of each Director of the Company and substantial interests in the Capital of the Company as at the end of the Company's Financial Year — December 31, 2001 — and any changes in these interests at a date not more than one (1) month prior to the date of the Notice convening the Annual Meeting:

Directors' Interests:

	As at December 31, 2001		**As at March 12, 2002**	
Directors:	Beneficial Shareholding	Non-Beneficial Shareholding	Beneficial Shareholding	Non-Beneficial Shareholding
Lawrence Duprey, CMT	Nil	Nil	Nil	Nil
Ameer Edoo	Nil	Nil	5,000	Nil
Gordon Deane	Nil	Nil	1,000	Nil
Fazal Karim	Nil	Nil	Nil	Nil
Errol Mahabir	Nil	Nil	2,000	Nil
Krishna Narinesingh, CMT	Nil	Nil	5,000	Nil
John O'Brien	100	Nil	600	Nil
Rodney Sastri Prasad	Nil	Nil	1,000	Nil
Rajveer Ranawat	Nil	Nil	Nil	Nil
Michael Stanfield	Nil	Nil	Nil	Nil

Substantial Interests as at March 12, 2002:

Shareholder:	Ordinary Shares:	% of Issued Share Capital:
Minister of Finance (Corporation Sole)	23,219,999	49.6
American International Underwriters Overseas Limited	5,000,000	10
Roytrin Securities Limited	4,691,500	10
Gordon A Cain	3,636,364	7
Lant & Co.	2,727,272	5

* *A substantial interest means a holding of 5% or more of the Issued Share Capital of the Company.*

Service Contracts:

No service contracts were entered into between the Company and any of its Directors.

Auditors:

The Auditors, PricewaterhouseCoopers, retire and, being eligible, offer themselves for re-election.

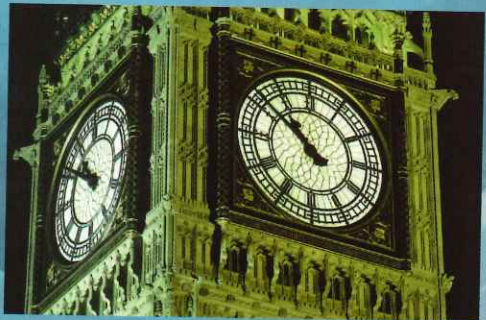
By Order of the Board

Nicole Richards
Corporate Secretary

April 04, 2002

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

31 December, 2001



BWIA West Indies AIRWAYS

AUDITORS' REPORT

To the members of
BWIA West Indies Airways Limited

We have audited the consolidated balance sheet of BWIA West Indies Airways Limited as at 31 December, 2001, and the consolidated income and expenditure account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, as set out on pages 26 to 48. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Port-of-Spain
Trinidad, West Indies

18 April, 2002

CONSOLIDATED BALANCE SHEET

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

On 18 April 2002, BWIA West Indies Airways Limited's Board of Directors authorised these financial statements for issue. The accounting policies on pages 30 to 34 and the notes on pages 35 to 48 form an integral part of these financial statements.

Director

Director

CONSOLIDATED
INCOME AND EXPENDITURE ACCOUNT

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

The accounting policies on pages 30 to 34 and the notes on pages 35 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

The accounting policies on pages 30 to 34 and the notes on pages 35 to 48 form an integral part of these financial statements.

Deficit
's TT$000's
(235,353)
28,190
(207,163)
—
—
7,333
(199,830)
(199,830)
—
—
(4,349)
(204,179)

CONSOLIDATED CASH FLOW STATEMENT

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

The accounting policies on pages 30 to 34 and the notes on pages 35 to 48 form an integral part of these financial statements.

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

i Basis of Preparation and Reporting

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

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

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

ii Consolidation

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

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

iii Foreign Currencies

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

iv Financial Instruments

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

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

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

v Property, Plant and Equipment

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

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

vi Taxation

The Company is exempt from Trinidad and Tobago taxation on its income for a period of seven (7) years which commenced 1 January, 1995. The Company is liable to pay the environmental tax "Green Fund" of 0.10% of its gross sales for the year ended 31 December, 2001.

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

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

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

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

vii Cash and Cash Equivalents

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

viii Accounts Receivables

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

ix Inventories

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

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

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

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

x Retirement Plans

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

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

xi Development and Pre-operating Costs

The Company adopted International Accounting Standard 38 (IAS 38) (Intangible Assets) with effect from 1 January, 2000. Under the provisions of this standard, development and pre-operating costs including new aircraft integration costs are expensed when incurred.

xii Airline Revenue

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

xiii Frequent Traveller Awards

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

xiv Investments

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

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

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

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

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

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

xiv Investments (Continued)

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

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

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

xv Provisions

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

(i) Overhaul expenses

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

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

(ii) Employee leave entitlement

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

xvi Accounting for Leases

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

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

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

xvii **Segment Reporting**

Business segments:

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

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

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

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

Geographic segments:

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

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

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

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

Segmental reports are set out in Note 20.

1 Incorporation and Principal Activity

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

2 Property, Plant and Equipment

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

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

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

3 Deferred Charges

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

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

4 Investments

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

5 Inventories

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

6 Share Capital

The authorised share capital of the Company consists of:

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

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

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

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

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

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

Issued and fully paid:

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

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

7 Borrowings

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

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

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

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

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

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

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

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

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

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

7 Borrowings (Continued)

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

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

(f) The Company entered into a loan agreement with Citibank (Trinidad and Tobago) Limited in July 2001 for US$5M for 12 months at an interest of 9.0%. This is an unsecured loan.

(g) The fully-owned special purpose company - WIAAL - financed the purchase of three (3) de Havilland DHC-8-Q300 aircraft from loans received from Canadian Regional Aircraft Finance Transactions No. 1 Limited, a Jersey Channel Islands company.

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

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

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

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

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

8 Taxation

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

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

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

9 Deferred Tax Liability

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

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

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

10 Operating (Loss)/Profit on Ordinary Activities

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

11 Staff Costs

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

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

12 Contingent Liabilities and Capital Commitments

a) Lease commitments

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

Lease commitments as at 31 December, 2001:

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

b) Legal proceedings

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

12 Contingent Liabilities and Capital Commitments (Continued)

c) Capital commitments

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

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

d) Severance liabilities

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

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

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

13 Investment Agreement and Preference Share Option

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

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

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

14 Management Share Options

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

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

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

14 Management Share Options (Continued)

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

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

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

15 Employee Share Ownership Plan

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

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

16 Option to Acquire Catering Business

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

17 Financial Instruments

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

(i) Credit risk

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

(ii) Financing and interest rate risk

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

17 Financial Instruments (Continued)

(iii) Foreign currency risk

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

(iv) Fair values

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

18 Principal Subsidiaries

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

19 (Loss)/Earnings Per Share

Basic (LPS)/EPS is calculated by dividing the net profit attributable to shareholders, after deducting preference dividends of TT$3,570,000 (See Note 6), by the weighted average number of common shares in issue during the year. For the diluted EPS, the weighted average number of common shares in issue is adjusted to assume conversion of all dilutive potential common shares. The management shares options of 4% of the issued share capital are to be issued to fair value at the date of issue and therefore are not dilutive in nature. However, the options to Air West Indies Limited at a price of the lower of US$0.25 and fair value are considered to be dilutive.

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

20 Segment Reporting

a. Business segment information is analysed as follows:

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

20 Segment Reporting (Continued)

	2001 US$000's	2000 US$000's	2001 TT$000's	2000 TT$000's
a. Business segment information is analysed as follows:				
Segmental depreciation and amortisation:				
Airline operations	18,879	9,266	118,274	58,002
Catering operation	360	387	2,258	2,427
Group	19,239	9,653	120,532	60,429

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

	2001 US$000's	2000 US$000's	2001 TT$000's	2000 TT$000's
Scheduled passenger revenue by area of sale:				
Trinidad and Tobago	52,542	45,884	329,173	287,234
Other Caribbean, South and Central America	62,693	58,315	392,768	365,052
North America	85,229	83,175	533,961	520,676
United Kingdom and Europe	43,590	40,231	273,094	251,844
	244,054	227,605	1,528,996	1,424,806
Scheduled passenger revenue by point of origin and destination:				
Domestic	3,771	4,073	23,618	25,497
Other Caribbean, South and Central America	40,649	36,311	254,668	227,307
North America	142,317	134,926	891,618	844,637
United Kingdom and Europe	57,317	52,295	359,092	327,365
	244,054	227,605	1,528,996	1,424,806

21 Related Party Transactions

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

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

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

22 Extraordinary Item - Government Grant

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

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

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

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

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

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

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

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

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

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

23 Profit on Sale of Investment

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

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

24 Negative Goodwill

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

Consequent upon the sale of its 45 percent interest of its catering business, negative goodwill which was brought forward following the acquisition of the catering business, was written back to the income and expenditure account.

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