annual**report 2002**

BWIA WEST INDIES AIRWAYS LIMITED

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BWIA West Indies AIRWAYS

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 air carrier through the minds and hearts of our people

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Corporate Information

Board of Directors:

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

President & Chief Executive Officer:
** Mr Conrad Aleong

Corporate Secretary:
Ms Nicole Richards

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

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

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

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

Citibank N.A.
111 Wall Street
New York
New York 10043
USA

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

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* Messrs Gordon Deane, Rajveer Ranawat, and Michael Stanfield tendered their resignations as Directors of the Board on June 06, 2003, May 30, 2003 and May 27, 2003 respectively.

** Mr Conrad Aleong tendered his resignation as President and Chief Executive Officer of the Company on May 29, 2003.

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 August 15, 2003** at **11:00 a.m.** for the following purposes:-

1. To receive and consider the Report of the Directors and the Consolidated Audited Financial Statements for the year ended December 31, 2002, together with the Auditors' Report thereon.

2. To re-elect Directors.

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

BY ORDER OF THE BOARD

N. Richards

Nicole Richards
Corporate Secretary

June 25, 2003

NOTES:

1. In accordance with Section 110 of the Companies Act, 1995, the Directors of the Company have fixed June 27, 2003 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 June 27, 2003 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.

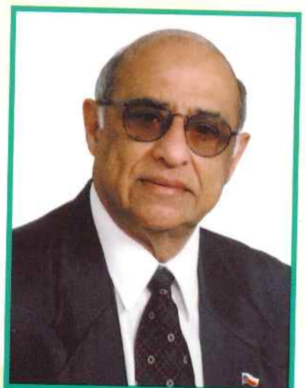
2. A Shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint one (1) or more proxies to attend and vote instead of him/her/it. A proxy need not be a Shareholder. Attached is a Proxy Form for your convenience, which must be completed and signed in accordance with the Notes 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.

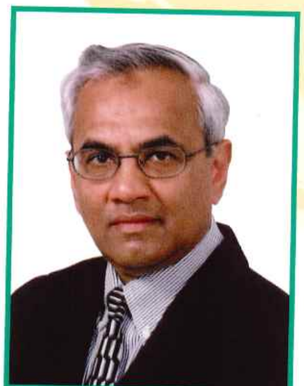
Board of Directors

Mr. Lawrence A. Duprey, CMT
CHAIRMAN

Mr. Charles A. Jacelon, SC
DEPUTY CHAIRMAN

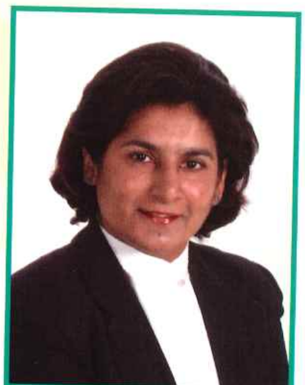


Mr. Krishna Narinesignh, CMT
DIRECTOR



Mr. Rodney Sastri Prasad
DIRECTOR

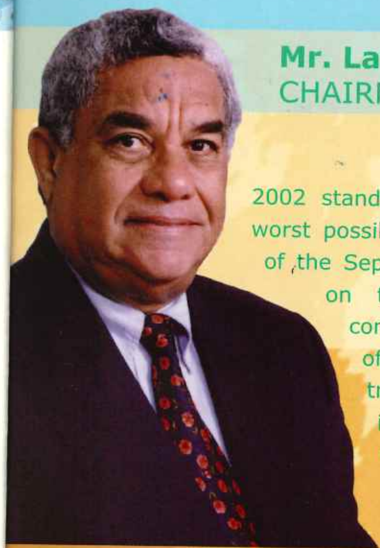
Captain John O'Brien
DIRECTOR



Mrs. Indira Maharaj-Ramrekersingh
DIRECTOR

Mr. Michael Small
DIRECTOR

Chairman's Report



Mr. Lawrence A. Duprey, CMT
CHAIRMAN

2002 stands as the year in which the worst possible predictions of the impact of the September 11, 2001 terror acts on the airline industry would come true. Amidst this tableau of falling yields and collapsing traffic volumes, BWIA was itself caught mid-stream in transforming/restructuring mode and with limited options to stave off the short term non-market forces at work.

The anticipated global slump of the last quarter of 2000, deepened immeasurably by September 11, 2001, had alerted BWIA's Management to a need to redefine the airline and to move toward a lower cost operation that could compete effectively in the new industry environment of lower fares and new service expectations.

This transformation/restructuring would be the focal activity of 2002 and would be largely completed with the January 28, 2003 emergence of the lower cost Business Model 2003. But even this radical restructuring would itself be shown by May 2003 to have been inadequate and the Company would find itself relying on financial support from the Government of the Republic of Trinidad and Tobago to stave off bankruptcy and continue operations.

In my view, the Management at BWIA performed to a higher level than at several other larger airlines in this hostile environment. That BWIA was still in business at the end of 2002, when several other international airlines had shut down, is indeed remarkable. The strategies adopted were equal to the best the industry could offer.

The new airline industry would thus be defined in terms of cost per available seat mile (cost/ASM), and revenue per available seat mile which is applied across all carriers. Jet Blue, the low-cost star of the new industry paradigm raised the efficiency bar by operating at just US 7.3 cents cost/ASM. It is BWIA's objective to reduce its operating costs to US 8 cents cost/ASM by December 2003.

Fleet rationalisation, voluntary Management salary cuts, reduced service frequencies on soft routes, rationalisation of catering, reduction of travel agents' commissions, reductions in duty travel and associated operating expenses and a multitude of small departmental innovations, yielded the bulk of the savings as long-negotiated staff concessions failed for the most part to materialise by year end 2002.

The achievements of the majority of the Management and staff, however, have to be acknowledged since these cost reductions came during the turbulence of a severe fall in revenues and a disappointing summer season where hoped-for revenues were lost to ill-timed industrial action by a misguided few.

The airline, by January 2003, had achieved something of a re-birth that is best seen in the scrutiny of the operating cost of the Company. BWIA still has the capacity to become increasingly more efficient without significant loss of our unique character and selling proposition. Investors will view the anticipated recovery of the industry with a renewed confidence that the new operating Business Model of BWIA is well suited to maximise on the limited opportunities that present themselves.

I am pleased to report on behalf of the Board that (despite the apparent short-term dependence on Government support, necessary to clear the non-market hurdles facing us), we cautiously anticipate that BWIA's lower cost and renewed focus on commercial development and strategic marketing will see the carrier facing a solid future even as the industry makes its first expected turn toward confidence in the latter half of 2003 into 2004.

L. A Duprey

Lawrence A. Duprey

President & Chief Executive Officer's Report

Conrad Aleong
President &
Chief Executive Officer (*to May 29, 2003*)

There are no adequate words or charts to describe the unprecedented financial crisis facing the airline industry worldwide. In 2002, practically all carriers suffered historic losses with the total industry losing US$31 Billion for 2001 and 2002, that is, wiping out all the profits produced by the industry since 1945.

Revenue once again, as in post September 11 2001, declined faster and more erratically than costs could be reduced, resulting in the current industry financial crisis. BWIA found itself in this same financial crunch and had to adopt the same strategy of cost reduction for survival. While the Group loss of US$34.4 million was very disappointing, it must be kept in perspective that US$ 14.3 million resulted from a one-time write down in aircraft assets and US$ 8.2 million was a provision for separation costs. The loss from ordinary operations was therfore smaller at US$ 11.9 million.

2002 was a year of holding on to the reins of a runaway horse. There may be some good news in the offing though, since at the time of writing this report, with the Iraq battle having ceased and SARS starting to be understood and even contained in one country and declining in others, there may be the beginning of a glimmer of hope for Shareholders and all Stakeholders.

The brightest news for BWIA in 2002 was the introduction of the A340-300 new technology wide-body aircraft into the fleet on June 16. This aircraft type is already proving its worth both in terms of increased revenues with more seats, more spacious interior and much enhanced inflight entertainment, while at the same time producing fuel efficiency and better reliability. This is definitely a historic leap forward for BWIA. An achievement as significant as when the first L1011 aircraft was introduced in 1980, although more meaningful, since this time we secured the new aircraft type without a drain on the public treasury.

BWIA came of age on June 16, 2002. Finally it had both new aircraft types which it set out to acquire in the Strategic Plan 1998-2001. In addition to the first A340-300, a 7th B737-800 was delivered directly out of Boeing's Seattle plant to Piarco. This time the aircraft was leased from GE Capital Aviation Services.

The year 2002 started well with January's revenue and net profit/loss on target. However the Carnival season in February turned out to be surprisingly poor primarily due to major shortfalls of 14% to 28% off target on North American routes, with most traditional tourists staying at home. Then March bounced back and various targets were achieved, only to see April and May revenues off by 7%. The first half of the year finished with June coming in at 23% or US$5.5 million below June 2001. The year to date June 2002 revenues were US$10.9 million less than the comparable period in 2001. The bright spot was that the Management strategy of cost reductions, adopted after September 11, 2001, began to pay off, with operating costs US$3.4 million less than the comparative first six (6) months of 2001.

The 10% reduction in flying, which began in October 2001 in order to contain costs by matching supply with the reduced demand, continued into 2002. The priority in 2002 had to be cost reduction. On January 18, the airline announced to its employees that it regrettably needed to reduce employment, since "we can no longer keep this level of employee costs on a monthly basis." In February, BWIA reduced Caribbean travel agents' commissions from 9% to 6% as had been done earlier in the United States, as well as renegotiating various fuel and ground

President & CEO's Report *cont'd*

handling contracts. By March the staff reduction was implemented, whereby 141 positions involving 11% of Management and 6% of general staff, were made redundant. This resulted in savings of US$300,000 per month in costs. This unwelcome reality came amidst a plethora of job cuts industry wide with British Airways announcing 13,000 employee reductions and 49 aircraft parked, LIAT (1974) Limited reducing from 1,016 employees to 720, and American Airlines, United Airlines, Air Canada and countless others taking similar actions in late 2001. The necessary staff reductions started a major deterioration in labour/management relations at BWIA. Labour action started in mid July and grew into August, causing a major drop in summer profits to US$5.5M from the previous years' profit levels of approximately US$8 million to US$10 million, a serious financial blow at the worst possible time.

This profit decline of 48% from the comparable period for year 2001 and 30% compared to 2000 was nothing compared to the disastrous effect that this industrial action had on the later months of September, October, November and December as the confidence in the market place was shaken due to the widespread and widely reported flight disruptions. The spillover effect is expected to negatively impact bookings even to the July/August 2003 season. The percentage of lost calls from travel agents wishing to book on BWIA climbed from 7% in January to June, to 11.30% in July, peaked at 16.82% in August, dropped slightly in September to 9.4% but was still higher than the January to June percentage. This was as a direct result of reservation agents being unable to service these calls as they were busy pacifying displaced passengers and answering queries as to alternative transportation options.

By the end of August 2002, (after the effect of the labour actions in summer) the airline came to the conclusion that it could not continue with business as usual as it was heading for a major loss. Profitability analyses were performed and routes and aircraft types were reviewed to find means of reducing the losses.

It was decided to reduce aircraft types from five (5) to two (2), to save infrastructure costs and to eliminate unprofitable routes where there was unlikely to be a recovery in the foreseeable future. Catering was also reduced from US$1M per month, to US$700,000.

Even these major actions were insufficient, hence voluntary labour concessions of US$260,000 per month were sought. Little or no cooperation from labour representatives was received. Immaterial amounts were achieved. This prompted the urgent need in late 2002, to seek funding from the Government of the Republic of Trinidad and Tobago. A loan of US$13.8 million was promised via a combination of US$2 million in cash and a Letter of Comfort for the remainder. BWIA granted its valuable London Heathrow slots as collateral for the loan. The Government, as a pre condition to granting the full support, required a monthly cost savings of US$1.4 million or 7% of operating expenses.

The year ended with the airline still searching for the full solution to the cost reduction target. Subsequent events in January 2003 have shown that Management had to design a low cost model to secure these savings. Subcontracting solutions producing significant cost reduction benefits were found and implemented to achieve the US$1.4M per month savings as a prerequisite for obtaining Government's assistance.

Despite the poor financial year in 2002, some fundamental changes that will benefit future years and sustain the airline, have been made.

Reducing to two (2) fleet types- the A340-300 and the B737-800- is a fundamentally sound strategy, which will produce benefits for years to come. Similarly, subcontracting heavy or annual 'C' check aircraft maintenance, airport ramp operations at Piarco, and Frequent Flyer (Bwee Miles) processing, as well as franchising the Duty Free operations, are all fundamental restructuring actions to transform BWIA from its still lingering state enterprise culture to that of a private sector driven, publicly traded corporation answerable to its Shareholders and other Stakeholders. This low cost model approach will see BWIA achieving a cost per seat mile of US8 cents, practically on the same level as the lowest cost carriers such as Southwest.

There is no question that the key to being in the airline business beyond 2003 is that of getting costs down to where the airline can be price competitive with the most aggressive carriers, and still produce at least operating profits. Despite unprecedented revenue declines industry wide, labour actions and damaging media reports, all in 2002, BWIA West Indies Airways has been able to position itself to emerge from this crisis stronger than ever. The Shareholders will be able to look forward to enhanced share value, and even dividends in due course.

President & CEO's Report *cont'd*

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President & CEO's Report *cont'd*

At the time of writing this report (April 2003), the Government of the Republic of Trinidad and Tobago has decided to provide US$18.5 million (TT$116.8 million) in financial assistance to BWIA subject to specified conditionalities. Delivery of the key conditions are in the hands of the employees of BWIA. How they respond and how all Stakeholders including the Government, Board, Management, Union leaders and the Public work together in a measured manner to secure these funds will determine the real future of BWIA.

I am confident that the people of BWIA will rise to the occasion, providing they receive the right public sector signals. This will change the prospects and the sustainability of BWIA forever and the Government is to be acknowledged as the only Shareholder to demonstrate such a commitment to the sustainability and future development of the airline and the industry that it represents to the region.

With these short-term hurdles cleared, the airline can then go on to acquire the much needed second A340-300 aircraft, as well as, in time, lease more B737-800 equipment. A BWIA, with its enviable route rights, two (2) A340s, nine (9) B737-800s, smaller and focused work force of skilled professionals, new self service technology, and a regional feeder partner, will be unbeatable!

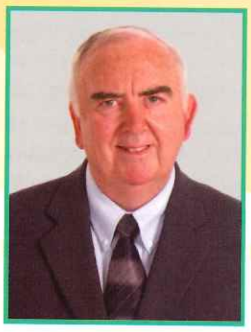
Conrad Aleong

Executive Management Team

Mr. Nelson Tom Yew
General Manager - Corporate

Mr. Paul Schütz
General Manager - Operations
Chief Financial Officer

Ms. Brenda Billy
Vice President, Procurement
& Material Administration



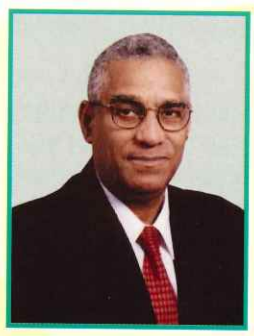
Mr. Hugh Henderson
Vice President, Employee Service

Mrs. Beatrix Carrington
Vice President, Marketing & Sales

Mr. Kimchand Rampaul
Vice President,
Maintenance & Engineering

Ms. Nicole Richards
Corporate Secretary
& General Counsel

Mr. Michael Clarke
Director, Cargo



Mr. Peter McCarthy
Director, Security

Mr. Clint Williams
Director, Corporate Communications

Marketing & Sales Report

Beatrix Carrington
Vice President, Marketing and Sales

2002 proved to be an increasingly difficult year for the Marketing and Sales team. The stringent cost reduction measures taken over the year constrained the availability of resources to "do battle for market share" in the shrinking industry pie. One initiative in particular, the outsourced and North American based " Bwee Vacations" programme, designed to expand the BWIA customer base beyond the traditional ethnic market to vacation travelers, was stymied in its attempts to gain momentum. Cash flow retractions demanded that expenditure be allocated on an 'as needed' basis. Consequently the objective of diversifying our market base out of North America to 40% leisure and 60% visiting friends and relatives (VFR) was only achieved in part.

Passenger Revenue
Passenger revenue declined by 8% over the corresponding calendar year 2001, mainly due to a decline in long haul revenue (-7.52%). This resulted from the slide of the long haul average fare (-5.5%) and long haul passenger uplift (-2%). While the downward trend in the average fare began during the second quarter of the year, the drop in passenger uplift became notable during the third and fourth quarters, fuelled largely by the negative publicity surrounding the operational difficulties experienced during the summer peak. The ensuing speculation regarding the airline's survival and prospects for the future shook consumer confidence for the remainder of the year.

The biggest casualties of this loss of confidence were the New York and Toronto routes; end of the year passenger revenue on those routes was 26.1% and 12% respectively below budget. The Miami, London and Washington routes all exceeded the budgeted revenue.

Fares
To maintain its existing market share the airline had to match the low fares prevalent in the marketplace, being forced to operate between New York and Trinidad on fares as low as the US$199 offered by charters operating on that route. A regional airline offered fares starting at US$50 between Trinidad and Grenada, Trinidad and Barbados, St. Lucia and Barbados among others, beginning a fare war and prompting the intervention of regional leaders, and consequently requiring regional licensing authorities to address what was seen as predatory pricing. These below-cost pricing actions seriously compromised our revenues, even as we maintained reasonable load factors. Consequently one of our cost-reducing actions in the marketing division was the reduction of travel agents' commissions from 9% to 6%, some two (2) years after North American carriers took that action.

Advertising and Promotion
Compromised revenues led to cash difficulties, and due to cash constraints virtually no promotion beyond tactical advertising was done, and this in itself only on a limited basis. We achieved about 15% of the planned media activity in North America, 50% of the planned activity in the UK – none of the route development required for the introduction of the Manchester route, which in the end was borne by the Barbados Tourism Authority – and about 40% of the planned activity in the Caribbean. Many requests for sponsorship had to be denied, including some projects which have traditionally been supported by BWIA for many years.

Summer 2002
BWIA thus entered the July/August peak months carrying a US$3.97 million deficit and relying heavily on the anticipated seasonal profit of approximately US$9.1 million, as indicated by our unusually heavy forward bookings. Extra peak flying in accordance with past peak practices, was scheduled to accommodate this. The disruptive activities of that period would greatly impact not only on peak

Marketing & Sales' Report *cont'd*

travel but also on travel booked during the peak for September/October since reservations lines were clogged by cancellations, re-bookings and call-backs related to disruptions. Additionally, some US$2.7 million in passenger revenue - for passengers booked and ticketed on BWIA and transferred to other airlines – was given away. The achieved profit over the period simply was not enough to support the airline's operations at existing levels and the decision was taken to reduce flying in order to conserve crew and other costs. It remains to be seen if the impact of Summer 2002 will carry forward to Summer 2003 as annual vacation travelers may lack the confidence to return in light of the 2002 disruptions.

New Routes

BWIA commenced service from Trinidad and Barbados to Manchester, UK and from Trinidad to Paramaribo, Suriname. Both routes enjoyed better than projected load factors. Service from Washington non-stop to Tobago was introduced in October 2002 and is anticipated to significantly assist airlift into the island to support tourism thrusts.

BWIA/LIAT Alliance

The highlight of the year was the progress made towards the creation of a merged airline through the integration of most of the marketing functions of BWIA and LIAT, with BWIA providing revenue management and call-centre services to LIAT, joint tactical advertising, shared sales and ticketing offices at Barbados (shared accommodations in Grenada, St. Lucia and Antigua to follow in 2003) and the commencement of joint sales calls. Some schedule integration took place to create seamless transfers between international and regional destinations.

Pricing

The technology and training in this department was upgraded with the result that all filings are now fully automated, achieving a reduction of US$0.19 per record. This enabled the department to make its own changes to the Airline Tariff Publishing Company (ATPCO) database without intervention by ATPCO analysts, saving some 15% in administration costs in the second half of 2002.

Computer Reservations System (CRS) Distribution & Optimisation

This department achieved a cost reduction of approximately US$1.4Million (19.2%) by implementing greater efficiencies in the use of the Reservations system through:

- In-house Awareness Programmes;
- Visits to travel agents in the region aimed at educating them on proper system use;
- Increased Communication via Queues, HOT Messages, Emails, Direct Reference System (DRS); and
- Implementation and enforcement of penalties to delinquent travel agents for incorrect CRS practices.

E – Commerce

Improvements were made to the bwee.com website which offered improved functionality, resulting in phenomenal growth in bookings through that medium. The use of technology to lower the cost of operation and attract new users more efficiently formed a base theme for the balance of the year and represented a significant direction for the Company's future as a lower cost operator.

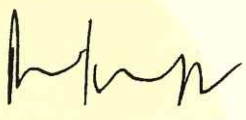
BWIA increased its revenue from Internet bookings by 42% and the number of online bookings increased by 45%. This compares favourably to the industry figure, which registered a 25% increase in online bookings over 2001.

An Interline functionality with administrative tools to update the points of origin and destination was introduced. Over 80 Canadian, US and European interline cities were added in an effort to increase market reach.

Due to the movement of a greater number of customers to the booking engine, commission payments were reduced by 11% and CRS charges were reduced by 2%.

www.bwee.com

The main emphasis in 2002 was on fare promotions rather than on the product. A closer relationship between offline and online advertising to support top of mind awareness was kept and this increased our 'look to book' ratio. There were 25 online promotions in 2002. A link to major online travel agents (Hotwire, Orbitz and Priceline) was established as well, resulting in an increase in the revenue generated via the internet of 40% over 2001.



Beatrix Carrington

Maintenance & Engineering's Report

Kimchand Rampaul
Vice President, Maintenance and Engineering

Introduction

The year 2002 proved to be another challenging one for Maintenance and Engineering. Through the collective hard work and team spirit of the Maintenance & Engineering Department we were able to meet and overcome these challenges in order to deliver superior customer service by consistently providing aircraft in a timely manner to meet the schedule requirements.

New Aircraft Induction

We successfully inducted two aircraft into BWIA's fleet. The Airbus A340-300, registration 9Y-TJN was inducted in June 2002, in record time, to operate on the London route in place of one L1011, which was scheduled to be retired. We also increased the Boeing 737-800 fleet to seven (7) aircraft with the induction of 9Y-GND in December 2002.

Fleet Rationalization

We continued our fleet rationalization strategy by redelivering two more MD83 aircraft, 9Y-THR and 9Y-THW to their respective lessors.

Training and Development

BWIA achieved another first by accomplishing the majority of the A340-300 maintenance training at our in-house facility using Airbus instructors. This resulted in a cost savings of approximately TT$800,000.

Heavy Maintenance

We accomplished nine (9) heavy maintenance checks locally and a "C" check on one L1011, 9Y-THA at Gulf Aircraft Maintenance Company (GAMCO) in the United Arab Emirates.

Alliances

In 2002 an airworthiness agreement was concluded with Air Canada to support the A340-300 aircraft. Under the terms of the agreement, Air Canada will provide technical support, spares support and some aspects of reliability monitoring for the A340-300 aircraft. As a result of negotiations, Air Canada will position spares in Trinidad to support the A340-300. This was negotiated with no additional cost to or collateral from BWIA. They will also be responsible for accomplishing the "C" checks on the aircraft.

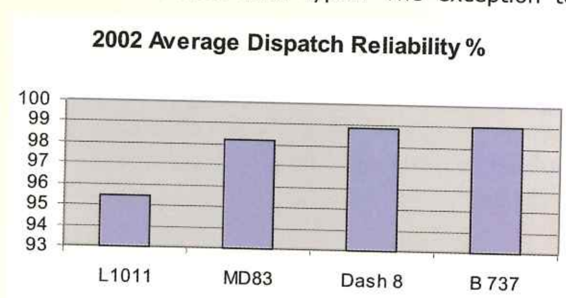
Also, discussions with Delta Airlines Inc. were completed for the accomplishment of B737-800 heavy maintenance, at its Atlanta facility. The first aircraft was inducted in January 2003.

Third Party Maintenance

Maintenance & Engineering continued to provide third party maintenance support for Tobago Express and also completed a "C" check on an Arrow Air L1011.

Reliability

Despite the many challenges in 2002, the airline maintained an average dispatch reliability of greater than 98.7% across fleet types. The exception to



this was the L1011, which had an average dispatch reliability of 95.5%. Hence, even more justification for the move towards phasing out this fleet type.

Kimchand Rampaul

Chief Financial Officer's Report

Paul Schütz
General Manager - Operations

There is no doubt that the Net Loss of TT$216.7M (US$34.4M) is a major disappointment to all of us who worked so hard in 2002 to keep the airline aloft.

Following the last quarter of 2001, the year to 31 December 2002 transpired to be a year where the survival of the airline became the main objective for the Management and staff of BWIA West Indies Airways Limited.

The team acted quickly and decisively and succeeded in trimming the operating expenditure by some TT$92.01M(US$14.34M) or 4.3%, (after adjusting for one time charges for Impairment and Obsolescence on aircraft and inventories). Unfortunately the airline Group's revenues continued to decline with Passenger Revenue down some TT$112.5M (US$19.2M) or 8%.

It became clear, early in the second half of the year, that in order for BWIA to survive with such a reduced Revenue Base, and to grow again in the future, more radical action was needed. The New Business Model was prepared and approved by your Board of Directors. The basic thrust of this Plan is to position BWIA on a lower cost base in order to compete effectively in the new trading environment in which the group finds itself. Hence, the Group has expensed further one time charges of TT$51.7M (US$8.2M) with respect to restructuring costs related to the new Business Model.

Despite the number one priority for the year being survival, the airline has kept its eye firmly on the future.

During 2002 our first Airbus A340-300 arrived to service the London route. In December we took delivery of our seventh Boeing 737-800. In line with these deliveries the MD83 and L1011 fleets were finally retired in January 2003. These deliveries and the delivery of the second A340 in 2003 complete the airline's fleet replacement programme, and leaves it with a technologically advanced and efficient fleet.

Behind the scenes we continued to build our infrastructure for the future. Systems Applications and Products (SAP R/3) was rolled out as our enterprise wide software solution. Accounting, Procurement and Human Resources were the first critical areas to be transferred to the new system. Work continues on adapting our business processes in order to access the efficiencies that SAP can bring to BWIA. Work also continues on rolling out our Virtual Private Network, enabling all stations system wide to be on-line. This limited capital expenditure is critical to our future, as a technologically advanced world class airline.

In summary, despite the disappointing financial result, in a year which literally saw the wheels come off the industry globally, BWIA continued to restructure itself with its limited resources. The airline is now poised to take advantage of any upturn in market conditions and looks forward to continuing to serve the Caribbean region in 2003 and beyond.

P. R. Schütz

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 August 15, 2003 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
June 25, 2003	**Nicole Richards** Corporate Secretary	N Richards

Directors' Report

The Directors hereby submit their Report for the year ended December 31, 2002:

Financial Results:	TT$'000	US$'000
Turnover	1,608,559	255,331
Net Loss for the Year	(216,722)	(34,401)
After charging/(crediting) the following:-		
Depreciation & Amortisation	213,255	33,851
Directors' Fees & Expenses	327	52
Foreign Exchange	(9,610)	(1,525)
Interest Expenses	46,075	7,314
Interest Income	(5,417)	(860)
Retirement Plan Contributions	25,036	3,974

Dividend:

The Directors do not recommend the payment of a dividend for the year ended December 31, 2002.

Appointment of Directors:

In accordance with paragraph 5.5 of By-Law No 3 of the Company, Messrs Charles Anthony Jacelon, SC, Indira Maharaj-Ramrekersingh and Michael Small retire from the Board and being eligible, offer themselves for re-election by the Government of the Republic of Trinidad and Tobago, being the holder of Class A Series I Ordinary Shares for a term from the date of their re-election until the close of the Third Annual Meeting following their appointment.

Directors' Report cont'd

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, 2002 – 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:

Directors:	As at December 31, 2002		As at June 02, 2003	
	Beneficial Shareholding	Non-Beneficial Shareholding	Beneficial Shareholding	Non-Beneficial Shareholding
Lawrence A. Duprey, CMT	Nil	Nil	Nil	Nil
Charles Anthony Jacelon, SC	Nil	Nil	Nil	Nil
Gordon Deane	1,000	Nil	1,000	Nil
Krishna Narinesingh, CMT	5,000	Nil	5,000	Nil
John O'Brien	600	Nil	600	Nil
Rodney Sastri Prasad	1,000	Nil	1,000	Nil
Rajveer Ranawat	Nil	Nil	Nil	Nil
Michael Stanfield	Nil	Nil	Nil	Nil
Indira Maharaj-Ramrekersingh	Nil	Nil	Nil	Nil
Michael Small	Nil	Nil	Nil	Nil

Substantial Interests as at June 02, 2003:

Shareholder:	Ordinary Shares:	% of Issued Share Capital:
Minister of Finance (Corporation Sole)	23,219,999	49
American International Underwriters Overseas Limited	5,000,000	10
Roytrin Securities Limited	4,691,500	9
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).

Directors' Report *cont'd*

Service Contracts:

No service contracts exist nor have been entered into by the Company and any of its Directors.

Auditors:

The Auditors, PricewaterhouseCoopers, retire at the Annual Meeting and, being eligible, offer themselves for appointment.

By Order of the Board

Nicole Richards
Corporate Secretary

Dated: June 25, 2003

Consolidated Audited Financial Statements

31 December 2002

Auditors' Report

PRICEWATERHOUSECOOPERS

To the members of
BWIA West Indies Airways Limited

We have audited the accompanying consolidated balance sheet of BWIA West Indies Airways Limited as at 31 December 2002, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, as set out on pages 20 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.

As stated in Note 2, the Group incurred losses after taxation and extraordinary items of TT$215,007,000 (US$34,129,000) for the year ended 31 December 2002 and has accumulated losses of TT$420,901,000 (US$67,018,000). Its current liabilities exceed its current assets by TT$313,797,000 (US$49,808,000) at 31 December, 2002 and it has net liabilities of TT$67,484,000 (US$10,712,000). The Group is currently negotiating its long-term facilities and seeking additional financing and or guarantees from the Government of the Republic of Trinidad and Tobago. The continuation of the Group's activities is dependent upon a successful outcome of these negotiations. These financial statements have been prepared on the going concern basis, which assumes that adequate facilities will be obtained.

Subject to the above, in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2002 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
25 June 2003

Consolidated Balance Sheet

As at 31 December	Notes	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
ASSETS					
Non-current Assets					
Property, plant and equipment	3	67,571	85,032	425,688	532,730
Intangible assets	4	1,241	455	7,816	2,851
Aircraft and other deposits		11,331	7,562	71,384	47,377
Investments	5	1,022	1,767	6,441	11,071
		81,165	94,816	511,329	594,029
Current Assets					
Inventories	6	14,692	18,333	92,560	114,859
Receivables and prepayments		55,453	48,643	349,349	304,751
Cash		9,427	15,106	59,387	94,638
		79,572	82,082	501,296	514,248
Total Assets		160,737	176,898	1,012,625	1,108,277
EQUITY AND LIABILITIES					
Capital and Reserves					
Share Capital	7	59,094	58,996	353,417	352,806
Translation differences		(2,788)	(2,654)	--	--
Deficit		(67,018)	(32,617)	(420,901)	(204,179)
		(10,712)	23,725	(67,484)	148,627
Minority interest		1,440	1,985	9,072	12,431
Non-current Liabilities					
Borrowings	8	40,150	52,811	252,943	330,862
Deferred tax liability	10	479	481	3,001	3,016
		40,629	53,292	255,944	333,878
Current Liabilities					
Accounts payable		44,594	29,229	280,950	183,122
Accrued expenses and other payables		31,367	27,962	197,606	175,184
Provision for overhaul	11	6,055	5,185	38,148	32,478
Provision for severance liability		7,314	467	46,077	2,917
Unearned transportation revenues		23,052	24,100	145,226	151,013
Borrowings	8	15,818	10,368	99,651	64,959
Taxation payable		1,180	585	7,435	3,668
		129,380	97,896	815,093	613,341
Total Equity and Liabilities		160,737	176,898	1,012,625	1,108,277

On 25th June 2003, BWIA West Indies Airways Limited's Board of Directors authorised these financial statements for issue. The accounting policies on pages 24 to 30 and the notes on pages 31 to 48 form an integral part of these financial statements.

Director

Director

Consolidated Income Statement

Year ended 31 December	Notes	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Operating Revenues					
Scheduled passengers		224,848	244,054	1,416,519	1,528,996
Cargo and mail		10,520	10,023	66,277	62,794
Incidental and other		19,963	15,810	125,763	99,051
		255,331	269,887	1,608,559	1,690,841
Operating Expenses					
Staff costs		57,495	60,099	362,215	376,520
Fuel		34,309	37,448	216,145	234,612
Lease of aircraft and engines		37,452	35,702	235,947	223,674
Maintenance		18,204	18,829	114,683	117,966
Passenger expenses		19,439	17,663	122,461	110,659
Marketing		8,977	13,234	56,552	82,909
Commissions		12,398	16,178	78,104	101,357
Aircraft handling and navigation		21,748	22,661	137,010	141,972
Crew route expenses		4,854	5,270	30,580	33,016
Other		25,045	26,184	157,780	164,041
Depreciation and amortisation	3	33,851	19,239	213,255	120,532
		273,772	272,507	1,724,732	1,707,258
Loss From Operations	12	(18,441)	(2,620)	(116,173)	(16,417)
Non Operating (Expenses)/Income					
Interest income		860	1,220	5,417	7,646
Interest expense		(7,314)	(7,843)	(46,075)	(49,134)
Foreign exchange gain		1,525	246	9,610	1,544
Fixed asset disposal		(1,015)	362	(6,394)	2,265
Miscellaneous and other		24	(1,037)	144	(6,497)
		(5,920)	(7,052)	(37,298)	(44,176)
Loss Before Taxation and Extraordinary Item		(24,361)	(9,672)	(153,471)	(60,593)
Taxation	9	(1,568)	(956)	(9,879)	(5,988)
Loss After Taxation		(25,929)	(10,628)	(163,350)	(66,581)
Extraordinary Items	23	(8,200)	9,911	(51,657)	62,091
Loss After Taxation and Extraordinary Item		(34,129)	(717)	(215,007)	(4,490)
Minority Interest		(272)	23	(1,715)	141
Group Loss After Taxation		(34,401)	(694)	(216,722)	(4,349)
Loss Per Share	20				
Basic		(74¢)	(3¢)	($4.65)	(17¢)
Diluted		--	(3¢)	--	(17¢)

The accounting policies on pages 24 to 30 and the notes on pages 31 to 48 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Translation Differences	Share Capital		Application For Shares		Deficit	
	US$000's	US$000's	TT$000's	US$000's	TT$000's	US$000's	TT$000's
Balance at 1 January 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)	--	--	--	--	--	--
Net loss	--	--	--	--	--	(694)	(4,349)
Balance at 31 December 2001	(2,654)	58,996	352,806	--	--	(32,617)	(204,179)
Balance at 1 January 2002	(2,654)	58,996	352,806	--	--	(32,617)	(204,179)
Issue of shares	--	98	611	--	--	--	--
Currency translation adjustment	(134)	--	--	--	--	--	--
Net Loss	--	--	--	--	--	(34,401)	(216,722)
Balance at 31 December 2002	(2,788)	59,094	353,417	--	--	(67,018)	(420,901)

The accounting policies on pages 24 to 30 and the notes on pages 31 to 48 form an integral part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Operating Activities				
Loss before taxation and extraordinary item	(24,361)	(9,672)	(153,471)	(60,593)
Adjustment to reconcile loss to net cash from operating activities:				
Depreciation and amortisation	33,851	19,239	213,255	120,532
Loss/(Gain) on disposal of fixed assets	1,015	(364)	6,409	(2,278)
Net change in operating assets and liabilities	20,898	(321)	132,170	(1,964)
Net cash inflow before extraordinary item	31,403	8,882	198,363	55,697
Tax paid	(1,083)	(393)	(6,821)	(2,462)
Extraordinary item	(8,200)	9,911	(51,657)	62,091
Net cash inflow from operating activities	22,120	18,400	139,885	115,326
Investing Activities				
Purchase of property, plant and equipment	(17,042)	(24,425)	(107,363)	(153,020)
Proceeds from sale of property, plant and equipment	2	1,852	12	11,600
Sale/(purchase) of investments	735	(1,538)	4,630	(9,636)
Increase in intangible assets	(919)	(455)	(5,792)	(2,851)
Aircraft and other deposits	(3,811)	(563)	(24,007)	(3,525)
Net cash outflow from investing activities	(21,035)	(25,129)	(132,520)	(157,432)
Financing Activities				
Issue of/Application for shares	98	54	611	334
Long-term loan proceeds	12,700	41,267	80,009	258,538
Repayment of loans	(19,562)	(29,402)	(123,236)	(184,204)
Net cash (outflow)/inflow from financing activities	(6,764)	11,919	(42,616)	74,668
(Decrease)/Increase in Cash and Cash Equivalents	(5,679)	5,190	(35,251)	32,562
Cash and Cash Equivalents				
At start of year	15,106	9,916	94,638	62,076
(Decrease)/Increase	(5,679)	5,190	(35,251)	32,562
At end of year	9,427	15,106	59,387	94,638
Represented By				
Cash	9,427	15,106	59,387	94,638

The accounting policies on pages 24 to 30 and the notes on pages 31 to 48 form an integral part of these financial statements.

Accounting Policies
31 December, 2002

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

i Basis of Preparation

The consolidated financial statements are prepared in accordance with International Accounting Standards. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and financial assets and liabilities held-for-trading.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

ii Consolidation

Subsidiary undertakings, 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 govern the financial and operating policies. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. 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 19.

iii Foreign Currencies

- Measurement Currency

  Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events relevant to that entity ("the money measurement currency"). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the measurement currency of the parent. Amounts expressed in United States (US) dollars are presented for convenience and have been translated at a rate of TT$6.299 to US$1.00, (2001: TT$6.265 to US$1.00) for the balance sheet and items in the income statement have been translated at the exchange rate prevailing at the date of the transaction. The Company generates substantial foreign currency revenues in United States dollars and UK pounds sterling.

- Transactions and Balances

  Foreign currency transactions are translated into the measurement currency using exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Accounting Policies
31 December, 2002

iii **Foreign Currencies (Continued)**

- Group Companies

Income statements and cash flows are translated into the Group's reporting currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on 31 December.

iv **Financial Instruments**

The Group enters into forward contracts in order to reduce the business risk of fuel price fluctuations. These contracts provide for the purchase of fuel at a predetermined rate at a future date. Fees were not incurred as a result of these contracts since they were negotiated as zero cost collar options.

These contracts are recognized as derivatives instruments and are recorded in the financial statements. They are initially recorded at cost, which consists primarily of direct external transaction costs and are subsequently measured to fair value. Fair value excludes transaction cost. Changes in fair values of these instruments are recognized in the consolidated income statement as they arise. Derivatives are liabilities when they have a negative fair value and are shown under expenses and other payables. Derivative assets are categorized as trading investments.

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables and prepayments, accounts payable, accrued expenses and other payables, 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 less depreciation. Property, plant and equipment that is retired from active use, and held for disposal is carried at carrying amounts at the date of retirement and tested for impairment at each financial year end. Depreciation and amortization for principal asset classifications are provided on a straight-line basis to estimated residual values over estimated service lives as follows:

		Estimated Service Life
Flight equipment	- Dash 8 Turbo Prop	12-15 years
	- L1011's	4 years
	- Other aircraft	20 years
	- Engines and related spares	15 years
Other equipment		2 - 10 years
Buildings		25 years

Where the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in non-operating income.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major improvements is included in the carrying amount of the asset when it is probable that future benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major improvements are depreciated over the remaining useful life of the related asset.

Accounting Policies
31 December, 2002

vi Deferred Income Taxes

Deferred income tax is provided in full, using the liability method on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates that have been substantially enacted at the balance sheet date are used in the determination of deferred income taxes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

BWIA West Indies Airways Limited was exempt from Trinidad and Tobago taxation on its income for a period of seven (7) years which commenced 1 January 1995 and ended on 31 December 2001. The company is liable to pay the environmental tax "Green Fund" and Business Levy at the rates of .10% and .20% respectively, of its gross sales for the year ended 31 December 2002. As at 31 December 2002, the Company has estimated tax losses carried forward in excess of TT$472M (US$75M).

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 its commencement of operations on 1 June 2001.

The subsidiaries West Indies Airways Aircraft Limited (WIAAL) and West Indies Airways Aircraft Limited No. 2 (WIAAL 2) are incorporated in the Cayman Islands and are not subject to corporation taxes in that jurisdiction.

vii Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at bank net of bank overdrafts.

viii Accounts Receivable

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Bad debts are written off when identified.

ix Inventories

Inventories are stated at the lower of cost and net realisable value. Net realizable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

The cost of expendable aircraft spares is determined by the weighted average method. The Group 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. However, where permanent diminution in value is identified, the relevant inventory items are fully written down to net realizable values.

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

Other inventories include commissary items and other material supplies, are stated at the lower of cost or net realizable value.

Accounting Policies

31 December, 2002

x **Employee Benefits**

(i) **Pension Obligation**

The Group 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 Group, taking account of the recommendations of independent qualified actuaries.

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

(ii) **Termination Benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) **Equity Compensation Benefits**

(a) **Management**

Share options are granted to management. These options are granted at an option price equal to the average of the closing quoted prices of the shares as derived from the stock exchange on the three (3) days preceding the date before the date of the offer of such option.

The ordinary shares issued on the exercise of the option will rank equally in all respects with the existing issued ordinary shares. On exercise of the option, the difference between the market price of the share and the option price, along with the proceeds will be included in share capital.

(b) **Employees**

An Employee Share Ownership Plan (ESOP) has been created for BWIA West Indies Airways Limited permanent employees. Approval for the trust deed and rules was received from the Board of Inland Revenue in 2002. The plan is currently being established.

xi **Intangible Assets**

- **Research, Development and Pre-Operating Costs**

Research expenditure is recognized as an expense as incurred. Development and pre-operating costs including new integration costs are expensed when incurred.

Accounting Policies
31 December, 2002

xi Intangible Assets (Continued)

- **Computer Software**

Cost associated with development or maintaining software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generate economic benefits exceeding cost beyond one year are recognized as intangible assets. Directs costs include staff cost of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of the computer software programs beyond the original specifications is recognized as capital improvement and added to the original cost of the software. Computer software development costs recognized as intangible assets are amortized using the straight-line method over their useful economic lives not exceeding a period of five (5) years.

xii Revenue Recognition

Passenger and cargo revenue are recognized as operating revenues when the transportation is furnished. The value of unused passenger tickets is included in current liabilities as Unearned Transportation Revenue. Incidental and other revenues are recognized, when earned in accordance with the matching concept.

xiii Impairment of Long Lived Assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amounts of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

xiv Investments

The Group classifies its investments into trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on regular basis.

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 Group did not hold any investments in this category.

Investments with fixed maturity that 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 Group 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.

Accounting Policies
31 December, 2002

xiv **Investments (Continued)**

All purchases and sales of investments are recognised on the trade date, which is the date that the Group 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 statement in the period in which they arise.

xv **Provisions**

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

(i) **Overhaul expenses**

Major overhaul on leased aircraft is capitalised and amortised over the shorter of the life of the overhaul or the remaining lease term. 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 Group provides for the return condition obligations on leased aircraft, based on the contractual requirements of the individual lease contracts. These provisions are estimated with reference to current costs, and are reviewed on an annual basis for price fluctuations. This annual review may result in an increase of costs on a yearly basis, as distinct from a smoothened pro rata basis, but in any event, the Group's policy is to accelerate the anticipated costs of return, from the sixth year of the lease so as to meet any possible shortfall. Using this methodology, the costs of return obligations will be lower in the early part of the lease, and higher in the later part, thus being more variable over time.

The Group has also assumed that, the workscope planning contained within its maintenance agreement with General Electric, will be organized within years six to ten, so as to possibly minimize the costs of engine return obligations. It is therefore within this framework that the policy of accelerated provisioning within the later years, has been formulated.

(ii) **Employee leave entitlement**

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

(iii) **Frequent traveler awards**

BWIA West Indies Airways Limited accrues the estimated incremental cost of providing free travel awards earned by participants in frequent traveler programs which BWIA sponsors or participates in, when award levels are reached.

Accounting Policies
31 December, 2002

xvi Leases

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

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

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized 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 provide products or services that are subject to risks and returns that are different from those of other business segments.

Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

xviii Share Capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

xix Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions:

- Government grants relating to compensation for expenses/losses already incurred are recognized as income in the period in which they are recoverable.

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

xx Borrowings

Borrowings are recognized initially at the proceeds received, net of transactions costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowing.

xxi Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes to the Financial Statements 31 December, 2002

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"). A list of the subsidiary companies is shown at Note 19.

The company's registered office is located at Sunjet House, 30 Edward Street, Port of Spain.

2 Going Concern, Continuing Operations and Subsequent Events

These financial statements have been prepared on the basis of accounting principles applicable as a going concern. Accordingly they do not give effect to adjustments that would be necessary should the group be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Group incurred losses after taxation and extraordinary items of TT$215,007,000 (US$34,129,000) for the year ended 31 December 2002 and has accumulated losses of TT$420,901,000 (US$67,018,000). Its current liabilities exceed its current assets by TT$313,797,000 (US$49,808,000) at 31 December 2002 and it has net liabilities of TT$67,484,000 (US$10,712,000). The Group cannot continue as a going concern without improved profitability, continued support of its financiers, or further injection of capital by its shareholders. The Group is currently negotiating its long-term facilities and seeking additional financing or guarantees from the Government of the Republic of Trinidad and Tobago.

The company was not in compliance with the financial covenants of a loan and security agreement with the Canadian Regional Aircraft Finance Transaction No. 1 Limited as follows:

(a) The tangible net worth shall not be less than US$40,000,000 for the fiscal year 2002.
(b) The current ratio shall not be less than .80 for the fiscal year 2002.
(c) The leverage ratio shall not exceed .85 for the fiscal year 2002.
(d) The cash flow average shall not be less than 1.05 for the fiscal year 2002.

In December, 2002 the Government of the Republic of Trinidad and Tobago approved letters of comfort for loan facilities totaling {US$ 11.75million} for BWIA West Indies Airways Limited as follows:

Approved 30 December, 2002 US$4.0 million (draw down 31 December, 2002)
Approved US$4.0 million (draw down 03 February 2003)
Approved US$2.0 million (draw down 14 March 2003)
Approved US$1.75 million (draw down 14 March 2003)
The above was advanced by First Citizens Bank Limited, Queen's Park East, Port of Spain.

Prior to the year-end on 12 December 2002, TT$ 12.6 million (US$2 million) was advanced to the company. This sum was based on a Memorandum of Understanding between the Government of the Republic of Trinidad and Tobago and BWIA West Indies Airways Limited's acceptance of terms guiding this financial assistance.

On 8 January 2003 the company operated its last Boeing MD83 flight. Following this on 28 January 2003 the last flight by the L1011 Tristar arrived at Piarco. This concludes the airline's fleet modernization program.

Notes to the Financial Statements 31 December, 2002

2 Going Concern, Continuing Operations and Subsequent Events (Continued)

BWIA West Indies Airways Limited now operates a simplified fleet of 7 Boeing 737-800's (for Intra-Caribbean and the North American Network) and 1 Airbus A340 (for long haul European destinations)

During January 2003, the Company has outsourced its heavy maintenance capability, ramp and aircraft grooming and frequent flyer processing. The operation of the Duty Free Shop at Piarco Airport has been outsourced. Staffing levels across the organization have been reduced in line with the company's productivity goals. These actions led to the retrenchment of some 617 employees on 28 January 2003. See note 23.

On 25 April 2003 the Government of the Republic of Trinidad and Tobago approved further financial assistance in the amount of TT$116.8 million (US$18.5 million). This latest tranche of assistance is conditional on the company meeting certain conditions. Management is confident that all conditions have been met, or will be met within a reasonable timeframe, and that this assistance will be forthcoming.

3 Property, Plant and Equipment

	Buildings TT$000's	Flight Equipment and Related Spares TT$000's	Other Property and Equipment TT$000's	Total TT$000's
Year ended 31 December 2002				
Opening net book amount	29,311	463,781	39,638	532,730
Additions	3,954	152,381	5,069	161,404
Reclassification	(394)	(44,381)	(9,264)	(54,039)
Disposals	--	(36,816)	(164)	(36,980)
Impairment loss	--	(55,017)	--	(55,017)
Depreciation charge	(2,322)	(110,800)	(9,288)	(122,410)
Closing net book amount	TT$30,549	TT$369,148	TT$ 25,991	TT$ 425,688
	US$4,849	US$58,596	US$4,126	US$67,571
At 31 December 2002				
Cost	59,262	740,068	107,620	906,950
Impairment loss	--	(55,017)	-	(55,017)
Accumulated depreciation	(28,713)	(315,903)	(81,629)	(426,245)
Net book amount	TT$30,549	TT$369,148	TT$25,991	TT$425,688
	US$4,849	US$58,596	US$4,126	US$67,571
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 amount	TT$29,311	TT$463,781	TT$39,638	TT$532,730
	US$ 4,679	US$74,027	US$6,326	US$ 85,032

Notes to the Financial Statements 31 December, 2002

3 Property, Plant and Equipment (Continued)

The depreciation and amortization charge in the consolidated income statement is a net figure of:

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Depreciation on property, plant and equipment	(19,431)	(18,846)	(122,410)	(118,067)
Amortization – Intangible assets	(131)	--	(827)	--
	(19,562)	(18,846)	(123,237)	(118,067)
Impairment Loss- L10-11 Flight Equipment	(8,733)	--	(55,017)	--
Increase in provision for obsolescence on expendables (Note 6 – Inventories)	(5,556)	(393)	(35,001)	(2,465)
	(14,289)	(393)	(90,018)	(2,465)
	(33,851)	(19,239)	(213,255)	(120,532)

The Group is in the process of restructuring its fleet of aircraft and has recognized the impairment loss on the related aircraft and expendables amounting to TT$90,018,000 (US$14,289,000). The carrying value of the related items has been written down to its recoverable amount.

4 Intangible Assets

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Computer Software				
Opening net book amount	455	--	2,851	--
Additions	917	455	5,792	2,851
Amortization	(131)	--	(827)	--
Closing net book amount	1,241	455	7,816	2,851

5 Investments

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Available for Sale Securities				
LIAT (1974) Limited				
(23.6% interest - 2002, 29% interest – 2001)	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	5,000	31,325	31,325
Fair value adjustment	(4,267)	(3,501)	(26,709)	(21,934)
Net carrying value	733	1,499	4,616	9,391
Other available for sale	289	268	1,825	1,680
Total available for sale investments at fair value	1,022	1,767	6,441	11,071

Notes to the Financial Statements 31 December, 2002

5 Investments (Continued)

A full provision was made for the investment in LIAT (1974) Limited and the Company has offered the shares for sale. The other investments are mainly unquoted investments and have been recorded at cost.

Other available for sale investments comprise mainly of investment certificates held in Societe Internationale de Telecommunications Aeronautiques (SITA). This is a non-profit organization to which all airlines contribute towards the operating expenditure. In return the airlines are provided with communication services. The certificates essentially represent contributions which are unspent and are evidenced to the airlines in the form of certificates.

6 Inventories

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Expendable aircraft spares – at cost	9,367	14,940	59,011	93,599
Expendable aircraft spares – at net realizable value	750	--	4,725	--
Less: Provision for obsolescence	(7,610)	(2,066)	(47,942)	(12,945)
	2,507	12,874	15,794	80,654
Goods held for resale	3,260	2,700	20,539	16,917
Food and beverage	2,618	2,171	16,491	13,602
Other	6,307	588	39,736	3,686
	14,692	18,333	92,560	114,859

7 Ordinary Shares and Share Options

The authorized 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.

Notes to the Financial Statements 31 December, 2002

7 Ordinary Shares and Share Options (Continued)

c) Issued and fully paid:

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 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	24,633	147,461	147,461
Class A Series II – 10,392,693 (9,992,693 – 2001)	9,163	9,065	54,880	54,269
Class B – 13,920,864	15,298	15,298	91,576	91,576
	59,094	58,996	353,417	352,806

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 2002 amounted to TT$17,850,000. 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.

d) 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 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.

Also, at the 60th Meeting of the Board of Directors of the Company, the Board approved the grant of share options to individuals recommended by the President and Chief Executive Officer and approved by the Chairman as "turn around team members." As at 31 December 2002 the total number of Ordinary Shares for which options were granted to seven (7) individuals identified as the "Turnaround Team Leaders" was 352,000 of which all were exercised.

The Company had 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 by no later than 31 July 2002. In 1999 Air West Indies Limited exercised its right with respect to 200,000 shares. The option to acquire the remaining 400,000 Ordinary Shares was exercised on 20 May 2002.

Notes to the Financial Statements 31 December, 2002

8 Borrowings

		2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
a)	Sagicor Life Inc	939	991	5,915	6,209
b)	Clico Investment Bank Limited	7,674	16,916	48,346	105,980
c)	RBTT Bank Limited	--	1,394	--	8,734
d)	International Lease Finance Corporation	--	270	--	1,693
e)	Fleet Capital Leasing	2,325	3,317	14,645	20,784
f)	Citibank (Trinidad & Tobago) Limited	--	3,814	--	23,896
g)	Canadian Regional Aircraft Finance	24,352	25,686	153,413	160,922
h)	Export Development Corporation	5,169	5,335	32,562	33,424
i)	Bombardier Capital Inc.	4,165	4,268	26,242	26,739
j)	Government of Trinidad & Tobago	3,189	1,188	20,090	7,440
k)	Ansa Finance & Merchant Bank Limited	2,105	--	13,263	--
l)	Caribbean Money Market Brokers	1,978	--	12,459	--
m)	First Citizens Bank Limited	4,072	--	25,659	--
	Total	55,968	63,179	352,594	395,821
	Less current maturities	(15,818)	(10,368)	(99,651)	(64,959)
		40,150	52,811	252,943	330,862

(a) The loan with Sagicor Life Inc 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 following facilities provided by Clico Investment Bank Limited either exist or were repaid in the reporting period:

A US$1M short-term loan re-negotiated in October 2001, secured by the assignment of travel agent receipts in the United States of America, was fully repaid as at 31 July 2002.

A US$20,000,000 loan agreement was negotiated in March 2001 at a rate of 11%. This is divided into two (2) series – 1&2.

Series 1 being a short-term loan for US$5,000,000 has been fully repaid, inclusive of interest, as at March 27, 2002.

Series 2 is 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 and has subsequently been rolled over to May 2004.

Series 2 loans are secured by investment certificates of principal sums US$2 million and TT$10 million and the assignment of Airline Reporting Corporation receivables.

Notes to the Financial Statements 31 December, 2002

8 Borrowings (Continued)

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

The loan for US$5,000,000, repayable in thirty-five (35) monthly installments of principal and interest inclusive, was fully repaid in July 2002.

The loan for US$3,000,000 repayable in fourteen (14) monthly installments of principal and interest inclusive was fully repaid in February 2002.

(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. This unsecured loan was fully repaid as at January 2002.

(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%.

(f) The Company entered into a loan agreement with Citibank (Trinidad and Tobago) Limited in July 2001 for US$5,000,000 for twelve months at an interest of 9.00%. This loan was fully repaid as at July 2002.

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

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

A third aircraft was acquired in December 1999 at a cost of US$11,222,477 of which 90% or US$10,100,229, was financed by way of the 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 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 semi-annual 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.

Notes to the Financial Statements 31 December, 2002

8 Borrowings (Continued)

(j) The following have been received from the Government of the Republic of Trinidad and Tobago:

A sum of US$1.24M, to assist the airline in meeting the increased cost of passenger insurance premia, following the events of 11 September 2001.

A longer-term loan of TT$12.6m, received on 16 December 2002, to meet critical lessor payments. A two year moratorium was granted on the repayment of principal and interest, after which time interest is payable at 6% per annum, with principal and interest to be paid in monthly installments.

(k) The Company negotiated a loan of US$2.1M from ANSA Finance and Merchant Bank Limited which was received on 7 August, 2002. The loan is for a period of two years, with quarterly interest payments at 8.75%, commencing 7 November, 2002. This loan is to be repaid with a bullet payment for the full amount of the principal on 7 August, 2004.

(l) An unsecured loan of US$2.5M was negotiated with Caribbean Money Market Brokers which was distributed in two tranches:

The first tranche of US$1m received in April 2002, with interest repayable monthly at a rate of 9% per annum on the reducing balance and principal repayable in ten quarterly installments. This loan is for a duration of 2.5years ending 28 September, 2004.

The second tranche of US$1.5M was received in May 2002, with interest payable monthly at a rate of 9% per annum on the reducing balance and principal repayable in ten quarterly installments of US$150,000. This loan is for duration of 2.5 years ending 14 November, 2004.

(m) A one-month loan facility was drawn down on 31 December, 2002 from First Citizens Bank Limited for US$4M to finance lease commitments to International Lease Finance Corporation. The loan was secured by a Letter of Comfort from the Government of the Republic of Trinidad & Tobago and was issued at a 5% interest rate. The Company has assigned its take off and landing slots at Heathrow Airport, as security.

Notes to the Financial Statements 31 December, 2002

11 Provision for Overhaul

Year ended 31 December 2002	US$000's	TT$000's
Opening net book amount	5,185	32,478
Additions	7,828	49,507
Provisions utilized	(6,958)	(43,837)
Net carrying amount	6,055	38,148

12 Loss From Operations

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
The following items have been charged in arriving at operating loss:				
Staff costs (see note 13)	57,443	60,040	361,888	376,155
Directors' fees and expenses (see note 13)	52	59	327	365
Depreciation and amortization	33,851	19,239	213,255	120,532

13 Staff Costs

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Salaries and wages	44,464	47,735	280,121	299,720
Crew allowances	3,621	3,434	22,811	21,329
Pension fund contributions	3,974	4,157	25,036	25,825
National and health insurance	2,771	2,735	17,457	16,999
Other personnel expenses	2,665	2,038	16,790	12,647
Total	57,495	60,099	362,215	376,520

Total number of employees as at 31 December 2002 was 2,572. The comparative figure for 2001 was 2,843.

14 Contingent Liabilities and Capital Commitments

a) Operating Lease commitments

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

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

Notes to the Financial Statements 31 December, 2002

9 Taxation

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
(a) Current tax	803	643	5,062	4,027
Deferred tax	(2)	6	(15)	43
Prior year under provision	--	19	--	116
Business levy	505	10	3,182	61
Green fund levy	262	278	1,650	1,741
	1,568	956	9,879	5,988

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

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
(Loss)/profit before taxation and after extraordinary items	(32,561)	239	(205,128)	1,498
Corporation tax at the statutory rate of 35%	(11,396)	84	(71,795)	524
Tax effect of non-deductible items				
Temporary difference	(40)	35	(249)	219
Tax Losses not recognized	12,237	4,018	77,091	25,174
Exempt income	--	(3,469)	--	(21,731)
	801	668	5,047	4,186
Business levy	505	10	3,182	61
	1,306	678	8,229	4,247
(c) Green Fund levy	262	278	1,650	1,741
	1,568	956	9,879	5,988

10 Deferred Tax Liability

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Opening amount	481	475	3,016	2,973
Charge to income statement	(2)	6	(15)	43
Closing amount	479	481	3,001	3,016

Deferred tax has been charged on the following temporary differences:

	31/12/01 TT$000's	Charge to Income Statement TT$000's	31/12/02 TT$000's
Accelerated tax depreciation	3,016	(15)	3,001
	US$481	US$(2)	US$479

Notes to the Financial Statements 31 December, 2002

14 Contingent Liabilities and Capital Commitments (Continued)

Operating Lease commitments as at 31 December 2002:

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
2002	--	39,922	--	250,109
2003	37,452	41,854	235,947	262,215
2004	35,914	37,069	226,255	232,237
2005	32,504	37,465	204,772	234,719
2006	32,756	37,839	206,360	237,064
2007	33,008	37,452	207,947	235,947
Thereafter	103,011	67,290	648,959	420,264

There were no material Finance Leases.

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.

c) Capital commitments

At 31 December 2002 the Company had deferred the arrival of its second A340-300 airbus aircraft to a later date. The lease agreement with International Lease Finance Corporation over an initial five-year period amount in excess of US$15M.

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.

Notes to the Financial Statements 31 December, 2002

15 Investment Agreement and Preference Share Option

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

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

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

16 Employee Share Ownership Plan (ESOP)

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.

17 Option to Acquire Catering Business

An option has been granted to one of the existing shareholders of Allied Caterers Limited, 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.

18 Financial Risk Management

The Group's activities expose it to a variety of financial risk including the effect of fuel prices, foreign exchange rates and interest rates. The Group's overall risk management programme seeks to minimize potential adverse effects on financial performance of the Group. Risk management is carried out by a central treasury department under policies approved by the Board of Directors.

The Group uses forward contracts to mitigate fluctuations in fuel prices. These contracts are recognized as derivative instruments and are recorded in the financial statements. There were no unfulfilled forward contracts in existence at the balance sheet date. All forward contracts entered into for the year were closed off during the period and the gain or loss recognized in the consolidated income statement.

(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.

(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 to

Notes to the Financial Statements 31 December, 2002

18 Financial Instruments (Continued)

meet payments for fuel, lease costs, major overhaul and payments to other carriers which are denominated in United States dollars. 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 fair value of trading and available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of forward contracts is determined using the forward rates, agreed at the balance sheet date.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

19 Principal Subsidiaries

	Group shareholdings	Country of Incorporation
Allied Caterers Limited	55%	Trinidad and Tobago
• Subsidiary - Contract Caterers Limited	55%	Trinidad and Tobago
West Indies Airways Aircraft Limited	100%	Cayman Islands
West Indies Airways Aircraft Limited No. 2	100%	Cayman Islands
• Subsidiary - Katerserv Limited	55%	Trinidad and Tobago
Tobago Express Limited	49%	Trinidad and Tobago
• Subsidiary - Caribbean Aircraft Acquisitions Limited	49%	Cayman Islands
Associated Company		
LIAT (1974) Limited	23.6%	Antigua

20 Loss Per Share (LPS)

Basic LPS is calculated by dividing the net loss attributable to shareholders, after deducting preference dividends of TT$3,570,000 (See Note 7), by the weighted average number of common shares in issue during the year.

For the diluted LPS, 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. The options to Air West Indies Limited at a price of the lower of US 25 cents were exercised during the year and hence there are no dilutive shares this year.

Notes to the Financial Statements 31 December, 2002

20 Loss Per Share (LPS) (Continued)

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Group loss after taxation	(34,401)	(694)	(216,722)	(4,349)
Preference share dividends	(568)	(568)	(3,570)	(3,570)
Loss attributable to shareholders	(34,969)	(1,262)	(220,292)	(7,919)
Weighted average number of ordinary shares in issue	47,357,000	46,581,000	47,357,000	46,581,000
Weighted average number of ordinary shares for diluted loss per share	--	46,756,000	--	46,756,000
Basic (LPS)	(74¢)	(3¢)	($4.65)	(17¢)
Diluted (LPS)	--	(3¢)	--	(17¢)

21 Segment Reporting

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

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

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

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

Geographic segments:

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

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

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

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

Notes to the Financial Statements 31 December, 2002

21 Segment Reporting (Continued)

a. Business segment information is analysed as follows:

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Revenue by business segment:				
Airline operations - scheduled passenger	224,848	244,054	1,416,519	1,528,996
- other airline related	28,811	21,356	181,508	133,799
	253,659	265,410	1,598,027	1,662,795
Catering operations	1,672	4,477	10,532	28,046
Operating revenue	255,331	269,887	1,608,559	1,690,841

Expenses by business segment:

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000s
Airline operations	270,616	269,761	1,704,848	1,690,054
Catering operations	3,156	2,746	19,884	17,204
Operating expenses	273,772	272,507	1,724,732	1,707,258
Segment result:				
Airline operations	(20,835)	(4,351)	(131,256)	(27,259)
Catering operations	2,394	1,731	15,083	10,842
Operating loss	(18,441)	(2,620)	(116,173)	(16,417)
Segmental assets:				
Airline operations	155,522	170,882	979,769	1,070,586
Catering operation	5,215	6,016	32,856	37,691
Group	160,737	176,898	1,012,625	1,108,277
Segmental liabilities:				
Airline operations	168,026	149,223	1,058,543	934,907
Catering operation	1,983	1,965	12,494	12,312
Group	170,009	151,188	1,071,037	947,219

Notes to the Financial Statements 31 December, 2002

21 Segment Reporting (Continued)

Segmental capital expenditure:

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Airline operations	16,940	24,288	106,725	152,170
Catering operation	102	137	640	850
Group	17,042	24,425	107,365	153,020

Segmental depreciation and amortisation:

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Airline operations	24,814	18,879	156,326	118,274
Airline operations – impairment loss	8,733	--	55,017	--
Catering operation	304	360	1,912	2,258
Group	33,851	19,239	213,255	120,532

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

Scheduled passenger revenue by area of sale:

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Trinidad and Tobago	46,706	52,542	294,245	329,173
Other Caribbean, South and Central America	53,736	62,693	338,531	392,768
North America	73,728	85,229	464,480	533,961
United Kingdom and Europe	50,678	43,590	319,263	273,094
	224,848	244,054	1,416,519	1,528,996

Scheduled passenger revenue by point of origin and destination:

Domestic	2,539	3,771	15,994	23,618
Other Caribbean, South and Central America	33,175	40,649	209,001	254,668
North America	126,591	142,317	797,508	891,618
United Kingdom and Europe	62,543	57,317	394,016	359,092
	224,848	244,054	1,416,519	1,528,996

Notes to the Financial Statements 31 December, 2002

22 Related Party Transactions

The Company has had related party transactions, during the year under review, with LIAT (1974) Limited in which it has a 23.6% interest, see Note 5. LIAT (1974) Limited provides ground handling services in 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.

	2002 US$000's	2001 US$000's	2002 TT$000's	2001 TT$000's
Amounts due from related party	573	1,392	3,610	8,721
Amount due to related party	(501)	(2,406)	(3,155)	(15,074)
Passenger, cargo and ground handling services provided by the Company	3,423	2,940	21,564	18,421
Passenger, cargo and ground handling services provided by LIAT (1974) Limited	(5,152)	(4,770)	(32,459)	(29,885)

The above transactions were carried out on commercial terms and conditions.

23 Extraordinary Items

(a) Government Grant - 2001

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 have been recognized.

Notes to the Financial Statements 31 December, 2002

23 Extraordinary Items (Continued)

(b) Restructuring costs - 2002

The costs associated with the restructuring of the activities of the Company relate specifically to the retrenchment of employees, whose services will no longer be required as a result of the fundamental restructuring of the Company that commenced in December 2002.

The Company has reviewed all areas of its operations with a view to significantly reducing its cost base in order to compete effectively in the environment in which it operates. As a result of this review it has been decided to:

(i) Outsource its heavy maintenance capability for the Boeing 737-800 fleet.
(ii) Outsource Ramp Handling at Piarco Airport Trinidad.
(iii) Outsource the operations of the Sunjet Duty Free Shop at Piarco to an external party .
(iv) Reduce Managerial and General Staffing levels across the organization in line with revised productivity goals.

The majority of staff affected by this restructuring were served with retrenchment notices on 28 January 2003.

Annual Report 2002
Form of Proxy

STAMP

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 Friday August 15, 2003 at 11:00 a.m. at Angostura House, Angostura Street and Eastern Main Road, Laventille, Trinidad.

I/WE ____
(Name of Shareholder/s)

of ____
(Address)

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

Mr/Ms/Mrs____
(Name of Proxy)

of ____
(Address of Proxy)

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 2003.

Signature of Shareholder ....

Signature of Shareholder ....

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 by the person completing the proxy and cancelled by writing on or across the stamp his or her name or initials together with the date of cancellation, or must otherwise effectively cancel the said stamp and render same incapable of being used for any other purpose. The completed form must be deposited with the Corporate Secretary at the Registered Office of the Company at least forty-eight hours (48hrs) before the time appointed for holding the meeting or adjourned meeting.
6. Any alterations made on this form should be initialed.

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

RESOLUTIONS:	**FOR:**	**AGAINST:**
1. That the Report of the Directors and the Audited Financial Statements as at December 31, 2002 together with the Auditors' Report thereon be and are hereby received.		
2. (a) That the Directors to be re-elected be re-elected en bloc		
(b) That Messrs Charles Anthony Jacelon, Indira Maharaj-Ramrekersingh and Michael Small be re-elected by the Government of the Republic of Trinidad and Tobago, being the holder of Class A Series I Ordinary Shares, for the term from the date of their re-election until the close of the Third Annual Meeting following their re-election.		
3. That PricewaterhouseCoopers be re-appointed Auditors of the Company and the Directors be authorised to fix their remuneration for the ensuing year.		

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

For Official Use ONLY:

- Class of Shares: ______________________
- No. of Shares: ______________________