

CABLE & WIRELESS JAMAICA LIMITED
FINANCIAL STATEMENTS
MARCH 31, 2010



KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
CABLE & WIRELESS JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements of Cable & Wireless Jamaica Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 3 to 50, which comprise the company's and the group's balance sheets as at March 31, 2010, the company's and the group's statements of income, statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to 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 auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.



To the Members of
CABLE & WIRELESS JAMAICA LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the company and the group as at March 31, 2010, and of the company's and the group's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act, so far as concerns members of the company.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith, and give the information required by the Jamaican Companies Act, in the manner so required.

KPMG

Chartered Accountants
Kingston, Jamaica

May 26, 2010

	Notes	2010 \$'000	2009 \$'000
Revenue	2(e)	<u>22,046,168</u>	<u>21,992,857</u>
Outpayments		(5,103,950)	(5,622,719)
Other cost of sales		(2,662,550)	(1,954,771)
Total cost of sales		(7,766,500)	(7,577,490)
Gross margin		14,279,668	14,415,367
Employee expenses	3	(3,082,848)	(2,543,032)
Administrative, marketing and selling expenses	4	(6,839,414)	(7,372,958)
Depreciation and amortisation	6	(7,016,464)	(3,091,832)
Total operating expenses		(16,938,726)	(13,007,822)
Operating (loss)/profit before pension restructuring income and other restructuring costs		(2,659,058)	1,407,545
Pension restructuring income	12(c)(i)	-	892,000
Other restructuring costs	3	(372,709)	(677,042)
Operating (loss)/profit before net finance costs		(3,031,767)	1,622,503
Net finance costs:			
Foreign exchange gains/(losses)		197,236	(236,920)
Other finance costs		(2,914,317)	(1,812,824)
Finance income		<u>40,780</u>	<u>37,097</u>
	5	(2,676,301)	(2,012,647)
Other income		<u>37,444</u>	<u>20,589</u>
Loss before taxation	6	(5,670,624)	(369,555)
Taxation	7	<u>2,282,433</u>	<u>66,730</u>
Loss attributable to stockholders		(3,388,191)	(302,825)
Dealt with in the financial statements of:			
The company		(3,331,293)	(327,664)
The subsidiaries		(56,898)	24,839
		(3,388,191)	(302,825)
Loss per stock unit	8	(20.15¢)	(1.80¢)

The accompanying notes form an integral part of the financial statements.

Group Statement of Comprehensive Income

	<u>Notes</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
Loss for the year		(3,388,191)	(302,825)
Other comprehensive (loss)/income for the year:			
Unrealised translation adjustments on consolidation		9,138	161,827
Share-based payment	2(w)	-	20,915
Actuarial (losses)/gains on employee benefits assets		(200,043)	1,218,000
		(190,905)	1,400,742
Deferred taxes on employee benefits	23	126,667	(406,000)
Total other comprehensive (loss)/income for the year, net of tax		(64,238)	994,742
Total comprehensive (loss)/income for the year		(3,452,429)	691,917

The accompanying notes form an integral part of the financial statements.

	Notes	2010 \$'000	2009 \$'000
Property, plant and equipment	9	24,059,289	27,518,868
Intangible assets	10	330,744	548,077
Deferred expenditure	11	40,660	55,206
Net investment in finance leases	2(q)(ii)	200,928	-
Employee benefits assets	12 (a)	2,974,000	3,191,000
Deferred tax asset	23	<u>1,274,147</u>	<u>-</u>
Total non-current assets		<u>28,879,768</u>	<u>31,313,151</u>
Cash and cash equivalents	13	364,590	700,269
Accounts receivable	14	3,954,495	3,842,715
Prepaid expenses		437,765	441,100
Due from related companies	15	710,697	668,912
Taxation recoverable		109,214	103,725
Inventories	16	311,572	219,744
Current portion of deferred expenditure	11	<u>190,551</u>	<u>203,055</u>
Total current assets		<u>6,078,884</u>	<u>6,179,520</u>
TOTAL ASSETS		<u>34,958,652</u>	<u>37,492,671</u>
Share capital	17	16,817,440	16,817,440
Reserves	18	2,289,765	2,425,293
Accumulated deficit		<u>(7,172,218)</u>	<u>(3,855,317)</u>
TOTAL EQUITY		<u>11,934,987</u>	<u>15,387,416</u>
Trade and other accounts payable	19	7,104,162	6,381,830
Provisions	20	67,022	141,546
Current portion of long-term loan	21	16,384	16,212
Due to related companies	15	<u>180,059</u>	<u>102,923</u>
Total current liabilities		<u>7,367,627</u>	<u>6,642,511</u>
Provisions	20	1,117,425	1,346,771
Long-term loan	21	281,221	285,951
Due to other group companies	22	14,257,392	12,432,118
Deferred tax liability	23	<u>-</u>	<u>1,397,904</u>
Total non-current liabilities		<u>15,656,038</u>	<u>15,462,744</u>
TOTAL LIABILITIES		<u>23,023,665</u>	<u>22,105,255</u>
TOTAL EQUITY AND LIABILITIES		<u>34,958,652</u>	<u>37,492,671</u>

The financial statements on pages 3 to 50 were approved by the Board of Directors on May 26, 2010 and signed on its behalf by:



Christopher Dehring
Chairman



William Houston
Director

The accompanying notes form an integral part of the financial statements.

Group Statement of Changes in Stockholders' Equity

	<u>Share capital</u> \$'000 (note 17)	<u>Reserves</u> \$'000 (note 18)	<u>Accumulated deficit</u> \$'000	<u>Total</u> \$'000
Balances at March 31, 2008	16,817,440	2,443,218	(4,565,159)	14,695,499
Loss for the year	-	-	(302,825)	(302,825)
Other comprehensive income:				
Unrealised translation adjustments on consolidation	-	161,827	-	161,827
Share-based payment	-	20,915	-	20,915
Actuarial gains, net of tax	-	-	<u>812,000</u>	<u>812,000</u>
Total comprehensive income for the year	-	182,742	509,175	691,917
Transfer from employee benefits reserve	-	(200,667)	<u>200,667</u>	-
Balances at March 31, 2009	16,817,440	2,425,293	(3,855,317)	15,387,416
Loss for the year	-	-	(3,388,191)	(3,388,191)
Other comprehensive (loss)/income:				
Unrealised translation adjustments on consolidation	-	9,138	-	9,138
Actuarial losses, net of tax	-	-	<u>(73,376)</u>	<u>(73,376)</u>
Total comprehensive (loss)/income for the year	-	9,138	(3,461,567)	(3,452,429)
Transfer from employee benefits reserve	-	(144,666)	<u>144,666</u>	-
Balances at March 31, 2010	<u>16,817,440</u>	<u>2,289,765</u>	<u>(7,172,218)</u>	<u>11,934,987</u>

The accompanying notes form an integral part of the financial statements

	<u>2010</u> \$'000	<u>2009</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(3,388,191)	(302,825)
Adjustments for:		
Unrealised translation losses on long-term loan	5,047	95,402
Employee benefits, net	16,957	(333,000)
Depreciation and amortisation	7,016,464	3,091,832
Taxation	(2,282,433)	(66,730)
Loss on disposal of property, plant and equipment and intangible assets	64,022	95,754
Interest earned	(40,780)	(37,097)
Interest expense	2,914,317	1,812,824
Provisions	<u>431,812</u>	<u>(2,246)</u>
Cash generated before changes in working capital	4,737,215	4,353,914
Accounts receivable	(111,648)	(91,755)
Prepaid expenses	3,335	(65,340)
Due from related companies	(41,785)	(532,437)
Inventories	(91,828)	(64,203)
Deferred expenditure	27,050	82,073
Trade and other accounts payable	606,799	415,671
Provisions	(74,524)	(181,220)
Due to related companies	<u>77,136</u>	<u>(364,970)</u>
Cash generated from operations	5,131,750	3,551,733
Income tax paid	<u>(268,440)</u>	<u>(10,309)</u>
Net cash provided by operating activities	<u>4,863,310</u>	<u>3,541,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(4,064,732)	(5,041,726)
Net investment in finance leases	(200,928)	-
Interest received	<u>40,648</u>	<u>34,461</u>
Net cash used by investing activities	<u>(4,225,012)</u>	<u>(5,007,265)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Unrealised translation adjustment on consolidation	9,138	161,827
Share-based payment transferred to reserve	-	20,915
Decrease in long-term loan	(9,605)	(3,963,733)
Interest paid	(2,798,784)	(1,317,349)
Due to other group companies	<u>1,825,274</u>	<u>6,417,962</u>
Net cash (used)/provided by financing activities	<u>(973,977)</u>	<u>1,319,622</u>
Net decrease in cash and cash equivalents	<u>(335,679)</u>	<u>(146,219)</u>
Cash and cash equivalents at beginning of year	<u>700,269</u>	<u>846,488</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>364,590</u>	<u>700,269</u>

The accompanying notes form an integral part of the financial statements.

	<u>Notes</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
Revenue		<u>21,919,332</u>	<u>21,873,821</u>
Outpayments		(5,055,637)	(5,614,612)
Other cost of sales		(2,662,550)	(1,943,100)
Total cost of sales		(7,718,187)	(7,557,712)
Gross margin		14,201,145	14,316,109
Employee expenses	3	(3,078,917)	(2,532,527)
Administrative, marketing and selling expenses	4	(6,815,210)	(7,352,308)
Depreciation and amortisation	6	(7,002,863)	(3,076,290)
Total operating expenses		(16,896,990)	(12,961,125)
Operating (loss)/profit before pension restructuring income and other restructuring costs		(2,695,845)	1,354,984
Pension restructuring income	12(c)(i)	-	892,000
Other restructuring costs	3	(372,799)	(675,216)
Operating (loss)/profit before net finance costs		(3,068,644)	1,571,768
Net finance costs:			
Foreign exchange gains/(losses)		195,412	(208,864)
Other finance costs		(2,912,176)	(1,809,838)
Finance income		27,924	29,378
	5	(2,688,840)	(1,989,324)
Other income		144,963	20,589
Loss before taxation	6	(5,612,521)	(396,967)
Taxation	7	2,281,228	69,303
Loss attributable to stockholders		(3,331,293)	(327,664)

The accompanying notes form an integral part of the financial statements.

Company Statement of Comprehensive Income

	<u>Notes</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
Loss for the year		(3,331,293)	(327,664)
Other comprehensive (loss)/income for the year:			
Share-based payment	2(w)	-	20,915
Actuarial (losses)/gains on employee benefits assets		(200,043)	1,218,000
		(200,043)	1,238,915
Deferred taxes on employee benefits	23	126,667	(406,000)
Total other comprehensive (loss)/income for the year, net of tax		(73,376)	832,915
Total comprehensive (loss)/income for the year		(3,404,669)	505,251

The accompanying notes form an integral part of the financial statements.

Company Statement of Financial Position

	<u>Notes</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
Property, plant and equipment	9	24,030,947	27,479,254
Intangible assets	10	330,744	548,077
Interest in subsidiaries, shares at cost	2(d)(i)	12,117,350	12,117,350
Deferred expenditure	11	40,660	55,206
Net investment in finance leases	2(q)(ii)	200,928	-
Employee benefits assets	12 (a)	2,974,000	3,191,000
Deferred tax asset	23	<u>1,274,147</u>	-
Total non-current assets		<u>40,968,776</u>	<u>43,390,887</u>
Cash and cash equivalents	13	281,933	611,716
Accounts receivable	14	3,896,150	3,757,954
Prepaid expenses		437,558	441,004
Due from related companies	15	710,697	668,912
Taxation recoverable		99,988	96,849
Inventories	16	311,572	219,744
Current portion of deferred expenditure	11	<u>190,551</u>	<u>203,055</u>
Total current assets		<u>5,928,449</u>	<u>5,999,234</u>
TOTAL ASSETS		<u>46,897,225</u>	<u>49,390,121</u>
Share capital	17	16,817,440	16,817,440
Reserves	18	2,003,582	2,148,248
Accumulated deficit		<u>(7,542,075)</u>	<u>(4,282,072)</u>
TOTAL EQUITY		<u>11,278,947</u>	<u>14,683,616</u>
Trade and other payables	19	7,046,386	6,310,173
Provisions	20	67,022	141,546
Current portion of long-term loan	21	16,384	16,212
Due to related companies	15	<u>180,059</u>	<u>102,923</u>
Total current liabilities		<u>7,309,851</u>	<u>6,570,854</u>
Provisions	20	1,100,804	1,332,583
Long-term loan	21	281,221	285,951
Due to other group companies	22	14,257,392	12,432,118
Deferred tax liability	23	-	1,397,904
Due to subsidiaries	24	<u>12,669,010</u>	<u>12,687,095</u>
Total non-current liabilities		<u>28,308,427</u>	<u>28,135,651</u>
TOTAL LIABILITIES		<u>35,618,278</u>	<u>34,706,505</u>
TOTAL EQUITY AND LIABILITIES		<u>46,897,225</u>	<u>49,390,121</u>

The financial statements on pages 3 to 50 were approved by the Board of Directors on May 26, 2010 and signed on its behalf by:



Chairman

Christopher Dehring



Director

William Houston

The accompanying notes form an integral part of the financial statements.

Company Statement of Changes in Stockholders' Equity

	<u>Share capital</u> \$'000 (note 17)	<u>Reserves</u> \$'000 (note 18)	<u>Accumulated deficit</u> \$'000	<u>Total</u> \$'000
Balances at March 31, 2008	16,817,440	2,328,000	(4,967,075)	14,178,365
Loss for the year	-	-	(327,664)	(327,664)
Other comprehensive income:				
Share-based payment	-	20,915	-	20,915
Actuarial gains, net of tax	-	-	<u>812,000</u>	<u>812,000</u>
Total comprehensive income for the year	-	20,915	484,336	505,251
Transfer from employee benefits reserve	-	(200,667)	<u>200,667</u>	-
Balances at March 31, 2009	16,817,440	2,148,248	(4,282,072)	14,683,616
Loss for the year	-	-	(3,331,293)	(3,331,293)
Other comprehensive loss:				
Actuarial losses, net of tax	-	-	(73,376)	(73,376)
Total comprehensive loss for the year	-	-	(3,404,669)	(3,404,669)
Transfer from employee benefits reserve	-	(144,666)	<u>144,666</u>	-
Balances at March 31, 2010	<u>16,817,440</u>	<u>2,003,582</u>	<u>(7,542,075)</u>	<u>11,278,947</u>

The accompanying notes form an integral part of the financial statements.

	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(3,331,293)	(327,664)
Adjustments for:		
Unrealised translation losses on loan	5,047	95,402
Employee benefits, net	16,957	(333,000)
Depreciation and amortisation	7,002,863	3,076,290
Taxation	(2,281,228)	(69,303)
Loss on disposal of property, plant and equipment and intangible assets	65,990	95,754
Interest earned	(27,924)	(29,378)
Interest expense	2,912,176	1,809,838
Provisions	424,481	(8,282)
Cash generated before changes in working capital	4,787,069	4,309,657
Accounts receivable	(138,196)	(56,603)
Prepaid expenses	3,446	(65,282)
Due from related companies	(41,785)	(532,437)
Inventories	(91,828)	(64,203)
Deferred expenditure	27,050	82,073
Trade and other accounts payable	620,233	438,988
Provisions	(74,524)	(181,220)
Due to related companies	77,136	(364,970)
Cash generated from operations	5,168,601	3,566,003
Income tax paid	(267,295)	(7,155)
Net cash provided by operating activities	4,901,306	3,558,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(4,059,473)	(5,031,617)
Net investment in finance leases	(200,928)	-
Interest received	27,924	26,659
Net cash used by investing activities	(4,232,477)	(5,004,958)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share-based payment transferred to reserve	-	20,915
Due to subsidiaries	(18,085)	227,889
Decrease in long term loan	(9,605)	(3,963,733)
Interest paid	(2,796,196)	(1,311,657)
Due to other group companies	1,825,274	6,417,962
Net cash (used)/provided by financing activities	(998,612)	1,391,376
Net decrease in cash and cash equivalents	(329,783)	(54,734)
Cash and cash equivalents at beginning of year	611,716	666,450
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>281,933</u>	<u>611,716</u>

The accompanying notes form an integral part of the financial statements.

1. The company and its regulatory framework

The company is incorporated and domiciled in Jamaica and its ordinary stock units are listed on the Jamaica Stock Exchange. The company's registered office 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 & Wireless Communications plc., incorporated in England. Another subsidiary of Cable & Wireless Communications Plc. holds an additional 3% of the issued ordinary stock units of the company.

On 19 March 2010, the Cable & Wireless Group effected a group reorganisation whereby Cable & Wireless Communications Plc. was inserted as a new holding company for the Cable & Wireless Group via a Scheme of Arrangement. Cable & Wireless Communications plc therefore replaced Cable and Wireless plc (now Cable & Wireless Limited) as the parent company of the Cable & Wireless Group as at this date. On 22 March 2010, the entire ordinary share capital of Cable and Wireless plc was cancelled and shareholders were given one ordinary share and one B share of Cable & Wireless Communications plc for every share of Cable and Wireless plc held on that date. At this time, the Cable & Wireless Group was renamed the Cable & Wireless Communications Group. Cable & Wireless Communications group companies are referred to in these financial statements as "related companies".

As part of the 'One Caribbean' structure, the company along with other group companies in the Caribbean trade under the name 'LIME' (Landline, Internet, Mobile and Entertainment).

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).

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.

2. Statement of compliance, basis of preparation and significant accounting policies**(a) Statement of compliance:**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(a) Statement of compliance (continued):**

Certain new IFRS, and interpretations of and amendments to existing standards which were in issue, came into effect for the current financial year as follows:

- *Revised IAS 1 – Presentation of Financial Statements* (effective January 1, 2009) requires presentation of all non-owner changes in equity either in a single statement of comprehensive income, or in an income statement plus a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented at the beginning of the comparative period when the entity restates the comparatives, a disclosure for reclassification adjustments and disclosure of dividends and related per share amounts on the face of the statement of changes in equity or in the notes.
- *IAS 23, Revised – Borrowing Costs* (effective January 1, 2009) removes the option of immediately recognising all borrowing costs as an expense. The standard requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.
- *IAS 32 Financial instruments: Presentation.* The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification.
- *Amendments to IFRS 7 Financial Instruments: Disclosures* require enhanced disclosures in respect of two aspects: disclosures over fair value measurement for financial instruments specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk, to address current diversity in practice.
- *IFRS 8 Operating Segments* (effective January 1, 2009) introduces the “management approach” to segment reporting. IFRS 8 requires the disclosure of segment information based on the internal reports regularly reviewed by the company’s Chief Operating Decision Maker in order to assess the performance of and allocate resources to each segment.

At the date of approval of the financial statements, there were certain standards and interpretations which were in issue but not yet effective. Those which are considered relevant to the company are as follows:

- *IFRS 9, Financial Instruments* (effective January 1, 2013) introduces new requirements for classifying and measuring financial assets. The standard also amends some of the requirements of *IFRS 7 Financial Instruments: Disclosures* including added disclosures about investments in equity instruments designated as fair value through other comprehensive income. This standard is not expected to have any significant impact on the company’s financial statements.
- *IAS 24, Related Party Disclosure, revised* (effective January 1, 2011) introduces changes to the related party disclosure requirements for government - related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(a) Statement of compliance (continued):**

At the date of approval of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. Those which are considered relevant to the company are as follows (continued):

- *Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements* becomes effective for annual reporting periods beginning on or after July 1, 2009. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced.
- *IAS 39 (Amendment), Financial Instruments: Recognition and Measurement* becomes effective for annual reporting periods beginning on or after July 1, 2009. The amendment provided clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where:
 - A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. A segment is no longer considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

- *IFRIC 17, Distribution of Non-Cash Assets to Owners* is effective for annual reporting periods beginning on or after July 1, 2009 and provides that a dividend payable should be recognized when appropriately authorized and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognized in profit or loss.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(a) Statement of compliance (continued):**

At the date of approval of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. Those which are considered relevant to the company are as follows (continued):

The adoption of *IFRS 9, IAS 24, Revised IFRS 3 and amended IAS 27, IAS 39 (Amendment), and IFRIC 17* is expected to result in adjustments and additional disclosures to the financial statements. Management is currently in the process of evaluating the impact on the financial statements of adopting these standards.

(b) Basis of preparation:

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

The financial statements are prepared using the historical cost basis. The significant accounting policies stated in paragraphs (c) to (y) below conform in all material respects with IFRS.

(c) Use of estimates and judgements:

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 statement of financial position date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year of the revision and future years, where applicable. Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Pension benefits:

The amounts recognised in the statement of financial position, income statement and statement of comprehensive income for pension are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the expected long-term return on plan assets, the discount rates used to determine the present value of estimated future cash flows and the growth in pensionable payroll.

The expected return on plan assets considers the long-term historical returns in excess of inflation, asset allocation and the future estimates of long-term inflation. The discount rates are based on the yields on long-term government securities denominated in both Jamaica and US dollars and comparable securities in the Caribbean. The growth in pensionable payroll is based on the views of the management. Any changes in these assumptions will affect the amounts recorded in the financial statements for these obligations.

Also, see note 12(a) (vi) for conversion of existing pension plan in the prior year.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(c) Use of estimates and judgements (continued):****(ii) Allowance for impairment losses on receivables:**

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(iii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iv) Residual value and expected useful life of property plant & equipment:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company and its subsidiaries. Impairment of property, plant and equipment is dependent upon management's internal assessment of future cash flows from cash generating units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rate used.

(v) Deferred taxation:

In recognising a deferred tax asset in the financial statements, management makes judgements regarding the utilisation of losses. Management makes an estimate of the future taxable profit against which the deductible temporary differences, unused tax losses will be utilised. In management's opinion, it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(c) Use of estimates and judgements (continued):****(vi) Site restoration obligation:**

Site restoration obligation is estimated at the present value of the future expected restoration cost based on the timing and current prices of goods and services. Changes to technology, regulations, prices of necessary goods and services and realisable values of the company's products, may affect the timing and scope of retirement activities and may substantially alter the decommissioning liabilities and future operating costs.

(d) Basis of consolidation:**(i) Subsidiaries**

A "subsidiary" is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

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, 2010.

Additionally, two new wholly owned subsidiaries, Digital Media & Entertainment Limited incorporated in July 2008 and Caribbean Landing Company Limited incorporated during the year have not commenced operations. On the reporting date, these are not material for inclusion in the group financial statements.

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.

(ii) Transactions eliminated on consolidation

Intra-group balances and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(e) 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.

(f) Property, plant & equipment and intangible assets:**(i) Owned assets:**

Items of property, plant & equipment and intangible assets (computer software) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and related costs to put the asset into service.

The cost of replacing part of an item of property, plant & equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant & equipment are recognised in profit or loss as incurred.

Site restoration obligation costs are included in the cost of land and buildings.

(ii) Depreciation/amortisation:

Depreciation/amortisation is computed on the straight-line basis at annual rates estimated to write down the assets to their estimated residual values at the end of their expected useful lives. No depreciation is charged on construction in progress and land.

Depreciation/amortisation rates are as follows:

Buildings	- 2.5% to 10%
Plant and Machinery	- 2.5% to 25%
Cables and transmission equipment	- 5% to 8%
Office equipment and computers	- 10%
Computer equipment	- 20%
Software	- 33⅓%

Depreciation methods, useful lives and residual values are reassessed annually (see note 6).

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(g) Interest in subsidiaries:**

The company's investments in subsidiaries are stated at cost.

(h) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term deposits maturing within three months or less from the date of deposit or acquisition that are readily convertible into known amounts of cash and which are not subject to significant risk of change in value.

(i) Accounts receivable:

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

(j) Related parties:

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
 - has a direct or indirect interest in the company that gives it significant influence; or
 - has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture or a partnership in which the company is a venturer or a partner;
- (iv) the party is a member of the key management personnel of the company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The company has a related party relationship with its directors, related companies, other group company and affiliated parties controlled by its directors, senior officers, executives and significant shareholders of the parent company. "Key management personnel" represents certain senior officers of the company and its parent and ultimate parent companies.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(k) Inventories:**

Inventories, consisting principally of items held for resale and are valued at the lower of cost, determined on the weighted average basis, and estimated realisable value.

(l) Accounts payable:

Trade and other payables are stated at amortised cost.

(m) Provisions:

A provision is recognised in the statement of financial position 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.

(i) Restructuring:

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced. Estimated restructuring costs mainly include employee termination benefits and are based on a detailed plan agreed between management and employee representatives.

(ii) Site restoration:

The group has contractual obligations to dismantle and restore cell sites at the end of agreed periods. A provision for site restoration is recognised at the commencement of the lease and revised annually. Where it is likely that time-value of money is significant to calculating the estimated site restoration cost, the risk-free rate is used to determine obligation and the underlying cash flows to adjusted for the risks specific to the obligation.

(n) 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.
- borrows for general financing needs, borrowing costs are expensed on the effective interest basis.

(o) Dividends:

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

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(p) Taxation:**

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 other comprehensive income.

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

Deferred tax is computed 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 reporting 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.

(q) Lease arrangements:**(i) Operating lease payments:**

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

(ii) Investment in finance leases:

This represents a US\$ financing arrangement of Customer Premises Equipment (CPE) for a corporate customer and is receivable over a period of four years.

Income from finance leases is recognized in a manner which produces a constant rate of return on the net investment in the leases.

These leases are carried at amortised cost, which approximates the net realizable value stream plus an appropriate rate of return.

(r) Employee benefits:

Employee benefits, comprising net pensions assets 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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(r) Employee benefits (continued):**

The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefits assets 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 sponsors a defined benefit arrangement for service prior to March 31, 2008 and a defined contribution arrangement for service thereafter under one pension plan. The plan is administered by trustees.

The defined benefit arrangements are secured by an insurance policy which is an asset of the plan. The return on the latter asset is matched by the interest cost on the defined benefit arrangements. The company has prepaid its required contributions over the expected working lifetimes of the members who participate in the defined contribution arrangement. The liabilities of the defined contribution arrangement are matched by assets. Each year, the relevant portion of the prepaid contributions is allocated to the active members and reflected as an expense of the company.

The company's net obligation in respect of its pension arrangements is the sum of the present value of its defined benefit arrangements and the value of the assets backing the defined contribution arrangements less the fair value of the plan's assets. To the extent that the obligation is less than the fair value of the plan's assets, the asset recognised is restricted to the present value of the prepaid contributions.

Actuarial gains and losses are recognized in other comprehensive income.

(ii) Other post-retirement benefits:

The post-retirement medical benefits for current pensioners and for non-pensioners are secured by insurance contracts.

(iii) Other employee benefits:

Employee entitlements to paid leave are recognised when they accrue to employees. An accrual is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date.

(s) Impairment:

The group considers evidence of impairment at both a specific asset and collective level. All individual significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(s) Impairment (continued):**

Objective evidence that financial assets are impaired includes default or delinquency by a customer, indications that a customer will enter bankruptcy and changes in the payment status of customers.

The carrying amounts of the Group's assets, other than inventories [see accounting policy (k)] are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount, determined by the fair value less cost to sell, is estimated. 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 recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the Group's 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 fair value less costs to sell 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 to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables carried at amortised cost 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.

(t) Net finance costs:

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, material bank charges 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.

(u) 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 accounts payable, provisions, related company balances and loans.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)**(v) Interest-bearing borrowings:**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(w) Share-based payment plan:

The share-based payment plan is used to incentivise high performance for certain eligible managers in the international division of the ultimate parent company. The plan awards employees through allocation of shares in the ultimate parent company at nil cost. These subsequently vest pending EBITDA and cash flow performance measures over a period of 1 to 2 years. The plan is considered to be an equity settled plan.

(x) 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 reporting 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.

Non-monetary assets and liabilities denominated in foreign currencies are stated at fair value and are translated to Jamaica dollars at foreign exchange rates ruling at the dates the values were determined.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in the income statement are treated as cash items and included in cash flows from operating or financing activities along with movements in the relevant balances.

Unrealised gains and losses arising on translation of net stockholders' equity in a subsidiary are recognised in other comprehensive income and directly to equity on the group statement of financial position and added or deducted to reflect the underlying group cash flows from financing activities in the group statement of cash flows.

(y) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

3. Employee expenses

	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Gross salaries	2,767,790	2,845,201	2,764,597	2,834,696
Other benefits and allowances	735,058	638,831	734,320	638,831
Employee benefits credits [note 12(c)(ii)]	(420,000)	(941,000)	(420,000)	(941,000)
	<u>3,082,848</u>	<u>2,543,032</u>	<u>3,078,917</u>	<u>2,532,527</u>

The redundancy costs of \$303,330,000 (2009: \$602,543,000) arising mainly from transformation to the 'One Caribbean' structure has been included in other restructuring costs (see also note 20).

4. Administrative, marketing and selling expenses

	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Administrative	2,822,608	3,575,206	2,799,623	3,555,840
Marketing	519,324	553,957	518,976	553,671
Selling	<u>3,497,482</u>	<u>3,243,795</u>	<u>3,496,611</u>	<u>3,242,797</u>
	<u>6,839,414</u>	<u>7,372,958</u>	<u>6,815,210</u>	<u>7,352,308</u>

Administrative expenses include 'One Caribbean' transformation costs of \$322,000,000 recharged from a related company.

5. Net finance costs

	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Foreign exchange (gains)/losses	(197,236)	<u>236,920</u>	(195,412)	<u>208,864</u>
Other finance costs:				
Ultimate parent company loan	1,342,070	1,478,760	1,342,070	1,478,760
Other group company loan	1,345,974	-	1,345,974	-
Other loans	9,781	189,576	9,781	189,576
Other debts issuance costs and expenses	<u>216,492</u>	<u>144,488</u>	<u>214,351</u>	<u>141,502</u>
	<u>2,914,317</u>	<u>1,812,824</u>	<u>2,912,176</u>	<u>1,809,838</u>
Finance income:				
Interest income – third party	(40,780)	(37,097)	(27,924)	(29,378)
	<u>2,676,301</u>	<u>2,012,647</u>	<u>2,688,840</u>	<u>1,989,324</u>

Interest income arises materially from treasury transactions entered into in the ordinary course of business.

6. Disclosure of expenses/(income) and related party transactions

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

	The group		The company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Directors' emoluments:				
Fees	1,120	1,824	1,120	1,824
Management remuneration	55,887	87,348	55,887	87,348
Other key management personnel compensation:				
Short term employee benefits	212,944	176,541	212,944	176,541
Post employment benefits	(9,000)	(33,000)	(9,000)	(33,000)
Auditors' remuneration	24,000	24,000	22,500	22,500
Depreciation and amortisation	7,016,464	3,091,832	7,002,863	3,076,290
Loss on disposal of property plant & equipment	64,022	95,754	65,990	95,754
Bad debt expenses	354,678	461,634	354,678	461,188
Inventory write off	23,147	103,498	23,147	103,498
Related party transactions:				
Ultimate parent company:				
Management & branding fees	1,515,958	1,276,563	1,515,958	1,276,563
Interest expense	1,342,070	1,478,760	1,342,070	1,478,760
Other group company:				
Interest expense	1,345,974	-	1,345,974	-
Related companies:				
Management & operational recharges	(761,972)	-	(761,972)	-
Other income	(404,598)	(170,698)	(512,118)	(170,698)
Revenue, net	<u>1,639,917</u>	<u>838,509</u>	<u>1,639,917</u>	<u>838,509</u>

- (a) All transactions with related companies were entered into in the ordinary course of business.
- (b) The company entered into a Support Services Agreement effective April 1, 2009 with a related company to provide Management and Operational Support Services. These services include Finance Support delivered through a Finance Shared Service Centre located in Jamaica and Centres of Excellence that provide technical support on Tax, Treasury, Procurement and Supply Chain Management. The agreement also provides for Support for Sales and Marketing, Customer Operational Services, Technology and Property Services, Strategic and Business Advisory Services as well as Legal, Regulatory and Public Policy Services. Human Resources Support Services are provided through a HR Shared Service Centre which is also located in Jamaica.

7. Taxation

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

	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Current tax expense:				
Income tax @ 33½%	(1,205)	2,573	-	-
Withholding tax	264,156	-	264,156	-
Deferred taxation:				
Effect of tax losses	(1,551,721)	(1,020,366)	(1,551,721)	(1,020,366)
Origination and reversal of other temporary differences, net	(993,663)	951,063	(993,663)	951,063
	<u>(2,545,384)</u>	<u>(69,303)</u>	<u>(2,545,384)</u>	<u>(69,303)</u>
Tax credit recognised in loss for the year	<u>(2,282,433)</u>	<u>(66,730)</u>	<u>(2,281,228)</u>	<u>(69,303)</u>
Reconciliation of actual tax credit:				
	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Loss before taxation	<u>(5,670,624)</u>	<u>(369,555)</u>	<u>(5,612,521)</u>	<u>(396,967)</u>
Computed "expected" tax expense @ 33½%	(1,890,208)	(123,185)	(1,870,840)	(132,322)
Difference between loss for financial statements and tax reporting purposes on:				
Property, plant & equipment	(81,376)	43,475	(57,402)	44,228
Relief under the Jamaica Export Freezone Act	3,161	(15,482)	-	-
Caricom income	(587,013)	-	(587,013)	-
Disallowed expenses and other capital adjustments	<u>273,003</u>	<u>28,462</u>	<u>234,027</u>	<u>18,791</u>
Total differences	<u>(392,225)</u>	<u>56,455</u>	<u>(410,388)</u>	<u>63,019</u>
Actual tax credit recognised in loss for the year	<u>(2,282,433)</u>	<u>(66,730)</u>	<u>(2,281,228)</u>	<u>(69,303)</u>

At March 31, 2010 taxation losses, subject to agreement by the Commissioner of Taxpayer Audit & Assessment, available for relief against future taxable profits, amounted to approximately \$15.4 billion (2009: \$10.8 billion).

8. Loss per stock unit

The calculation of loss per stock unit is based on the loss attributable to stockholders of \$3,388,191,000 (2009: \$302,825,000) and the 16,817,439,740 (2009: 16,817,439,740) issued and fully paid ordinary stock units.

9. Property, plant & equipment

(a) The group:

	Freehold land & buildings \$'000	Plant & machinery \$'000	Cables & transmission equipment \$'000	Office equipment, & computers \$'000	Capital work-in- progress \$'000	Total \$'000
Cost:						
March 31, 2008	11,609,595	35,347,050	8,814,298	2,197,825	683,260	58,652,028
Additions	10,109	-	-	-	4,594,852	4,604,961
Transfers	479,293	1,825,096	436,663	185,455	(2,926,507)	-
Disposals/retirements	(116,534)	(4,183)	-	(17,447)	-	(138,164)
March 31, 2009	11,982,463	37,167,963	9,250,961	2,365,833	2,351,605	63,118,825
Additions	5,259	-	-	-	4,059,473	4,064,732
Transfers	1,220,901	2,904,768	354,104	42,718	(4,522,491)	-
Transfers to Intangible assets (note 10)	-	-	-	-	(60,203)	(60,203)
Disposals/retirements	(752,480)	(165,621)	(259,220)	(49,959)	-	(1,227,280)
March 31, 2010	12,456,143	39,907,110	9,345,845	2,358,592	1,828,384	65,896,074
Depreciation:						
March 31, 2008	2,264,994	23,937,557	5,206,611	1,552,067	-	32,961,229
Charge for the year	2,360,458	79,066	22,272	219,342	-	2,681,138
Eliminated on disposals/ retirements	(21,845)	(3,404)	-	(17,161)	-	(42,410)
March 31, 2009	4,603,607	24,013,219	5,228,883	1,754,248	-	35,599,957
Charge for the year	560,844	5,565,690	414,765	197,629	-	6,738,928
Eliminated on disposals/ retirements	(62,627)	(144,414)	(246,846)	(48,213)	-	(502,100)
March 31, 2010	5,101,824	29,434,495	5,396,802	1,903,664	-	41,836,785
Net book values:						
March 31, 2010	7,354,319	10,472,615	3,949,043	454,928	1,828,384	24,059,289
March 31, 2009	7,378,856	13,154,744	4,022,078	611,585	2,351,605	27,518,868

9. Property, plant & equipment (cont'd)

(b) The company:

	Freehold land & buildings \$'000	Plant & machinery \$'000	Cables & transmission equipment \$'000	Office equipment & computers \$'000	Capital work-in- progress \$'000	Total \$'000
Cost:						
March 31, 2008	11,572,847	33,270,982	8,270,508	2,171,345	683,260	55,968,942
Additions	-	-	-	-	4,594,852	4,594,852
Transfers	479,293	1,825,096	436,663	185,455	(2,926,507)	-
Disposals/ retirements	(116,534)	(4,183)	-	(17,447)	-	(138,164)
March 31, 2009	11,935,606	35,091,895	8,707,171	2,339,353	2,351,605	60,425,630
Additions	-	-	-	-	4,059,473	4,059,473
Transfers	1,220,901	2,904,768	354,104	42,718	(4,522,491)	-
Transfers to Intangible assets (note 10)	-	-	-	-	(60,203)	(60,203)
Disposals/retirements	(747,582)	(165,621)	(245,371)	(49,716)	-	(1,208,290)
March 31, 2010	<u>12,408,925</u>	<u>37,831,042</u>	<u>8,815,904</u>	<u>2,332,355</u>	<u>1,828,384</u>	<u>63,216,610</u>
Depreciation:						
March 31, 2008	2,239,280	21,452,237	5,102,727	1,528,946	-	30,323,190
Charge for the year	2,357,650	78,965	22,272	206,709	-	2,665,596
Eliminated on disposals/ retirements	(21,845)	(3,404)	-	(17,161)	-	(42,410)
March 31, 2009	4,575,085	21,527,798	5,124,999	1,718,494	-	32,946,376
Charge for the year	557,792	5,555,269	414,809	197,457	-	6,725,327
Eliminated on disposals/ retirements	(60,950)	(144,414)	(232,621)	(48,055)	-	(486,040)
March 31, 2010	<u>5,071,927</u>	<u>26,938,653</u>	<u>5,307,187</u>	<u>1,867,896</u>	<u>-</u>	<u>39,185,663</u>
Net book values:						
March 31, 2010	<u>7,336,998</u>	<u>10,892,389</u>	<u>3,508,717</u>	<u>464,459</u>	<u>1,828,384</u>	<u>24,030,947</u>
March 31, 2009	<u>7,360,521</u>	<u>13,564,097</u>	<u>3,582,172</u>	<u>620,859</u>	<u>2,351,605</u>	<u>27,479,254</u>

Freehold land & buildings for the group and the company include land aggregating \$69,768,931 (2009: \$69,768,931) at historical cost.

Additional depreciation and obsolescence charges of J\$3,817 million were recognized in the year as part of the continuing review of useful lives of assets and as a result of the continuing transformation of the network.

10. Intangible assets

This represents acquired computer software as follows:

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost:		
At beginning of year	3,523,052	3,086,287
Additions (see note 9)	<u>60,203</u>	<u>436,765</u>
At end of year	<u>3,583,255</u>	<u>3,523,052</u>
Amortisation:		
At beginning of year	2,974,975	2,564,281
Charge for year	<u>277,536</u>	<u>410,694</u>
At end of year	<u>3,252,511</u>	<u>2,974,975</u>
Net book value at end of year	<u>330,744</u>	<u>548,077</u>

11. Deferred expenditure

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Long-term portion of deferred GCT	40,660	55,206
Current portion of deferred GCT	<u>190,551</u>	<u>203,055</u>
	<u>231,211</u>	<u>258,261</u>

Deferred General Consumption Tax (GCT) comprises input tax on certain capital acquisitions and is recoverable over a twenty-four month period by way of offset against output tax.

12. Employee benefits

(a) Pension assets:

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Present value of obligations	(7,478,000)	(6,049,000)
Fair value of plan assets	11,942,000	10,283,000
Unrecognised amount due to limitation	(1,490,000)	(1,043,000)
Recognised assets	<u>2,974,000</u>	<u>3,191,000</u>

(i) Movement in present value of obligation:

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Balance at beginning of year	6,049,000	7,554,000
Benefits paid	(171,000)	(244,000)
Service and interest cost	582,000	1,159,000
Contributions	152,000	107,000
Actuarial loss/(gain)	866,000	(883,000)
Gain on curtailment	-	(1,644,000)
Balance at end of year	<u>7,478,000</u>	<u>6,049,000</u>

In the prior year, gain on curtailment recognised in the income statement represented the impact on the value of the plan obligations due to the cessation of salary linkage and the practice of paying discretionary increases, offset by the effect of several benefit improvements.

(ii) Movement in plan assets:

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Fair value of plan assets at beginning of year	10,283,000	15,039,000
Contributions paid	152,000	234,000
Expected return on plan assets	1,002,000	2,105,000
Benefits paid	(171,000)	(244,000)
Actuarial gain/(loss)	933,000	(1,975,000)
Premiums for medical insurance [see (vii) below]	-	(2,682,000)
Refund to the company	(257,000)	(1,500,000)
Loss on curtailment [see (iv) below]	-	(694,000)
Fair value of plan assets at end of year	<u>11,942,000</u>	<u>10,283,000</u>

12. Employee benefits (continued)

(a) Pension assets (continued):

(ii) Movement in plan assets (continued):

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Plan assets consist of the following:		
Equities	48,000	42,000
Fixed income securities	2,354,000	474,000
Real estate	3,031,000	3,718,000
Annuities	<u>6,509,000</u>	<u>6,049,000</u>
	<u>11,942,000</u>	<u>10,283,000</u>

In the prior year, loss on curtailment of \$694,000,000 represented the differences between the premium paid on the annuities and the value of the related obligations recognised as an actuarial loss directly in equity [see (iv) below].

Of the refund due to the company, to date, \$1,500,000,000 has been received. At March 31, 2010 a balance of \$257,000,000 is due to the company from the pension fund.

(iii) Credit recognised in the income statement:

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Current service costs	173,000	230,000
Interest on obligations	409,000	929,000
Gain on curtailment	-	(1,644,000)
Expected return on plan assets	<u>(1,002,000)</u>	<u>(2,105,000)</u>
	<u>(420,000)</u>	<u>(2,590,000)</u>
Actual return on plan assets	<u>2,105,000</u>	<u>(357,000)</u>

Of the credit recognised, \$420,000,000 (2009: \$1,176,000,000) is included in employee expenses in the income statement [see (c)(ii) below]. In the prior year, an amount of \$1,414,000,000, being curtailment gain, net of service costs was shown as pension restructuring income [see (c)(i) below]

12. Employee benefits (continued)**(a) Pension assets (continued):****(iv) Actuarial gains and losses recognised directly in other comprehensive income:**

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Cumulative amount at beginning of year	580,000	1,871,000
Recognised during the year	247,000	965,000
Loss on curtailment [see (ii) above]	-	694,000
Change in disallowed asset	(447,000)	(2,950,000)
Cumulative amount at end of year	<u>380,000</u>	<u>580,000</u>

(v) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
Discount rate	11.5%	16%
Inflation	7.5%	10%
Gross discount rate for valuing annuity assets	8%	8%
Expected return on plan assets	8.5%	14%
Future salary increases	7.5%	13%
Future pension increases	<u>0%</u>	<u>11%</u>

Assumptions regarding future mortality are based on the GAM 94 table. The expected long-term rate of return is based on the assumed long term rate of inflation.

- (vi) In 2008, the conversion process of the existing defined benefit plan to a defined contributory plan was initiated. On March 14, 2008, the restructuring of the plan was approved by members vote. The Financial Services Commission (FSC) approved the restructuring on January 26, 2009. For the purposes of determining and recognising the curtailment, the impact of changes was measured at the FSC approval date (for practical purposes – the end of March 2009).
- (vii) In October 2008, the company signed contracts with an insurer which covered both the pension annuities and post retirement medical benefits for current pensioners. The contract in respect of the medical benefits for non-pensioners was finalised during the year.

12. Employee benefits (continued)

(b) Other post-retirement benefits:

In prior year, as part of the conversion process of the existing defined benefit plan to a defined contributory plan, all post retirement medical benefits were secured by insurance contracts.

Expense recognised in the income statement:

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Current service costs	-	57,000
Interest on obligations	-	235,000
Effect of curtailment	<u>-</u>	<u>465,000</u>
	<u>-</u>	<u>757,000</u>

In the prior year, of the expenses recognised, \$235,000,000 [see (c)(ii) below] was included in employee expenses in the income statement and an amount of \$522,000,000 [see (c)(i) below] being curtailment loss, including service costs was shown as pension restructuring income.

(c) Amounts recognised in the income statement:

(i) As pension restructuring income:

	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Pension assets [12(a)(iii)]	-	(1,414,000)
Other post retirement benefits [12(b)]	<u>-</u>	<u>522,000</u>
	<u>-</u>	<u>(892,000)</u>

(ii) As employee expenses:

	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Pension assets [12(a)(iii)]	(420,000)	(1,176,000)
Other post retirement benefits [12(b)]	<u>-</u>	<u>235,000</u>
	<u>(420,000)</u>	<u>(941,000)</u>

12. Employee benefits (continued)

(d) Historical information (in millions of dollars)

Defined benefit pension plan

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Present value of the defined benefit obligation	(7,478)	(6,049)	(7,554)	(6,212)	(5,324)
Fair value of plan assets	<u>11,942</u>	<u>10,283</u>	<u>15,039</u>	<u>12,546</u>	<u>10,678</u>
Surplus in plan	<u>4,464</u>	<u>4,234</u>	<u>7,485</u>	<u>6,334</u>	<u>5,354</u>
Experience adjustments on plan liabilities	(866)	(761)	(567)	(636)	(595)
Experience adjustments on plan assets	<u>933</u>	<u>1,786</u>	<u>910</u>	<u>698</u>	<u>(1,285)</u>

(e) At March 31, 2010, the recognised asset of \$2,974 million represents assets set aside within the plan as a reserve equal to the net present value of the future revised employer contributions under the Defined Contribution Scheme payable by the company, as part of the restructuring. Consequently, no cash is expected to be remitted to the pension plan to cover the employer's required contribution. The contribution for the next financial year is estimated to be \$186 million.

The unrecognised amount of \$1,490 million (2009: \$1,043 million) represents surplus that the company has agreed to share 50:50 with the members as part of the restructuring.

13. Cash and cash equivalents

	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash at bank	300,401	596,704	219,417	550,330
Short term deposits	<u>64,189</u>	<u>103,565</u>	<u>62,516</u>	<u>61,386</u>
	<u>364,590</u>	<u>700,269</u>	<u>281,933</u>	<u>611,716</u>

14. Accounts receivable

	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	3,944,250	3,582,284	3,929,369	3,537,419
Allowance for doubtful debts	(419,518)	(520,526)	(419,457)	(519,974)
	3,524,732	3,061,758	3,509,912	3,017,445
Other receivables	<u>429,763</u>	<u>780,957</u>	<u>386,238</u>	<u>740,509</u>
	<u>3,954,495</u>	<u>3,842,715</u>	<u>3,896,150</u>	<u>3,757,954</u>

14. Accounts receivable (continued)

The aging of trade receivables at the reporting date was:

	The group			
	2010		2009	
	<u>Gross</u> \$'000	<u>Impairment</u> \$'000	<u>Gross</u> \$'000	<u>Impairment</u> \$'000
Not past due	1,351,553	-	1,241,465	-
Past due 0-30 days	1,753,314	(29,885)	1,170,763	(37,047)
Past due 31-60 days	297,390	(65,373)	587,178	(81,038)
Past due 61-90 days	209,370	(88,648)	229,401	(109,891)
Past due 91-180 days	183,767	(109,036)	195,872	(135,640)
More than 180 days	<u>148,856</u>	<u>(126,576)</u>	<u>157,605</u>	<u>(156,910)</u>
	<u>3,944,250</u>	<u>(419,518)</u>	<u>3,582,284</u>	<u>(520,526)</u>

	The company			
	2010		2009	
	<u>Gross</u> \$'000	<u>Impairment</u> \$'000	<u>Gross</u> \$'000	<u>Impairment</u> \$'000
Not past due	1,351,553	-	1,216,050	-
Past due 0-30 days	1,739,915	(29,884)	1,170,763	(37,047)
Past due 31-60 days	296,315	(65,373)	577,190	(81,038)
Past due 61-90 days	208,967	(88,648)	221,248	(109,891)
Past due 91-180 days	183,763	(108,975)	194,563	(135,088)
More than 180 days	<u>148,856</u>	<u>(126,577)</u>	<u>157,605</u>	<u>(156,910)</u>
	<u>3,929,369</u>	<u>(419,457)</u>	<u>3,537,419</u>	<u>(519,974)</u>

The movement in allowance for doubtful debt in respect of trade receivables during the year was as follows:

	The group		The company	
	<u>2010</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
Balance at beginning of year	520,526	349,649	519,974	349,624
Impairment loss (not used)/recognised	(101,008)	170,877	(100,517)	170,350
Balance at end of year	<u>419,518</u>	<u>520,526</u>	<u>419,457</u>	<u>519,974</u>

Allowance for doubtful debts relate to customers that have defaulted on their contractual payment terms. Based on past experience, the company believes that trade receivables not past due and those past due for which no provision is made, relate to customers that have a good record of payment.

During the year, net bad debt expense aggregating \$354,678,000 (2009: \$461,188,000) has been recognised in the income statement.

15. Due from/to related companies

This represents balances with other Cable & Wireless group companies, principally for telecommunications traffic arising in the ordinary course of business.

16. Inventories

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Mobile handsets	156,006	128,445
Other equipment and accessories	<u>155,566</u>	<u>91,299</u>
	<u>311,572</u>	<u>219,744</u>

Inventories are stated net of allowance for impairment of \$Nil (2009: \$73,525,000). During the year, inventory write-off aggregating \$23,147,000 (2009: \$103,498,000) has been recognised in the income statement.

17. Share capital

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Authorised:		
16,820,000,000 ordinary shares at no par value		
Stated, issued and fully paid:		
16,817,439,740 ordinary stock units at no par value	<u>16,817,440</u>	<u>16,817,440</u>

18. Reserves

	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Share-based payment reserve	20,915	20,915	20,915	20,915
Unrealised translation reserve	286,183	277,045	-	-
Employee benefits reserve*	<u>1,982,667</u>	<u>2,127,333</u>	<u>1,982,667</u>	<u>2,127,333</u>
	<u>2,289,765</u>	<u>2,425,293</u>	<u>2,003,582</u>	<u>2,148,248</u>

* This reserve represents the accumulated pension assets credit, net of related taxation.

19. Trade and other payables

	The group		The company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables	2,034,142	2,669,953	2,016,329	2,669,926
Other payables	4,705,097	3,200,460	4,704,815	3,176,990
Customer deposits	<u>364,923</u>	<u>511,417</u>	<u>325,242</u>	<u>463,257</u>
	<u>7,104,162</u>	<u>6,381,830</u>	<u>7,046,386</u>	<u>6,310,173</u>

20. Provisions

	The group			The company		
	Restructuring \$'000	Site Restoration \$'000	Total \$'000	Restructuring \$'000	Site Restoration \$'000	Total \$'000
Balance at March 31, 2008	322,766	1,349,017	1,671,783	322,766	1,340,865	1,663,631
Provisions made during the year (note 3)	602,543	36,043	638,586	602,543	27,135	629,678
Provisions used during the year	(783,763)	(120,607)	(904,370)	(783,763)	(116,534)	(900,297)
Unwind of discount	-	<u>82,318</u>	<u>82,318</u>	-	<u>81,117</u>	<u>81,117</u>
Balance at March 31, 2009	141,546	1,346,771	1,488,317	141,546	1,332,583	1,474,129
Provisions made during the year (note 3)	303,330	209,554	512,884	303,330	207,642	510,972
Provisions used during the year	(377,854)	(629,806)	(1,007,660)	(377,854)	(630,327)	(1,008,181)
Unwind of discount	-	<u>190,906</u>	<u>190,906</u>	-	<u>190,906</u>	<u>190,906</u>
Balance at March 31, 2010	<u>67,022</u>	<u>1,117,425</u>	<u>1,184,447</u>	<u>67,022</u>	<u>1,100,804</u>	<u>1,167,826</u>

Provisions relating to site restoration are not expected to crystallise in the next twelve months.

21. Long-term loan

	The group and the company			
	2010		2009	
	Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Export Development Corporation	466,911	297,605	476,283	302,163
Less: current portion			(16,384)	(16,212)
Non-current portion			<u>281,221</u>	<u>285,951</u>

This is a United States dollar denominated interest free loan guaranteed by the Government of Jamaica maturing in August 2038 with semi-annual principal payments of US\$91,489. At March 31, 2010 the face value of the loan was US\$5,215,000 (2009: US\$5,398,000) which has been re-measured at amortised cost value using an imputed interest rate of 3.3%.

22. Due to other group company

	<u>The group and the company</u>	
	<u>2010</u> \$'000	<u>2009</u> \$'000
Principal	12,911,418	12,075,876
Accrued interest	<u>1,345,974</u>	<u>356,242</u>
	<u>14,257,392</u>	<u>12,432,118</u>

This represents the amount drawn on a \$20 billion uncommitted revolving facility with Cable & Wireless Jamaica Finance (Cayman) Limited. Interest is charged at 100 basis points above the weighted average yield rate applicable to the six month Bank of Jamaica Treasury Bill Tender ('WATBY') held immediately prior to the interest rate reset date. The interest rate is reset semi-annually on May 11 and November 11. The interest rate was reset on November 11, 2009 from 21.17% to 18.04% per annum.

In the prior year, this represents a loan from CWI HQ Limited denominated in J\$ with interest at 100 basis points above the Bank of Jamaica Weighted Average Treasury Bill Yield. The loan was assigned with effect from September 30, 2009 to another group company Cable & Wireless Jamaica Finance (Cayman) Limited. At the date of assignment, the interest rate was 21.17% per annum (2009:14%).

23. Deferred tax liability/(asset)

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

	<u>2010</u>			
	<u>The group and the company</u>			
	<u>Balance at</u>	<u>Recognised in other</u>	<u>Recognised</u>	<u>Balance at</u>
	<u>beginning of year</u>	<u>comprehensive</u>	<u>in income</u>	<u>end of year</u>
		<u>income</u>		
Employee benefits	1,230,333	(126,667)	(112,333)	991,333
Property, plant & equipment	3,940,988	-	(733,683)	3,207,305
Taxation losses	(3,594,876)	-	(1,551,721)	(5,146,597)
Other	(178,541)	-	(147,647)	(326,188)
	<u>1,397,904</u>	<u>(126,667)</u>	<u>(2,545,384)</u>	<u>(1,274,147)</u>

23. Deferred tax liability/(asset) (cont'd)

	2009			
	The group and the company			
	Balance at beginning of year	Recognised in other comprehensive income	Recognised in income	Balance at end of year
Employee benefits	546,667	406,000	277,666	1,230,333
Property, plant & equipment	3,123,363	-	817,625	3,940,988
Taxation losses	(2,574,511)	-	(1,020,365)	(3,594,876)
Other	(34,312)	-	(144,229)	(178,541)
	<u>1,061,207</u>	<u>406,000</u>	<u>(69,303)</u>	<u>1,397,904</u>

24. Due to subsidiaries

This represents interest-free long-term loans for which no fixed repayment terms have been determined. The balance includes United States dollar de-nominated loans totalling approximately US\$7,647,000 (2009: US\$7,933,000).

25. Financial risk management

Financial instruments risks:

The company has exposure to credit risk, market risk, and liquidity risk from the use of financial instruments.

Senior management has responsibility for monitoring the company's risk management policies and periodically report to the Board of Directors and the Regional Operating Board on their activities.

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and the company's activities. The ultimate parent company, through the internal audit department, has monitoring oversight of the risk management policies.

(i) 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. Credit risk arises primarily from credit given to customers, including related companies, and deposits with financial institutions. Balances arising from those activities are accounts receivable, amounts due from related companies and cash and cash equivalents. The maximum credit exposure is represented by the carrying amount of financial assets in the statement of financial position.

25. Financial risk management (continued)

Financial instruments risks (continued):

(i) Credit risk (cont'd):

Maximum exposure to credit risk at the reporting date was:

	The group		The company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables	3,524,732	3,061,758	3,509,912	3,017,445
Other receivables	429,763	780,957	386,238	740,509
Due from related companies	710,697	668,912	710,697	668,912
Cash and cash equivalents	<u>364,590</u>	<u>700,269</u>	<u>281,933</u>	<u>611,716</u>
	<u>5,029,782</u>	<u>5,211,896</u>	<u>4,888,780</u>	<u>5,038,582</u>

Trade receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analysed for creditworthiness prior to being offered credit. There are also comprehensive procedures for the disconnection of services to, and recovery of amounts owed by, defaulting customers. Management has procedures in place to restrict customer service if the customers have not cleared outstanding debts within the credit period. Customers that fail to meet the company's benchmark creditworthiness may transact business with the company on a prepayment basis.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, its geographic location, industry, aging profile, and previous financial difficulties. Trade receivables relate mainly to the company's interconnect, mobile and fixed line customers.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

The company's average credit period on the sale of services is 30 days. Allowances for impaired trade receivables are recognised based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Due from related companies

Related party transactions are pre-authorised and approved by management during the budgetary process.

25. Financial risk management (continued)

Financial instruments risks (continued):

(i) Credit risk (cont'd):

Cash and cash equivalents

Cash and cash equivalents are placed with counter-parties who are believed to have minimal risk of default.

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on assets.

(a) 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 company's policy requires management to manage the maturities of interest bearing financial assets.

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

Currency	Fixed rate financial liabilities \$'000	The group	Total \$'000
		Financial liabilities on which no interest is paid \$'000	
		2010	
US\$	39,681	336,835	376,516
Jamaica\$	<u>13,236,840</u>	<u>8,292,884</u>	<u>21,529,724</u>
	<u>13,276,521</u>	<u>8,629,719</u>	<u>21,906,240</u>
		2009	
US\$	47,160	635,519	682,679
Jamaica\$	<u>12,426,915</u>	<u>5,763,895</u>	<u>18,190,810</u>
	<u>12,474,075</u>	<u>6,399,414</u>	<u>18,873,489</u>

25. Financial risk management (continued)

Financial instruments risks (continued):

(ii) Market risk (continued):

(a) Interest rate risk (continued):

<u>Currency</u>	<u>The company</u>		<u>Total</u> \$'000
	<u>Fixed rate financial liabilities</u> \$'000	<u>Financial liabilities on which no interest is paid</u> \$'000	
			<u>2010</u>
US\$	-	1,060,941	1,060,941
Jamaica\$	<u>13,236,840</u>	<u>20,219,693</u>	<u>33,456,533</u>
	<u>13,236,840</u>	<u>21,280,634</u>	<u>34,517,474</u>
			<u>2009</u>
US\$	-	1,635,519	1,635,519
Jamaica\$	<u>12,426,915</u>	<u>17,418,211</u>	<u>29,845,126</u>
	<u>12,426,915</u>	<u>19,053,730</u>	<u>31,480,645</u>

Financial liabilities on which no interest is paid [see note 21] comprise a loan from Export Development Corporation, accounts payable and amounts owed (from)/to the ultimate parent company in the normal course of business.

The maturity profiles of the company's fixed rate financial liabilities are disclosed in notes 21, 22 and 26(iii).

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

25. Financial risk management (continued)

Financial instruments risks (continued):

(ii) Market risk (continued):

(a) Interest rate risk (continued):

Interest rate sensitivity

The company does not account for any fixed rate financial assets and liabilities at fair value. Therefore a change in the interest rates at the reporting date would not affect the reported loss or equity for the year.

(b) Foreign currency risk:

The company incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Jamaican dollar. The principal foreign currency risks of the company, represented by balances in the respective currencies, are as follows:

The table below shows the group's and company's foreign currency exposure, at statement of financial position date.

	The group		The company	
	Net foreign currency monetary liabilities		Net foreign currency monetary liabilities	
	UK£ '000	US\$ '000	UK£ '000	US\$ '000
	2010			
Accounts payable	-	(23,904)	-	(23,259)
Accounts receivable	-	9,156	-	8,441
Cash and bank deposits	7	1,181	7	1,181
Long-term loans	-	(3,324)	-	(3,324)
	<u>7</u>	<u>(16,891)</u>	<u>7</u>	<u>(16,961)</u>
	2009			
Accounts payable	-	(18,355)	-	(17,623)
Accounts receivable	-	8,435	-	7,477
Cash and bank deposits	410	2,859	410	2,859
Long-term loans	-	(3,402)	-	(3,402)
	<u>410</u>	<u>(10,463)</u>	<u>410</u>	<u>(10,689)</u>

25. Financial risk management (continued)

Financial instruments risks (continued):

(ii) Market risk (continued):

(b) Foreign currency risk (continued):

Sensitivity analysis

Exchange rates, in terms of Jamaican dollars which is the company’s principal intervening currency, were as follows:

	<u>UK£</u>	<u>US\$</u>
At May 26, 2010	126.65	88.67
At March 31, 2010	137.65	89.54
At March 31, 2009	129.02	88.82

For 2010, a 5% strengthening/weakening of UK£ and the United States dollar against the Jamaican dollar would have increased/(decreased) loss by \$75,573,000 respectively for the group and \$75,886,000 respectively for the company.

For 2009, a 10% strengthening of UK£ and US\$ against the Jamaican dollar would have increased the loss by \$87,643,000 for the group and \$89,651,000 for the company and 2% weakening of UK£ and US\$ against the Jamaica dollar would have decreased the loss by \$17,528,000 for the group and \$17,930,000 for the company. This analysis assumes that all other variables, in particular interest rates, remain constant.

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company 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 or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed credit facilities. The company aims at maintaining flexibility in funding by keeping lines of funding available with relevant suppliers, bankers and related parties, sourcing appropriate currency holdings to match liabilities and pursuing prompt payment policies.

25. Financial risk management (continued)

Financial instruments risks (continued):

(iii) Liquidity risk (continued):

The following are the contractual maturities of financial liabilities, including interest payments as at the reporting date:

	The group					
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	March 31, 2010					
Trade and other payables	7,104,162	7,145,216	7,145,216	-	-	-
Provisions	67,022	67,022	67,022	-	-	-
Due to related companies						
- current	180,059	180,059	180,059	-	-	-
Due to other group company	14,257,392	22,027,671	1,554,056	1,554,056	4,662,167	14,257,392
Long-term loan	297,605	466,911	16,385	16,385	49,155	384,986
	<u>21,906,240</u>	<u>29,886,879</u>	<u>8,962,738</u>	<u>1,570,441</u>	<u>4,711,322</u>	<u>14,642,378</u>
	March 31, 2009					
Trade and other payables	6,381,830	6,405,701	6,405,701	-	-	-
Provisions	141,546	141,546	141,546	-	-	-
Due to related companies	102,923	102,923	102,923	-	-	-
Due to ultimate parent company	12,432,118	22,999,126	1,672,303	1,906,426	7,475,370	11,945,027
Long-term loan	302,163	478,240	16,212	16,212	48,636	397,180
	<u>19,360,580</u>	<u>30,127,536</u>	<u>8,338,685</u>	<u>1,922,638</u>	<u>7,524,006</u>	<u>12,342,207</u>
	The company					
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	March 31, 2010					
Trade and other payables	7,046,386	7,082,976	7,082,976	-	-	-
Provisions	67,022	67,022	67,022	-	-	-
Due to related companies						
- current	180,059	180,059	180,059	-	-	-
Due to other group company	14,257,392	22,027,671	1,554,056	1,554,056	4,662,167	14,257,392
Long-term loan	297,605	466,911	16,385	16,385	49,155	384,986
	<u>21,848,464</u>	<u>29,824,639</u>	<u>8,900,498</u>	<u>1,570,441</u>	<u>4,711,322</u>	<u>14,642,378</u>

25. Financial risk management (continued)

Financial instruments risks (continued):

(iii) Liquidity risk (continued):

	The company					
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	March 31, 2009					
Trade and other payables	6,310,173	6,334,044	6,334,044	-	-	-
Provisions	141,546	141,546	141,546	-	-	-
Due to related companies	102,923	102,923	102,923	-	-	-
Due to ultimate parent company	12,432,118	22,999,126	1,672,303	1,906,426	7,475,370	11,945,027
Long-term loan	<u>302,163</u>	<u>478,240</u>	<u>16,212</u>	<u>16,212</u>	<u>48,636</u>	<u>397,180</u>
	<u>19,288,923</u>	<u>30,055,879</u>	<u>8,267,028</u>	<u>1,922,638</u>	<u>7,524,006</u>	<u>12,342,207</u>

Management believes that the company will not encounter significant difficulties in meeting its financial liabilities.

(iv) Capital management:

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders. The Regional Operating Board, the Board of Directors together with responsible senior management of the ultimate parent company monitors the return on capital. The objective is to maintain a strong capital base so as to sustain the solvency and future development of the business. There were no changes in the company's approach to capital management during the year. Also, the company is not exposed to any externally imposed capital requirements.

26. Fair value of financial instruments

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 and liabilities are carried at their contracted settlement value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement. The company does not have any material assets and liabilities carried at fair value.

27. Commitments and contingencies**(a) Capital commitments:**

At March 31, 2010, commitments for capital expenditure, for which no provision has been made in these financial statements, were as follows:

	<u>The group and the company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Commitments in respect of contracts placed	<u>358,031</u>	<u>370,393</u>

(b) Lease commitments:

Unexpired commitments under operating leases for cell sites, motor vehicles and equipment are payable as follows:

	<u>The group</u>		<u>The company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Within 1 year	415,863	482,188	398,489	465,000
From 1-2 years	412,522	533,765	395,148	465,000
From 2-3 years	392,473	465,000	375,099	465,000
From 3-4 years	390,565	465,000	376,993	465,000
From 4-5 years	378,793	467,525	376,241	465,000
Over 5 years	<u>468,964</u>	<u>465,000</u>	<u>468,964</u>	<u>465,000</u>
	<u>2,459,180</u>	<u>2,878,478</u>	<u>2,390,934</u>	<u>2,790,000</u>

Lease payments under these operating leases recognised in the income statement for the year aggregated approximately \$482 million (2009: \$475 million) for the group and \$465 million (2009: \$458 million) for the company.

(c) Contingent liabilities:**Legal cases:**

- (i) A suit has been filed by Mossel (Jamaica) Limited against the company for \$155,000,000 relating to transit charges. The trial commenced in November 2009 and has been part heard for the parties' submissions.
- (ii) A suit has been brought against the company by Newgen Technologies Limited for US\$13,011,873. The plaintiff is claiming that the company has abused its dominance in the market for fixed line termination services. An appearance was entered and defence was prepared and filed.
- (iii) A suit has been filed by Mossel (Jamaica) Limited against the company for \$349,306,750 plus, \$1,306,655,813 claiming bad debt retained by the company under the interconnection agreement and in respect to the company's "Homefone" service. The company has filed its defence on the matter.

27. Commitments and contingencies (cont'd)

(c) Contingent liabilities (cont'd):

Legal cases (cont'd):

- (iv) A suit has been brought against the company by Columbus Communications Jamaica Limited (Flow) for US\$6 million for claims in respect of backhaul facilities provided to facilitate agreements with affiliates of Flow. The company has filed its defence.

No provision has been made in respect of these items, as based on the legal and other advice, management is of the view that no liability will materialise with regard to the issues mentioned.

28. Segment information

The group is an integrated telecommunications service provider offering mobile, fixed line, data and other services to residential and business customers. Fixed lines services include provision of land lines to facilitate local and international calls. Mobile services include postpaid and prepaid voice and data services, sales and service of handsets and value added services including LIME 3G. Data and Other services consist of broadband (ADSL), Metro Ethernet (fiber service), frame and leased type services, hosting and storage services, as well as equipment sales and service.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

Financial information related to the operating segment results from continuing operations for the two years ended March 31, 2010, can be found in the Group Income Statement and related notes. There are no differences in the measurement of the reportable segment results and the Group's results.

Details of the segment assets and liabilities for the two years ended March 31, 2010 can be found in the Group's Statement of Financial Position and related notes. There are no differences in the measurement of the reportable segment assets and liabilities and the Group's assets and liabilities.

Entity-wide disclosures:

The revenue for continuing operations from external customers can be analysed by product as follows:

	<u>2010</u> \$'000	<u>2009</u> \$'000
Mobile	4,898,762	4,920,922
Fixed line	11,221,012	12,546,376
Data & other	<u>5,926,394</u>	<u>4,525,559</u>
	<u>22,046,168</u>	<u>21,992,857</u>

Revenue for continuing operations from external customers is grouped according to where the telecommunications services were provided. All external customer revenue is derived from within Jamaica.

The group does not have any customers from which revenue exceeds 10% of Group revenue.