



ANNUAL REPORT 2004

BWIA

West Indies
AIRWAYS

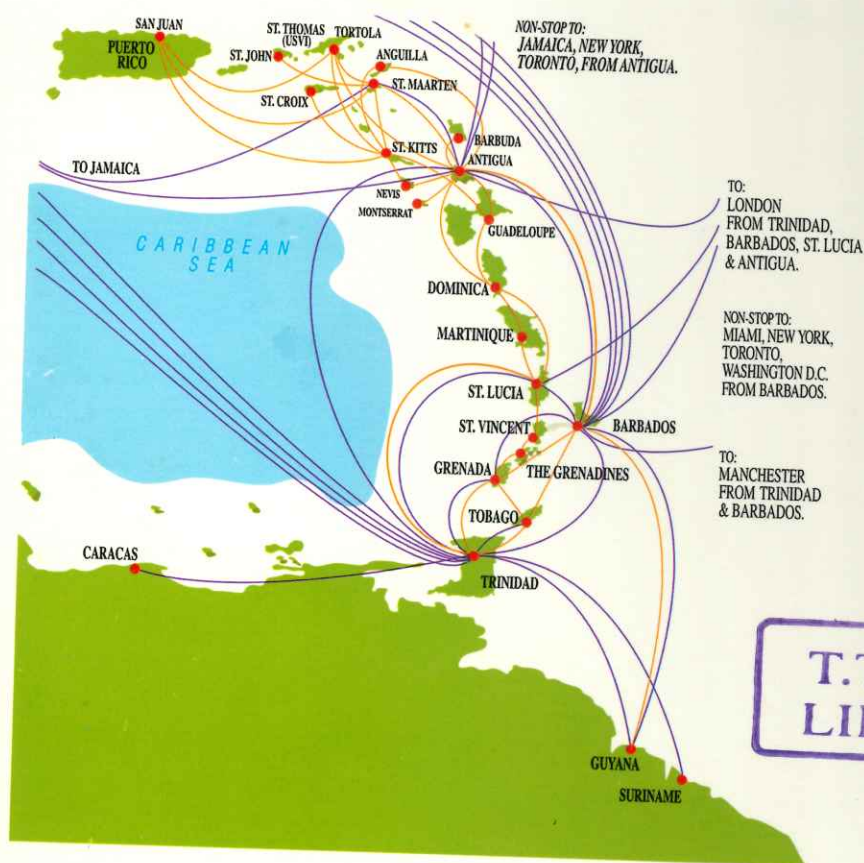


ABOUT BWIA

BWIA was founded in 1940, and for more than 60 years has been serving the Caribbean islands from Trinidad and Tobago, the hub of the Americas, linking the twin island Republic and many other Caribbean islands with North America, South America, the United Kingdom and Europe.

BWIA's international gateways are New York, Washington, Miami, Toronto, Manchester and London, with service to and from Trinidad, Tobago, Barbados, St. Lucia, Grenada, Jamaica, Antigua, St. Maarten, Guyana, and Suriname. With partner airlines, connections are available through these gateways to and from many other North American cities, including Boston. With Air India, for example, BWIA offers flights between the Caribbean and India via London or New York.

BWIA operates long-range Airbus A-340s, and a new fleet of Next Generation Boeing 737-800 aircraft with enhanced in-flight facilities. Tobago Express with new Dash-8 Q300s serves the airbridge between Trinidad and Tobago. BWIA's regional partner LIAT supports the island commuter service with Dash-8 Q300's and Q100's from hubs in Antigua and Barbados.



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CORPORATE INFORMATION

BOARD OF DIRECTORS *:

Mr Samuel Martin - Chairman (Acting)
Mr Rodney Sastri Prasad - Member
Mr Krishna Narinesingh, CMT - Member
Mr Michael Small - Member
Mr Neil Parsanlal - Member
Ms Joy Caesar, CMT - Member

GENERAL MANAGER:

Mr Nelson Tom Yew

CORPORATE SECRETARY:

Ms Rachel Laquis

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
USA

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

ATTORNEYS-AT-LAW:

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

AUDITORS:

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

*The resignations of Mrs Indira Maharaj-Ramrekersingh and Mr Lawrence Duprey, CMT (former Chairman) were accepted by the Board of Directors on January 30, 2004 and August 20, 2004 respectively. Mr Neil Parsanlal was appointed to the Board of Directors on May 17, 2004 and Messrs Samuel Martin, Joy Caesar, CMT, Nesha Kochhar and Shafeek Sultan-Khan were appointed to the Board on December 06, 2004. Ms Kochhar tendered her resignation on March 02, 2005, and Dr Sultan-Khan tendered his resignation on March 31, 2005.

NOTICE OF ANNUAL MEETING

Notice is hereby given that the 11th Annual Meeting of the Shareholders of BWIA West Indies Airways Limited will be held at the **Courtyard by Marriot, Invader's Bay, Audrey Jeffers Highway, Port-of-Spain, on Friday, August 05, 2005, at 10:00 am** for the following purposes:

- To review and consider the Report of the Directors and the Consolidated Audited Financial Statements for the year ended December 31, 2004, together with the Auditors' Report thereon.
- To re-elect Directors.
- To re-appoint Auditors and empower the Directors to determine their remuneration for the ensuing year.

BY ORDER OF THE BOARD



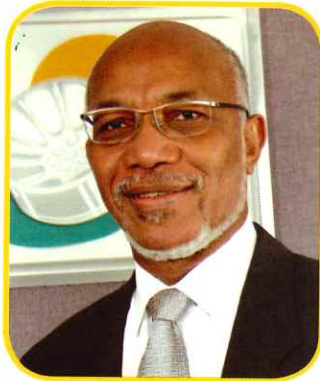
Rachel Laquis
Corporate Secretary
June 03, 2005

NOTES:

1. The Directors of the Company have not fixed a Record Date for the determination of Shareholders who are entitled to receive Notice of the Annual Meeting. In accordance with Section 111 (a) of the Companies Act, 1995, the statutory record date applies. Only Shareholders on record at the close of business on June 02, 2005, the date immediately preceding the day on which this Notice is given, are therefore 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. Enclosed 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.



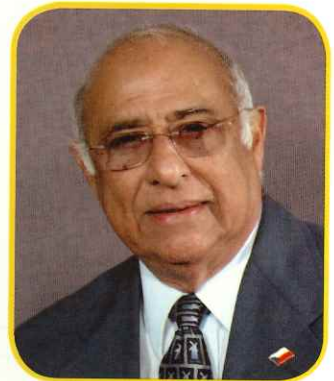
BOARD OF DIRECTORS



Mr. Samuel Martin
(Acting Chairman)



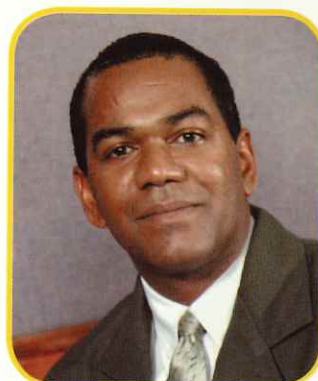
Mr. Rodney Sastri Prasad



Mr. Krishna Narinesingh, CMT

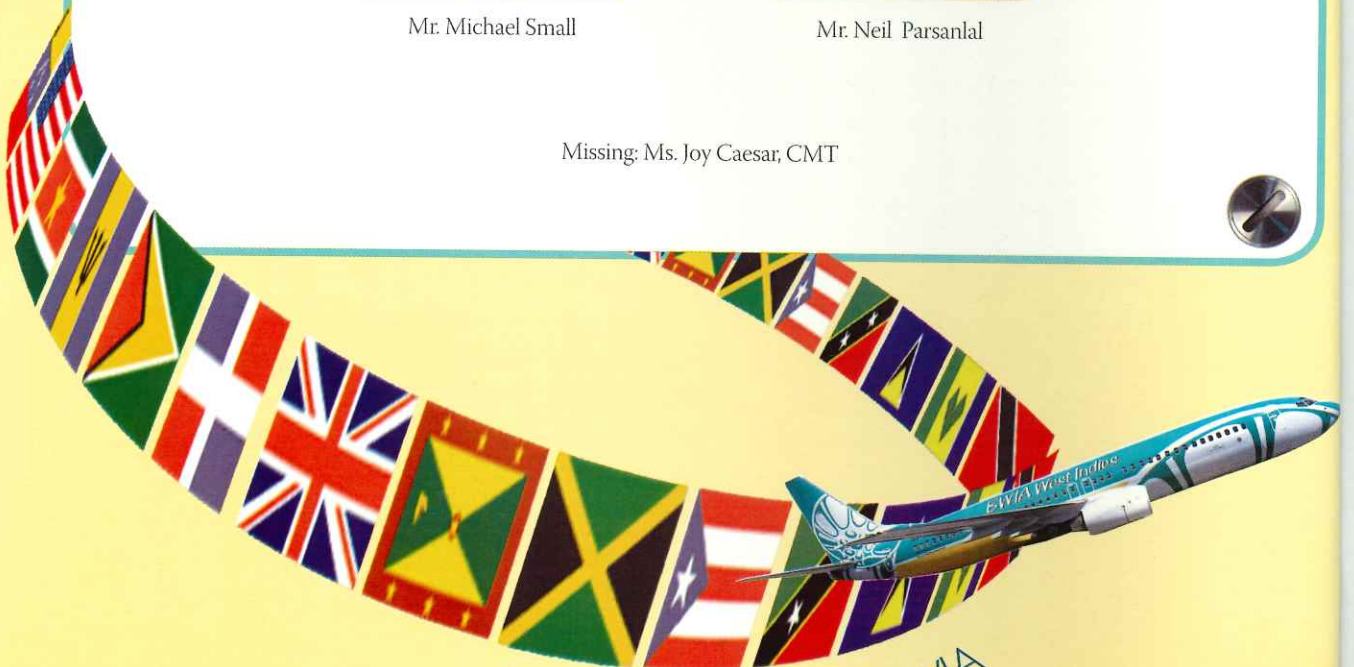


Mr. Michael Small



Mr. Neil Parsanlal

Missing: Ms. Joy Caesar, CMT



Rally Round BWIA

CHAIRMAN'S REPORT

David Rudder's question "How do we reclaim the fire, in these times of blight and bling" could easily be directed to the state of the global airline industry since the events of September 11, 2001.

The past years since then have accumulated continuing unfavourable results for BWIA's liquidity and operations. The trend of net losses for 2002 and 2003 has continued into 2004. These losses reflect among other factors, the increasing competition from low cost carriers, rising fuel costs and a mandatory re-certification exercise.



Samuel Martin

From its base in Trinidad & Tobago, BWIA continues to provide air transportation through the Caribbean to strategic cities in the United Kingdom, North America and South America. It competes on all routes with foreign investor-owned carriers, state-owned carriers and others that, from time to time, may be authorised to provide chartered and scheduled passenger and cargo services. The major U.S. air carriers have distinct advantages in destinations that are not their core network, deriving traffic from their well-developed and extensive domestic route systems. Charter services, which come to the Caribbean only when they are likely to carry full loads, have advantages of significantly lower overhead costs, which facilitate their more competitive fare structures. Charter companies are also not held to the exacting standards of BWIA, even as they erode the market share – and indeed the market itself - that our Company created over the past 64 years.

In spite of the challenges of the industry, BWIA remains committed to providing an essential service to the region, and in particular to Trinidad and Tobago. Indeed, most of our island economies, and the initiatives towards economic integration are based on trade, travel and tourism within the region. In 2004, BWIA brought 42.3% of the total international arrivals to Trinidad & Tobago. We carried 18.31% of passenger arrivals - the largest share by any single carrier - into Barbados. Intra Caribbean traffic totalled 442, 864, with total passengers carried numbering 1, 132, 392. BWIA was also quite instrumental in the Grenada Hurricane relief effort, transporting much needed supplies to our distressed neighbours.

In the scheme of the global airline industry, BWIA is a small carrier. As at December 31, 2004, there are sixteen routes in operation serviced by nine aircraft. We comply with all mandatory international laws and regulations, many of which have significant costs implications.

In the first six months of 2004, BWIA's financial results were substantially in accordance with the Business Plan despite the significant and unprecedented increases in the price of fuel, which accounts for 21% of operating costs. Fuel costs continued to escalate throughout the entire year.



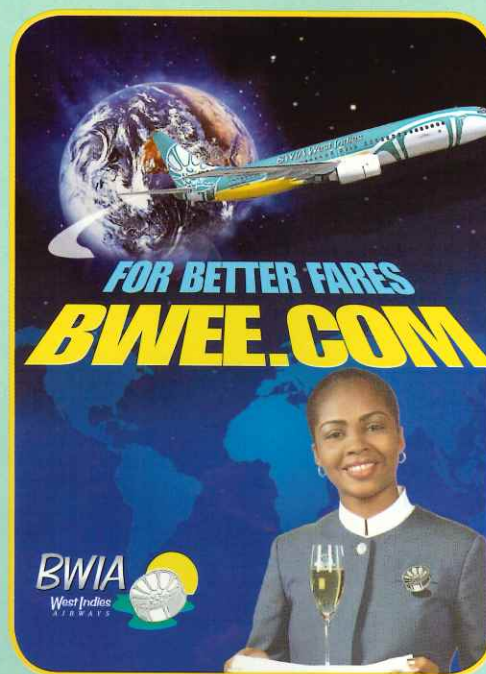
Early in 2004, pursuant to a request for proposal dated July 2, 2003, Simat, Helliesen & Eichner, Inc. ("SH&E") was retained on February 12, 2004 to provide advisory services to the Government of the Republic of Trinidad & Tobago with respect to specific issues dealing with the current and immediate future financial viability of BWIA and its commercial and organisational status. The report was delivered in June 2004 and presented to the Government for review.

In August 2004, in an effort to raise much needed capital, BWIA undertook a Rights Issue. This resulted in the Government of the Republic of Trinidad & Tobago regaining majority shareholding interest in the airline of 97.188%. For the remainder of the year, the Board of Directors and BWIA's Management Team have been working closely with the majority shareholder to chart a strategic direction for BWIA, that would redound to the improvement of the Company, and the benefit of Trinidad & Tobago and the region.

Planning and implementation take time. In the year under review, we have continued to record overall loads in excess of one million passengers. Nevertheless, in the peak period of December 2004, BWIA failed passengers with severe baggage constraints, exacerbated by inadequate equipment and planning. We apologise sincerely to all affected passengers, our loyal customer base and shareholders. We appreciate the considerable patience and understanding of affected customers and hope that we will be allowed to serve you in the future.

Projections for 2005, according to an Economic Review compiled by RBTT Investor, indicate that the pace of global GDP (Gross Domestic Product) growth is expected to slow down. However, tourism was identified as one of the most important drivers for growth for Caribbean economies. This is a positive indicator for BWIA and one on which we hope to capitalise with improved service and reliability. Growth of the tourism industry in Barbados was highlighted. The trend which produced growth there of 10.4% in the first half of 2004 is expected to continue.

BWIA remains a symbol of home for Caribbean people everywhere. We wish to continue to be the vehicle of choice for residents and visitors traversing the Caribbean. Your Board of Directors, the



One of our advertisements

CHAIRMAN'S REPORT CONTINUED

Management Team and employees are committed to fulfilling the mandate of best West Indian service and a return to profitability. The road ahead will be rugged. We are therefore asking for the concerted and unswerving support of shareholders, key stakeholders and loyal customers to provide the transformation that is once again required to meet the new challenges for BWIA.

We sincerely thank the Government of the Republic of Trinidad & Tobago for their continued support and good faith in BWIA. We recognise the efforts of employees, even as we appeal for continued efficiency and enterprise. Let us continue to rally round our indigenous airline with renewed energy to deliver improved customer service, on-time performance and natural Caribbean warmth.



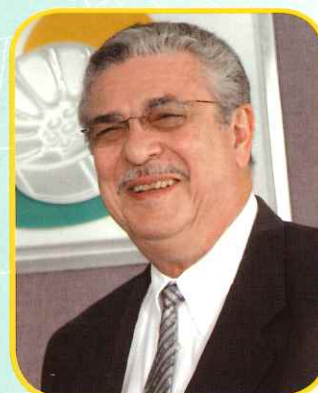
BWIA Port-of-Spain Call Centre

Samuel Martin
Chairman (Acting)

TRIBUTE TO MR. CHARLES ANTHONY JACELON S.C.

The Board of Directors, Management & Employees of BWIA West Indies Airways Limited would like to acknowledge the sterling contribution of our deceased Chairman, Mr. Charles Anthony Jacelon, S.C.

Mr. Jacelon assumed the chairmanship of BWIA in August 2004, having served as Deputy Chairman from March 27, 2002, a position which he also held in 1995. Mr. Jacelon's commitment to BWIA was unwavering and he worked tirelessly to ensure the airline's survival. His valued guidance, support and contribution will be sorely missed by all.



Samuel Martin
Chairman (Acting)

The late Mr. Charles A. Jacelon

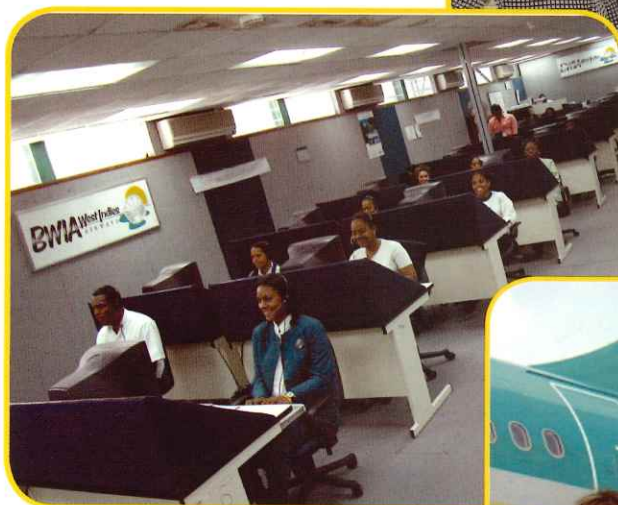
ANNUAL REPORT 2004



TEAM BWIA



Port-of-Spain Sales Team



Port-of-Spain Call Centre



Flight Crew



Rally Round BWIA

GENERAL MANAGER'S REPORT

BWIA has come through yet another year of challenge and change. We are grateful for the loyalty of our customers, the on-going efforts of our employees, the goodwill of suppliers and the support of our shareholders and Board of Directors.

In spite of mounting challenges – among them the unprecedented increases in the cost of fuel - we have reduced costs in accordance with the strategic objectives outlined for this year. We close the year with nine aircraft - having received our second A340, system-wide staff count of 1,984, and a route network that takes us into sixteen destinations.



Nelson Tom Yew

A loss of US\$15.4 Million (TT\$96.8 Million) was recorded for 2004. This loss represents an improvement of US\$6.6 Million (TT\$41.4 Million) or thirty percent (30%) over 2003.

Historically, in the airline industry and up to 2003, employee costs represented the highest component of operating costs for all major airlines, including BWIA. This changed in 2004 and fuel at 21% replaced employee costs as the largest component of operating expenditure.

In 2004, fuel exceeded budgeted levels by US\$10.7 Million (TT\$64.4 Million) or a 22% adverse variance. Additionally, in its effort to regain Category 1 status, the Trinidad & Tobago Civil Aviation Authority embarked on an extensive exercise to revise regulations in order to meet required standards. Accordingly, BWIA had to be certified under these new regulations, a process which required additional manpower, equipment and other resources, all of which bore tangible supplementary costs. Security measures being instituted by airlines the world over, also necessitated unforeseen costs. These measures significantly increased operating expenses for the year under review, and have implications for the next operating period.

In addition to the significant adverse impact of the rise in fuel prices, and the aforementioned costs there were other expenditures, which also negatively impacted the fortunes of BWIA. These included:

- Interest and maintenance costs borne by the airline due to its failure to resolve the default situation with International Lease Finance Corporation (ILFC);
- Expenditures to meet certain mandatory security requirements imposed by the US Federal Aviation Administration (FAA) e.g. cockpit door modification (NB: This cost was underwritten for US carriers by the US Federal Government.)



*Annual Caribbean
Connection Trade
Show Jamaica*



Retirees Dinner 2004



Long Service Awards Ceremony 2004

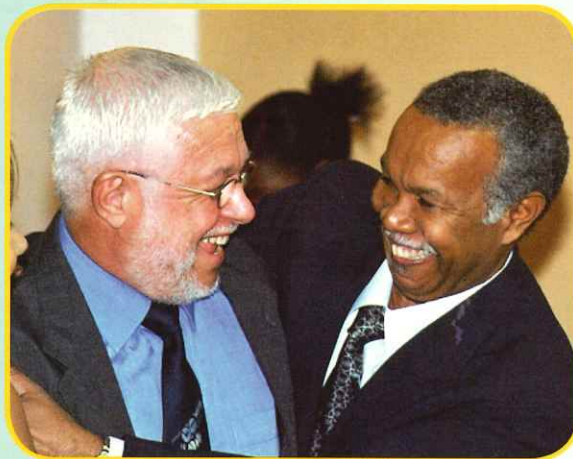
GENERAL MANAGER'S REPORT CONTINUED

If the recorded loss of US\$15.4 Million were to be discounted by the US\$10.7 Million adverse fuel variance and the costs associated with complying with the above, then the airline would have been likely to record at minimum, a break-even position on its operations in 2004.

In addition to these upward pressures on costs, the very nature of the airline industry is changing dramatically. The older, well-established carriers like BWIA provide passengers with certain levels of service, which have come to be taken for granted. At the same time, legacy carriers like us are now confronted with competition from new air transportation service companies, whose cost structures allow them to drastically reduce fares, eliminate "frills" and pare away non-essential costs. In 2004, adapting to these trends in the changing global environment was a primary focus of BWIA's thinking and strategic planning.

On July 11, 2004, BWIA launched its intra-Caribbean freighter service. The new freighter provided a major boost for the movement of cargo within the region. This service operates on a two-hub system where goods are moved to several destinations via Trinidad and Barbados twice per week. In 2004, the destinations served included Grenada, Barbados, Trinidad and Tobago, St. Lucia and St. Vincent. Of particular significance is the freighter service between Trinidad and Tobago operating at least once per week. BWIA continues to support the trade and tourism sectors of the region's economies making a valuable contribution to the vision of a Caribbean Single Market and Economy.

In August, in an effort to expand our market base, BWIA joined forces with the German-based firm Aviareps to promote and market leisure sales in the United States. Aviareps is the world's leading airline representation group, with more than 50 offices around the world. Among other things, Aviareps is promoting BWee Vacations, BWIA's in-house vacation tour programme, and will also be working with Island Resort Tours. The Aviareps team, based in Miami, brings a wealth of industry experience to this project. The alliance with a global professional marketing operation is expected to enhance BWIA's position as the Caribbean airline, and enlarge our market base.



At the retirees dinner



Gillian Benjamin, winner of the BWIA Annual Talent Competition



Students tour BWIA's compound at Piarco



BWIA Staff on a training trip to Puerto Rico



BWIA Invaders playing at the Long Service Awards.



Miss BWIA Caribbean Warmth & former Miss Trinidad and Tobago at BWIA's Family Day 2004.



GENERAL MANAGER'S REPORT CONTINUED

In 2004, BWIA sustained its efforts to stabilise operations and to increase its overall competitiveness through a planned policy of commercialisation. Our scheduled passenger revenue grew by some 14% (US\$29 Million) over 2003. At the same time, total revenue grew by 13%. The transportation of an additional 48,505 passengers (+4.47%) over the previous year, reflected positive performance indicators: 1.3% increase in load factor; 4.4% increase in passenger uplift; and 6.33% increase in the average fare. It is significant to note that 19.3% of total scheduled passenger revenue is earned in BWIA's home base, Trinidad & Tobago.



Our receptionist at BWIA's Port-of-Spain Call Centre

Nonetheless, these are not easy times for the global airline industry: continuous change and adaptation are necessary strategies. In 2005, our Management Team and employees are committed to undertake the strategic direction and course of action necessary to return BWIA to profitability. We do not believe that this may be achieved in one year, but we expect to show the results necessary to regain confidence and put us on a path of positive growth. We are engaged in redesigning work processes to place focus and emphasis on productivity, efficiency, relevance and quality.

The advent and realisation of a Caribbean Single Market and Economy, the anticipated installation of the FTAA headquarters in Trinidad, and the Cricket World Cup 2007 — with international focus on the region — will fuel changes in the social and economic landscape of the Caribbean region. BWIA is well poised to fulfill its socio-economic obligations and commercial mandates by facilitating intra and extra regional aviation links.

BWIA is determined to remain competitive. We are committed to maintain and to deliver the service that our customers deserve and expect.


Nelson Tom Yew
General Manager



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:

11th Annual Meeting of the Shareholders of the Company to be held on Friday August 05, 2005 at 10:00 a.m. at the Courtyard by Marriott, Invader's Bay, Audrey Jeffers Highway, Port-of-Spain, 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 03, 2005	Rachel Laquis Corporate Secretary	

DIRECTORS' REPORT

The Directors hereby submit their Report for the year ended December 31, 2004:

Financial Results:	TT\$'000	US\$'000
Turnover	1,745,304	277,037
Net Loss for the Year	96,785	15,362

After charging/(crediting) the following:-

Depreciation & Amortisation	47,894	7,602
Directors' Fees & Expenses	98	16
Foreign Exchange	(2,978)	(473)
Interest Expenses	43,121	6,844
Interest Income	(5,169)	(820)
Retirement Plan Contributions	18,325	2,909



BWIA Travel Solutions Team

Dividend:

The Directors do not recommend the payment of a dividend for the year ended December 31, 2004.

Appointment of Directors:

In accordance with paragraph 5.6 of By-Law No. 4 of the Company, Mr Michael Small retires from the Board and, being eligible, offers himself for re-election by the Government of the Republic of Trinidad and Tobago, being the holder of 97.188% Ordinary Shares for a term from the date of his re-election until the close of the Third Annual Meeting following his reelection.

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, 2004 - 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, 2004		As at May 20, 2005	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
	Shareholding	Shareholding	Shareholding	Shareholding
Charles Anthony Jacelon	Nil	Nil	Nil	Nil
Samuel Martin	Nil	Nil	Nil	Nil
Krishna Narinesingh, CMT	5,000	Nil	5,000	Nil
Rodney Sastri Prasad	1,000	Nil	1,000	Nil
Michael Small	3,014,000	Nil	3,014,000	Nil
Neil Parsanlal	Nil	Nil	Nil	Nil
Joy Caesar, CMT	Nil	Nil	Nil	Nil

There has been no change in these interests occurring between the end of the Company's Financial Year- December 31, 2004 - and one (1) month prior to the date of the Notice convening the Annual Meeting.

Substantial Interests as at May 20, 2005:

Shareholder:	Ordinary Shares:	% of Issued Share Capital:
Minister of Finance (Corporation Sole)	1,293,516,383	97.188
(A substantial interest means a holding of 5% or more of the Issued Share Capital of the Company).		

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 re-appointment.

BY ORDER OF THE BOARD

Rachel Laquis
Corporate Secretary

Dated: June 03, 2005

AUDITORS' REPORT



Auditors' Report

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 2004, 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 18 to 50. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to note 2 to the financial statements, which indicates that the Group incurred losses after taxation of TT\$96,785,000 (US\$15,362,000) for the year ended 31 December 2004 and has accumulated losses of TT\$655,914,000 (US\$104,114,000). Its current liabilities exceed its current assets by TT\$695,433,000 (US\$110,386,000) at 31 December 2004 and it has net liabilities of TT\$47,873,000 (US\$7,600,000). Subsequent to the year end the Group has secured additional commitments of support from the Government of the Republic of Trinidad and Tobago. These financial statements have been prepared on the going concern basis, which assumes that adequate financing will be obtained to allow the Company to meet its obligations.

A handwritten signature in dark ink, appearing to read 'PriceWaterhouseCoopers', written in a cursive style.

PriceWaterhouseCoopers

Chartered Accountants

San Fernando

Trinidad, West Indies

11 May 2005



CONSOLIDATED BALANCE SHEET

As at 31 December	Notes	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Assets					
Non-current Assets					
Property, plant and equipment	3	50,701	54,223	319,409	341,597
Prepaid maintenance reserves	4	46,655	33,595	293,920	211,648
Intangible assets	5	485	880	3,059	5,541
Aircraft and other deposits	6	10,142	11,802	63,890	74,358
Investments	7	277	265	1,745	1,668
		<u>108,260</u>	<u>100,765</u>	<u>682,023</u>	<u>634,812</u>
Current Assets					
Inventories	8	7,202	6,827	45,380	43,009
Receivables and prepayments		38,763	43,359	244,189	273,154
Taxation recoverable		310	--	1,958	--
Cash	9	18,207	10,259	114,703	64,631
		<u>64,482</u>	<u>60,445</u>	<u>406,230</u>	<u>380,794</u>
Total Assets		<u>172,742</u>	<u>161,210</u>	<u>1,088,253</u>	<u>1,015,606</u>
Equity and Liabilities					
Capital and Reserves					
Share Capital	10	96,515	56,098	608,041	353,417
Translation differences		(1)	1	--	--
Accumulated deficit		<u>(104,114)</u>	<u>(88,752)</u>	<u>(655,914)</u>	<u>(559,129)</u>
		<u>(7,600)</u>	<u>(32,653)</u>	<u>(47,873)</u>	<u>(205,712)</u>
Minority interest		<u>1,996</u>	<u>2,151</u>	<u>12,555</u>	<u>13,551</u>
Non-current Liabilities					
Borrowings	11	3,066	26,040	19,315	164,048
Deferred tax liability	12	412	410	2,593	2,584
		<u>3,478</u>	<u>26,450</u>	<u>21,908</u>	<u>166,632</u>
Current Liabilities					
Accounts payable		55,705	47,947	350,938	302,061
Accrued expenses and other payables		44,083	38,413	277,723	242,000
Provision for overhaul	13	14,443	11,633	90,988	73,291
Unearned transportation revenues		27,501	25,084	173,256	158,024
Borrowings	11	30,861	37,847	194,420	238,433
Bank overdraft		90	2,034	569	12,813
Taxation payable		2,185	2,304	13,769	14,513
		<u>174,868</u>	<u>165,262</u>	<u>1,101,663</u>	<u>1,041,135</u>
Total Equity and Liabilities		<u>172,742</u>	<u>161,210</u>	<u>1,088,253</u>	<u>1,015,606</u>

On 11 May 2005, BWIA West Indies Airways Limited's Board of Directors authorised these financial statements for issue. The accounting policies on pages 22 to 30 and the notes on pages 31 to 50 form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Translation Differences US\$000's	Share Capital US\$000's	TT\$000's	Deficit US\$000's	TT\$000's
Balance at 1 January 2004	1	56,098	353,417	(88,752)	(559,129)
Issue of shares	--	40,417	254,624	--	--
Currency translation adjustment	(2)	--	--	--	--
Net Loss	--	--	--	(15,362)	(96,785)
Balance at 31 December 2004	(1)	96,515	608,041	(104,114)	(655,914)
Balance at 1 January 2003	6	56,098	353,417	(66,810)	(420,901)
Currency translation adjustment	(5)	--	--	--	--
Net Loss	--	--	--	(21,942)	(138,228)
Balance at 31 December 2003	1	56,098	353,417	(88,752)	(559,129)

The accounting policies on pages 22 to 30 and the notes on pages 31 to 50 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Notes	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Operating Revenues					
Scheduled passengers		239,442	210,411	1,508,463	1,325,569
Cargo and mail		9,750	9,458	61,423	59,581
Incidental and other		27,845	26,373	175,418	166,148
		<u>277,037</u>	<u>246,242</u>	<u>1,745,304</u>	<u>1,551,298</u>
Operating Expenses					
Staff costs		46,994	44,826	296,057	282,400
Fuel		58,997	40,310	371,675	253,949
Lease of aircraft and engines		42,109	47,031	265,280	296,292
Maintenance		22,962	17,963	144,660	113,164
Passenger expenses		18,098	15,697	114,017	98,887
Marketing and sales		7,306	6,489	46,025	40,876
Commissions		13,211	11,952	83,224	75,294
Aircraft handling and navigation		24,780	23,310	156,114	146,851
Crew route expenses		4,698	3,630	29,597	22,869
Other	14	36,407	29,806	229,361	187,775
Depreciation and amortisation	3	7,602	15,943	47,894	100,440
		<u>283,164</u>	<u>256,957</u>	<u>1,783,904</u>	<u>1,618,797</u>
Loss From Operations	15	<u>(6,127)</u>	<u>(10,715)</u>	<u>(38,600)</u>	<u>(67,499)</u>
Non Operating (Expenses)/Income					
Interest income		820	726	5,169	4,574
Interest expense		(6,844)	(6,787)	(43,121)	(42,760)
Foreign exchange gain		473	86	2,978	540
Fixed asset disposal		813	(964)	5,123	(6,074)
Miscellaneous and other		(3,128)	(2,234)	(19,715)	(14,072)
		<u>(7,866)</u>	<u>(9,173)</u>	<u>(49,566)</u>	<u>(57,792)</u>
Loss Before Taxation		<u>(13,993)</u>	<u>(19,888)</u>	<u>(88,166)</u>	<u>(125,291)</u>
Taxation	16	<u>(1,277)</u>	<u>(1,338)</u>	<u>(8,042)</u>	<u>(8,432)</u>
Loss After Taxation		<u>(15,270)</u>	<u>(21,226)</u>	<u>(96,208)</u>	<u>(133,723)</u>
Minority Interest		<u>(92)</u>	<u>(716)</u>	<u>(577)</u>	<u>(4,505)</u>
Group Loss After Taxation		<u>(15,362)</u>	<u>(21,942)</u>	<u>(96,785)</u>	<u>(138,228)</u>
Loss Per Share					
Basic and diluted	24	(\$0.02)	(\$0.47)	(\$0.15)	(\$2.98)

The accounting policies on pages 22 to 30 and the notes on pages 31 to 50 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December	Note	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Operating Activities					
Loss before taxation		(13,993)	(19,888)	(88,166)	(125,291)
Adjustment to reconcile loss to net cash from operating activities:					
Loss on disposal of investment		131	--	826	--
Deconsolidation of property, plant and equipment		--	10,578	--	66,638
Depreciation and amortisation		7,602	15,943	47,894	100,440
Loss on disposal of fixed assets		831	964	5,240	6,074
Net change in operating assets and liabilities	17	9,614	(8,792)	60,559	(55,390)
Net cash inflow		4,185	(1,195)	26,353	(7,529)
Tax paid		(1,704)	(285)	(10,735)	(1,797)
Net cash inflow/(outflow) from operating activities		2,481	(1,480)	15,618	(9,326)
Investing Activities					
Purchase of property, plant and equipment		(4,336)	(9,447)	(27,318)	(59,514)
Proceeds from sale of property, plant and equipment		23	1,554	146	9,792
(Increase)/decrease in investments		(12)	758	(76)	4,773
Increase in intangible assets		--	(33)	--	(207)
Aircraft and other deposits		1,664	(472)	10,468	(2,974)
Net cash outflow from investing activities		(2,661)	(7,640)	(16,780)	(48,130)
Financing Activities					
Minority interest		(381)	--	(2,400)	--
Issue of shares		40,417	--	254,624	--
Long-term loan proceeds		9,387	9,386	59,131	59,137
Repayment of loans		(39,351)	(7,199)	(247,877)	(45,356)
Net cash inflow from financing activities		10,072	2,187	63,478	13,781
Increase/(Decrease) in Cash and Cash Equivalents		9,892	(6,933)	62,316	(43,675)
Cash and Cash Equivalents					
At start of year		8,225	15,158	51,818	95,493
Increase/(Decrease)		9,892	(6,933)	62,316	(43,675)
At end of year		18,117	8,225	114,134	51,818
Represented By					
Cash		18,207	10,259	114,703	64,631
Bank overdrafts		(90)	(2,034)	(569)	(12,813)
		<u>18,117</u>	<u>8,225</u>	<u>114,134</u>	<u>51,818</u>

The accounting policies on pages 22 to 30 and the notes on pages 31 to 50 form an integral part of these financial statements.

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

I BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with International Financial Reporting 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

a) Subsidiaries

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.

b) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

A listing of the Group's principal subsidiaries and associates is set out in Note 23.

ACCOUNTING POLICIES (CONTINUED)

31 December 2004

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\$6.2999 to US\$1.00, (2003: TT\$6.2999 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 Group generates 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 recognised in the income statement.

- **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

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 amortisation for principal asset classifications are provided on a straight-line basis to estimated residual values over estimated service lives as follows:



V PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

		Estimated Service Life
Flight equipment	- Dash 8 Turbo Prop	12-15 years
	- L1011	4 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 amounts 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.

VI DEFERRED INCOME TAXES

Deferred income tax is provided, 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 recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

BWIA West Indies Airways Limited was exempt from Trinidad and Tobago taxation on its income for a period of seven 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 2004. As at 31 December 2004, the Company has estimated tax losses carried forward in excess of approximately TT\$768M (US\$122M).

The principal temporary differences arise from depreciation on property, plant and equipment.

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.

ACCOUNTING POLICIES (CONTINUED)

31 December 2004

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 the amounts due. Bad debts are written off when identified.

IX INVENTORIES

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

X EMPLOYEE BENEFITS

(i) Pension obligations

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 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.

X EMPLOYEE BENEFITS (CONTINUED)

(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 recognises 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 separation.

(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 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.

XI INTANGIBLE ASSETS

• Research, development and pre-operating costs

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

• Computer software

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

ACCOUNTING POLICIES (CONTINUED)

31 December 2004

XI INTANGIBLE ASSETS (CONTINUED)

• Computer software (continued)

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

XII REVENUE RECOGNITION

Passenger and cargo revenue are recognised as operating revenues when the transportation is furnished. The value of unused passenger tickets is included in current liabilities as Unearned Transportation Revenue. Incidental and other revenues are recognised 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 recognised for the amount by which the carrying amounts of the asset exceed 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 a 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 are 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.

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 recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources 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 provided 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.

The Group has also assumed that the work scope planning contained within its maintenance agreement with General Electric will be organised within years six to ten, so as to possibly minimise 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 entitlement to annual leave is recognised when it accrues to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

ACCOUNTING POLICIES (CONTINUED)

31 December 2004

XV PROVISIONS (CONTINUED)

(iii) Frequent traveler awards

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

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

XVII SEGMENT REPORTING

Business segments 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 recognised 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 recognised as income in the period in which they are recoverable.
- Where the grant is to lend assistance for current or future expenses, it is recognised as income over the period of the expense to which it specifically relates.

XX BORROWINGS

Borrowings are recognised initially at the proceeds received, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between the proceeds and the redemption value is recognised 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 2004

1 INCORPORATION AND PRINCIPAL ACTIVITY

BWIA West Indies Airways Limited ("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 23.

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

2 GOING CONCERN, CONTINUING OPERATIONS AND SUBSEQUENT EVENTS

- (i) 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 realise 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 of TT\$96,785,000 (US\$15,362,000) for the year ended 31 December 2004 and has accumulated losses of TT\$655,914,000 (US\$104,114,000). Its current liabilities exceed its current assets by TT\$695,433,000 (US\$110,386,000) at 31 December 2004 and it has net liabilities of TT\$47,873,000 (US\$7,600,000).

The Group cannot continue as a going concern without a return to profitability and the continued support of its financiers and shareholders.

Subsequent to the year end, the Trinidad and Tobago Unit Trust Corporation (UTC) granted a loan to the Company in the amount of TT\$222,900,000. This loan is for a period of twelve years, it bears interest at a rate of 6.3% per annum and will be secured by an unconditional guarantee, from The Government of the Republic of Trinidad and Tobago, following an initial letter of comfort. The Government of the Republic of Trinidad and Tobago is the largest single shareholder of BWIA having acquired 97.188% of the Company following a Rights Issue.

Further, the Government has indicated to the Company that it is currently evaluating a number of options related to the future operation of the Company.

- (ii) In May 2003, International Lease Finance Corporation (ILFC), an Aircraft Leasing Company based in the United States of America, served a Notice of Default on the Company for breach of contract. This breach was in respect of the non-payment of aircraft lease rentals and maintenance reserves for aircraft leased by the Company from ILFC.

On 22 March 2005, the Company entered into a loan agreement with ILFC, the proceeds of which are to be used solely to repay the overdue amounts owing to ILFC.

The loan is for US\$20,549,189, it bears interest at 7% per annum, it is unsecured and it is repayable by equal monthly installments of US\$635,543, until March 2008.

2 GOING CONCERN, CONTINUING OPERATIONS AND SUBSEQUENT EVENTS (CONTINUED)

The Board of Directors is satisfied that, given ongoing efforts to return the Group to profitability, and the indications of support by the Government of the Republic of Trinidad and Tobago, these financial statements are properly prepared on the going concern basis.

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 2004				
Opening net book amount	28,089	291,597	21,911	341,597
Additions	746	25,600	972	27,318
Disposals	--	(4,921)	(465)	(5,386)
Depreciation charge	(2,230)	(35,227)	(6,663)	(44,120)
Closing net book amount	<u>TT\$26,605</u>	<u>TT\$277,049</u>	<u>TT\$15,755</u>	<u>TT\$319,409</u>
	<u>US\$4,223</u>	<u>US\$43,977</u>	<u>US\$2,501</u>	<u>US\$50,701</u>
At 31 December 2004				
Cost	61,581	629,589	99,941	791,111
Impairment loss	--	(82,888)	--	(82,888)
Accumulated depreciation	(34,976)	(269,652)	(84,186)	(388,814)
Net book amount	<u>TT\$26,605</u>	<u>TT\$277,049</u>	<u>TT\$15,755</u>	<u>TT\$319,409</u>
	<u>US\$4,223</u>	<u>US\$43,977</u>	<u>US\$2,501</u>	<u>US\$50,701</u>
At 31 December 2003				
Cost	60,835	614,895	101,772	777,502
Impairment loss	--	(82,888)	--	(82,888)
Accumulated depreciation	(32,746)	(240,410)	(79,861)	(353,017)
Net book amount	<u>TT\$28,089</u>	<u>TT\$291,597</u>	<u>TT\$21,911</u>	<u>TT\$341,597</u>
	<u>US\$4,459</u>	<u>US\$46,286</u>	<u>US\$3,478</u>	<u>US\$54,223</u>

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

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Depreciation on property, plant and equipment	(7,003)	(5,720)	(44,120)	(36,035)
Amortisation - Intangible assets	(394)	(394)	(2,482)	(2,482)
	<u>(7,397)</u>	<u>(6,114)</u>	<u>(46,602)</u>	<u>(38,517)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Impairment Loss - L1011				
Flight Equipment	--	(4,424)	--	(27,871)
Increase in provision for obsolescence/losses on inventories	(205)	(5,405)	(1,292)	(34,052)
	(205)	(9,829)	(1,292)	(61,923)
	(7,602)	(15,943)	(47,894)	(100,440)

4 PREPAID MAINTENANCE RESERVES

Prepaid maintenance reserves are deposits held by the lessors of aircraft in the event that the Company fails to maintain the aircraft according to conditions required in the aircraft lease agreement. These reserves are refunded to the Company, once the Company demonstrates to the lessors that it has incurred maintenance expenditure on the aircraft in accordance with the lease agreement.

5 INTANGIBLE ASSETS

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Computer Software				
Opening net book amount	880	1,241	5,541	7,816
Additions	--	33	--	207
Amortisation	(395)	(394)	(2,482)	(2,482)
Closing net book amount	485	880	3,059	5,541

6 AIRCRAFT AND OTHER DEPOSITS

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Aircraft deposits	7,973	9,635	50,224	60,700
Miscellaneous deposits	2,169	2,167	13,666	13,658
	10,142	11,802	63,890	74,358

Aircraft deposits are cash deposits paid primarily to lessors of aircraft under operating leases. The aircraft deposits are refundable to the Company at the end of the lease term once the leased aircraft are returned to the lessors in the conditions stipulated in the respective lease agreements. Miscellaneous deposits consist primarily of cash security deposits paid to certain credit card institutions. These are refundable.

7 INVESTMENTS

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Available for Sale Securities				
LIAT (1974) Limited	2,765	2,765	17,311	17,311
Provision for diminution in value	(2,765)	(2,765)	(17,311)	(17,311)
Net carrying value	--	--	--	--
Tobago Express Limited	407	407	2,568	2,568
Provision for diminution in value	(407)	(407)	(2,568)	(2,568)
Net carrying value	--	--	--	--
Other available for sale	277	265	1,745	1,668
Total available for sale investments at fair value	277	265	1,745	1,668

Full provisions have been made for the investments in LIAT (1974) Limited and Tobago Express Limited.

Other available for sale investments comprise mainly investment certificates held in Société internationale de télécommunication aéronautique (SITA). This is a non-profit organisation 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.

8 INVENTORIES

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Expendable aircraft spares - at cost	12,864	11,845	81,039	74,618
Goods held for resale	1,949	2,134	12,276	13,444
Food and beverage	94	74	590	469
Other	7,867	7,774	49,569	48,975
	22,774	21,827	143,474	137,506
Provision for obsolescence/ diminution in value	(15,572)	(15,000)	(98,094)	(94,497)
Maintenance and operating supplies	7,202	6,827	45,380	43,009

9 CASH

Included in the cash balance of TT\$114,703,000 (US\$18,207,000) are cash deposits totalling TT\$72,460,000 (US\$11,502,000) assigned as security against the Company's borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

10 ORDINARY SHARES AND SHARE OPTIONS

The authorised share capital of the Company consists of:

- a) One Golden Share held 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 Ordinary Shares (described below).
- c) An unlimited number of Ordinary Shares without nominal or par value.

In the prior year, the Company had 3 classes of ordinary shares – Class A Series I and Class A Series II and Class B.

Pursuant to Special and Ordinary Resolutions passed at a Special Meeting of the Company held on 10 September 2004, the Restated Articles and By-Laws of the company were amended such that the Ordinary Shares are no longer divided into Class A Series I and Class A Series II and Class B Ordinary Shares, but are referred to as simply "Ordinary Shares".

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Issued and fully paid:				
1 Golden share	--	--	--	--
Preference shares:				
Class A - 10,000 shares	9,445	9,445	59,500	59,500
Ordinary shares:				
1,330,942,368 Ordinary shares	87,070	--	548,541	--
Class A Series I - 23,219,999	--	23,407	--	147,461
Class A Series II - 11,203,793	--	9,644	--	60,760
Class B - 13,109,864	--	13,602	--	85,696
	<u>96,515</u>	<u>56,098</u>	<u>608,041</u>	<u>353,417</u>

On 15 April 2004 the Board of Directors approved the issue and offer for sale of a Rights Issue of twenty seven ordinary shares for every one ordinary share held by shareholders at the close of business on 18 June 2004 at an issue price of TT\$0.20 per share. This represents a Rights Issue to ordinary shareholders of 1,283,408,712 ordinary shares amounting to approximately TT\$256 million or US\$40 million. The Rights Issue was fully subscribed.

10 ORDINARY SHARES AND SHARE OPTIONS (CONTINUED)

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 2004 amounted to TT\$24,990,000. 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 years expiring on 30 July 2009. The option period for each option shall not exceed eight years from the grant date and vests over a four year period in equal tranches of 25% each year.

11 BORROWINGS

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
a) Canadian Regional Aircraft Finance	21,743	23,811	136,977	150,008
b) Government of Trinidad & Tobago	3,183	3,189	20,040	20,090
c) First Citizens Bank Limited	2,382	22,779	15,005	143,503
d) Clico Investment Bank Limited	1,393	3,091	8,793	19,476
e) Sagicor Life Inc	787	865	4,952	5,445
f) Ansa Finance & Merchant Bank Limited	--	2,105	--	13,263
g) Caribbean Money Market Brokers	--	975	--	6,144
h) Fleet Capital Leasing	--	839	--	5,287
i) RBTT Bank Limited	--	502	--	3,159
j) RBTT Bank Limited	2,999	3,087	18,895	19,450
k) Ansa Finance & Merchant Bank Limited	1,000	1,965	6,300	12,380
l) Caribbean Money Market Brokers	440	679	2,773	4,276
Total	33,927	63,887	213,735	402,481
Less Current Maturities	(30,861)	(37,847)	(194,420)	(238,433)
	3,066	26,040	19,315	164,048

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

11 BORROWINGS (CONTINUED)

- (a) The fully owned special purpose company - WIAAL - purchased three de Havilland DHC-8-Q300 aircraft utilising loans received from Canadian Regional Aircraft Finance Transactions No.1 Limited (CRAFT), a Jersey Channel Islands Company.

The first two aircraft were purchased in February 1999 from Bombardier Inc. at a cost of US\$10.9 million each. CRAFT financed 85% of the cost amounting to US\$9,265,000 for each aircraft, by way of a loan for twelve years ending 18 February 2011, bearing interest at 8.3175% per annum and repayable in fixed monthly installments of US\$89,087.32 per aircraft. The loan is secured by mortgage on the aircraft and a share in WIAAL which conveys preferred rights of control to the lender in the event of default.

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 CRAFT. This loan bears interest at 9.482% and is repayable over twelve years ending 30 November 2011 by fixed monthly installments of US\$105,612.76. The loan is secured by a mortgage on the aircraft and a share in WIAAL which conveys preferred rights of control to the lender in the event of default.

The Company was not in compliance with the financial covenants of these loans and security agreements with the Canadian Regional Aircraft Finance Transaction No. 1 Limited as follows:

- (i) The tangible net worth shall not be less than US\$40,000,000 for the fiscal year 2004.
 - (ii) The current ratio shall not be less than .80 for the fiscal year 2004.
 - (iii) The leverage ratio shall not exceed .85 for the fiscal year 2004.
 - (iv) The cash flow average shall not be less than 1.05 for the fiscal year 2004.
- (b) The following loans were received from The Government of the Republic of Trinidad & Tobago:
- A US\$1.24 million loan. This loan is interest free, unsecured and has no fixed terms of repayment.
 - An unsecured loan for TT\$12.6 million was received on 16 December 2002. 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.
- (c) The following loans were granted upon receipt of Letters of Comfort from the Government of the Republic of Trinidad and Tobago:

First Citizens Bank Limited - A TT\$15.0 million loan at a rate of interest of 5.85% per annum with a moratorium on interest and principal for two years. Thereafter interest to be paid semi-annually with principal to be repaid by sixteen equal semi-annual payments. This loan was received on 31 October 2003.

First Citizens Bank Limited - A US\$9.75 million demand loan. This loan was repaid during the year.

First Citizen Bank Limited - A US\$5.0 million demand loan. This loan was repaid during the year.

11 BORROWINGS (CONTINUED)

First Citizens Bank Limited - A US\$600,000 loan. This loan was repaid during the year.

First Citizens and Merchant Bank Limited - A US\$5.0 million loan. This loan was repaid during the year.

- (d) Clico Investment Bank Limited granted a US\$3.0 million loan facility on 28 February 2003 with interest at 9% per annum and moratorium of one year on principal and interest. The loan is repayable by 18 monthly installments of principal and interest starting 31 January 2004 and is secured by the assignment of travel agents receipts in the United States of America.
- (e) The loan with Sagikor 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.
- (f)-(i) These loans were repaid during the year.
- (j) This bankers' acceptance bears interest at 6% per annum and is fully secured by an investment note certificate.
- (k) This bankers' acceptance bears interest at 8% per annum and is fully secured by a call deposit.
- (l) This bankers' acceptance bears interest at 5% per annum and is fully secured by a call deposit.

12 DEFERRED TAX LIABILITY

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Opening amount	410	479	2,584	3,001
Charge to income statement	2	(69)	9	(417)
Closing amount	412	410	2,593	2,584

Deferred tax has been charged on the following temporary differences:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

12 DEFERRED TAX LIABILITY (CONTINUED)

	31/12/03 TT\$000's	Charge to Income Statement TT\$000's	31/12/04 TT\$000's
Accelerated tax depreciation	2,584	9	2,593
	<u>US\$410</u>	<u>2</u>	<u>US\$412</u>

13 PROVISION FOR OVERHAUL

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Opening net book amount	11,633	6,055	73,291	38,148
Additions	6,203	8,862	39,080	55,832
Provisions utilised	(3,393)	(3,284)	(21,383)	(20,689)
Net carrying amount	<u>14,443</u>	<u>11,633</u>	<u>90,988</u>	<u>73,291</u>

14 OTHER OPERATING EXPENSES

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Security, aviation, professional & other fees	11,677	11,738	73,567	73,951
Building, equipment & computer rentals	3,383	2,950	21,312	18,587
Utilities, telephone & communication charges	5,250	5,798	33,075	36,523
Provision for bad debts - related party	6,017	1,000	37,902	6,299
Provision for bad debts - other	3,174	1,571	19,997	9,897
Administrative charges	6,906	6,749	43,508	42,518
Total	<u>36,407</u>	<u>29,806</u>	<u>229,361</u>	<u>187,775</u>

15 LOSS FROM OPERATIONS

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
The following items have been charged in arriving at operating loss:				
Staff costs (see note 18)	46,978	44,819	295,959	282,353
Directors' fees and expenses	16	7	98	47
Depreciation and amortisation	7,602	15,943	47,894	100,440



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

16 TAXATION

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
(a) Current tax	349	637	2,201	4,011
Deferred tax	2	(69)	9	(417)
Prior year under provision	49	--	307	--
Business levy	578	513	3,643	3,232
Green fund levy	299	257	1,882	1,606
	<u>1,277</u>	<u>1,338</u>	<u>8,042</u>	<u>8,432</u>

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

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Loss before taxation	<u>(13,993)</u>	<u>(19,888)</u>	<u>(88,166)</u>	<u>(125,291)</u>
Corporation tax at the statutory rate of 30%	(4,198)	(5,966)	(26,450)	(37,587)
Tax effect of non-deductible items	167	2	1,054	13
Other allowances	(27)	--	(175)	--
Tax Losses not recognised	4,409	6,532	27,781	41,168
Prior year under provision	49	--	307	--
Business levy	578	513	3,643	3,232
Green fund levy	299	257	1,882	1,606
	<u>1,277</u>	<u>1,338</u>	<u>8,042</u>	<u>8,432</u>

17 NET CHANGE IN OPERATING ASSETS AND LIABILITIES

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Increase in prepaid maintenance reserves	(13,061)	(11,469)	(82,272)	(72,263)
Decrease/(increase) in receivables and prepayments	4,598	(10,032)	28,965	(63,190)
(Increase)/decrease in inventories	(581)	2,014	(3,663)	12,695
Increase in accounts payable and accrued liabilities	13,429	3,084	84,600	19,428
Increase in provision for overhaul	2,809	5,578	17,697	35,142
Increase in unearned transportation revenue	2,420	2,033	15,232	12,798
Total	<u>9,614</u>	<u>(8,792)</u>	<u>60,559</u>	<u>(55,390)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

18 STAFF COSTS

	2004	2003	2004	2003
	US\$000's	US\$000's	TT\$000's	TT\$000's
Salaries and wages	36,418	33,962	229,429	213,955
Crew allowances	3,126	2,687	19,694	16,930
Pension fund contributions	2,909	3,078	18,325	19,390
National and health insurance	2,350	2,293	14,805	14,443
Other personnel expenses	2,191	2,806	13,804	17,682
Total	46,994	44,826	296,057	282,400

Total number of employees as at 31 December 2004 was 1,984. The comparative figure for 2003 was 1,868.

19 CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

a) Operating Lease Commitments

The Group leases substantially all its aircraft.

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

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.

Material Operating Lease commitments as at 31 December 2004:

	2004	2003	2004	2003
	US\$000's	US\$000's	TT\$000's	TT\$000's
2004	--	37,363	--	236,383
2005	36,801	33,762	231,841	212,697
2006	36,394	31,494	229,281	198,409
2007	28,930	28,686	182,258	180,719
2008	24,851	24,851	156,561	156,561
Thereafter	59,422	60,313	374,351	379,964



19 CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (CONTINUED)

There were no material Finance Leases.

b) Legal Proceedings

- (i) Pegasus Aviation 1 Inc. of the United States of America has filed a claim in a US District Court seeking damages for the breach of a Lease agreement which required the re-delivery of a Mc Donnell Douglas MD 83 Aircraft equipped with two JTD-219 engines on 31 March 2003.

On expiration of the lease certain repair and overhaul activities were to be completed to the specifications outlined in "redelivery conditions" of the subject lease agreement.

Management has made and included in these financial statements provisions to complete the outstanding re-delivery work on the aircraft and other related costs. In management's opinion, after taking appropriate legal advice, the outcome of this legal claim will not give rise to any material loss beyond the amount provided at 31 December 2004.

- (ii) The Company has been named as defendant in various other 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 management's opinion, however, the disposition of these matters is not likely to have a materially adverse effect on its financial condition or results of operation.

c) Board of Inland Revenue (BIR) Proposed Assessment

Following a PAYE audit for the years of income 2001 to 2003, the BIR advised the company that it proposes to raise assessments for additional taxes.

After receiving appropriate advice, management is of the view that the Company can successfully defend its position. Accordingly, no adjustments have been made in these financial statements for these proposed assessments.

d) Commitments

The original term for the lease of one A340-300 airbus aircraft with debis Air Finance expires on 22 July 2005. Under the provisions of the lease the Airline has the option to extend the term within six months of the expiry date. In accordance therewith on 17 January 2005, the Company signed a Letter of Intent with debis Air Finance for the extension of the lease of this aircraft for a further eighteen months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

19 CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (CONTINUED)

e) Guarantees

- (i) By agreement dated 7 March 2002, BWIA provided guarantees and indemnities to the Lessor, Rheintalflug Vorarlberger Luftfahrt GmbH of Seegalerie, Bahnhofstrasse 10, A-6900 Bregenz, Austria – in respect of one Bombardier DHC-80-314 aircraft bearing manufacturers serial number 487 and registration number 9Y WIT. This aircraft was leased to Tobago Express Limited. Under the guarantee provisions, BWIA guarantees the obligations of Tobago Express Limited under the lease agreement, the aircraft purchase agreement and other operative documents.

Operating lease commitments due under this lease as at 31 December 2004 are as follows:

Year	2004 US\$000's	2004 TT\$000's
2005	1,020	6,425
2006	1,020	6,425
2007	1,020	6,425
March 31 2008	255	1,606
Total	3,315	20,881

As at 31 December 2004, a security deposit in the sum of US \$1.2m was held by the lessor and the installments due under the lease agreement are being serviced by the lessee.

- (ii) By agreement dated 20 December, 2001 BWIA provided guarantees in favour of Caribbean Aircraft Acquisitions Limited (CAAL), a company incorporated under the laws of the Cayman Islands (the lessor), to Export Development Corporation (EDC) of Canada, a corporation established by an Act of Parliament of Canada (the senior lender) and to Bombardier Capital Inc., a corporation organised under the laws of Massachusetts (the junior lender) and Wells Fargo Bank Northwest, not in its individual capacity, but solely as security trustee (the "Security Trustee"). Under the provisions of this agreement, BWIA guarantees the payment and performance as primary obligor of the obligations for one de Havilland DHC-8-Q300 aircraft, manufacturer's serial number 557 and registration number 9Y WIZ owned by CAAL (the lessor) and leased by Tobago Express Limited (the lessee) for a period of twelve years.

19 CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES (CONTINUED)

e) Guarantees

The principal balances due at 31 December 2004 were as follows:

	US\$ 000's	TT\$ 000's
Senior Lender	4,705	29,643
Junior Lender	3,963	24,967
Total	8,668	54,610

The Junior Loan is being serviced by monthly installments. As at 31 December 2004 the monthly installments due under the Junior Loan Agreement were paid up to date.

The Senior Loan is serviced by two semi-annual payments due on the 19 June and 19 December. As at 31 December 2004, the semi-annual installment of US\$348,079 due on the 19 June 2004 and 14 December 2004 under the Senior Loan Agreement were in arrears. These continue to be in arrears.

Under the provisions of this Guarantee, the Company (the guarantor) is required to maintain the following financial covenants:

- A. The tangible net worth shall not be less than US \$8,000,000.
- B. The current ratio shall not be less than 0.50.
- C. The cash flow coverage ratio effective 3 June 2002 shall be 1.20.

As at 31 December 2004, the Company was in default of these financial covenants.

(f) Other

The Company has established Letters of Credit and a Bond with a financial institution amounting to TT\$17,556,955 and TT\$3,845,000 respectively.

20 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

21 AGREEMENT TO ACQUIRE CATERING BUSINESS

An agreement exists for 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.

22 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including the effects of fuel prices, foreign exchange rates, interest rates and international conventions. The Group's overall risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

(i) Credit risk

Whilst the Company seeks to manage credit risk by limiting the aggregate exposure to any individual counter party, customer or financial institution, the Company has the following concentration of credit risk:

The Company obtained most of its leased aircraft from either International Lease Finance Corporation or an affiliated company of International Lease Finance Corporation.

(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 or local currency to meet payments for fuel, lease costs, major overhaul, payments to other carriers and local salaries and expenses. The Company manages its foreign exchange exposure arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, either spot or forward, for United States dollars. Balances held in soft currencies are constantly reviewed and managed to reduce the Company's exposure.

(iv) Fair values

The 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

23 SUBSIDIARIES AND THEIR PRINCIPAL ACTIVITIES

	Group shareholding	Country of Incorporation
Allied Caterers Limited	51%	Trinidad and Tobago
• Subsidiary - Contract Caterers Limited	51%	Trinidad and Tobago
West Indian Airways Aircraft Limited	100%	Cayman Islands
West Indian Airways Aircraft Limited No. 2	100%	Cayman Islands
• Subsidiary - Katerserv Limited	55%	Trinidad and Tobago
Associate Companies		
Tobago Express Limited	49%	Trinidad and Tobago

The principal activity of Allied Caterers Limited is food catering for marine operations and the rental of its facilities and delivery equipment to Katerserv Limited. Contract Caterers Limited supplies labour to both Allied Caterers Limited and Katerserv Limited.

West Indies Aircraft Limited (WIAAL) is a special purpose company formed to purchase the Company's fleet of Dash 8 aircraft. These aircraft are leased to the Parent Company.

West Indian Airways Aircraft Limited (WIAAL No. 2) is a special purpose company formed to hold the Group's investment in Katerserv Limited. Katerserv Limited's principal activity is the catering of food and beverages to airlines.

Tobago Express Limited's principal activity is the provision of air transportation services between Trinidad and Tobago.

24 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 10), 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 at fair value at the date of issue and therefore are not dilutive in nature.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

24 LOSS PER SHARE (LPS) (continued)

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Group loss after taxation	(15,362)	(21,942)	(96,785)	(138,228)
Preference share dividends	(568)	(568)	(3,570)	(3,570)
Loss attributable to shareholders	(15,930)	(22,510)	(100,355)	(141,798)
Weighted average number of ordinary shares in issue	637,901,610	47,533,556	637,901,610	47,533,556
Basic and diluted LPS	(\$0.02)	(\$0.47)	(\$0.15)	(\$2.98)

25 SEGMENT REPORTING

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

Catering operations relate to the activities of 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 Group 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 Group'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.



25 SEGMENT REPORTING (CONTINUED)

a. Business segment information is analysed as follows:

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Revenue by business segment:				
Airline operations				
- scheduled passenger	239,443	210,411	1,508,463	1,325,569
- other airline related	33,789	32,461	212,868	204,499
	273,232	242,872	1,721,331	1,530,068
Catering operations	3,805	3,370	23,973	21,230
Operating revenue	277,037	246,242	1,745,304	1,551,298
Expenses by business segment:				
Airline operations	277,309	253,210	1,747,020	1,595,200
Catering operations	5,855	3,747	36,884	23,597
Operating expenses	283,164	256,957	1,783,904	1,618,797
Segment result:				
Airline operations	(4,078)	(10,338)	(25,689)	(65,132)
Catering operations	(2,049)	(377)	(12,911)	(2,367)
Operating loss	(6,127)	(10,715)	(38,600)	(67,499)
Segmental assets:				
Airline operations	171,020	163,472	1,077,380	1,029,844
Catering operations	9,306	7,522	58,630	47,386
Group	180,326	170,994	1,136,010	1,077,230
Segmental liabilities:				
Airline operations	180,908	198,716	1,139,683	1,251,879
Catering operations	5,022	2,780	31,645	17,512
Group	185,930	201,496	1,171,328	1,269,391

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2004

25 SEGMENT REPORTING (CONTINUED)

Segmental capital expenditure:

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Airline operations	4,080	9,394	25,705	59,181
Catering operations	256	53	1,613	333
Group	<u>4,336</u>	<u>9,447</u>	<u>27,318</u>	<u>59,514</u>

Segmental depreciation and amortisation:

Airline operations	7,357	11,251	46,349	70,882
Airline operations - impairment loss	--	4,424	--	27,871
Catering operations	245	268	1,545	1,687
Group	<u>7,602</u>	<u>15,943</u>	<u>47,894</u>	<u>100,440</u>

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

Scheduled passenger revenue by area of sale:

Trinidad and Tobago	46,032	41,081	289,993	258,806
Other Caribbean, South and Central America	52,938	46,274	333,504	291,523
North America	77,351	68,253	487,304	429,986
United Kingdom and Europe	63,122	54,803	397,662	345,254
	<u>239,443</u>	<u>210,411</u>	<u>1,508,463</u>	<u>1,325,569</u>

Scheduled passenger revenue by point of origin and destination:

Domestic	746	1,675	4,699	10,550
Other Caribbean, South and Central America	34,221	29,691	215,589	187,053
North America	124,296	111,930	783,049	705,146
United Kingdom and Europe	80,180	67,115	505,126	422,820
	<u>239,443</u>	<u>210,411</u>	<u>1,508,463</u>	<u>1,325,569</u>

RELATED PARTY TRANSACTIONS AND BALANCES

The Company conducted related party transactions during the year under review with LIAT (1974) Limited in which it has a 15.5% interest, and Tobago Express Limited, in which it has a 49% interest, (see Note 7). LIAT (1974) Limited provides ground handling services in Antigua and Grenada, and the Company provides similar services for LIAT (1974) Limited in Guyana.

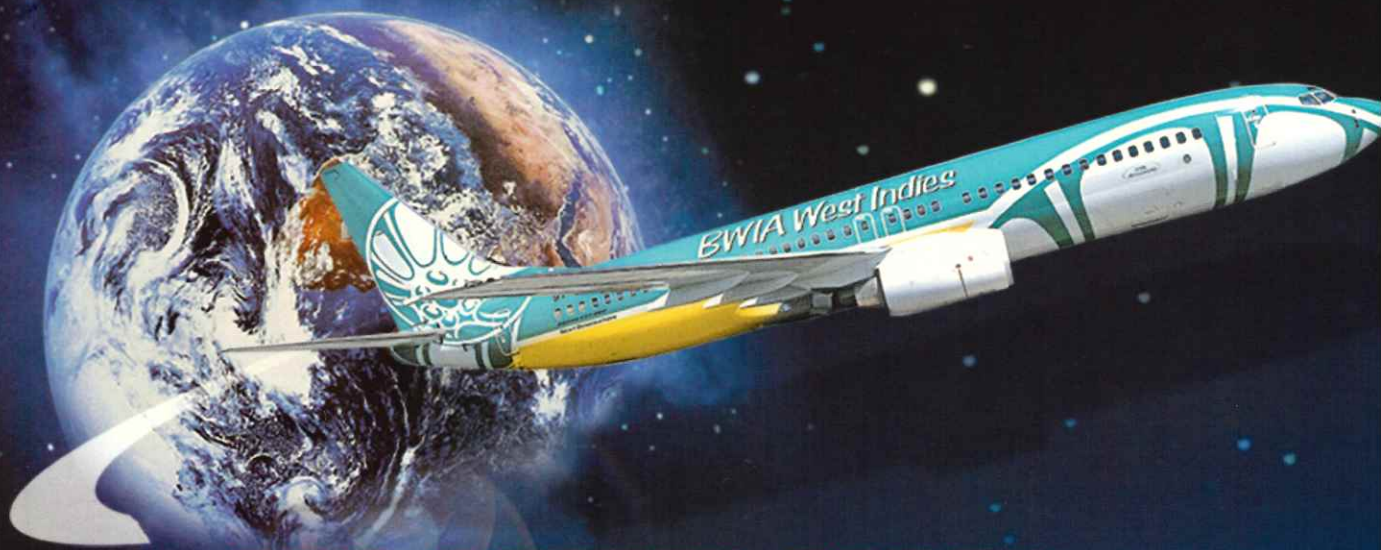
As is common practice in the airline industry, both LIAT and BWIA accept passenger tickets and cargo air way bills raised by one airline for carriage on the other airline. The settlement between the two carriers is actioned through the IATA Clearing House, of which both airlines are members.

Tobago Express Limited provides air transport and cargo services to limited destinations, on behalf of BWIA West Indies Airways Limited. BWIA West Indies Airways Limited simultaneously provides maintenance handling, administrative and other services to Tobago Express Limited.

Transactions between these two carriers are settled by way of normal inter company invoicing, since Tobago Express Limited is not a member of the Airline Clearing House.

	2004 US\$000's	2003 US\$000's	2004 TT\$000's	2003 TT\$000's
Amounts due from related parties				
LIAT (1974) Limited	537	371	3,385	2,335
Tobago Express Limited	8,913	5,487	56,154	34,565
	9,450	5,858	59,539	36,900
Provision for bad debts	(7,015)	(1,000)	(44,201)	(6,299)
	2,435	4,558	15,338	30,601
Amounts due to related parties				
LIAT (1974) Limited	745	688	4,696	4,332
Tobago Express Limited	1,898	31	11,953	199
	2,643	719	16,649	4,531
Transactions				
Passenger, cargo and handling services to LIAT (1974) Limited	5,747	4,680	36,203	29,486
Passenger, cargo and handling services by LIAT (1974) Limited	(8,378)	(6,834)	(52,779)	(43,052)
Maintenance, rental, handling and administrative services to Tobago Express Limited	(7,145)	(7,930)	(45,010)	(49,961)

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



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