



CABLE & WIRELESS

**Cable & Wireless Jamaica Limited
Audited Consolidated Financial Statements
For The Year Ended March 31, 2009**

The Board of Directors of Cable & Wireless Jamaica Limited (“the Company”) releases the audited consolidated results of the Company, Jamaica Digiport International (JDI), and other subsidiaries, (collectively referred to as “CWJ”), for the year ended March 31, 2009.

Highlights:

- Efficiency improvements drove an increase in Operating profit (before impairment & restructuring) of J\$1,904m over the previous year
- Improved customer service - in September 2008, we successfully migrated our call centre to a new provider enabling us to improve our customer service levels. At the close of the year over 74% of calls were answered within 30 seconds and the call abandonment rate had fallen to 12% as compared to 20% at the end of 2007/08.
- Enhanced retail presence – we have opened six flagship stores, refreshed 80% of our retail outlets and added 3,900 active Top Up locations;
- Unveiled new regional brand – on November 3 2008, we launched our LIME (landline, internet, mobile and entertainment) brand reinforcing our position locally and regionally as the Caribbean’s leading telecommunications provider;
- Increased cost efficiency – we reduced operating costs by 6% during the financial year, as we continue to deliver on the One Caribbean Transformation Programme including a 19% reduction in headcount.
- Increased marketing focus on TopUp activities – Mobile prepaid TopUp frequency increased by 10% during the quarter as a result of the increased marketing activities focused around driving the TopUp frequency and value of our mobile prepaid subscriber base.
- Significantly improved networks – We made significant investments in our networks resulting in an improved overall customer experience

Gross Margin of J\$14,415m increased by 9% year on year and as a percentage of revenue from 58% to 66%, driven by focus on efficiency and gross margin improvements. This resulted in a 4% decline in revenue as low margin products were discontinued.

Total Operating Expenses (excluding depreciation & amortisation) fell by 6% compared to the previous year highlighting the results of our cost reduction programme.

Operating profit before impairment & restructuring, increased by J\$1,904m over the previous year, due to the improvements in gross margin and the reduction in total operating expenses.

Restructuring costs of J\$677m include redundancy and other costs associated with our transformation plan.

Pension restructuring reflects a J\$892m net gain on the settlement and curtailment realised through the restructuring of the two defined benefit pension schemes. In addition to the exceptional income statement credit, the restructuring allowed a cash refund of J\$1,500m to be



CABLE & WIRELESS

paid to the company. The pension credit in relating to the ordinary running of the schemes was J\$941m and the charge in respect of the new defined contribution scheme was J\$180m.

Approval for the restructuring of the main pension scheme was granted by the Jamaican Financial Services Authority during March 2009.

Net finance costs for the year increased by 32% due primarily to:

- Increased foreign exchange losses resulting from the devaluation of the Jamaican dollar against the British pound and the United States dollar during the year.
- Higher interest expenses resulting from an increase in net borrowings related to new capital projects.

Net loss attributable to stockholders was J\$302m compared to J\$4,195m for the year ended March 31, 2008 as a result of our improved performance and the inclusion of an impairment charge in the prior year.

In light of current trading we do not intend to recommend a dividend in respect of this financial year.

Outlook- These results demonstrate continued improvement in our financial performance, notwithstanding the challenges posed by current economic conditions and their direct impact on demand. However, we will remain focused on delivering better service to our customers and better performance for our stockholders as we continue the One Caribbean programme to reduce costs and improve efficiency.

These audited consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards.

On behalf of the Board

Andrew Cocking
Director

Geoff Houston
Director

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|--|-----------------------|-----------------------|
| Revenue | 21,992,857 | 22,894,540 |
| Outpayments | (5,622,719) | (6,847,686) |
| Other cost of sales | (1,954,771) | (2,771,921) |
| Total cost of sales | (7,577,490) | (9,619,607) |
| Gross margin | 14,415,367 | 13,274,933 |
| Employee expenses | (2,543,032) | (3,120,781) |
| Administrative, marketing and selling expenses | (7,372,958) | (7,372,511) |
| Depreciation and amortisation | (3,091,832) | (3,277,663) |
| Total operating expenses | (13,007,822) | (13,770,955) |
| Operating profit/(loss) before impairment, pension restructuring income and other restructuring costs | 1,407,545 | (496,022) |
| Impairment | - | (5,145,535) |
| Pension restructuring income | 892,000 | - |
| Other restructuring costs | (677,042) | - |
| Operating profit/(loss) | 1,622,503 | (5,641,557) |
| Net finance costs: | | |
| Foreign exchange losses | (236,920) | (137,127) |
| Other finance costs | (1,812,824) | (1,477,836) |
| Finance income | 37,097 | 95,528 |
| | (2,012,647) | (1,519,435) |
| Other income/(expenses) | 20,589 | (55,390) |
| Loss before taxation | (369,555) | (7,216,382) |
| Taxation | 66,730 | 3,021,684 |
| Loss attributable to stockholders | (302,825) | (4,194,698) |
| Dealt with in the financial statements of: | | |
| The company | (327,664) | (4,253,954) |
| The subsidiaries | 24,839 | 59,256 |
| | (302,825) | (4,194,698) |
| Loss per stock unit | (1.80¢) | (24.94¢) |

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|---|--------------------------|--------------------------|
| Property, plant and equipment | 27,518,868 | 25,690,799 |
| Intangible assets | 548,077 | 522,006 |
| Deferred expenditure | 55,206 | 55,516 |
| Employee benefits assets | <u>3,191,000</u> | <u>3,492,000</u> |
| Total non-current assets | <u>31,313,151</u> | <u>29,760,321</u> |
| Cash and cash equivalents | 700,269 | 846,488 |
| Accounts receivable | 3,842,715 | 3,748,324 |
| Taxation recoverable | 103,725 | 95,989 |
| Prepaid expenses | 441,100 | 375,760 |
| Due from related companies | 181,821 | 136,475 |
| Inventories | 219,744 | 155,541 |
| Current portion of deferred expenditure | <u>203,055</u> | <u>284,818</u> |
| Total current assets | <u>5,692,429</u> | <u>5,643,395</u> |
| TOTAL ASSETS | <u>37,005,580</u> | <u>35,403,716</u> |
| Share capital | 16,817,440 | 16,817,440 |
| Reserves | 2,425,293 | 2,443,218 |
| Accumulated deficit | (3,855,317) | (4,565,159) |
| TOTAL EQUITY | <u>15,387,416</u> | <u>14,695,499</u> |
| Trade and other accounts payable | 6,381,830 | 5,470,684 |
| Provisions | 141,546 | 322,766 |
| Current portion of long-term loans | 16,212 | 749,039 |
| Due to related companies | <u>102,923</u> | <u>47,116</u> |
| Total current liabilities | <u>6,642,511</u> | <u>6,589,605</u> |
| Provisions | 1,346,771 | 1,349,017 |
| Long-term loans | 285,951 | 3,421,455 |
| Due to ultimate parent company | 11,945,027 | 6,434,933 |
| Deferred tax liability | 1,397,904 | 1,061,207 |
| Employee benefits obligations | <u>-</u> | <u>1,852,000</u> |
| Total non-current liabilities | <u>14,975,653</u> | <u>14,118,612</u> |
| TOTAL LIABILITIES | <u>21,618,164</u> | <u>20,708,217</u> |
| TOTAL EQUITY AND LIABILITIES | <u>37,005,580</u> | <u>35,403,716</u> |

Group Statement of Recognised Income and Expenses

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|--|-----------------------|-----------------------|
| Unrealised translation adjustments on consolidation | 161,827 | 32,895 |
| Share-based payment | 20,915 | - |
| Actuarial gains/(losses) recognised directly in equity | 1,218,000 | (1,440,000) |
| Deferred taxes on employee benefits | (406,000) | <u>480,000</u> |
| Net income/(expenses) recognised directly in equity | 994,742 | (927,105) |
| Loss for the year | (302,825) | <u>(4,194,698)</u> |
| Total recognised income and expenses for the year | <u>691,917</u> | <u>(5,121,803)</u> |

Group Statement of Changes in Stockholders' Equity

| | <u>Attributable to the equity holders of the parent company</u> | | | <u>Total</u> \$'000 |
|--|---|---------------------------|--|------------------------|
| | <u>Share capital</u> \$'000 | <u>Reserves</u> \$'000 | <u>(Accumulated deficit) /unappropriated surplus</u> \$'000 | |
| Balances at March 31, 2007 | 16,817,440 | 2,491,656 | 1,012,732 | 20,321,828 |
| Total recognised income and expenses for the year | - | 32,895 | (5,154,698) | (5,121,803) |
| Dividends | - | - | (504,526) | (504,526) |
| Transfer from employee benefits reserve | - | (81,333) | 81,333 | - |
| Balances at March 31, 2008 | 16,817,440 | 2,443,218 | (4,565,159) | 14,695,499 |
| Total recognised income and expenses for the year | - | 182,742 | 509,175 | 691,917 |
| Transfer from employee benefits reserve | - | (200,667) | 200,667 | - |
| Balance at March 31, 2009 | <u>16,817,440</u> | <u>2,425,293</u> | <u>(3,855,317)</u> | <u>15,387,416</u> |

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss attributable to stockholders | (302,825) | (4,194,698) |
| Adjustments for: | | |
| Unrealised translation losses on long-term loans | 95,402 | 34,186 |
| Employee benefits, net | (333,000) | (997,911) |
| Depreciation and amortisation | 3,091,832 | 3,277,663 |
| Provision for impairment | - | 5,145,535 |
| Amortisation of deferred expenditure | 330,633 | 287,984 |
| Taxation | (66,730) | (3,021,684) |
| Loss on disposal of property, plant and equipment and intangible assets | 95,754 | 117,470 |
| Interest earned | (37,097) | (59,450) |
| Interest expense | 1,812,824 | 1,477,836 |
| Provisions | (2,246) | 966,555 |
| Cash generated before changes in working capital | 4,684,547 | 3,033,486 |
| Accounts receivable | (91,755) | 628,798 |
| Prepaid expenses | (65,340) | 795,883 |
| Due from related companies | (45,346) | (15,440) |
| Inventories | (64,203) | 275,942 |
| Trade and other accounts payable | 609,125 | (580,916) |
| Provisions | (181,220) | 322,766 |
| Short-term bridge loan | - | (3,042,124) |
| Due to related companies | <u>55,807</u> | <u>6,695</u> |
| Cash generated from operations | 4,901,615 | 1,425,090 |
| Income tax paid | (10,309) | (11,102) |
| Net cash provided by operating activities | <u>4,891,306</u> | <u>1,413,988</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment and intangible assets | (5,041,726) | (6,107,217) |
| Interest received | 34,461 | 61,840 |
| Deferred expenditure incurred | (248,560) | (343,352) |
| Net cash used by investing activities | <u>(5,255,825)</u> | <u>(6,388,729)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Unrealised translation adjustment on consolidation | 161,827 | 32,895 |
| Share-based payment transferred to reserve | 20,915 | - |
| (Decrease)/increase in long-term loans | (3,963,733) | 3,901,402 |
| Dividends paid | - | (504,526) |
| Interest paid | (1,317,349) | (1,147,494) |
| Due to ultimate parent company | <u>5,316,640</u> | <u>2,128,727</u> |
| Net cash provided by financing activities | <u>218,300</u> | <u>4,411,004</u> |
| Net decrease in cash and cash equivalents | (146,219) | (563,737) |
| Cash and cash equivalents at beginning of year | <u>846,488</u> | <u>1,410,225</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>700,269</u> | <u>846,488</u> |

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|--|-----------------------|-----------------------|
| Revenue | 21,873,821 | 22,778,113 |
| Outpayments | (5,614,612) | (6,838,497) |
| Other cost of sales | (1,943,100) | (2,776,394) |
| Total cost of sales | (7,557,712) | (9,614,891) |
| Gross margin | 14,316,109 | 13,163,222 |
| Employee expenses | (2,532,527) | (3,102,799) |
| Administrative, marketing and selling expenses | (7,352,309) | (7,345,695) |
| Depreciation and amortisation | (3,076,290) | (3,266,253) |
| Total operating expenses | (12,961,126) | (13,714,747) |
| Operating profit/(loss) before impairment, pension restructuring income and other restructuring costs | 1,354,984 | (551,525) |
| Impairment | - | (5,145,535) |
| Pension restructuring income | 892,000 | - |
| Other restructuring cost | (675,216) | - |
| Operating profit/(loss) | <u>1,571,768</u> | <u>(5,697,060)</u> |
| Net finance costs: | | |
| Foreign exchange losses | (208,864) | (133,199) |
| Other finance costs | (1,809,838) | (1,475,831) |
| Finance income | <u>29,378</u> | <u>83,732</u> |
| | (1,989,324) | (1,525,298) |
| Other income/(expenses) | <u>20,589</u> | <u>(55,389)</u> |
| Loss before taxation | (396,967) | (7,277,747) |
| Taxation | <u>69,303</u> | <u>3,023,793</u> |
| Loss attributable to stockholders | <u>(327,664)</u> | <u>(4,253,954)</u> |

Company Balance Sheet

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|--|--------------------------|--------------------------|
| Property, plant and equipment | 27,479,254 | 25,645,752 |
| Intangible assets | 548,077 | 522,006 |
| Interest in subsidiaries, shares at cost | 12,117,350 | 12,117,350 |
| Deferred expenditure | 55,206 | 55,516 |
| Employee benefits assets | <u>3,191,000</u> | <u>3,492,000</u> |
| Total non-current assets | <u>43,390,887</u> | <u>41,832,624</u> |
| Cash and cash equivalents | 611,716 | 666,450 |
| Accounts receivable | 3,757,954 | 3,698,632 |
| Prepaid expenses | 441,004 | 375,722 |
| Due from related companies | 181,821 | 150,680 |
| Company tax recoverable | 96,849 | 89,694 |
| Inventories | 219,744 | 155,541 |
| Current portion of deferred expenditure | <u>203,055</u> | <u>284,818</u> |
| Total current assets | <u>5,512,143</u> | <u>5,421,537</u> |
| TOTAL ASSETS | <u>48,903,030</u> | <u>47,254,161</u> |
| Share capital | 16,817,440 | 16,817,440 |
| Reserves | 2,148,248 | 2,328,000 |
| Accumulated deficit | (4,282,072) | (4,967,075) |
| TOTAL EQUITY | <u>14,683,616</u> | <u>14,178,365</u> |
| Trade and other payables | 6,310,173 | 5,387,209 |
| Provisions | 141,546 | 322,766 |
| Current portion of long-term loans | 16,212 | 749,039 |
| Due to related companies | <u>102,923</u> | <u>47,116</u> |
| Total current liabilities | <u>6,570,854</u> | <u>6,506,130</u> |
| Provisions | 1,332,583 | 1,340,865 |
| Long-term loans | 285,951 | 3,421,455 |
| Due to ultimate parent company | 11,945,027 | 6,434,933 |
| Deferred tax liability | 1,397,904 | 1,061,207 |
| Due to subsidiaries | 12,687,095 | 12,459,206 |
| Employee benefits obligations | <u>-</u> | <u>1,852,000</u> |
| Total non-current liabilities | <u>27,648,560</u> | <u>26,569,666</u> |
| TOTAL LIABILITIES | <u>34,219,414</u> | <u>33,075,796</u> |
| TOTAL EQUITY AND LIABILITIES | <u>48,903,030</u> | <u>47,254,161</u> |

Company Statement of Recognised Income and Expenses

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|---|-----------------------|-----------------------|
| Share-based payment | 20,915 | - |
| Actuarial gains/(losses) recognised in equity | 1,218,000 | (1,440,000) |
| Deferred taxes on employee benefits | (406,000) | <u>480,000</u> |
| Net income/(expenses) recognised directly in equity | 832,915 | (960,000) |
| Loss for the year | (327,664) | (4,253,954) |
| Total recognised income and expenses for the year | <u>505,251</u> | <u>(5,213,954)</u> |

Company Statement of Changes in Stockholders' Equity

| | <u>Share capital</u> \$'000 | <u>Reserves</u> \$'000 | (Accumulated deficit) /unappropriated surplus \$'000 | <u>Total</u> \$'000 |
|--|--------------------------------|---------------------------|---|------------------------|
| Balances at March 31, 2007 | 16,817,440 | 2,409,333 | 670,072 | 19,896,845 |
| Total recognised income and expenses for the year | - | - | (5,213,954) | (5,213,954) |
| Dividends | - | - | (504,526) | (504,526) |
| Transfer from employee benefits reserve | <u>-</u> | <u>(81,333)</u> | <u>81,333</u> | <u>-</u> |
| Balances at March 31, 2008 | 16,817,440 | 2,328,000 | (4,967,075) | 14,178,365 |
| Total recognised income and expenses for the year | - | 20,915 | 484,336 | 505,251 |
| Transfer from employee benefits reserve | <u>-</u> | <u>(200,667)</u> | <u>200,667</u> | <u>-</u> |
| Balance at March 31, 2009 | <u>16,817,440</u> | <u>2,148,248</u> | <u>(4,282,072)</u> | <u>14,683,616</u> |

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss attributable to stockholders | (327,664) | (4,253,954) |
| Adjustments for: | | |
| Unrealised translation losses on loans | 95,402 | 34,186 |
| Employee benefits, net | (333,000) | (997,911) |
| Depreciation and amortisation | 3,076,290 | 3,266,253 |
| Provision for impairment | - | 5,145,535 |
| Amortisation of deferred expenditure | 330,633 | 287,984 |
| Deferred taxation | (69,303) | (3,023,793) |
| Loss on disposal of property, plant and equipment and intangible assets | 95,754 | 117,470 |
| Interest earned | (29,378) | (47,654) |
| Interest expense | 1,809,838 | 1,475,831 |
| Provisions | (8,282) | 965,149 |
| Cash generated before changes in working capital | 4,640,290 | 2,969,096 |
| Accounts receivable | (56,603) | 643,405 |
| Prepaid expenses | (65,282) | 795,485 |
| Due from related companies | (31,141) | (29,645) |
| Inventories | (64,203) | 275,942 |
| Trade and other accounts payable | 618,237 | (577,652) |
| Provisions | (181,220) | 322,766 |
| Short-term bridge loan | - | (3,042,124) |
| Due to related companies | 55,807 | 6,695 |
| Cash generated from operations | 4,915,885 | 1,363,968 |
| Income tax paid | (7,155) | (9,557) |
| Net cash provided by operating activities | <u>4,908,730</u> | <u>1,354,411</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment and intangible assets | (5,031,617) | (6,107,217) |
| Interest received | 26,659 | 44,851 |
| Deferred expenditure incurred | (248,560) | (343,352) |
| Net cash used by investing activities | <u>(5,253,518)</u> | <u>(6,405,718)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Share-based payment transferred to reserve | 20,915 | - |
| Due to subsidiaries | 227,889 | 23,167 |
| (Decrease)/increase in loans | (3,963,733) | 3,901,402 |
| Dividends paid | - | (504,526) |
| Interest paid | (1,311,657) | (1,144,921) |
| Due to ultimate parent company | 5,316,640 | 2,128,727 |
| Net cash provided by financing activities | <u>290,054</u> | <u>4,403,849</u> |
| Net decrease in cash and cash equivalents | (54,734) | (647,458) |
| Cash and cash equivalents at beginning of year | <u>666,450</u> | <u>1,313,908</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>611,716</u></u> | <u><u>666,450</u></u> |