

Grantley Adams International Airport Inc. Annual Report 2014



GAIA (formerly Seawell Airport)
1940's



GAIA (formerly Seawell Airport)
1960's

Grantley Adams International Airport Inc.
Annual Report 2014





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Our Vision

To be a world-class provider and facilitator of air transportation and related services.

Our Mission & Commitment

is to:

- Ensure shareholder's confidence
- Maintain a sustainable growth rate of return on investment
- Exceed the service expectation of all current and potential users of our airport facilities
- Establish and maintain a reputation as an ethical and responsible corporate citizen
 - Meet all our statutory and international obligations
 - Provide an enabling environment for achieving excellence and growth for all employees, and
 - Maintain a safe and environmentally-friendly facility



Board of Directors

July 1st, 2013 - August 8th, 2013



Mr. Terrence Mahon
Chairman



Mr. Adrian King
Deputy Chairman



Mrs. Beatrix Holder



Mr. Randall Miller



Mrs. Jennifer Hunte



Dr. Richard Ishmael



Mr. Chantal Joseph



Mrs. Kay Robertson



Mr. Michael Holder



Mr. Irvine Best



Ms. Gabrielle Springer



Mr. Charles Smith



Mr. Martin Cox



Mr. Mark Simmons



Board of Directors

August 8th, 2013 - March 31st, 2014



Mr. Adrian King
Chairman



Dr. Richard Ishmael
Deputy Chairman



Mr. Michael Holder



Mrs. Kay Robertson



Mr. Charles Smith



Mr. Desmond Sabir



Mr. Norman Barrow



Mr. Irvine Best



Mr. Paul Bernstein



Ms. Erica Luke



Mr. Stanton Millington



Mr. Martin Cox



Ms. Octavia Forde



Mr. Urban Cumberbatch



Executive Management Team



Mr. David Barrow
Chief Executive Officer



Mr. Joseph Johnson
Chief Operating Officer



Mr. Henry Barrow
Director of Finance



Ms. Karen Walkes
Director of Engineering



Mr. Michael Worrell
Director of Human Resources



Introduction

Chairman's Report

In compliance with a directive from our sole shareholder the Government of Barbados, in 2014, the Board of GAIA Inc. changed the company's financial year to run from April 1st to March 31st conforming to that of the Government of Barbados. The audited financial statements presented herein consequently span the nine months from July 1st, 2013 to March 31st, 2014.

During the review period, GAIA experienced a marginal reduction in total passenger traffic mainly due to scheduled carrier capacity reductions early in 2014 on the New York and United Kingdom routes. This decline was mitigated to some extent by a 56% increase in the Fly/Cruise (Air to Sea) category of passenger traffic, thus limiting the decline in overall passenger volume to 1%.

The company's financial and operational performance has been relatively stable even as we continue to be vulnerable to external market impacts which is a characteristic of the regional travel industry. In the coming year, management will continue to work with our concessionaires to reduce arrears and find innovative ways to increase passenger spend, thus increasing the proportion of non-aeronautical revenue in our income stream. Implementation of energy-sustainability initiatives continues, and we have already started planning the next phase of capital devel-

opment for the terminal and aircraft movement areas. Our shareholder has identified low-cost financing sources from the Government of the People's Republic of China and GAIA Inc has been earmarked to be one of the beneficiaries of the arrangement.

This year, we witnessed some changes in the Board membership and I wish both personally, and on the Board's behalf, to thank those former colleagues who have served GAIA Inc so well during their tenure and once again welcome the new members who have acquitted themselves in their seven months of service during the review period.



Mr. Adrian King
Chairman



Operations Report

Passenger Operations

For the financial period ended March 31st, 2014 the performance of the Grantley Adams International Airport Inc suffered a modest decline in passenger volumes as the lingering effects of the economic environment continued to dampen air travel. According to the Central Bank report 2014, economic activity in Barbados is estimated to have fallen by 0.4 percent during the first quarter of 2014 and tourist arrivals have also decreased by an estimated one percent resulting in reduced passenger activity during the period.

Airline capacity at GAIA contracted during the financial period 2014 as American Airlines reduced capacity on the Barbados to New York (JFK) route by downgrading the aircraft to a Boeing B737-800 resulting in a loss of 392 weekly seats. This was further compounded on 14th of January 2014 when the Airline suspended this service completely, leaving only JetBlue Airways to operate non-stop to New York (JFK). As New York has traditionally been a strong market for Barbados, this capacity reduction created a dampening effect on travel as average fares increased in this price sensitive market, reducing overall passenger volumes at GAIA. In addition Virgin Atlantic switched to an Airbus A330-300 in May 2013, resulting in a weekly seat capacity reduction of over 2,000 seats between Barbados and London Gatwick (LGW).

On a positive note, Thomas Cook Airlines introduced a weekly chartered flight from Manchester on 23rd November, 2013 providing additional capacity from the United Kingdom market. This service then increased to two (2) weekly flights from mid-December and continued for the entire winter period until April, 2014.

Air-to-Sea Operations

The Grantley Adams International Airport has been successfully handling the transfer of Air-to-Sea passengers for the past 20 years and this business has become an integral part of our operations. During the financial year 2014, Air-to-Sea passenger transfers rebounded with a total of 335 fly-cruise flights operating between November 2013 and March, 2014. These flights operated on Fridays, Saturdays and Sundays from major metropolitan cities both in the United Kingdom and Germany including London, Manchester, Glasgow, Birmingham, Dusseldorf, Munich and Hamburg. A total of 177,922 air-to-sea transfer passengers utilized the Grantley Adams International Airport during the period, resulting in an increase in passenger volume of 56% as compared to the same period last year. This trend is expected to continue for the next two seasons as larger cruise ships are scheduled to homeport in Barbados.



Passenger Airlines 2014

Passenger Airlines serving GAIA 2014

Scheduled	Non-Scheduled (Charter)	Market Served Directly
American Airlines		USA
JetBlue Airways		USA
US Airways		USA
Air Canada		Canada
Westjet Airways		Canada
British Airways	Thomas Cook	United Kingdom
Virgin Atlantic		United Kingdom
Condor Airlines		Germany
GOL Airlines		Brazil
LIAT		Caribbean & South America
Caribbean Airlines		Caribbean & South America
	Air Berlin	Germany
	Thomson Airways	United Kingdom/Scandinavia



Passenger Traffic - July 2013 to March 2014 as compared to July 2012 to March 2013

Financial Period	Embarked	Disembarked	Transit	Transfers	Total Passengers
2014	640,915	704,170	53,276	59,417	1,457,778
2013	638,625	709,037	64,051	61,305	1,473,018
Change	2,290	(4,867)	(10,775)	(1,888)	(15,240)
% Change	0.4	(1.0)	(17.0)	(3.0)	(1.0)

Top Scheduled Passenger Airlines - July 2013 to March 2014

Airline	Rank	Passengers
LIAT	1	295,275
American Airlines	2	226,005
Virgin Atlantic	3	182,964
Caribbean Airlines	4	147,457
British Airways	5	137,100
Thomson Airways	6	113,861
Air Canada	7	79,800
JetBlue Airways	8	78,970



Aircraft Movements 2014

For the financial period, there was a decrease of 1,100 movements or four percent compared to the prior period.

July 2013 to March 2014 compared to July 2012 to March 2013

Period	Aircraft Movements
2014	24,030
2013	25,130
Change	(1,100)
% Change	(4.0)

GAIA Cargo/Freight & Mail

For the period under review, there was a decrease of 1,552 tonnes or nine percent compared to the prior period's tonnage of cargo and mail.

July 2013 to March 2014 compared to July 2012 to March 2013

Period	Cargo	Mail	Total Cargo & Mail
2014	14,332	1,027	15,359
2013	15,693	1,218	16,911
Change	(1,361)	(191)	(1,552)
% Change	(9.0)	(16.0)	(9.0)



Non-Stop Destinations FY 2014 - Peak Season

Regional (10)	Weekly Flights	International (9)	Weekly Flights
Trinidad (POS)	28	London (LGW)	17
Dominica	28	Miami	14
St. Vincent	28	New York (JFK)	14
Antigua	14	Toronto	14
Grenada	14	Manchester	4
St. Lucia	10	Charlotte (CLT)	2
Georgetown	9	Frankfurt (FRA)	2
Martinique	4	Montreal (YUL)	2
St. Maarten	2	Sao Paulo (GRU)	1
Jamaica (KIN)	1		
Weekly Regional Flights	138	Weekly International Flights	70

Total Weekly Nonstop Flights 208

Grantley Adams International Airport Inc.

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AUDITORS' REPORT

To the shareholder of Grantley Adams International Airport Inc.

We have audited the accompanying financial statements of Grantley Adams International Airport Inc. (the Company) which comprise the statement of financial position as of 31 March 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2014, and its financial performance and its cash flows for the nine month period then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS
Barbados
3 December 2014


Statement of Financial Position

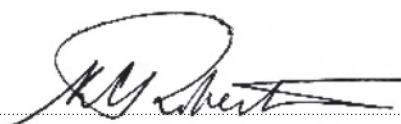
As of 31 March 2014

	Notes	2014 \$	2013 \$
Assets			
Current assets			
Cash	4	8,355,282	9,753,266
Short-term deposits	5	15,000,000	21,655,779
Treasury bills	6	-	9,824,000
Accounts receivable	7	14,065,081	10,196,160
Current portion of loan receivable	8	134,167	187,733
Interest receivable		475,283	745,288
Prepayments		73,401	339,184
Income tax refundable		3,192,851	3,156,901
		41,296,020	55,858,311
Loan receivable	8	379,472	448,851
Treasury notes	9	25,238,160	15,232,000
Property, plant and equipment	10	197,159,446	206,044,320
Total assets		264,073,098	277,583,482
Liabilities			
Current liabilities			
Accounts payable	11	10,444,727	11,825,703
Taxation payable		4,741,358	4,901,073
Short-term loan		-	-
Current portion of long term loans	12	12,103,149	12,072,087
		27,289,234	28,798,863
Long-term loans	12	71,339,805	86,318,534
Retentions payable	13	174,835	436,850
Deferred tax liability	14	3,904,923	4,129,281
Total liabilities		102,708,797	119,683,528
Shareholder's equity			
Share capital	15	100	100
Capital contributions	16	149,451,257	149,451,257
Retained earnings		11,912,944	8,448,597
		161,364,301	157,899,954
Total liabilities and shareholder's equity		264,073,098	277,583,482

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on 3 December 2014 and signed on its behalf by:


..... Director


..... Director

Statement of Comprehensive Income

For the Nine Month Period ended 31 March 2014

	Note	2014 \$	2013 \$
Revenue			
Passenger service charges		33,195,599	42,675,381
Concessions and rentals		9,631,000	11,991,306
Direct charges to airlines		4,465,403	6,002,798
Other income		1,795,775	2,699,413
Interest income		1,283,042	1,782,560
Car park revenue		567,968	761,497
Foreign exchange gain		172,985	92,297
		51,112,388	66,005,252
Expenses			
Employment costs		13,009,250	16,943,749
Depreciation		10,294,061	13,888,428
Utilities		5,558,457	7,712,705
Finance costs		3,168,303	4,253,932
Repairs and maintenance		2,873,056	3,424,001
Security screening charge		3,500,292	4,451,562
Bad debt (net of recoveries) expense		(945,136)	82,260
Office and general expenses		2,342,912	3,067,299
Insurance		1,890,687	2,576,316
Property tax		1,696,650	2,261,250
Professional fees		662,122	388,035
Lease maintenance expenses		1,217,650	1,873,903
Directors' fees and expenses		109,887	141,000
		45,378,191	61,064,440
Income before taxation		5,734,197	4,940,812
Taxation	14	(2,269,850)	(2,457,633)
Net income and total comprehensive income for the period/year		3,464,347	2,483,179

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Nine Month Period ended 31 March 2014

	Share capital \$	Capital contributions \$	Retained earnings \$	Total \$
Balance at 30 June 2012	100	149,451,257	5,965,418	155,416,775
Total comprehensive income for the year	-	-	2,483,179	2,483,179
Balance at 30 June 2013	100	149,451,257	8,448,597	157,899,954
Total comprehensive income for the period	-	-	3,464,347	3,464,347
Balance at 31 March 2014	100	149,451,257	11,912,944	161,364,301

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Nine Month Period ended 31 March 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Income before taxation		5,734,197	4,940,812
Adjustments for:			
Depreciation		10,294,061	13,888,428
Finance costs		3,168,303	4,253,932
Loss (gain) on disposal of plant and equipment		239,565	(339,047)
Interest income		(1,283,042)	(1,782,560)
Operating profit before working capital changes		18,153,084	20,961,565
(Increase) decrease in accounts receivable		(3,868,921)	921,686
Decrease in prepayments		265,783	1,475,628
Decrease in accounts payable		(1,855,278)	(1,243,657)
Cash from operating activities		12,694,668	22,115,222
Corporation tax paid		(2,653,923)	(1,186,498)
Withholding tax paid		(35,950)	(54,201)
Net cash from operating activities		10,004,795	20,874,523
Cash flows from investing activities			
Additions to plant and equipment		(1,730,692)	(5,428,545)
Interest received		1,637,932	1,194,372
Proceeds from disposal of plant and equipment		81,940	586,576
Purchase of treasury notes		(10,091,000)	(5,232,000)
Net decrease in treasury bills		9,824,000	46,500
Decrease in loan receivable		122,945	187,733
Net cash used in investing activities		(154,875)	(8,645,364)
Cash flows from financing activities			
(Decrease) increase in retentions payable		(262,015)	67,761
Loan repayments		(14,947,667)	(11,945,753)
Interest paid		(2,694,001)	(4,487,850)
Restricted cash		593,160	220,720
Net cash used in investing activities		(17,310,523)	(16,145,122)
Net decrease in cash and cash equivalents for the period/year		(7,460,603)	(3,915,963)
Cash and cash equivalents - beginning of the period/year		25,883,515	29,799,478
Cash and cash equivalents - end of the period/year		18,422,912	25,883,515
Represented by:			
Cash	4	3,422,912	4,227,736
Short-term deposits		15,000,000	21,655,779
		18,422,912	25,883,515

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

1. Incorporation and principal activity

Grantley Adams International Airport Inc. ("GAIA Inc." or "the Company") was incorporated in Barbados on 13 October 1998. The Government of Barbados is the sole shareholder of the Company whose registered office is located at Grantley Adams International Airport, Seawell, Christ Church.

The Company is fully responsible for the commercial operations and management of the Airport in accordance with the Grantley Adams International Airport, (Transfer of Management and Vesting of Assets) Act (Act 2003-3). As a result, all assets and liabilities of the Airport with the exception of land and buildings are vested in the Company. The land and buildings are the subject of a lease between the Company and the Government of Barbados (Note 19).

During the period, the Company changed its year end from 30 June to 31 March.

2. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards.

The most significant accounting policies are summarized below:

a] Basis of accounting and financial preparation

These financial statements are prepared under the historical cost convention.

b] Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2013:

IFRS 1 First-time Adoption of International Financial Reporting Standard Government Loans – Amendments to IFRS 1

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures

IFRS 12 Disclosure of Interest in Other Entities

IFRS 13 Fair Value Measurement

IAS 19 Employee Benefits (Revised 2011)

Improvements to IFRSs – 2009 - 2011 Cycle:

IFRS 1 Repeat Application of IFRS 1

IFRS 1 Borrowing Costs

IAS 1 Clarification of the Requirement for Comparative Information

IAS 34 Interim Financial Reporting and Segment Information for Total Assets and Liabilities

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The adoption of these revised standards and interpretations did not have an effect on the financial performance and position of the Company.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

2. Significant accounting policies (cont'd)

c] Standards issued but not yet effective

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company are as follows:

IFRS 9 Financial Instruments

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

IFRIC 21 Levies

Investment Entities (Amendments to IFRS 10, 12 and IAS 27)

The Company will evaluate the impact that these standards and interpretations will have on the financial statements.

d] Revenue

Interest income is recognized using the effective interest method. All other revenue is recognized when earned.

e] Taxation

The taxation charge is determined on the basis of tax effect accounting, using the liability method whereby the future tax liability resulting from temporary differences is provided for at the estimated future corporation tax rate that is expected to apply to the period when the liability is settled.

Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized.

f] Currency

These financial statements are expressed in Barbados dollars which is also the functional currency. Monetary assets and liabilities denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities and transactions denominated in currencies other than Barbados dollars are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains or losses are included in comprehensive income.

g] Held-to-maturity financial assets

Financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Held-to-maturity financial assets which comprise Government treasury notes are subsequently measured at amortized cost less any provision for impairment. Amortized cost is calculated using the effective interest rate method and by taking into account any discount or premium on acquisition, over the period to maturity.

Gains and losses are recognized in comprehensive income.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

2. Significant accounting policies (cont'd)

h] Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, there is objective evidence of impairment as a result of an event that has occurred and which has an impact on the estimated future cash flows of the asset.

Evidence of impairment may include indications that a debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where there is a measurable decrease in the estimated future cash flows.

The Company assesses at each reporting date whether there is an indication that an asset maybe impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

i] Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Depreciation of plant and equipment is charged using the straight-line method over the useful lives of the assets which are estimated as follows:

Common use terminal and security equipment	5 years
Computer equipment	3 years
Furniture and equipment	8-10 years
Leasehold improvements - buildings	50 years
Leasehold improvements - other	10-20 years
Motor vehicles	5-10 years
Navigation equipment	3-15 years
Runways, taxiways and pavements	15-20 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

j] Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is carried at the present value of the future minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and payments are recognized as an operating expense in the statement of comprehensive income.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

2. Significant accounting policies (cont'd)

k] Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in income when the liabilities are derecognized.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

l] Pension costs

The Company has provided a defined contribution pension scheme for its eligible employees, providing for fixed rates of contribution based on the level of employees' remuneration. Contributions are charged to comprehensive income in the year to which they relate. The Company provides no other post retirement benefits.

m] Cash and cash equivalents

For the purpose of presentation of the Statement of Cash Flows, cash and cash equivalents consist of cash at hand and at bank and treasury bills with original maturities of three months or less.

n] Derivatives

Derivative financial instruments used to hedge interest rate risk do not meet accounting hedge criteria and are classified as trading (See Note 18).

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires that management make judgments, estimates and assumptions that affect the amounts reported of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Company determines whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

3. Significant accounting judgements, estimates and assumptions (cont'd)

Impairment of financial assets

When the fair value declines or when there is objective evidence of impairment, management makes assumptions about the declines in value to determine whether it is an impairment that should be recognized in the statement of income.

4. Restricted cash

Included in cash is the amount of \$4,932,370 (30 June 2013 - \$5,525,530) which represents funds received from the Ministry of International Transport to be used as part of the construction of a building on their behalf. The amount is also reflected in accounts payable. (See Note 11).

5. Short-term deposits

The short-term deposits represent deposits on call of \$15,000,000 (30 June 2013 - \$21,655,779) with interest rates of 1% to 4% (30 June 2013 - 2.5% to 3.01%) per annum.

6. Treasury bills

Treasury bills held an original maturity of 182 days and bore interest at a rate of 3.59% per annum.

7. Accounts receivable

	2014 \$	2013 \$
Trade receivables	18,931,852	17,851,686
Less: provision for doubtful accounts	(5,323,455)	(7,856,457)
	13,608,397	9,995,229
Other receivables	456,684	200,931
	<u>14,065,081</u>	<u>10,196,160</u>

Trade receivables are non-interest bearing and are generally on terms ranging from 30 to 90 days. Included in the trade receivables is \$3,823,564 (30 June 2013 - \$4,901,807) owed by related parties, for which a provision of \$3,414,932 (30 June 2013 - \$ 4,612,427) has been recorded.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

7. Accounts receivable (cont'd)

Movements in the provision for impairment of receivables were as follows:

	2014 \$	2013 \$
Balance at beginning of period/year	7,856,457	7,803,750
Less: provision for doubtful accounts	958,825	1,290,195
Recoveries	(3,491,827)	(1,237,488)
Balance at end of period/year	5,323,455	7,856,457

At 31 March 2014, the ageing analysis of trade receivables is as follows:

	Total \$	Neither past due nor impaired \$	Past due but not impaired		
			31-60 days \$	61-90 days \$	> 90 days \$
2014	13,608,397	7,717,410	5,253,342	499,225	138,420
2013	9,995,229	9,162,489	206,407	266,729	359,604

8. Loan receivable

This represents an interest-free loan to a related party. It is secured by certain equipment and is repayable in monthly installments of \$13,137 over 84 months (30 June 2013 - \$4,464 and \$11,181 over 36 months and 84 months, respectively).

	2014 \$	2013 \$
Caribbean Aircraft Handling Co. Ltd.	513,639	636,584
Less: Current portion	(134,167)	(187,733)
Long-term portion	379,472	448,851

9. Treasury notes

This balance represents Government of Barbados \$10,000,000, \$10,000,000 and \$5,000,000 treasury notes which bear interest at rates between 4.5% and 6.0% per annum and mature on 28 February 2015, 30 September 16 and 31 October 2016 respectively.

Notes to the Financial Statements
Year ended 30 June 2013

10. Property, plant and equipment

	Leasehold improvements	Runways taxiways & pavements	Furniture & equipment	Motor vehicles	Security equipment	Navigation equipment	Computer equipment	Common use equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2012	197,350,469	31,331,930	16,986,632	11,565,569	9,126,266	5,548,263	8,586,371	4,126,308	284,621,808
Additions	484,320	1,883,779	1,380,140	1,298,770	175,557	-	205,979	-	5,428,545
Disposals	-	-	-	(465,669)	(535,938)	-	(91,754)	-	(1,093,361)
At 30 June 2013	197,834,789	33,215,709	18,366,772	12,398,670	8,765,885	5,548,263	8,700,596	4,126,308	288,956,992
Additions	74,367	68,470	540,519	667,576	131,993	-	247,767	-	1,730,692
Disposals	-	(57,264)	(389)	(1,460,107)	(123,245)	-	(46,506)	-	(1,687,511)
At 31 March 2014	197,909,156	33,226,915	18,906,902	11,606,139	8,774,633	5,548,263	8,901,857	4,126,308	289,000,173
Accumulated depreciation									
At 1 July 2012	25,136,422	8,715,384	8,472,240	7,354,975	5,774,436	4,163,234	6,127,077	4,126,308	69,870,076
Depreciation	5,126,229	2,224,750	2,162,746	1,592,150	1,145,500	489,337	1,147,716	-	13,888,428
Disposals	-	-	-	(458,846)	(295,232)	-	(91,754)	-	(845,832)
At 30 June 2013	30,262,651	10,940,134	10,634,986	8,488,279	6,624,704	4,652,571	7,183,039	4,126,308	82,912,672
Depreciation	3,853,187	1,669,121	1,593,883	1,204,288	615,784	261,276	1,096,522	-	10,294,061
Disposals	-	-	(389)	(1,355,432)	-	-	(10,185)	-	(1,366,006)
At 31 March 2014	34,115,838	12,609,255	12,228,480	8,337,135	7,240,488	4,913,847	8,269,376	4,126,308	91,840,727
Net book value									
At 31 March 2014	163,793,318	20,617,660	6,678,422	3,269,004	1,534,145	634,416	632,481	-	197,159,446
At 30 June 2013	167,572,138	22,275,575	7,731,786	3,910,391	2,141,181	895,692	1,517,557	-	206,044,320

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

11. Accounts payable

	2014 \$	2013 \$
Trade payables	2,606,830	4,192,733
Other payables	7,693,671	7,492,162
Deposits	144,226	140,808
	10,444,727	11,825,703

Included in other payables is an amount of \$4,932,370 (30 June 2013 - \$5,525,530) which represents amounts owed to the Ministry of International Transport. (See Note 4).

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
- Other payables are non-interest bearing and have an average term of two months.

12. Long-term loans

	2014 \$	2013 \$
National Insurance Board (NIB) - a related party	10,063,973	17,063,973
European Investment Bank (EIB)	7,314,912	9,076,648
CIBC-FCIB	66,064,069	72,250,000
	83,442,954	98,390,621
Less: Current portion		
European Investment Bank	(3,603,149)	(3,572,087)
CIBC-FCIB	(8,500,000)	(8,500,000)
	(12,103,149)	(12,072,087)
Long-term portion	71,339,805	86,318,534

The NIB loan bears interest at the rate of 6.5% (30 June 2013 - 6.5%) per annum with interest payments due semi-annually. The loan is secured by a guarantee from the Government of Barbados and is repayable by 17 September 2019. As at 31 March 2014 repayment towards principal was \$7,000,000.

The EIB loan bears interest at the rate of 3% (30 June 2013 - 3%) per annum with interest payments due semi-annually and commenced on 15 April 2005. The loan is secured by a guarantee from the Government of Barbados and is repayable by 15 April 2015 in blended semi-annual payments of principal and interest of US\$948,946.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

12. Long-term loans (cont'd)

The FCIB loan is in the amount of US\$42,500,000 and is being repaid in blended principal and interest installments. Interest is being charged at the floating rate of 3 months LIBOR plus 3.5% with principal of US\$1,062,500 payable in quarterly installments over a period of 10 years. The loan is secured by a registered first fixed and floating charge over all assets of GAIA Inc., excluding the Terminal Building assets owned by the Government of Barbados, and the assignment of passenger service charges and airline charges due to the GAIA Inc. from IATA.

13. Retentions payable

These represent amounts due to certain contractors upon successful completion of works under the terms of the respective contracts.

14. Taxation

	2014 \$	2013 \$
Statement of income		
Current tax charge	2,494,208	2,656,411
Deferred tax credit	(224,398)	(198,778)
	<u>2,269,850</u>	<u>2,457,633</u>

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

14. Taxation (cont'd)

The tax on the Company's income before taxation differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2014 \$	2013 \$
Income before taxation	5,734,197	4,940,812
Corporation tax at 25% (30 June 2013 - 25%)	1,433,549	1,235,203
Effect of depreciation on assets not subject to wear and tear	966,891	1,272,842
Effect of other amounts not allowed for tax purposes	1,918	3,939
Over provision of current tax	(41,177)	-
Over provision of deferred tax	(37,348)	-
Other	(18,033)	-
Withholding tax	(35,950)	(54,351)
Tax charge	2,269,850	2,457,633
	2014 \$	2013 \$
Deferred tax liability		
Balance – beginning of year	4,129,281	4,328,059
Deferred tax credit for the period/year	(224,358)	(198,778)
Balance – end of year	3,904,923	4,129,281
	2014 \$	2013 \$
The deferred tax liability is made up as follows:		
Accelerated capital allowances	3,786,113	4,024,756
Accrued interest receivable	118,810	104,525
	3,904,923	4,129,281

15. Share capital

The Company is authorized to issue an unlimited number of common shares without nominal or par value. The Company's issued share capital comprises:

	2014 \$	2013 \$
100 common shares	100	100

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

16. Capital contributions

These represent cash advances and equity contributions by the Government of Barbados to the Company, net of payments made on its behalf.

17. Related party transactions

The following transactions were carried out with related parties during the year:

	2014 \$	2013 \$
State-controlled entities		
<u>Revenue</u>		
Caribbean ARI Inc.	1,580,423	2,168,488
Caribbean Aircraft Handling Company Limited	425,567	718,073
Caribbean Airways - VIP Lounge	5,259	95,403
<u>Expenses</u>		
Director of National Insurance	9,549,059	3,749,558
Commissioner of Inland Revenue	3,306,795	2,157,325
Commissioner of Land Tax	2,259,000	2,259,000
Caribbean Aircraft Handling Company Limited	23,890	32,014
Key management comprises directors and management of the Company		
Compensation of these individuals was as follows:		
	2014 \$	2013 \$
Compensation		
Salaries and other short-term employee benefits	779,057	1,021,166
Post-employment benefits	18,692	25,116
	797,749	1,046,282

18. Financial risk management objectives and policies

The Company's principal financial liabilities are accounts payable and long-term loans. The Company has various financial assets such as cash and short-term deposits, treasury bills, treasury notes, loan receivable and accounts receivable.

The main risks arising from the Company's financial instruments are credit risk, foreign currency, liquidity risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these which are summarized below.

Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Company. The amount of the Company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

18. Financial risk management objectives and policies (cont'd)

Concentration of credit risk

Concentrations of credit risk may arise from exposures to a single debtor or group of debtors having a common characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Company is subject to credit risk on its accounts receivable from customers primarily in Barbados and the Eastern Caribbean. The Company believes that this risk is mitigated by the ongoing performance of credit evaluations and reviews of accounts receivable.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The maximum exposure is the carrying amount as disclosed in Note 7. For transactions that do not occur in the country of the relevant operating unit, the Company does not offer credit terms without the approval of management.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash, short-term deposits and treasury notes, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The credit quality of each individual security is internally assessed based on the financial strength, reputation and ability of the counterparty to honour its obligations.

Foreign currency risk

Certain of the Company's transactions are denominated in United States dollars but as the Barbados dollar is fixed to the United States dollar, there is no significant currency risk exposure. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses.

Liquidity credit risk

The Company monitors its liquidity risk by considering the maturity of its financial assets and projected cash flows from operations.

Where possible, the Company utilizes surplus internal funds to a large extent to finance its operations and ongoing projects. However, the Company also utilizes available credit facilities such as overdrafts and other financing options where required.

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

18. Financial risk management objectives and policies (cont'd)

The table below summarizes the maturity profile of the Company's financial liabilities at 31 March based on contractual undiscounted payments.

Year ended 31 March 2014

	Less than 3 months \$	3 months - 1 year \$	2-5 years \$	> 5 years \$	Total \$
Trade payables	1,370,998	1,235,832	-	-	2,606,830
Long-term loans	4,102,232	8,189,986	29,211,763	41,938,973	83,442,954

Year ended 30 June 2013

	Less than 3 months \$	3 months - 1 year \$	2-5 years \$	> 5 years \$	Total \$
Trade payables	2,510,114	1,682,619	-	-	4,192,733
Long-term loans	3,005,868	7,269,082	21,888,520	66,227,151	98,390,621

Interest rate risk

The Company is exposed to interest rate risk. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates may result in a financial loss to the Company.

The Company manages its interest rate risk by a number of measures, including where feasible, the selection of assets which best match the maturity of liabilities, fixed rate debt instruments and by the regular review of the Company's cash flow and banking requirements. The Company is also a counterparty to an interest rate cap entered into in 2011 to hedge its Libor-based interest rate exposure on one of its long-term loans and as a result of this, interest exposure is limited to Libor plus 3.5%.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with other variables held constant of the Company's income before taxation. There is no impact on the Company's equity.

Increase/decrease in basis points	2014 Effect on profit before tax	2013 Effect on profit before tax
+/-50	\$257,284	\$573,273

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

18. Financial risk management objectives and policies (cont'd)

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2014 and 30 June 2013.

Fair values

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value are as follows:

Financial assets and liabilities

The carrying value of short-term financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise cash, short-term deposits, treasury bills, current portion of loan receivable and accounts receivable. Short-term financial liabilities comprise current portion of long-term loans and accounts payable.

The fair value of treasury notes is deemed not significantly different from carrying value as the Company intends to hold these to maturity. The fair value of variable rate debt approximates carrying value. The fair value of fixed rate debt is determined using discounted cash flow models.

The fair value of the interest rate cap at 31 March 2014 is immaterial.

Set out below is a comparison by category of carrying values and fair values of all of the Company's financial instruments, that are carried in the financial statements.

	Carrying value		Fair value	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial assets				
Cash	8,355,282	9,753,266	8,355,282	9,753,266
Short-term deposits	15,000,000	21,655,779	15,000,000	21,655,779
Trade receivables	13,608,397	9,995,229	13,608,397	9,995,229
Treasury bills	-	9,824,000	-	9,824,000
Treasury notes	25,238,160	15,232,000	25,238,160	15,232,000

	Carrying value		Fair value	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial liabilities				
Trade payables	2,606,830	4,192,733	2,606,830	4,192,733
Long-term loans	83,442,954	98,390,622	63,722,330	69,949,501

Notes to the Financial Statements

For the Nine Month Period ended 31 March 2014

19. Commitments and contingencies

The Company entered into an operating lease with the Government of Barbados effective 22 January 2008 for the rental of the land and buildings from which GAIA Inc. operates. The lease is for a term of 75 years at an annual rental charge of \$1,200.

At 31 March 2014, the Company has contracted for certain capital expenditure in the amount of \$9,757,468 (30 June 2013 - \$974,460).

There are claims pending against the Company and the Company is also the plaintiff in certain legal actions and other claims. It is the opinion of the directors, based on the advice of the Company's attorneys-at-law, that any liability arising out of these claims and actions is not likely to be material. In relation to claims brought by the Company the outcomes at this stage are uncertain and hence there is no recognition of any contingent assets.

Notes



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