CABLE & WIRELESS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2004

1 The company and its regulatory framework

The company is incorporated in Jamaica and its ordinary stock units are listed on the Jamaica Stock Exchange.

The company's principal place of business is located at 2-6 Carlton Crescent, Kingston 10, Jamaica, West Indies.

The company is a 79% subsidiary of Cable and Wireless (CALA Investments) Limited, incorporated in the Cayman Islands, and the ultimate parent company is Cable and Wireless plc., incorporated in England. Another subsidiary of Cable and Wireless plc. holds an additional 3% of the issued ordinary stock units of the company. Cable and Wireless group companies are referred to in these financial statements as "related companies".

The principal activity of the group and the company is the provision of domestic and international telecommunications services under various operating licences granted on March 14, 2000, under the Telecommunications Act (the Act). At March 1, 2003, full liberalisation of the telecommunications industry in Jamaica came into force.

The operating licenses, all of which extend to March 14, 2015, are:

Carrier (Cable & Wireless Jamaica Limited) Licence;
Service Provider (Cable & Wireless Jamaica Limited) Licence;
Spectrum (Cable & Wireless Jamaica Limited) Licence;

Domestic Mobile Carrier (Cable & Wireless Jamaica Limited) Licence;
Domestic Mobile Service Provider (Cable & Wireless Jamaica Limited) Licence;
Domestic Mobile Spectrum (Cable & Wireless Jamaica Limited) Licence;
Free Trade Zone Carrier (Jamaica Digiport International Limited) Licence; and
Free Trade Zone Service Provider (Jamaica Digiport International Limited) Licence.

In accordance with the Act, rates on certain fixed line services are subject to a "price-cap" methodology applied by the Office of Utilities Regulation.

At March 31, 2004, the group's employees aggregated 1,846 (2003: 2,387).

2 Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee of the IASB, recommendations by the Institute of Chartered Accountants of Jamaica and conform to the requirements of the Companies Act.

The financial statements are prepared using IFRS for the first time. Consequently, where necessary, prior year comparatives have been reclassified and restated to conform to IFRS. IFRS 1 - First time adoption of IFRS, effective for periods beginning on or after January 1, 2004, has been adopted early, with the application of appropriate exemptions. The effects of adopting IFRS on stockholders'equity and net profit attributable to members, as previously reported, are detailed in note 30.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars ($), which is the measurement currency of the company.

The financial statements are prepared under the historical cost convention, modified for the inclusion of available-for-sale investments at fair value (note 30).

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the balance sheet date, and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

(c) Basis of consolidation:

The group financial statements include the financial statements of the company and its wholly-owned subsidiaries - The Jamaica Telephone Company Limited (JTC), Jamaica International Telecommunications Limited (JAMINTEL) and Jamaica Digiport International Limited, all of which are incorporated in Jamaica - made up to March 31, 2004. The company and its subsidiaries are collectively referred to as the "group".

JTC and JAMINTEL were rendered dormant on April 1, 1995, when all of their undertaking, assets and liabilities were transferred to the company pursuant to the Telecommunications of Jamaica (Transfer to and Vesting of Assets and Liabilities of Jamaica Telephone Company Limited and Jamaica International Telecommunications Limited) Act, 1995.

All significant inter-company transactions are eliminated.

(d) Revenue recognition:

Operating revenue represents amounts, excluding general consumption tax billed, for the provision of domestic and international telecommunications services. In accordance with normal practice in the telecommunications industry, estimates are included to provide for that portion of revenue which connecting carriers have not yet reported.

(e) Property, plant & equipment:

(i) Owned assets:

Items of property, plant & equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and related costs to put the asset into service.

(ii) Depreciation

Depreciation is computed on the straight-line basis at annual rates estimated to write off the fixed assets over their expected useful lives.

No depreciation is charged on construction in progress.

Depreciation rates are as follows:

Buildings	-	2.5% to 10%
Plant and Machinery	-	5% to 22.5%
Cables and transmission	-	5% to 8%
Office equipment and coputers	-	10% to 25%

(f) Interest in subsidiaries:

The company's investments in subsidiaries are shown on an equity accounting basis.

(g) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, and include short-term deposits and other monetary investments with maturities ranging between one and twelve months from balance sheet date.

Bank overdrafts, that are repayable on demand and form an integral part of the group's cash management activities, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Accounts receivable:

Trade and other receivables are stated at cost less impairment losses.

(i) Related parties:

Entities subject to the same ultimate control or significant influence as the company are referred to in the financial statements as 'related parties'.

(j) Inventories:

Inventories represent materials and supplies, including construction material, and are valued at the lower of cost, determined on the weighted average basis, and estimated realisable value.

(k) Accounts payable:

Trade and other payables are stated at cost.

(l) Provisions:

A provision is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(m) Capitalisation of borrowing costs:

Where the company:

- Borrows generally for the purpose of obtaining a qualifying asset, borrowing costs relating to such funds are capitalised based on the weighted average rate of borrowings outstanding during the year (excluding borrowings made specifically for the purpose of obtaining a qualifying asset).

- Borrows to fund a specific qualifying asset, borrowing costs are capitalised as part of the cost of obtaining that asset.

(n) Dividends:

Dividends are recognised as a liability in the period in which they are declared.

(o) Expenses:

i) Net finance costs:

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, and foreign exchange gains and losses recognised in the income statement.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(ii) Operating lease payments:

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(p) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in the income statement.

(q) Income taxes:

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is computed using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except to the extent that the company and its subsidiary are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Investments:

Available-for-sale investments are stated at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value included in equity revaluation reserve.

The fair value of available-for-sale investments is based on their quoted market bid price at the balance sheet date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the company and its subsidiary on the date they commit to purchase or sell the investments.

(s) Employee benefits:

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion.

The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors make use of the work of the actuary and the actuary's report.

(I) Pension arrangements:

The company is a sponsoring employer of a defined benefit pension scheme administered by trustees. The adoption of IAS 19 does not affect the pension scheme, which continues to be governed by the approved trust deeds and rules, and remains under the full control of the appointed trustees.

The company's net obligation in respect of defined benefit pension arrangements is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognised is restricted to the discounted value of future benefits available to the group. The discount rate applied is the yield at balance sheet date on long-term government instruments that have maturity dates approximating the terms of the group's obligation. The calculation is performed using the projected unit credit method.

Obligations for contributions to defined contribution pension schemes are recognised as expenses in the income statement as incurred.

(ii) Other post-retirement benefits:

The company provides post-retirement health care benefits, which are not entitlements, to certain of its retirees. These benefits are usually conditional upon the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans and the present value of future benefits at the balance sheet date is shown as an obligation on the balance sheet.

In calculating the group's constructive obligation in respect of post-retirement benefits, to the extent that any cumulative unrecognised gain or loss exceeds 10% of the present value of the benefit obligation, that portion is recognised in the income statement over the expected average remaining working lives of the employees affected; otherwise, the actuarial gain or loss is not recognised.

(t) Impairment:

(i) The carrying amounts of the company's and its subsidiaries' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or group of assets (cash-generating unit) exceeds its recoverable amount. Impairment losses are recognized in the Income Statement.

(I) The recoverable amount of the company's and its subsidiaries' receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the group of assets/cash-generating unit on business segment to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For all other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(u) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The activities of the group are organised into the following primary segments:

(i) Fixed line
(ii) Mobile
(iii) Other.

These activities are provided exclusively within Jamaica to Jamaican customers. As such no secondary segmental information is provided along geographic lines.

(v) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, accounts receivable, related company balances and trade investments. Similarly financial liabilities include bank overdraft, accounts payable, related company balances and loans.

3 Employee expenses

	2004	2003
	$'000	$'000
Gross salaries	1,977,622	2,122,675
Other benefits and allowances	1,094,022	981,591
Redundancy costs	1,225,052	494,857
	4,296,696	3,599,123

4 Administrative, marketing and selling expenses

	2004	2003
	$'000	$'000
Administrative	2,510,359	2,593,770
Marketing	450,209	206,338
Selling	2,629,379	2,791,290
	5,589,947	5,591,398

5 Depreciation

	2004	2003
	$'000	$'000
Freehold land and buildings	278,174	182,260
Plant & machinery	1,829,278	1,709,772
Cables & transmission equipment	431,306	425,412
Office equipment & computers	424,127	436,679
	2,962,885	2,754,123

6 Impairment

	2004	2003
	$'000	$'000
Plant & machinery	8,192,465	1,729,087

Cables & transmission equipment	2,244,479	103,884
Capital work in progress	626,960	-
	11,063,904	1,832,971

As required under IAS 36 - Impairment of Assets, the company has compared the carrying value of fixed assets at March 31, 2004 to their estimated recoverable amounts. The recoverable amount is the value in use of the respective segments or cash generating units discounted at a nominal pre-tax rate of 18.8%. The resulting impairments relate predominantly to the fixed line business ($5,395,281) and to the mobile business ($4,974,655). The fixed line impairment primarily reflects the estimated impact of the final stage of the liberalisation process in March 2003, whereby the international direct dial business was liberalised. The mobile impairment results primarily from the company's strategic intent to accelerate the migration of mobile customers from its TDMA platform to its GSM platform.

7 Net finance costs

These comprise:

	2004 $'000	2003 $'000
Interest expenses:		
Fixed loans	184,589	274,450
Ultimate parent company	154,497	24,291
Other	25,322	439
Foreign exchange losses:		
Unrealised losses on loans	371,844	906,331
Other unrealised losses	150,232	56,223
Realised Losses	108,369	82,372
Less:	994,853	1,344,106
Interest income	(96,668)	(68,661)
Specific borrowing costs capitalised (Note 12)	(89,624)	(61,044)
	808,561	1,214,401
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8 Other income / (expenses)

	2004 $'000	2003 $'000
Disposal Proceeds - Investment	73,906	-
Disposal Proceeds - Property, Plant and equipment	122,775	1,558
	196,681	1,558
Less: Net book value of Investment	(15,591)	-
Net book value of property, plant	(94,340)	(280,654)
Other	861	-
	87,611	279,096

9 Disclosure of expenses/(income) and related party transactions

(a) (Loss)/profit before taxation is stated after charging/(crediting) the following:

	2004 $'000	2003 $'000 (restated)
Directors' emoluments:		
Fees	1,477	1,418
Management remuneration	15,443	8,565
Auditors' remuneration	12,689	12,817

(b) The group has various ongoing transactions with related companies. These include the provision of, and compensation for, international telecommunications services, financing and insurance arrangements, technical support, professional services, and software use. These transactions comprised approximately 4.88% (2003: 2.25%) of revenues and 8.73% (2003: 5.01 %) of expenses.

All the above transactions were entered into in the ordinary course of business.

10 Taxation

Taxation, based on the results for the year adjusted for taxation purposes, is made up as follows:

	2004 $'000	2003 $'000 (Restated)
Current tax expense:		
Income tax	(573,522)	(732,178)
Deferred taxation:		
Origination and reversal of temporary differences	3,387,544	(106,339)
	2,814,022	838,517
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(a) Reconciliation of effective tax rate:

	2004 $'000	2003 $'000	
Computed "expected" tax expense @331/3 %	2,731,693	(889,916)	
Difference between profit for financial statements and tax reporting purposes on:			
Exchange losses disallowed	(66,664)	(230,783)	
Property, plant and equipment	3,813,578	922,625	
Tax credit on bonus shares issued			233,576
Disallowed expenses and other capital adjustments	(3,664,585)	(874,019)	
Total differences	82,329	51,399	
Actual tax expense	2,814,022	838,517	
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Disallowable expenses include donations, bonus issue expense, pension benefit, health benefit, capital gains, legal fees and deferred revenue provisions.

(b)

	2004	2003
Balance of tax payable at April 1,2003	1,915,105	1,306,072
Tax expense during the year	573,522	732,178
Tax paid during the year	(193,124)	(123,145)
Balance of tax payable at Mar 31,2004	2,295,503	1,915,105

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(c) The Company has, since April 1, 2000, claimed capital allowances under Part III, Paragraph 3 of the First Schedule of the Income Taxes Act, which entitles the Taxpayer to calculate annual allowances on a straight-line basis. In previous periods the reducing balance methodology had been employed. The Revenue has disputed the Company's application of this methodology, and joint clarification was sought of the interpretation of the relevant provisions, under an Originating Summons, in 2002. The final judgment, which was delivered in April 2004 led to further points of disagreement, and appeals were subsequently lodged by both Parties.

The accounts have been presented on a conservative basis, and the full impact of an adverse outcome has been provided in the Group Income Statement. The balance of tax payable at (b) above includes the amounts that would be due if the appeal were determined in favour of the Revenue. If the appeals are determined in favour of the Company the Tax creditor would reduce, but a corresponding increase would be reflected in the deferred tax provision.

11 (Loss)/earnings per stock unit

The calculation of (loss)/earnings per stock unit is based on the (loss)/profit attributable to stockholders of [($5,381,056,000)] (2003: $1,831,231,000) and the 16,817,439,740 issued and fully paid ordinary stock units at March 31, 2004.

12 Property, plant & equipment

(a) The Group:

Cost:	Freehold land & buildings $'000	Plant & machinery $'000	Cables & transmission equipment $'000	Office equipment & computers $'000	Capital work-in-progress $'000	Total $'000
March 31, 2003	3,877,097	27,234,733	7,421,709	2,480,839	7,617,739	48,632,117
Additions	-	-	-	-	3,645,236	3,645,236
Revaluations	-	(1,600)	-	-	-	(1,600)
Transfers/reclassifications	1,680,058	1,699,265	270,832	531,400	(4,181,555)	-
Disposals/retirements	103,346	32,190	-	(62,488)	-	(198,024)

March 31, 2004	5,453,809	28,900,208	7,692,541	2,949,751	7,081,420	52,077,729
Depreciation:						
March 31, 2003	766,565	8,657,036	2,127,667	1,005,816	-	12,557,084
Charge for the year	278,174	1,829,278	431,306	424,127	-	2,962,885
Provision for impairment		8,192,465	2,244,479	-	626,960	11,063,904
Eliminated on disposals/ retirements & adjustments	(42,358)	(22,457)	-	(38,869)	-	(103,684)
March 31 2004	1,002,381	18,656,322	4,803,452	1,391,074	626,960	26,480,189
Net book values:						
March 31, 2004	4,451,428	10,243,886	2,889,089	1,558,677	6,454,460	25,597,540
March 31, 2003	3,110,532	18,577,697	5,294,042	1,475,023	7,617,739	36,075,033

(b) The Company:

Cost:	Freehold land & buildings $'000	Plant & machinery $'000	Cables & transmission equipment $'000	Office equipment & computers $'000	Capital work-in-progress $'000	Total $'000
March 31, 2003	3,819,057	25,149,848	6,884,705	2,453,261	7,605,485	45,912,356
Additions	-	-	-	-	3,643,145	3,643,145
Transfers/reclassifications	1,680,058	1,699,265	270,632	531,409	(4,181,364)	-
Disposals/retirements	(94,438)	(32,190)	-	(62,488)	-	(189,116)
March 31, 2004	5,404,677	26,816,923	7,155,337	2,922,182	7,067,266	49,366,385
Depreciation:						
March 31, 2003	731,230	6,313,075	2,023,783	980,891	-	10,048,979
Charge for the year	275,431	1,796,028	431,306	424,123	-	2,926,888
Provision for impairment	-	8,125,458	2,244,479	-	626,960	10,996,897
Eliminated on disposals/						

retirements & adjustments	(33,489)	(22,457)	-	(38,869)	-	(94,815)
March 31, 2004	973,172	16,212,104	4,699,568	1,366,145	626,960	23,877,949
Net book values:						
March 31, 2004	4,431,505	10,604,819	2,455,769	1,556,037	6,440,306	25,488,436
March 31, 2003	3,087,827	18,836,773	4,860,922	1,472,370	7,605,485	35,863,377

Freehold land & buildings for the group and the company include land aggregating $188,650,000 (2003: $191,223,000) at historic cost.

Borrowing costs specifically attributable to the acquisition of property, plant & equipment aggregating $89,624,000 (2003: $61,044,000) were capitalised during the year based on the application of a weighted average cost of borrowing of 8.14% (2003: 4.68%).

13 Investments

	The Group and the Company	
	2004	2003
	$'000	$'000
Available-for-sale:		
Trade investments	315,911	307,436
Originated loans		
Other	100	2,088
	316,011	309,524
Sale proceeds	73,906	-
Book value	(15,591)	-
Profit on disposal of investments	58,315	-

Available-for-sale trade investments have been accounted for as follows:

	2004	2003
Cost	129,573	143,176
Fair value adjustment	186,338	164,260
	315,911	307,436

14 Deferred expenditure

	The Group and the Company	
	2004	2003
	$'000	$'000
Long-term portion of Deferred GCT	30,208	110,336
Current portion of Deferred GCT	221,981	413,852
	252,189	524,188
	========	=========

Deferred General Consumption Tax, or GCT, comprises input tax on fixed asset acquisitions and is recoverable over a twenty-four month period by way of offset against output tax.

	The Group and the Company	
	2004	2003
	$'000	$'000
Balance of Deferred GCT at beginning of year	524,188	712,314
Deferred GCT incurred during the year	236,326	486,304
Amortisation of Deferred GCT	(508,325)	(674,430)
Balance of Deferred GCT at end of year	252,189	524,188
	========	=========

15 Deferred tax asset/(liability)

The net deferred tax asset/(liability) is attributable to temporary differences in the recognition of the following:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Unrealised exchange losses	10,913	-	10,913	-
Employee benefits	321,957	(208,084)	(321,957)	(208,084)
Property, plant & equipment	610,177	(2,606,519)	610,177	(2,606,519)
Other	159,804	(114,004)	159,804	(116,639)

	458,937	2,928,607	458,937	2,931,242
	========	=========	========	=========

All changes in provision for deferred taxation are recognised in the income statement.

At March 31, 2004, a deferred tax liability of approximately $1,656 million (2003: $1,656 million) relating to investment in certain subsidiaries has not been recognised, as the company controls whether any liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.

16 Employee benefits

(a) Pension assets:

	The Group and the Company	
	2004	2003
	$'000	$'000
Present value of funded obligations	(3,416,000)	(3,941,000)
Fair value of plan assets	8,428,000	6,549,000
Unrecognised actuarial gains	(2,694,000)	(491,000)
Unrecognised amount due to limitation	(199,000)	(449,000)
Recognised asset	2,119,000	1,668,000
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(i) Movements in the net asset recognised in the balance sheet:

	The Group and the Company	
	2004	2003
	$'000	$'000
Balance at beginning of year	1,668,000	1,177,000
Contributions paid	28,000	57,000
Credit recognised in the income statement	(423,000)	(434,000)
Balance at end of year	2,119,000	1,668,000
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(ii) Expense/(credit) recognised in the income statement:

	The Group and the Company	
	2004	2003
	$'000	$'000
Current service costs	130,000	111,000
Interest on obligations	482,000	449,000
Actuarial gains recognised	-	(220,000)
Expected return on plan asset	(785,000)	(652,000)
Change in disallowed assets	(250,000)	(122,000)
	423,000	(434,000)
Actual return on plan assets	2,329,000	1,144,000

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	The Group and the Company	
	2004	2003
Discount rate	12.5%	12.5%
Expected return on plan asset	12.5%	12.5%
Future salary increases	10.0%	10.0%
Future pension increases	3.5%	2.5%

(b) Other post-retirement benefits:

	The Group and the Company	
	2004	2003
	$'000	$'000
Present value of obligations	991,000	915,790
Unrecognised actuarial gains	2,766	(58,000)
Recognised liability	993,766	857,790

(i) Movements in the net liability recognised in the balance sheet:

	The Group and the Company	
	2004	2003
	$'000	$'000
Balance at beginning of year	857,790	741,000
Expense recognised in the income statement	135,976	116,790
Balance at end of year	993,766	857,790

ii) Expense recognised in the income statement:

	The Group and the Company	
	2004	2003
	$'000	$'000
Current service costs	45,000	41,000
Interest on obligations	90,976	75,790
	135,976	116,790

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	The Group and the Company	
	2004	2003
Discount rate	12.5%	12.5%
Medical claims growth	11.0%	4.0%

	The Group and the Company	
	2004	2003
	$'000	$'000
(iv) Employee benefits asset	2,119,000	1,668,000

Employee benefits obligation	(993,766)	(857,790)
	1,125,234	810,210
Less opening net assets	(810,210)	(436,000)
Net Employee Benefits	315,024	374,210
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17 Cash and cash equivalents

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Cash at bank	1,060,426	884,292	930,753	688,411
Short term deposits	901,958	1,696,914	901,956	1,696,914
Monies under escrow	472,530	390,438	472,530	390,438
Cash and cash equivalents	2,434,912	2,971,644	2,305,239	2,775,763
	=========	=========	=========	=========
Bank overdraft	(323,661)	(186,164)	(323,661)	(186,164)
	=========	=========	==========	=========
Net cash balances	2,111,251	2,785,480	1,981,578	2,589,599
	=========	==========	==========	===========

18 Accounts receivable

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade receivables	4,195,002	3,453,802	4,165,624	3,409,518
Doubtful debt provision	(1,087,207)	(837,623)	(1,072,757)	(811,994)
	3,107,795	2,616,179	3,092,867	2,597,524
Other receivables	464,772	160,221	422,577	126,824
	3,572,567	2,776,400	3,515,444	2,724,348
	=========	=========	=========	=========

19 Due from related companies

	The Group	The Company

	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
	85,605	102,716	103,082	155,903
	======	======	=======	========

This represents amounts receivable from other Cable & Wireless group companies, principally for telephone traffic.

20 Inventories

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Mobile handsets	167,907	88,430	167,907	88,430
PABX equipment	109,510	141,927	109,510	141,927
Cabling	220,215	229,861	220,215	229,861
Other inventories	189,502	195,170	186,915	192,596
Gross inventory	687,134	655,388	684,547	652,814
Provision	(30,115)	(36,122)	(30,115)	(36,122)
Net inventory	657,019	619,266	654,432	616,692
	========	=======	=======	========

21 Share capital

	The Group and the Company	
	2004	2003
	$'000	$'000
Authorised:		
16,820,000,000 (2003: 15,900,000,000) ordinary shares of $1 each	16,820,000	15,900,000
	==========	==========
Issued and fully paid:		
16,817,439,740 (2003: 15,883,137,534) ordinary stock units of $1 ea	16,817,440	15,883,138
	==========	==========

(a) At an extraordinary general meeting held on May 22, 2003, the directors recommended and the stockholders approved:

* An increase of $920,000,000 in the authorised share capital by the creation of 920,000,000 ordinary shares of $1 each, such shares to rank pari passu in all respects with the existing ordinary stock units of the company;

* The capitalisation of the sum of $934,302,208 fully out of the profits of the company for the year ended March 31, 2003, to be capitalised and applied in paying up in full 934,302,206 unissued shares of the company; to be allotted, as fully paid up shares (to be converted into stock units at the time of issue) of the company, to members of the company in the ratio of one (1) share for every seventeen (17) stock units held on the date of closure of the register of members on May 30, 2003.

22 Reserves

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
		(restated)		(restated)
Capital reserve (a)	-	-	16,699	4,011
Equity revaluation reserves (b)	186,338	164,260	186,338	164,260
Other reserves (c)	570,028	470,431	535,682	459,809
	756,366	634,691	738,719	628,080
	========	========	========	=========

(a) This comprises the company' share of capital reserves of the subsidiaries accounted for on the equity basis.

(b) Equity revaluation reserves represent changes in the value of available-for-sale investments which are measured at fair value.

(c) Other reserves comprise realised capital gains arising on disposal of fixed assets, investments and settlement of leases.

23 Accounts payable

	The Group		The Company	
	2004	2003	2004	2003

	$'000	$'000	$'000	$'000
Payable to other telecom providers	418,352	289,054	399,628	273,802
Payable to suppliers	1,299,656	1,661,650	1,299,656	1,581,650
GCT payable	556,868	289,214	556,868	289,214
Customer deposits	500,874	468,643	500,874	468,643
Deferred income	40,371	70,710	40,371	70,710
Interest payable	57,602	79,502	57,602	79,502
Accruals	1,680,299	2,997,860	1,680,299	2,997,860
Other payables & provisions	453,543	587,916	364,644	587,966
	5,007,565	6,444,549	4,899,942	6,349,347

Other payables & provisions include provisions as follows:

	The Group and the Company	
	2004	2003
	$'000	$'000
Balance at beginning of year	257,927	218,675
Provisions made/(utilised) during the year,net	72,641	39,352
	330,568	258,027
Balance at end of year		

24 Loans

	The Group and the Company	
	2004	2003
	$'000	$'000
Guaranteed by Government of Jamaica:		(restated)
Export Development Corporation		
Interest free loan repayable 1999/2038 (US$3,737,000) (2003: US$3,797,000) [See note (a) below]	227,983	213,574
Guaranteed by Cable and Wireless plc		
Bank of Nova Scotia - Puerto Rico		
LIBOR +3/4% loan repayable 1996/2005 (US$8,856,000) (2003: US$14,056,000)	540,288	790,490

Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 1995/2004 (US$3,046,000)		
(2003: US$6,178,000)	185,865	347,078
ING Bank		
EURIBOR + 5/8% loan repayable 1996/2006 (E2,550,000)		
(2003: E5,830,000)	191,205	360,702
European Investment Bank		
3% loan repayable 1996/2006 (US$15,225,000)		
(US$20,301,000)	928,872	1,141,688
	2,074,213	2,853,532
Unsecured:		
Government of Jamaica		
10% loan repayable 1995/2007	124,002	165,337
Citibank		
LIBOR + 1 1/2% loan repayable 2005 (US$11,249,000)		
(2003: US$18,750,000)	686,314	1,054,448
CIBC		
LIBOR + 2 3/10% loan repayable 2006(US$6,250,000)		
(2003: US$8,750,000)	381,285	492,076
	1,191,601	1,711,861
Total loans outstanding	3,265,814	4,565,393
Less: Current portion	(1,824,337)	(1,570,544)
Non-current portion of loans	1,441,477	2,994,849
	=========	==========

(a) Export Development Corporation - This loan has been remeasured to fair value using an imputed interest rate of 3.3% [See Note 30(b) v].

(b) Bank of Nova Scotia - Puerto Rico loans, on which interest is based on a margin above LIBOR, may instead attract interest at the cost of '936' funds subject to the availability of such funds and the continued qualification of these loans for '936' funding. Interest for the year ended March 31, 2004 was based on a margin above LIBOR, which was 1.11 % at that date. (Interest for year ended March 31, 2003 was based on a margin above "936" funds which was 1. 10% at that date).

(c) LIBOR is used to abbreviate the London Interbank Offer Rate which, at March 31, 2004, was 1.11% (2003: 1.28%).

(d) EURIBOR is used to abbreviate the European Interbank Offer Rate which, at March 31, 2004, was 1.96% (2003: 2.52%).

(e) Interest rates shown are net rates payable to the lenders.

25 Due to ultimate parent company

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Inter company trading (i)	2,109,050	1,112,157	2,105,886	1,103,305
Unpaid dividends	-	2,997,899		2,997,899
Unpaid dividends converted to loans (ii)	3,848,189	-	3,848,189	-
Other loans	500,000	500,000	500,000	500,000
	6,457,239	4,610,056	6,454,075	4,601,204
	=========	==========	=========	==========

This represents amounts arising from:

i) foreign currency denominated payables relating to arms length inter-company trading in the normal course of business;

ii) Jamaican dollar denominated dividends declared during the period 2000/01 to 2002/03 (the minority shareholders having been paid), through agreement with the parent company, has been deferred to facilitate investment by Cable & Wireless Jamaica Limited in capital investment programmes within Jamaica.

To date no interest has been charged on either of these outstanding amounts but at the year end the dividends were converted into a Jamaica dollar denominated loan bearing variable interest, which at the year end, stood at 19.15%

26 Due to related companies

	The Group		The Company	
	2004	2003	2004	2003

	$'000	$'000	$'000	$'000
Cost plus post acquisition reserves	82,613	48,179	82,613	48,179
	======	=======	======	=======

27 Interest in subsidiaries

	The Company	
	2004	2003
	$'000	$'000
Cost, plus post acquisition reserve	12,276,508	12,291,831
	==========	

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28 Due to subsidiaries

This represents interest-free long-term loans due to subsidiaries for which no fixed repayment terms have been determined.

29 Dividends

	2004	2003
	$'000	$'000
Ordinary dividends:		
Final paid in respect of 2003 - 2.40c (2002: 9.85c) per stock unit - gross	403,619	1,564,489
Interim paid in respect of 2004 - 4c (2003: 4c) per stock unit-gross	672,698	589,945
	1,076,317	2,154,434
	==========	==========

30 Effects of first-time adoption of International Financial Reporting Standards

As stated in note 2(a), these are the group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies, set out in note 2, have been applied in preparing the financial statements for the year ended March 31, 2004, and the comparative information presented in the financial statements for the year ended March 31, 2003 and in the preparation of an opening IFRS balance sheet at April 1, 2002 (the group's date of transition).

In preparing comparative financial statements under IFRS, the group has adjusted amounts previously reported in accordance with previous Jamaican GAAP. An explanation of how the transition from previous Jamaican GAAP to IFRS has affected the group's equity and profit as reported under previous Jamaican GAAP is detailed below. Consequent adjustments to the group statement of cash flows in respect of comparative information were also made.

(a) April 1, 2002 (transition date): Effects on stockholders' equity:

	Equity revaluation reserve $'000	Accumulated profits $'000	Total $'000
IAS 10- Events after the balance sheet date (note i)	-	2,154,434	2,154,434
IAS 12- Income taxes (note ii)	-	(91,410)	(91,410)
IAS 19- Employee benefits (note iii)	-	287,449	287,449
IAS 38- Intangible assets (note iv)	-	(641,606)	(641,606)
IAS 39- Financial Instruments: Recognition and Measurement (note v)	47,595	134,367	181,962
	47,595	1,843,234	1,890,829
	=======	==========	=========

(b) Year ended March 31, 2003: Reconciliation of net profit for the year attributable to stockholders:

	Net profit	
		$'000
As previously reported	2,086,771	
Effect of first-time adoption of IFRS:		
IAS 12, Income taxes (note ii)	(114,040)	
IAS 19, Employee benefits (note ii	336,804	
IAS 38, Intangible assets (note iv	(495,665)	
IAS 39, Financial Instruments: Recognition and Measurement (note v)	17,361	
Aggregate effect of first-time adoption of IFRS		(255,540)
As restated		1,831,231

This represents:

(i) Proposed dividends, which were previously taken out of retained earnings and included as a current liability in the financial statements, a treatment not permitted under IFRS, have been recognized in the period in which they were declared.

(ii) Adjustments made for deferred tax on all temporary differences arising from IFRS adjustments using the balance sheet liability method.

(iii) Assets and liabilities arising under defined benefit pension plans and other post-retirement benefit obligations as well as for vacation leave outstanding were not recognised under previous Jamaican GAAP. The transition adjustments represent the recognition of pension assets and liabilities for defined benefit pension schemes, vacation leave outstanding, and post-retirement medical and life insurance obligations.

(iv) Amortisation adjustments in respect of customer acquisition and directory costs and expenditure incurred by the company in connection with the acquisition of certain long-term loans to comply with IFRS. Previously customer acquisition costs were capitalized and amortised over 15 months but under IFRS they are written off as incurred.

(v) Re-measurement of investments and certain long-term liabilities to fair value.

(b) Adjustments to the 2003 statement of cash flows were as follows:

	Previous Jamaican GAAP March 31, 2003 $'000	Effects of transition to IFRS $'000	IFRS March,31 2003 $'000
Cash flows from operating activities			
Net (loss) profit attributable to stockholders	2,086,771	(255,540)	1,831,231
Items not affecting cash	8,141,140	(1,844,109)	6,297,031
	10,227,911	(2,099,649)	8,128,262
Changes in non-cash working capital	3,802,751	268,480	4,071,231
Cash provided by operating activities	14,030,662	(1,831,169)	12,199,493
Cash used by investing activities	(9,065,570)	1,982,895	(7,082,675)
Cash generated before financial activities	4,965,092	151,726	5,116,818
Cash used by financing activities	(4,954,608)	(151,726)	(5,106,334)
(Decrease)/increase in cash resources	10,484	-	10,484
Cash and bank balances at begenning of the year	2,961,160	-	2,961,160
Cash and bank balances at end of year	2,971,644	-	2,971,644
	==========	======	===========

31 Segment results

2004

	Fixed Lines $'000	Mobile $'000	Other $'000	Total $'000
Turnover	15,075,034	5,317,690	3,070,421	23,463,145
	==========	=========	=========	==========
Segment results before	2,164,153	1,796,614	(370,991)	3,589,776

impairment				
Impairment	(5,395,281)	(4,974,655)	(693,968)	(11,063,904)
Segment results after impairment	(3,231,128)	(3,178,041)	(1,064,359)	(7,474,128)
Segment assets	17,094,359	5,658,580	7,020,992	29,773,931
Unallocated assets				5,260,912
Total assets				35,034,843
Segment liabilities	2,897,842	4,152,479	530,548	7,580,869
Unallocated liabilities				10,845,292
Total liabilities				18,426,161
Other segment items:				
Additions to property, plant and equipment	481,686	2,968,636	194,915	3,645,236
Depreciation & amortisation	1,845,501	408,716	708,668	2,962,885
Other non cash items	-	-	-	458,937

2003

	Fixed Lines $'000	Mobile $'000	Other $'000	Total $'000
Turnover	18,043,323	5,541,912	2,971,138	26,556,373
Segment results before impairment	5,128,326	1,435,541	(567,652)	5,996,216
Impairment	(1,832,971)	-	-	(1,832,971)
Segment results after impairment	3,295,355	1,435,541	(848,283)	4,163,245
Segment assets	22,443,485	10,663,843	6,419,782	39,527,110
Unallocated assets				5,519,661

Total assets				45,046,771
Segment liabilities	2,899,510	5,717,431	967,393	9,584,334
Unallocated liabilities				11,971,509
Total liabilities				21,555,843
Other segment items:				
Additions to property, plant and equipment	2,065,375	4,073,425	467,976	6,606,779
Depreciation & amortisation	1,697,305	375,896	680,922	2,113,602
Other non cash items	-	-	-	2,928,607

32 Financial instruments

Exposure to various types of financial instrument risk arises in the ordinary course of the group's business. Derivative financial instruments are not presently used to reduce exposure to fluctuations in interest and foreign exchange rates.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

For certain customers, the group requires cash deposits in respect of financial assets, materially trade receivables. These cash deposits generally cover significant credit risk related to such customers. Additionally, appropriate credit procedures are in place to minimise exposure to credit risk generally. These include credit evaluations on all new customers and comprehensive procedures for the disconnection of services to, and recovery of amounts owed by, defaulting customers. Cash and cash equivalents are placed with substantial financial institutions who are believed to have minimal risk of default.

The group considers that it has concentration of credit risk with two international connecting carriers, which individually exceed 5% of gross operating revenue. At March 31, 2004, amounts receivable from these carriers aggregated $192,947,000 (2003: $462,238,000). This represents 6% (2003: 17.67%) of trade receivables and 5.40% (2003: 16.65% %) of total accounts receivable.

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate profile of the financial liabilities of the group, at balance sheet date, was as follows:

is

Currency	Fixed rate financial liabilities $'000	Floating rate financial liabilities $'000	Financial liabilities on which no interest is paid $'000	Total $'000	Weighted average interest rate %	Weighted average period for which rate applicable Months
March 31, 2004:						
UK Pound	-	-	3,059,528	3,059,528	-	-
US$	928,872	1,793,752	1,670,912	4,393,536	2.61	21
Euro	-	191,205	-	191,205	2.88	12
Jamaica$	124,002	4,427,413	3,934,974	8,486,389	10.00	35
	1,052,874	6,412,370	8,665,414	16,130,658		
	=========	=========	==========	===========		
March 31, 2003:						
UK Pound	-	-	2,064,388	2,064,388	-	-
US$	1,141,688	2,684,092	4,270,485	8,096,265	2.84	33
Euro	-	360,702	-	360,702	3.13	24
Jamaica$	165,337	500,000	8,220,470	8,885,807	10.00	47

1,307,025	3,544,794	14,555,343	19,407,162
=========	==========	===========	==========

Floating rate financial liabilities mainly comprise bank borrowings bearing interest at rates fixed in advance for periods ranging from three months by reference to LIBOR for US dollar (US$) borrowings and EURIBOR in the case of Euro (E) borrowings (note 24). Bank overdrafts are unsecured and subject to fixed interest rates which may be varied by appropriate notice by the lender. Financial liabilities on which no interest is paid [see note 24(a)] comprise a loan from Export Development Corporation, accounts payable and amounts owed to the ultimate parent company in the normal course of business.

The maturity profiles of the company's fixed loan financial liabilities are disclosed in note 24.

There are no material long-term floating rate financial assets. Surplus cash is invested in UK pound sterling (UK pound), US dollar (US$) and Jamaica dollar ($) money market deposits for short periods ranging between one and twelve months.

(c) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Jamaica dollar.

The table below shows the group's foreign currency exposure, at balance sheet date, being exposures on foreign currency transactions that gave rise to the net currency losses recognised during the year:

	Net foreign currency monetary liabilities		
	UK Pound '000	US$ '000	Euro '000
March 31, 2004:	(22,464)	(29,466)	(2,550)
	========	=========	========

March 31, 2003:	(17,321)	(96,186)	(5,830)
	========	=========	========

Exchange rates in terms of Jamaica dollars were as follows:

	UK Pound	US$	Euro
At June 1, 2004	109.08	60.82	74.43
At March 31, 2004	111.34	61.01	75.98
At March 31, 2003	87.41	56.24	62.87

(d) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The group's significant exposure to market risk relates to the holding of available-for-sale trade investments which are reflected in the financial statements at fair value.

(e) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the management of the group, in conjunction with its ultimate parent company, aims at maintaining flexibility in funding by keeping lines of funding available as well as by acquiring and maintaining prudential cash resources in appropriate currencies required to settle commitments.

(f) Cash flows:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company and the group manage this risk through budgetary measures, ensuring as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(g) Fair value disclosures:

(i) Fair value amounts represent estimates of the arms-length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. Where such instruments exist, they are valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

(ii) The carrying value reflected in the financial statements for cash and cash equivalents, accounts receivable, other financial assets and other financial liabilities are assumed to approximate to their fair values due to their short-term nature. Amounts due to/from related companies are considered to approximate their carrying value as they represent an ability to effect set-offs in future in the amounts disclosed. Long-term assets, except for trade investments, and liabilities are carried at their contracted settlement value. The estimated fair value of trade investments has been determined using available market information and appropriate valuation methodologies applied consistently. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

33 Commitments and contingencies

(a) Capital commitments:

At March 31, 2004, commitments for capital expenditure, for which no provision has been made in these financial statements, were as follows:

	The Group and the Company	
	2004	2003
	$'000	$'000
Commitments in respect of contracts placed	892,997	2,556,428

Amounts authorised in addition to contractual commitments, but not committed	592,857	626,464
	1,485,854	3,182,892
	=========	==========

(b) Lease commitments:

Unexpired commitments under operating leases are payable as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Within 1 year	24,319	29,161	4,854	8,285
From 1-2 years	18,073	20,550	210	3,374
From 2-15 years	91,527	98,523	-	-
	133,919	148,234	5,064	11,659
	========	=======	======	=======

In addition to the above operating lease commitments, the company outsourced its entire motor vehicle fleet management to a third party. During the year, an annual rental of $400,080,000 (2003: $420,439,000) was paid under the agreement and expected future payments for the year ending March 31, 2005, aggregate approximately $366,305,000.

(c) Contingent liabilities:

The company implemented a number of changes to its information systems during the year. As a result of known problems associated with these changes there is a possibility that the company may face future expenses of up to $133million. Management does not believe that this liability will crystallise and accordingly no provision has been made.

Additionally, the company may be exposed to further expenses totalling $129.5 million, which could arise based on legal interpretations which are at variance with those provided by the company's independent tax consultants. No provision has been made in respect of these items.

Additionally, the company has applied its interpretation of existing legislation to certain matters. The associated legislation is ambiguous, and should it be challenged, there is a potential exposure of $130m. However, management has received independent advice and is confident that no such exposure will crystallise. As such, no provision has been made on respect of these items.