G·A·I·A Inc.
BARBADOS
'rising higher'

GRANTLEY ADAMS INTERNATIONAL AIRPORT INC.

2013

ANNUAL REPORT

www.barbadosairport.com

Annual Report 2013


GRANTLEY ADAMS INTERNATION

Contents

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

Corporate History

The Grantley Adams International Airport Inc. (GAIA Inc.) was established in 1998 under the Company's Act of Barbados, and functioned in a transitional form from the middle of 2002 until January 16th, 2006, when GAIA Inc. took over direct responsibility for the management and operations of all commercial aspects the Airport, in accordance with the Grantley Adams International Airport, (Transfer of Management and Vesting of Assets) Act 2003. This Act transferred all of the rights and responsibilities for the running of the airport, and for the collection of taxes and fees, to Grantley Adams International Airport Inc. The same Act vested all of the assets of the airport (with the exception of buildings and land) in the Company. GAIA Inc. entered into an operating lease for a term of 75 years with the Government of Barbados effective January 1st, 2008, for the rental of the land and buildings from which GAIA Inc. operates.

The Government of Barbados is GAIA Inc.'s sole shareholder, and the company has been mandated to be commercially viable, self-sustaining and financially independent of Government, and be so profitable as to attract direct investment and access to long term loan funding, on the open market, in order to fund Airport maintenance and capital works. It has been charged with maximising the commercial potential of the airport and in doing so, make a reasonable rate of return on investment for the shareholder.

To fulfill its mission and achieve the vision articulated, certain strategic and long term objectives will be pursued:

1. Focus on economic and financial sustainability by defining a vibrant strategy to promote revenue growth and profitability in the organization.

2. Focus on generating traffic for the facility by defining aggressive and competitive strategies for generating both commercial and cargo traffic to the airport.

3. Establish a strong corporate image in the local and international market by developing relevant strategies for managing relationships and practising openness and honesty in all communications. There must also be a measured customer satisfaction level, public acceptance and awareness of the organisation.

4. Continuously identifying the relevant human resources needs and developing the human resources capacity and capability of the organisation. This is achieved by developing a highly competent and motivated work team through adopting a service cycle culture that recognizes the value, importance and role of each link in the customer supply chain.

5. Focus on managed programmes for the development of the infrastructure using long-range planning to ensure that the infrastructure keeps pace with the needs of the user groups.

Board of Directors 2012-2013


Mr. Terrence Mahon
Chairman

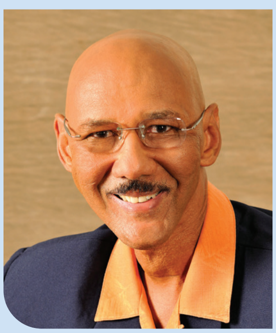

Mr. Adrian King
Deputy Chairman


Mrs. Beatrix Holder
Director


Mr. Randall Miller
Director

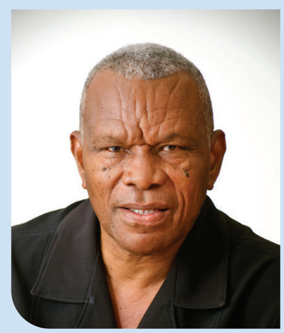

Mrs. Jennifer Hunte
Director


Mr. Chantal Joseph
Director

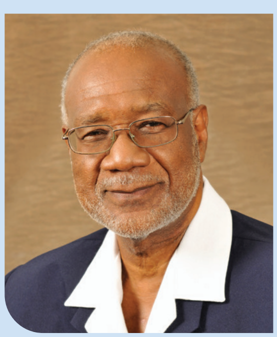

Dr. Richard Ishmael
Director


Ms. Gabrielle Springer
Director
July 2012 - March 2013


Mr. Michael Holder
Director


Mr. Irvine Best
Director
March 2013 -


Mrs. Kay Robertson
Director


Mr. Charles Smith
Director


Mr. Martin Cox
Director


Mr. Mark Simmons
Director

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

The financial performance of Grantley Adams International Airport Inc. (GAIA Inc.) showed an improvement over the financial year 2012 despite the continuing declines in total passenger and aircraft traffic. These traffic declines of 9.3% and 9.7% respectively, may be attributed to a number of factors - not the least of which is the sluggish economic growth still being experienced in our major source markets of the U.K., the U.S.A. and the Caribbean.

Consequently, total operating revenues for the year declined by 6.73% to $66 million from $70.8 million in the prior year. The major contributing factor to the fall in total revenue was a drop of 8.57% in revenue passenger traffic resulting in a decline in passenger service charges and security fees which together fell by 8%.

Revenue passengers, from whom Passenger Service Charges (PSC) are derived, are considered to be those categories of passengers who the airport facilitates, with the exception of the "Transit" passenger, for whom GAIA is an intermediate stop and they do not have to deplane.

Despite the drop in total revenue, the improvement in net income was occasioned by a drop in operating expenses of 11.9% to $42.9 million from the prior year's figure of $48.7 million.

Revenue passenger traffic fluctuations also had a direct impact on sales expectations of our Concessionaires. During the period under review, the decline of 2% in concessions and rentals revenue was not as significant as that experienced in 2012 when a drop of 16.9% was recorded.

Capital expenditure for the year was $5.4 million compared to $8.9 million in the previous year. The decrease of $3.5 million was as a result of the reprioritization and deferment of some projects. Reflecting the downturn in the economy, GAIA Inc.'s cash reserves declined by 11% to $31.4 million from $35.5 million (FY 2012). Despite this decline, the company has fulfilled its operating expense and debt service obligations.

Outlook

According to the Central Bank of Barbados' June 2013 report, tourist arrivals are expected to show modest growth in the latter half of 2013. Additional airlift is expected out of Manchester and Germany for the 2013 winter season, while the Barbados Island Inclusive marketing campaign has been launched in an effort to boost arrivals from major source markets. Thomas Cook Airlines will schedule passenger flights between Manchester UK and Barbados from November 2013, initially operating once weekly. From mid-December, an additional flight will commence with both services running until March 2014 after which only one (1) flight will continue through the summer months. Additionally, TUI Germany will provide service out of Hamburg Germany operating every other week during the winter season until April, 2014.

The forecast for FY 2014, based on current information from both scheduled airlines and Air-to-Sea charters, is that there will be a further 3% decline of total passenger traffic from the FY 2013 figure. This trend will continue to exert downward pressure on GAIA Inc.'s revenues and concessionaires' retail sales which will have to be countered by stringent containment of expenditures and innovative methods at increasing passenger retail spend.

I wish to take this opportunity on behalf of the Board of Directors, to express its sincere gratitude to the Management and Staff of the Grantley Adams International Airport Inc., for their continued leadership and assistance during the year.

Mr. Terrance Mahon
Chairman

Operations

The operational performance of the Grantley Adams International Airport Inc. (GAIA Inc.) was adversely impacted by declining passenger traffic during the financial year July 2012 through June 2013 (FY 2013). According to the Central Bank of Barbados, tourist arrivals were down by 6.2% in (calendar year) 2012 and a further 6.8% for the first six (6) months of 2013, the local economy continued to contract which limited disposable income and therefore discretionary spending for the vast majority of the population. Tourist arrivals were impacted with the UK's Air Passenger Duty which increased by over 8% in April 2012, followed by a further increase of 3.1% in April 2013.

During the year, a total of 1,879,914 passengers were handled at GAIA which represents a decrease of 192,905 passengers or 9.3% when compared to the previous financial year. Passenger traffic declined consistently year over year with reduced passenger numbers recorded in each month. Added to the declines for the last three (3) months of the prior financial year, fifteen (15) months of declining passengers were recorded to June 2013. Additional factors impacting the reduction in passenger traffic include the loss of low-cost airline REDjet, which suspended operations in March 2012 resulting in a reduction of regional traffic. This loss was further exacerbated by the reduced flight schedules of Caribbean Airlines and LIAT, in response to the withdrawal of REDjet.

Passenger Traffic Financial Year 2013

Also, during this period, the passenger traffic associated with Air-to-Sea transfers (November 2012 to April 2013) was impacted significantly by reduced home porting of cruise liners. This factor resulted in a year over year reduction of over 64,000 passengers or 36% of the total decline. Capacity reductions by American Airlines also contributed to the decline. On 12th June 2013, American Airlines downgraded the capacity of aircraft utilized on their New York (JFK) service resulting in a loss of 1,064 seats for the rest of June 2013. The continuing result of this action is a reduction of 1,568 seats monthly. The airline also discontinued its remaining non-stop flight between Dallas Fort Worth (DFW) and Barbados on 19th August, 2012.

Top Scheduled Passenger Airlines

Airline	Rank	Financial Year 2013[1]
American Airlines	1	335,675
LIAT	2	330,588
Virgin Atlantic	3	254,707
Caribbean Airlines	4	184,920
British Airways	5	165,813
Air Canada	6	100,732
JetBlue Airways	7	85,989
Westjet Airways	8	55,353

[1] Excludes in-transit/transfer passengers.

Aircraft Movements

For the financial year 2013, there was a decrease of 3,476 movements or 9.7% below the previous year.

Period	Aircraft Movements
2012	35,950
2013	32,474
Change	(3,476)
% Change	(9.7)%

GAIA Airfreight

For the financial year 2013, there was a decrease of 606 tonnes or 2.7% under the previous year's tonnage of airfreight.

Airfreight Traffic

Period	Cargo	Mail	Total Cargo & Mail
2012	21,093	1,747	22,840
2013	20,577	1,597	22,174
Change	(516)	(151)	(606)
% Change	(2.4)%	(8.6)%	(2.7)%

Airfreight Carriers serving GAIA

Market Served Directly	Passengers & Cargo	Cargo Only
USA	American Airlines	Amerijet
USA	JetBlue Airways	FedEx
Canada	Air Canada	
Canada	Westjet Airlines	
United Kingdom	British Airways	
United Kingdom	Virgin Atlantic	
Caribbean & South America	LIAT	DHL
Caribbean & South America	Caribbean Airlines	Tampa Cargo

Engineering

During the year, the Engineering Department undertook the construction of a Runway End Safety Area (RESA) at the eastern end of the runway. This project was implemented in order to address general concerns about improving accident survivability in the event of runway overruns at GAIA, by providing an area the aircraft can traverse, while minimizing damage to it.

At a total cost of approximately BDS$2.5 million, the RESA project entailed the excavation of approximately 30,000 cubic meters of material and replacement of the material with compacted marl and a thin layer of top soil on the surface.

Another project that enhanced safety was the installation of fifty-seven (57) new taxiway centreline lights along 1.5km of our main taxiway. The centreline lights were installed in order to enhance the guidance already provided by edge lights along the area in question.

Human Resources Development

A series of workshops was launched in November 2012, to familiarize employees with the requirements of the impending "Safety and Health At Work" act. The initial session was attended by the Health and Safety Committee, followed by company-wide sessions for all employees.

Members of the GAIA Inc. Health & Safety Committee

The emphasis on customer service continued with the international Airport Service Quality® (ASQ) programme supplemented by a new Serv-Qual initiative delivered by hospitality consultant Ms. Stephne Goddard. GAIA Inc.'s management, supervisors and our partners in the wider airport community are being included in this initiative.

GAIA Inc. adopted the internationally-recognised Zenger-Miller programme "Supervision" as the instrument to enhance the supervisory skills of the company. Training was provided for the supervisors and team leaders of the Custodial Services department and supervisors from the Security and Engineering Departments.

Other training programmes conducted during the year included: Security Enhancement, Screener's Certification, First Aid, Incident Reporting and Productivity Awareness.

National Recognition

Two (2) GAIA Inc. employees received recognition at the national level. Our Safety Manager, Mr. Graham Bannister, secured a bronze medal for literary work in the NIFCA Competition and Mr. Robert Stuart of the Engineering Department received the Queen's Jubilee Award for outstanding service in the Barbados Regiment.

Company Awards

At the annual Awards Ceremony held in March, presentations were made in various categories including Perfect Attendance and Ten Years of Service to employees. Mrs. Virginia Miller (SO111) and Mr. Deryck Trotman, (Messenger) achieved the distinction of five (5) years of perfect attendance.

Mrs. Virginia Miller being presented with her award for five years of perfect attendance from Chief of Security, Major Neville Brathwaithe.

Mr. Deryck Trotman (left) is presented with his award for five years of perfect attendance from Director of Human Resources, Michael Worrell.

The Sporting Dimension

GAIA Inc. raised its community profile by organizing an inaugural T20 cricket competition for the airport community and some local clubs. This initiative contributed immensely to GAIA Inc.'s interdepartmental cohesion as our employees turned out in their numbers to support the Engineering and Security teams.

CAH Ramp - Winners of the 2013 GAIA T20 Tournament

Common Entrance Initiative

The company recognized the efforts of fifteen (15) children of our employees who completed the Common Entrance Examination during 2012. Each student was presented with a Certificate of Achievement as well as cash vouchers to assist with their back-to-school purchases at a formal presentation ceremony. The eager students were also treated to an airport tour where various points of interest were identified including the control tower, police station, mail centre, hangar facilities and the incinerator. This is the first year for the programme and the gesture was well received by the parents and the children.

Summer Internship Programme

GAIA Inc. continues to provide valuable internship opportunities for students of the Samuel Jackman Prescod Polytechnic, the Barbados Community College, the Barbados Vocational Training Board and the University of the West Indies. The programme now in its eighth year continues to be heavily subscribed. In 2012, placements were offered to twenty (20) students for periods ranging from four (4) weeks to three (3) months. Our programme is geared towards providing an educational work experience for students who agree to give their best effort on assigned work which will benefit the organization. In return, the students are offered an opportunity to learn new skills, expand their knowledge of a particular field and explore career options.

Children of GAIA Inc. employees with their awards

CEO David Barrow presents Kristian Sandiford with an award

Financial Performance

Aeronautical Revenue

Aeronautical revenue is made up mainly of Passenger Service Charges, Aircraft Landing and Parking Fees and Aircraft Fuel Charges. Aeronautical revenue comprised 73.7% of the total revenue earned by GAIA Inc. during the year. Consequently, the lack of any significant growth in this category continued to have a dampening effect on the overall revenue figures.

Other Income

Interest revenue increased over 2012 as a result of the restructuring of short term Securities. During the year, the company continued to transfer funds to financial instruments which offered better interest rates.

Table 1

OPERATING REVENUE	June 30, 2013 $000	June 30, 2012 $000
Aeronautical revenue	48,678	53,732
Concessions and rentals revenue	11,991	12,236
Car Park revenue	762	797
Total operating revenue	**63,790**	69,147
Other income	**2,215**	1,623
Total income	**66,005**	70,770

Passenger Service Charges are driven by the total number of passengers passing through the airport. Year over year, total passenger numbers decreased by 9.34%, landing and parking fees and aircraft fuel charges also showed a decrease of 18.3% and total aircraft movements were 9.51% lower. *(See Table 2 overleaf).*

Table 2

REVENUE CATEGORIES	2012 / 2013	2011 / 2012
Aeronautical revenue as a percentage of total revenue	73.7%	75.9%
AERONAUTICAL REVENUE ($'000)		
Passenger Service Fees	38,886	42,258
Security Fees	3,789	4,129
Landing Fees	4,655	5,738
Fuel Surcharge	1,348	1,607
NON-AERONAUTICAL REVENUE ($'000)		
Concession Fees	10,405	10,694
Car Park	762	797
Space Rental	1,586	1,542
Lease of Lands	741	649
Utilities Recovery	1,086	1,174
Other	872	559
AERONAUTICAL REVENUE DRIVERS		
Total Passengers	1,879,241	2,072,840
No. of Aircraft Movements	32,530	35,950

Operating Expenses

Operating expenses at June 30, 2013 decreased to $42.9 million when compared to $48.7 million for the year to June 30, 2012. This represents a decrease of $5.8 million or 11.92%. The main elements of the operating expenses were employment costs, utilities, repairs and maintenance, security screening, office and general expenses, insurance and lease maintenance expenses. Utility expenditures, the major component of which is electricity, were favourably affected during the year by the decrease in the fuel adjustment clause. The company maintains an active review of energy conservation methodologies and those selected are implemented on a continuing basis.

Most of the other categories of expenditure showed decreases or maintained the levels of the previous year. Professional fees decreased by $0.8 million over the previous year, which included charges relating to the preparation of the GAIA Master Plan 2011 to 2030.

The conversion the short-term loan facility that was used to fund the Airport Expansion Project to a long-term loan, resulted in a decrease of $0.9 million in annual finance charges.

Income before tax increased by $2.1 million in FY 2012 to $4.9 million in FY 2013. This was largely due to the decrease in operating revenue of $5.0 million being offset by a decrease in operating costs of $5.8 million and a decrease in other expenditure of $1.3 million for the period.

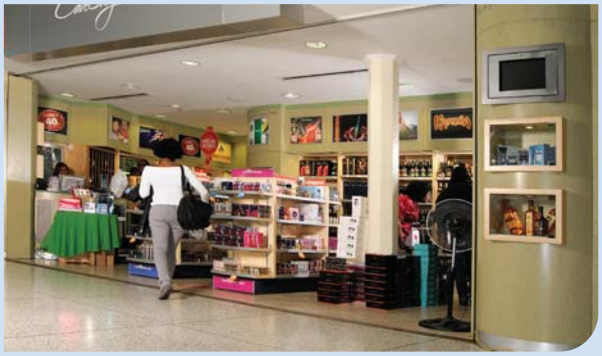


Table 3

FINANCIAL SUMMARY	2012 / 2013 ($000)	2011 / 2012 ($000)
Operating Income	64,130	69,147
Operating Expenditure	(42,922)	(48,731)
Other Income (Expenditure)	(16,267)	(17,640)
Net Income	4,941	2,776
Taxation	(2,458)	(1,964)
Net Surplus	**2,483**	812

Balance Sheet

GAIA Inc.'s current assets at June 30, 2013 show a decrease of $5.9 million or 9.6% over June 30, 2012. This is largely due to the transfer of $5 million from short-term deposits to Treasury Notes and a decrease in accounts receivable of $0.9 million.

Short term deposits which matured during the year were reinvested in Treasury Notes which offered better interest rates. The increase in cash at the bank was linked to the change in the Accounts Receivables, which decreased by $0.9 million to $10.2 million in 2013. This is attributable mainly to the collection of an outstanding balance from a related party.

Capital spending in 2013 was $5.43 million compared to $8.95 million in 2012. Therefore, there was a net decrease in capital expenditure with the charge for depreciation during 2013 outstripping the increase in capital assets for the year. Consequently, total assets showed a decrease over 2012 of $9.6 million.

Grantley Adams International Airport Inc.

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Year ended 30 June 2013

ERNST & YOUNG

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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. which comprise the statement of financial position as of 30 June 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 30 June 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

CHARTERED ACCOUNTANTS

Barbados
7 November 2013

Statement of Financial Position
As of 30 June 2013

	Notes	2013 $	Restated 2012 $	Restated 2011 $
Assets				
Current assets				
Cash	4	9,753,266	8,619,296	10,483,852
Short-term deposits	5	21,655,779	26,926,432	28,858,575
Treasury bills	6	9,824,000	9,870,500	-
Accounts receivable	7	10,196,160	11,117,846	15,278,042
Current portion of loan receivable	8	187,733	187,733	187,733
Interest receivable		745,288	155,182	141,201
Prepayments		339,184	1,814,812	1,837,423
Income tax refundable		3,156,901	3,102,700	3,102,700
		55,858,311	61,794,501	59,889,526
Loan receivable	8	448,851	636,584	824,317
Treasury notes	9	15,232,000	10,000,000	10,000,000
Property, plant and equipment	10	206,044,320	214,751,732	219,920,738
Total assets		277,583,482	287,182,817	290,634,581
Liabilities				
Current liabilities				
Accounts payable	11	11,825,703	13,301,360	9,771,374
Taxation payable		4,901,073	3,431,160	4,296,119
Short-term loan		-	-	85,000,000
Current portion of long term loans	12	12,072,087	11,967,289	3,367,564
		28,798,863	28,699,809	102,435,057
Long-term loans	12	86,318,534	98,369,085	29,563,470
Retentions payable	13	436,850	369,089	378,470
Deferred tax liability	14	4,129,281	4,328,059	3,652,500
Total liabilities		119,683,528	131,766,042	136,029,427
Shareholder's equity				
Share capital	15	100	100	100
Capital contributions	16	149,451,257	149,451,257	149,451,257
Retained earnings		8,448,597	5,965,418	5,153,727
		157,899,954	155,416,775	154,605,084
Total liabilities and shareholder's equity		277,583,482	287,182,817	290,634,581

The accompanying notes form part of these financial statements.
Approved by the Board of Directors on 7 November 2013 and signed on its behalf by:

.... *Director* .... *Director*

Statement of Comprehensive Income
Year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue			
Passenger service charges		42,675,381	46,386,998
Concessions and rentals		11,991,306	12,236,155
Direct charges to airlines		6,002,798	7,345,101
Other income		2,699,413	2,382,418
Interest income		1,782,560	1,533,524
Car park revenue		761,497	796,970
Foreign exchange gain		92,297	88,804
		66,005,252	70,769,970
Expenses			
Employment costs		16,943,749	16,010,121
Depreciation		13,888,428	14,113,683
Utilities		7,712,705	8,522,466
Finance costs		4,253,932	5,148,647
Repairs and maintenance		3,424,001	5,012,757
Security screening charge		4,451,562	4,450,167
Bad debt expense (net of recoveries)		82,260	4,155,048
Office and general expenses		3,067,299	3,288,091
Insurance		2,576,316	2,608,044
Property tax		2,261,250	2,240,787
Professional fees		388,035	1,210,756
Lease maintenance expenses		1,873,903	1,092,223
Directors' fees and expenses		141,000	141,456
		61,064,440	67,994,246
Income before taxation		4,940,812	2,775,724
Taxation	14	2,457,633	1,964,033
Net income and total comprehensive income for the year		2,483,179	811,691

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
Year ended 30 June 2013

	Share capital $	Capital contributions $	Retained earnings $	Total $
Balance at 1 July 2011, as previously reported	100	149,451,257	4,675,786	154,127,143
Prior period adjustment (Note 20)	-	-	477,941	477,941
Balance at 1 July 2011, as restated	100	149,451,257	5,153,727	154,605,084
Total comprehensive income for the year	-	-	811,691	811,691
Balance at 30 June 2012, as restated	100	149,451,257	5,965,418	155,416,775
Balance at 30 June 2012, as previously reported	100	149,451,257	5,487,477	154,938,834
Prior period adjustment (Note 20)	-	-	477,941	477,941
Balance at 30 June 2012, as restated	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

The accompanying notes form part of these financial statements.

Statement of Cash Flows
Year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Income before taxation		4,940,812	2,775,724
Adjustments for:			
Depreciation		13,888,428	14,113,683
Finance costs		4,253,932	5,148,647
Gain on disposal of plant and equipment		(339,047)	(53,153)
Interest income		(1,782,560)	(1,533,524)
Operating profit before working capital changes		20,961,565	20,451,377
Decrease in accounts receivable		921,686	4,160,196
Decrease in prepayments		1,475,628	22,611
(Decrease) increase in accounts payable		(1,475,657)	3,423,430
Cash from operating activities		21,883,222	28,057,614
Corporation tax paid		(1,186,498)	(2,059,845)
Withholding tax paid		(54,201)	(93,588)
Net cash from operating activities		20,642,523	25,904,181
Cash flows from investing activities			
Additions to plant and equipment		(5,428,545)	(8,944,677)
Interest received		1,194,372	1,519,543
Proceeds from disposal of plant and equipment		586,576	53,153
Purchase of treasury notes		(5,000,000)	-
Net decrease in treasury bills		46,500	-
Decrease in loan receivable		187,733	187,733
Purchase of treasury notes		-	-
Net cash used in investing activities		(8,413,364)	(12,414,072)
Cash flows from financing activities			
Increase (decrease) in retentions payable		67,761	(9,381)
Loan repayments		(11,945,753)	(7,594,660)
Interest paid		(4,487,850)	(5,042,091)
Decrease in short-term loan		-	(85,000,000)
Increase in long-term loan		-	85,000,000
Restricted cash		220,720	(2,700,000)
Net cash used in financing activities		(16,145,122)	(10,116,308)
Net (decrease) increase in cash and cash equivalents for the year		(3,915,962)	3,373,801
Cash and cash equivalents - beginning of the year		29,799,478	26,425,677
Cash and cash equivalents - end of the year		25,883,515	29,799,478
Represented by:			
Cash	4	4,227,736	2,873,046
Short-term deposits		21,655,779	26,926,432
		25,883,515	29,799,478

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
Year ended 30 June 2013

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).

2. Significant accounting policies

a] Basis of accounting and financial statement preparation

The financial statements have been prepared under the historical cost convention and are in accordance with International Financial Reporting Standards. The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new standards below.

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

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separate from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. The adoption of this standard had no effect on the financial position or performance of the Company.

IAS 12 Income Taxes (Amendment)/Deferred Taxes - Recovery of Underlying Assets

The amendment clarifies the determination of deferred tax on investment property measured at fair value by introducing a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendment introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS16 to always be measured on the sale basis of the asset. The adoption of this standard had no effect on the financial position or performance of the Company.

b] Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends, where applicable, to adopt these standards when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments
IAS 36 Recoverable Amount Disclosures for Non-Financial Assets - Amendments
IAS 39 Novation of Derivative and Continuation of Hedge Accounting - Amendments
IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans - Amendments to IFRS 1
IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

Notes to the Financial Statements
Year ended 30 June 2013

2. Significant accounting policies (cont'd)

IFRS 9 Financial Instruments: Classification and Measurement (Phase 1)
IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10, IFRS 12, and IAS 27 - Investment Entities (Amendments)
IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 19 Employee Benefits (Revised)
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.
IFRIC 21 Levies

Annual Improvements May 2012 (effective 1 January 2013)
These improvements include:
IAS 1 - Presentation of Financial Statements
IAS 16 - Property, Plant and Equipment
IAS 32 - Financial Instruments, Presentation
IAS 34 - Interim Financial Reporting
IFRS 1 - First-time Adoption of International Financial Reporting Standards

The Company will assess the impact from the adoption of the new standards and amendments on its financial position or performance.

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

d] 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.

e] 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.

f] 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
Year ended 30 June 2013

2. Significant accounting policies (cont'd)

g] 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.

h] Impairment of non-financial assets

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
Year ended 30 June 2013

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.

<u>Deferred tax assets</u>
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.

<u>Impairment of non-financial assets</u>
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
Year ended 30 June 2013

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 $5,525,530 (2012 - $5,746,250) 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 $21,655,779 (2012 - $26,926,432) with interest rates ranging from 2.5% to 3.01% (2012 - 2.5%) per annum.

6. Treasury bills

Treasury bills have an original maturity of 182 (2012 - 91) days and bear interest at the rate of 3.59% (2012 - 3.48%) per annum.

7. Accounts receivable

	2013 $	2012 $
Trade receivables	17,851,686	18,793,742
Less: provision for doubtful accounts	(7,856,457)	(7,839,750)
	9,995,229	10,953,992
Other receivables	200,931	163,854
	10,196,160	11,117,846

Trade receivables are non-interest bearing and are generally on terms ranging from 30 to 90 days. Included in the trade receivables is $4,901,807 (2012 - $4,654,419) owed by related parties, for which a provision of $4,612,427 (2012 - $4,379,386) has been recorded.

Notes to the Financial Statements
Year ended 30 June 2013

7. Accounts receivable (cont'd)

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

	2013 $	2012 $
Balance at beginning of year	7,839,750	10,072,845
Charge (write-offs) for the year	1,290,195	(2,129,077)
Recoveries	(1,237,488)	(104,018)
Balance at end of year	7,856,457	7,839,750

At 30 June, the ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total $	Neither past due nor impaired $	31-60 days $	61-90 days $	> 90 days $
2013	9,995,229	9,162,489	206,407	266,729	359,604
2012	10,953,992	9,333,147	573,154	202,413	845,278

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 $4,464 and $11,181 over 36 months and 84 months, respectively.

9. Treasury notes

This balance represents Government of Barbados $5,000,000 and $10,000,000 treasury notes which bear interest at the rate of 6% per annum and mature on 30 September 2016 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 2011	196,863,552	28,199,143	15,271,255	10,383,418	8,908,356	5,548,263	6,635,658	4,126,308	275,935,953
Additions	486,917	3,132,787	1,717,087	1,347,092	217,910	-	2,042,884	-	8,944,677
Disposals	-	-	(1,710)	(164,941)	-	-	(92,171)	-	(258,822)
At 30 June 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
Accumulated depreciation									
At 1 July 2011	20,047,458	6,616,028	6,494,972	5,890,617	4,508,173	3,646,582	4,685,077	4,126,308	56,015,215
Depreciation	5,088,964	2,099,356	1,978,978	1,629,299	1,266,263	516,652	1,534,171	-	14,133,683
Disposals	-	-	-	(458,846)	(295,232)	-	(91,754)	-	(845,832)
At 30 June 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
Net book value									
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
At 30 June 2012	172,214,047	22,616,546	8,514,392	4,210,594	3,351,830	1,385,029	2,459,294	-	214,751,732

Notes to the Financial Statements
Year ended 30 June 2013

11. Accounts payable

	2013 $	2012 $
Trade payables	4,192,733	5,090,540
Other payables	7,492,162	8,060,662
Deposits	140,808	150,158
Balance at end of year	11,825,703	13,301,360

Included in other payables is an amount of $5,525,530 (2012 - $5,746,250) 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

	2013 $	2012 $
National Insurance Board (NIB) - a related party	17,063,973	17,063,973
European Investment Bank (EIB)	9,076,648	12,522,401
CIBC-FCIB	72,250,000	80,750,000
	98,390,621	110,336,374
Less: Current portion		
European Investment Bank	(3,572,087)	(3,467,289)
CIBC-FCIB	(8,500,000)	(8,500,000)
	(12,072,087)	(11,967,289)
Long-term portion	86,318,534	98,369,085

The NIB loan bears interest at the rate of 6.5% (2012 - 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.

The EIB loan bears interest at the rate of 3% (2012 - 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.

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 3.25% with principal of US$1,062,500 payable in quarterly installments over a period of 7 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.

Notes to the Financial Statements
Year ended 30 June 2013

13. Retentions payable

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

14. Taxation

	2013 $	2012 $
Statement of income		
Current tax charge	2,656,411	1,288,474
Deferred tax (credit) charge	(198,778)	675,559
	2,457,633	1,964,033

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

	2013 $	2012 $
Income before taxation	4,940,812	2,775,724
Corporation tax at 25% (2012 - 25%)	1,235,203	693,931
Effect of depreciation on assets not subject to wear and tear	1,272,842	1,272,955
Effect of other amounts not allowed for tax purposes	3,939	8,389
Over-provision of prior year deferred tax	-	(2,245)
Other	(54,351)	(8,997)
Tax charge	2,457,633	1,964,033

	2013 $	2012 $
Deferred tax liability		
Balance - beginning of year	4,328,059	3,652,500
Deferred tax (credit) charge for the year	(198,778)	677,804
Prior year over-provision of deferred tax	-	(2,245)
Balance - end of year	4,129,281	4,328,059

The deferred tax liability is made up as follows:

	2013 $	2012 $
Accelerated capital allowances	4,024,756	4,315,922
Accrued interest receivable	104,525	12,137
	4,129,281	4,328,059

Notes to the Financial Statements
Year ended 30 June 2013

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:

	2013 $	2012 $
100 common shares	100	100

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:

	2013 $	2012 $
State-controlled entities		
Revenue		
Caribbean ARI Inc.	2,168,488	3,714,874
Caribbean Aircraft Handling Company Limited	718,073	500,949
Caribbean Airways -VIP Lounge	95,403	156,957
Expenses		
Director of National Insurance	3,749,558	2,524,204
Commissioner of Inland Revenue	2,157,325	936,811
Commissioner of Land Tax	2,259,000	2,259,000
Caribbean Aircraft Handling Company Limited	32,014	42,250

Key management comprises directors and management of the Company.

Compensation of these individuals was as follows:

	2013 $	2012 $
Compensation		
Salaries and other short-term employee benefits	1,021,166	775,292
Post-employment benefits	25,116	23,416
	1,046,282	798,708

Notes to the Financial Statements
Year ended 30 June 2013

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.

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
Year ended 30 June 2013

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

The table below summarizes the maturity profile of the Company's financial liabilities at 30 June based on contractual undiscounted payments.

Year ended 30 June 2013

	Less than 3 months $	3 months - 1 year $	2-5 years $	> 5 years $	Total $
Trade payables	2,510,114	2,160,560	-	-	4,670,674
Long-term loans	3,005,868	7,269,082	21,888,520	66,227,151	98,390,621

Year ended 30 June 2012

	Less than 3 months $	3 months - 1 year $	2-5 years $	> 5 years $	Total $
Trade payables	3,067,793	2,500,688	-	-	5,568,481
Long-term loans	2,980,026	7,242,851	23,663,470	76,450,027	110,336,374

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	2013 Effect on profit before tax	2012 Effect on profit before tax
+-50	$573,273	$207,223

Notes to the Financial Statements
Year ended 30 June 2013

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 30 June 2013 and 30 June 2012.

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 30 June 2013 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	
	2013 $	2012 $	2013 $	2012 $
Financial assets				
Cash	9,753,266	8,619,296	9,753,266	8,619,296
Short-term deposits	21,655,779	26,926,432	21,655,779	26,926,432
Trade receivables	9,995,229	10,953,992	9,995,229	10,953,992
Treasury bills	9,824,000	9,870,500	9,824,000	9,870,500
Treasury notes	15,232,000	10,000,000	15,232,000	10,000,000

	Carrying value		Fair value	
	2013 $	2012 $	2013 $	2012 $
Financial liabilities				
Trade payables	3,352,812	6,149,833	3,352,812	6,149,833
Long-term loans	98,390,622	110,336,374	70,914,746	77,566,135

Notes to the Financial Statements
Year ended 30 June 2013

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 30 June 2013, the Company has contracted for certain capital expenditure in the amount of $974,460 (2012 - $4,053,505).

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.

20. Prior period adjustment

During the year, a review of the accounts payable general ledger account revealed an amount of $477,941 that was settled in a prior year but was not reversed.

This error was corrected retrospectively and as a result, the comparative financial statements have been restated. The effect of the correction is a decrease in accounts payable of $477,941 as of 30 June 2011 and 30 June 2012, and an increase in retained earnings of $477,941 as of 1 July 2011 and 30 June 2012.

Notes

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