Consolidated Financial Statements of

# Cable & Wireless Jamaica Limited

31 March 2015

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31 March 2015

## Table of Contents

# Cable & Wireless Jamaica Limited
31 March 2015

## Directors, Senior Management, Officers and Advisors

| Directors | |
|---|---|
| Mr. Christopher Dehring | |
| Mr. Garfield Sinclair | |
| Mr. John Bell | |
| Dr. Carolyn Hayle | |
| Mr. David Kelham | |
| Mr. Mark Kerr-Jarrett J.P. | |
| Ms. Rochelle Cameron | Company Secretary |

| Senior Management and Officers | |
|---|---|
| Garfield Sinclair | Chief Executive Officer |
| Ian Cleverly | Chief Financial Officer |
| Norman Naar | Head of Sales |
| Rajesh Paul | Commercial Director |
| Stephen Price | Head of Retail |
| Ronnie Thompson | Head - Service Support Operations |
| Carlo Redwood | VP Marketing |
| Dwight K. Williams | Head of Product Performance |
| Elon Parkinson | Corporate Communications Manager |
| Rochelle Cameron | Head of Legal & Regulatory – North |
| Walter Brown | Chief Technical Information Officer, Jamaica |
| Whitney Fennell | Regional Head, Customer Management Systems, IT Platform Operations |
| Phadra Saunders | Head of Human Resources - Jamaica |

| Advisors | |
|---|---|
| KPMG | Auditors |
| The Bank of Nova Scotia Ja. Ltd.<br>National Commercial Bank Ja. Ltd.<br>Citibank N.A. | Principal Bankers |
| Myers Fletcher & Gordon<br>Grant Stewart Phillips & Company | Attorneys-at-Law |

**Registered Office**

2-6 Carlton Crescent
Kingston 10, Jamaica
Telephone: 926-9700
Fax No. 968-9696
Website: www.lime.com

**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 separate 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 4 to 51, which comprise the Group's and the Company's statements of financial position as at 31 March 2015, the Group's and the Company's income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

To the Members of
CABLE & WIRELESS JAMAICA LIMITED

**Report on the Financial Statements, continued**

*Opinion*

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial positions of Cable & Wireless Jamaica Limited as at 31 March 2015 and the Group's and Company's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

*Emphasis of matter*

Without qualifying our opinion, we draw attention to note 2.1 of the financial statements, which indicates recurring losses of $9,179 million (2013/14: $3,504 million) for the Group and $9,552 million (2013/14: $3,233 million) for the Company, for the year ended 31 March 2015, and stockholders' net deficits of $33,232 million (2013/14: $23,826 million) and $34,269 million (2013/14: $24,434 million) respectively, as at that date. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Until the Group returns to profitable operations, it remains dependent on its ultimate parent for continued financial support. The directors have received a letter from the ultimate parent company, indicating that financial support will be provided for the foreseeable future.

**Report on additional matters as required by 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, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

May 29, 2015

# Cable & Wireless Jamaica Limited
## Income statements
## for the year ended 31 March 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| Revenue | 4 | **21,592** | 18,443 | **21,559** | 18,392 |
| Operating costs before depreciation and amortisation | 6 | **(17,400)** | (15,664) | **(17,367)** | (15,619) |
| Depreciation | 11 | **( 1,696)** | ( 1,584) | **( 1,572)** | ( 1,308) |
| Amortisation | 10 | **( 848)** | ( 441) | **( 848)** | ( 441) |
| Other operating income | | **1** | 12 | **1** | 12 |
| **Operating profit before exceptional items** | | **1,649** | 766 | **1,773** | 1,036 |
| Operating exceptional items | 6 | **( 6,952)** | ( 1,464) | **( 7,455)** | ( 1,464) |
| **Operating loss after exceptional items** | | **( 5,303)** | ( 698) | **( 5,682)** | (428) |
| Finance income | 7 | **69** | 78 | **68** | 75 |
| Finance expense | 7 | **( 3,898)** | ( 2,807) | **( 3,891)** | ( 2,803) |
| **Loss before income tax** | | **( 9,132)** | ( 3,427) | **( 9,505)** | ( 3,156) |
| Income tax expense | 8 | **( 47)** | ( 77) | **( 47)** | ( 77) |
| **Loss for the year** | | **( 9,179)** | ( 3,504) | **( 9,552)** | ( 3,233) |
| Loss per share (cents per share) | 9 | **( 54.6)** | ( 20.8) | | |

The notes on pages 10 to 51 are an integral part of these financial statements.

# Cable & Wireless Jamaica Limited
## Statements of comprehensive loss
## for the year ended 31 March 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| **Loss for the year** | **(9,179)** | (3,504) | **(9,552)** | (3,233) |
| **Other comprehensive losses for the year comprised:** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Actuarial losses in the value of defined benefit retirement plans | **( 283)** | ( 748) | **( 283)** | ( 748) |
| **Items that are or may be reclassified to profit or loss** | | | | |
| Exchange differences on translation of subsidiary | **56** | 110 | **-** | - |
| **Other comprehensive loss for the year** | **( 227)** | ( 638) | **( 283)** | ( 748) |
| **Total comprehensive loss for the year** | **(9,406)** | (4,142) | **(9,835)** | (3,981) |

The notes on pages 10 to 51 are an integral part of these financial statements.

# Cable & Wireless Jamaica Limited
## Statements of financial position
## as at 31 March 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 10 | **4,699** | 1,104 | **4,699** | 1,104 |
| Property, plant and equipment | 11 | **10,865** | 10,905 | **10,791** | 10,556 |
| Investments in subsidiaries | 12 | **-** | - | **133** | 133 |
| Due from subsidiary | 25(b)(i) | **-** | - | **-** | 657 |
| Loan receivable | 13 | **724** | 724 | **724** | 724 |
| Prepayments | 13 | **1,252** | 1,534 | **1,252** | 1,534 |
| Retirement benefit assets | 20 | **1,863** | 2,088 | **1,863** | 2,088 |
| | | **19,403** | **16,355** | **19,462** | **16,796** |
| **Current assets** | | | | | |
| Non-current assets held for sale | 11 | **1,088** | - | **1,088** | - |
| Trade and other receivables | 13 | **7,135** | 6,361 | **7,133** | 6,333 |
| Inventories | 14 | **465** | 316 | **465** | 316 |
| Cash and cash equivalents | 15 | **732** | 504 | **684** | 456 |
| Deferred expenditure | | - | 76 | - | 76 |
| | | 9,420 | 7,257 | 9,370 | 7,181 |
| **Total assets** | | **28,823** | **23,612** | **28,832** | 23,977 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | **11,342** | 9,681 | **11,321** | 9,640 |
| Borrowings | 17 | **55** | 415 | **55** | 415 |
| Provisions | 19 | **931** | 794 | **931** | 794 |
| | | **12,328** | 10,890 | **12,307** | 10,849 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 16 | **1,679** | 223 | **1,679** | 223 |
| Borrowings | 17 | **314** | 308 | **314** | 308 |
| Provisions | 19 | **2,179** | 1,254 | **2,147** | 1,226 |
| Due to related parties | 25(d) | 45,555 | 34,763 | 46,654 | 35,805 |
| | | **49,727** | 36,548 | **50,794** | 37,562 |
| **Net liabilities** | | **(33,232)** | (23,826) | **(34,269)** | (24,434) |
| **Net deficit** | | | | | |
| **Capital and reserves attributable to the stockholders** | | | | | |
| Share capital | 21 | **16,817** | 16,817 | **16,817** | 16,817 |
| Reserves | | **(50,049)** | (40,643) | **(51,086)** | (41,251) |
| **Net deficit** | | **(33,232)** | (23,826) | **(34,269)** | (24,434) |

These financial statements were approved by the Board of Directors on 29 May 2015 and signed on its behalf by:

Mr. Christopher Dehring
Director

Dr. Carolyn Hayle
Director

The notes on pages 10 to 51 are an integral part of these financial statements.

# Cable & Wireless Jamaica Limited
## Statements of changes in equity
## for the year ended 31 March 2015

| Group | Share capital $m | Foreign currency translation $m | Share-based payment reserve $m | Employee benefits reserve $m | Accumulated deficit $m | Total equity $m |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2013** | 16,817 | 367 | 21 | 1,833 | (38,722) | (19,684) |
| Loss for the year | - | - | - | - | ( 3,504) | ( 3,504) |
| Net actuarial losses recognised | - | - | - | - | ( 748) | ( 748) |
| Exchange differences on translation of foreign operations | - | 110 | - | - | - | 110 |
| **Total comprehensive loss for the year** | - | 110 | - | - | ( 4,252) | ( 4,142) |
| Transfer to accumulated deficit | - | - | - | ( 441) | 441 | - |
| **Balance at 31 March 2014** | 16,817 | 477 | 21 | 1,392 | (42,533) | (23,826) |
| Loss for the year | - | - | - | - | ( 9,179) | ( 9,179) |
| Net actuarial losses recognised | - | - | - | - | ( 283) | ( 283) |
| Exchange differences on translation of foreign operations | - | 56 | - | - | - | 56 |
| **Total comprehensive loss for the year** | - | 56 | - | - | ( 9,462) | ( 9,406) |
| Transfers to accumulated deficit | - | - | - | ( 150) | 150 | - |
| **Balance at 31 March 2015** | **16,817** | **533** | **21** | **1,242** | **(51,845)** | **(33,232)** |

| Company | Share capital $m | Foreign currency translation $m | Share-based payment reserve $m | Employee benefits reserve $m | Accumulated deficit $m | Total equity $m |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2013** | 16,817 | - | 21 | 1,833 | (39,124) | (20,453) |
| Loss for the year | - | - | - | - | ( 3,233) | ( 3,233) |
| Net actuarial losses recognised | - | - | - | - | ( 748) | ( 748) |
| **Total comprehensive loss for the year** | - | - | - | - | ( 3,981) | ( 3,981) |
| Transfer to accumulated deficit | - | - | - | ( 441) | 441 | - |
| **Balance at 31 March 2014** | 16,817 | - | 21 | 1,392 | (42,664) | (24,434) |
| Loss for the year | - | - | - | - | ( 9,552) | ( 9,552) |
| Net actuarial losses recognised | - | - | - | - | ( 283) | ( 283) |
| **Total comprehensive loss for the year** | - | - | - | - | ( 9,835) | ( 9,835) |
| Transfers to accumulated deficit | - | - | - | ( 150) | 150 | - |
| **Balance at 31 March 2015** | 16,817 | - | 21 | 1,242 | (52,349) | (34,269) |

The notes on pages 10 to 51 are an integral part of these financial statements.

# Cable & Wireless Jamaica Limited
## Statements of cash flows
## for the year ended 31 March 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| **Loss for the year** | | **(9,179)** | (3,504) | **(9,552)** | (3,233) |
| Adjustments for: | | | | | |
| Tax expense | 8 | **47** | 77 | **47** | 77 |
| Depreciation | 11 | **1,696** | 1,584 | **1,572** | 1,308 |
| Amortisation | 10 | **848** | 441 | **848** | 441 |
| Impairment of property, plant and equipment | 11 | **3,696** | - | **3,542** | - |
| Unrealised translation losses on loan | | **-** | 41 | **-** | 41 |
| Gain on disposal of property, plant and equipment | | **-** | ( 142) | **-** | ( 142) |
| Finance income | 7 | **( 69)** | ( 78) | **( 68)** | ( 75) |
| Finance expense | 7 | **3,898** | 2,807 | **3,891** | 2,803 |
| Exchange differences on translation of foreign operations | | **56** | 110 | **-** | - |
| Site restoration provision | | **76** | 63 | **73** | 55 |
| Employee benefits | 6,20 | **( 58)** | ( 86) | **( 58)** | ( 86) |
| **Operating cash flows before working capital changes** | | **1,011** | 1,313 | **295** | 1,189 |
| **Changes in working capital** | | | | | |
| Increase/(decrease) in provisions | | **986** | (1,663) | **985** | (1,663) |
| Increase in inventories | | **( 149)** | ( 107) | **( 149)** | ( 107) |
| (Increase)/decrease in trade and other receivables | | **(1,147)** | 365 | **(1,169)** | 347 |
| Decrease in related companies' balances | | **821** | 73 | **817** | 68 |
| Increase/(decrease) in trade and other payables | | **1,042** | ( 145) | **1,062** | ( 113) |
| **Cash generated from/(used in) operations** | | **2,564** | ( 164) | **1,841** | ( 279) |

The notes on pages 10 to 51 are an integral part of these financial statements.

# Cable & Wireless Jamaica Limited
## Statements of cash flows (continued)
## for the year ended 31 March 2015

| | Notes | Group 2014/15 $m | Group 2013/14 $m | Company 2014/15 $m | Company 2013/14 $m |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated | | **2,564** | ( 164) | **1,841** | ( 279) |
| Withholding taxes paid on management fee income | | **-** | ( 251) | **-** | ( 250) |
| **Net cash from/(used in) operating activities** | | **2,564** | ( 415) | **1,841** | ( 529) |
| **Cash flows from investing activities** | | | | | |
| Finance income | | **69** | 67 | **68** | 64 |
| Purchase of licence | | **( 1,252)** | (1,534) | **( 1,252)** | (1,534) |
| Proceeds on disposal of property, plant and equipment | | **-** | 406 | **-** | 411 |
| Deferred expenditure | | **76** | - | **76** | - |
| Deferred income | | **( 21)** | ( 39) | **( 21)** | ( 39) |
| Purchase of property, plant and equipment | | **( 7,688)** | (3,210) | **( 7,685)** | (3,210) |
| Proceed from sale of intangible assets | | **1** | - | **1** | - |
| Proceeds from finance leases | | **-** | 24 | **-** | 24 |
| **Net cash used in investing activities** | | **( 8,815)** | (4,286) | **( 8,813)** | (4,284) |
| **Net cash flow before financing activities** | | **( 6,251)** | (4,701) | **( 6,972)** | (4,813) |
| **Cash flows from financing activities** | | | | | |
| Repayments of borrowings | | **( 354)** | ( 9) | **( 354)** | ( 9) |
| Proceeds from borrowings | | **-** | 395 | **-** | 395 |
| Due from subsidiary | | **-** | - | **657** | 39 |
| Finance costs | | **( 3,896)** | (2,807) | **( 3,889)** | (2,803) |
| Due to related parties | | **10,729** | 6,864 | **10,786** | 6,939 |
| **Net cash from financing activities** | | **6,479** | 4,443 | **7,200** | 4,561 |
| Net increase/(decrease) in cash and cash equivalents | | **228** | ( 258) | **228** | ( 252) |
| Cash and cash equivalents at beginning of year | 15 | **504** | 762 | **456** | 708 |
| **Cash and cash equivalents at end of year** | 15 | **732** | 504 | **684** | 456 |

The notes on pages 10 to 51 are an integral part of these financial statements.

## 1 General information

Cable & Wireless Jamaica Limited ("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 together with its subsidiaries', Jamaica Digiport International Limited, Digital Media & Entertainment Limited and other subsidiaries are collectively referred to herein as "the Group".

The Company is a 77% subsidiary of CWC CALA Holdings Limited, incorporated in Barbados, and the ultimate parent company is Cable & Wireless Communications Plc, incorporated in England. Another subsidiary of Cable & Wireless Communications plc. holds an additional 5% of the issued ordinary stock units of the Company.

On March 19, 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 March 22, 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 Cable & Wireless Group companies in the Caribbean traded under the name 'LIME' (Landline, Internet, Mobile and Entertainment). Following the merger with Columbus Communications, the consumer business of LIME will in future trade under the name 'FlOW'.

The principal activity of the Group is the provision of domestic and international telecommunications services under various operating licences granted on March 14, 2000, under the Telecommunications Act.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of Cable & Wireless Jamaica Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as they apply to the financial statements of the Group and Company for the year ended 31 March 2015, interpretations adopted by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act ("the Act").

These financial statements are presented in Jamaican Dollars ($) rounded to the nearest million. They have been prepared on the historical cost basis.

Management has prepared the accounts on the going concern basis. However, the Group and the Company have reported continued losses. During the year ended 31 March 2015, the Group and the Company reported losses of $9,179 million (2013/14: $3,504 million) and $9,552 million (2013/14: $3,233 million) respectively, and had stockholder's net deficits of $33,232 million (2013/14: $23,826 million) and $34,269 million (2013/14: $24,434 million) respectively as at that date. As a result of the continued losses, uncertainty exists about the Group continuation as a going concern. Until such time as the Group returns to profitable operations, the Group remains dependent on its ultimate parent for continued financial support. The Directors have received a letter from the ultimate parent company, indicating that financial support will be provided for the foreseeable future.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accounting policies have been applied consistently by Group entities.

**Basis of consolidation**

The consolidated financial statements comprise a consolidation of the accounts of the Company and its subsidiaries prepared for the year ended 31 March 2015.

**Subsidiaries**

Subsidiaries are entities controlled by and forming part of the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, exposure to variable returns from the investee and a link between the power the Group has and the variability of returns. In assessing control, the existence and effect of potential voting rights that are currently exercisable are considered. Subsidiaries are consolidated from the date on which the Group effectively takes control until the date that control ceases. Accounting policies of subsidiaries are aligned with the policies adopted by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**2.2 Application of recently issued International Financial Reporting Standards (IFRS)**

The Group applied for the first time the following new standards and amendments to IFRS during the year ended 31 March 2015. The nature and impact of each new standard and amendment is described below:

| Title | Effective date | Description and impact on the Group |
|---|---|---|
| IFRS 10 *Consolidated financial statements,* IFRS 11 *Joint arrangements,* and IFRS 12 *Disclosures of interests in other entities* | Annual periods beginning on or after 1 January 2014 | IFRS 10 builds on existing principles of control and provides further guidance where control may be difficult to assess.<br><br>IFRS 11 expands on the assessment of joint arrangements to consider all facts and circumstances surrounding the arrangements in addition to the structure of the arrangement as previously required.<br><br>There was no impact on the Group from adopting IFRS 10 and IFRS 11.<br><br>IFRS 12 requires disclosures for all forms of interests in other entities.<br><br>There was no impact on the group from adopting IFRS 12 as the Group does not have any non-controlling interests in subsidiaries. |

**2 Summary of significant accounting policies (continued)**

**2.2 Application of recently issued International Financial Reporting Standards (IFRS) continued**

| Title | Effective date | Description and impact on the Group |
|---|---|---|
| Amendments to IAS 27 *Separate Financial Statements* | Annual periods beginning on or after 1 January 2014 | Covers all disclosure requirements for financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for at cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. |
| Amendments to IAS 32 *Financial Instruments: Presentation* | Annual periods beginning on or after 1 January 2014 | Provides clarifications on the application of offsetting of assets and liabilities.<br>This does not have an impact on the Group's financial statements. |
| Amendments to IAS 36 *Recoverable Amount: Disclosures for Non-Financial Assets* | Annual periods beginning on or after 1 January 2014 | Reverses the unintended requirement in IFRS 13 Fair Value, Measurements to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. |
| Amendments to IAS 39 Financial instruments: recognition and measurement | Annual periods beginning on or after 1 January 2014 | Allows hedge accounting to continue in a situation where a derivative is novated.<br><br>This does not have an impact on the Group. |

**2 Summary of significant accounting policies (continued)**

**2.2 Application of recently issued International Financial Reporting Standards (IFRS) continued**

**New and amended standards and interpretations to be adopted by the Group in subsequent periods:**

| Title | Effective date | Description and impact on the Group |
|---|---|---|
| Amendments to IFRS 8 *Operating Segments* | Annual periods beginning on or after 1 July 2014 | Requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.<br><br>This does not have an impact on the Group as there are no operating segments aggregated. |
| Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* | Annual periods beginning on or after 1 July 2014 | Clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.<br><br>This does not have an impact on the Group as the Group does not have a revaluation policy |
| IAS 19 *Defined Benefit Plans: Employee Contributions* | Annual periods beginning on or after 1 July 2014 | Amended the requirements for contributions from employees or third parties that are linked to services.<br><br>This should not have an impact on the Group as there are no contributions from employees or third parties linked to services. |

**2 Summary of significant accounting policies (continued)**

**2.2 Application of recently issued International Financial Reporting Standards (IFRS) continued**

| Title | Effective date | Description and impact on the Group |
|---|---|---|
| Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 | Annual periods beginning on or after 1 January 2016 | The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are “highly correlated”, or when the intangible asset is expressed as a measure of revenue.<br>The amendments also prohibit the use of revenue-based amortisation for property, plant and equipment.<br>This does not have an impact on the Group as the Group does not use revenue-based amortisation or depreciation. |
| IFRS 15 *Revenue from contracts with customers* | Annual periods beginning on or after 1 January 2017 with early adoption permitted | Establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 *Revenue,* IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*<br>The Group is still assessing the impact of IFRS 15 but the new standard could have significant impact on customer acquisition costs and large managed services contracts. |

There are no other new or amended standards that are considered to have a material impact on the Group’s financial statements.

**2.3 Foreign currencies**

**a) Functional currency**

Amounts included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The Company’s functional currency is the Jamaica dollar.

**2 Summary of significant accounting policies (continued)**

**2.3 Foreign currencies (continued)**

**b) Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised through profit or loss.

**c) Foreign operations**

The results and financial position of all the Group entities that have a functional currency different from the Group's presentation currency of Jamaican dollars are translated as follows:

i) Assets and liabilities are translated at the closing rate at the reporting date;

ii) Income and expenses are translated at rates closely approximating the rate at the date of the transactions; and

iii) Resulting exchange differences are recognised in the foreign currency translation reserve.

Exchange differences arising from the translation of the net investment in subsidiaries with foreign functional currencies are taken to shareholders' equity. Where investments are matched in whole or in part by foreign currency loans, the exchange differences arising on the retranslation of such loans are also recorded as movements in the Group's translation reserves and any excess taken to profit or loss.

The principal exchange rates used in the preparation of these accounts are as follows:

| | **2014/15** | 2013/14 |
|---|---|---|
| **JMD:GBP** | | |
| Average | **181.51** | 161.10 |
| Year end | **171.35** | 180.15 |
| **JMD:USD** | | |
| Average | **112.64** | 102.17 |
| Year end | **114.89** | 109.16 |

**2.4 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment. Plant and equipment represents the Group's network infrastructure assets.

The estimated costs of dismantling and removing assets, typically cell sites and network equipment, and restoring land on which they are located are included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

## 2 Summary of significant accounting policies (continued)

### 2.4 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits will flow to the Group and the cost can be measured reliably. All other subsequent costs (primarily repairs and maintenance) are charged to profit or loss as incurred.

Depreciation is not recognised on freehold land or assets under construction. Depreciation is provided to write-off the cost of property, plant and equipment, on a straight line basis over the estimated useful lives of the assets as follows:

| | Useful lives |
|---|---|
| Cables and transmission equipment | up to 20 years |
| Office equipment and computers | 4 to 10 years |
| Plant and machinery | 5 to 40 years |
| Computer equipment | 4 years |
| Freehold buildings | 40 years |
| Leasehold buildings | up to 40 years or term of lease if less |

Asset useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount through sale or use. Assets are tested for impairment on an annual basis (see note 2.7).

### 2.5 Intangible assets

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Group are recognised as intangible assets. Expenditures that enhance or extend the benefits of computer software programs beyond their original specifications and lives are recognised as capital improvements and added to the original cost of the software.

Intangible assets relating to customer contracts, customer relationships and licences obtained as part of the Group's business combinations are recorded initially at their fair values.

Other intangible assets that do not have indefinite useful lives are amortised on a straight line basis over their respective lives, which are usually based on contractual terms. Other intangible assets are stated at cost less amortisation.

| | Useful lives |
|---|---|
| Software | 3 to 5 years |
| Licences | Up to 25 years or the licence term if less |

### 2.6 Financial instruments

#### Financial assets

The Group classifies its financial assets into the following categories: cash and cash equivalents; trade and other receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments. The classification depends on the purpose for which the assets are held. The Group does not currently classify any investments as held-to-maturity.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date for financial assets other than those held at fair value through profit or loss.

## 2 Summary of significant accounting policies (continued)

### 2.6 Financial instruments (continued)

***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand, cash at bank and short-term deposits. They are highly liquid monetary investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents in the statement of financial position is considered to approximate fair value. Bank overdrafts are included within borrowings and classified in current liabilities on the statement of financial position.

***Trade and other receivables***

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a third party with no intention of trading the receivable. Trade and other receivables are presented in current assets in the statement of financial position, except for those with maturities greater than one year after the reporting date.

Receivables are recognised initially at the fair value of the amount due from the customer and subsequently at the amounts considered recoverable (amortised cost).

***Financial liabilities***

The Group classifies its financial liabilities into the following categories: trade and other payables; borrowings; and financial liabilities at fair value.

Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at each reporting date for financial liabilities other than those held at fair value.

***Borrowings***

Borrowings are recognised initially at fair value net of directly attributable transaction costs and are subsequently measured at amortised cost. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognised through profit or loss over the period of the borrowings using the effective interest method. The financial liabilities recognised in this category include secured and unsecured bonds and facilities and other loans held by the Group and are presented in borrowings in current liabilities in the statement of financial position unless the Group has an unconditional right to defer settlement of the liability for at least one year after the reporting date.

### 2.7 Impairment of assets

***Financial assets***

The Group assesses at each reporting date whether there is objective evidence that a financial asset not carried at fair value through profit or loss or a group of those financial assets is impaired.

An impairment allowance is established for trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

***Non-financial assets***

Intangible assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. All other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**2 Summary of significant accounting policies (continued)**

**2.7 Impairment of assets (continued)**

The Group determines any impairment by comparing the carrying values of each of the Group's assets (or the cash-generating unit to which it belongs) to its recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. Fair value represents market value in an active market. Value in use is determined by discounting future cash flows arising from the asset. Future cash flows are determined with reference to the Group's own projections using pre-tax discount rates.

Impairment reviews involve management making assumptions and estimates, which are highly judgemental and susceptible to change. We consider the carrying value of other assets at least annually. If there are impairment triggers that indicate an impairment of assets, we performed an impairment review during the year. See note 11 for details on impairment loss incurred during the year.

**2.8 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is the amount paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. Cost is based on the first-in, first-out (FIFO) principle. For inventories held for resale, net realisable value is determined as the estimated selling price in the ordinary course of business less costs to sell. Impairment allowance is made for obsolete and slow-moving inventories as required.

**2.9 Share capital**

Incremental costs directly attributable to the issue of new shares or the repurchase of shares are recognised in equity.

**2.10 Leases**

All Group leases have been assessed to be operating leases. Payments made under operating leases, net of lease incentives or premiums received, are charged through the income statement on the straight-line basis over the period of the lease.

**2.11 Employee benefits**

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a third party. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as operating costs as they are incurred through the income statement.

**Defined benefit asset**

A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, based on one or more factors such as age, years of service and compensation. These schemes are generally funded through payments to insurance companies or Trustee-administered funds, determined by periodic actuarial calculations.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. Assets are only recognised to the extent that the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan exceed the fair value of the plan assets less the present value of the defined benefit obligations. Defined benefit obligations for each scheme are calculated annually by independent actuaries.

The Group recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the statement of other comprehensive income. Past service costs are recognised immediately through profit or loss.

Current service costs and any past service costs, together with the unwinding of the discount on net plan assets or liabilities, are included within operating costs through profit or loss.

**2 Summary of significant accounting policies (continued)**

**2.11 Employee benefits (continued)**

**Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits within other provisions when it is demonstrably committed to the action leading to the employee's termination.

**Bonus plans**

The Group recognises a liability in the statement of financial position in relation to bonuses payable to employees where contractually obliged or where there is a past practice that has created a constructive obligation.

**2.12 Tax**

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

Current tax is the expected tax payable on the taxable income for the year, using rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except where the difference arises from:

- The initial recognition of goodwill; or
- The initial recognition of an asset or liability in a transaction other than a business combination, affecting neither accounting nor taxable profit.

Deferred tax is calculated using tax rates that are expected to apply to the period when the temporary differences reverse, based on rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**2.13 Provisions**

Provisions are liabilities of uncertain timing or amount. They are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the statement of financial position at the present value of the estimated future outflows required to settle the obligation. Provision charges and reversals are recognised through profit or loss. Discount unwinding is recognised as a finance expense.

**2 Summary of significant accounting policies (continued)**

**2.14 Revenue recognition**

Group revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services and goods provided to customers. It includes sales to joint ventures and associates but does not include sales by joint ventures and associates or sales between Group companies. Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided. In respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to other telecommunications operators are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Revenue generated through the provision of these services is accounted for gross of any amounts payable to other telecommunications operators for interconnect fees.

Revenue from mobile, broadband, TV and fixed line products comprises amounts charged to customers in respect of monthly access charges, airtime and usage, messaging and other telecommunications services. This includes data services and information provision and revenue from the sale of equipment, including handsets.

Monthly access charges from mobile, broadband, TV and fixed line products are invoiced and recorded as part of a periodic billing cycle. Airtime, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid credit, is recorded in the period in which the customer uses the service. Unbilled revenue resulting from services provided to contract customers from the billing cycle date to the end of each period is accrued. Unearned monthly access charges relating to periods after each accounting period are deferred.

The Group earns revenue from the transmission of content and traffic on its network originated by third-party providers. Third-party dealers and partners are also engaged to facilitate the sale and provision of some services and equipment sold by the Group. We assess whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following factors:

- Whether the Group holds itself out as an agent;
- Whether the Group has latitude for establishing the price, either directly or indirectly, for example by providing additional services;
- Provision of customer remedies;
- Whether the Group has the primary responsibility for providing the services to the customer or for fulfilling the order; and
- Assumption of credit risk.

Revenue from sales of telecommunications equipment is recognised upon delivery to the customer.

The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecoms equipment and ongoing service) is allocated to those components that are capable of operating independently, based on the estimated fair value of the components. The fair value of each component is determined by amounts charged when sold separately and by reference to sales of equivalent products and services by third parties.

Revenue arising from the provision of other services, including maintenance contracts, is recognised over the periods in which the service is provided.

Customer acquisition costs including dealer commissions and similar payments are expensed as incurred.

**2.15 Exceptional items**

Exceptional items are material items within the income statement that derive from individual events that fall within the ordinary activities of the Group but are identified as exceptional items by virtue of their size, nature or incidence.

## 2 Summary of significant accounting policies (continued)

### 2.16 Non- current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than continuing use, are classified as held-for-sale. Assets held-for-sale are measured at the lower of their carrying amount and fair values less cost to sell.

Impairment losses on initial reclassification as held-for-sale and subsequent gains and losses on re-measurement are recognised in the income statement. Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

## 3 Critical accounting estimates and judgements

A number of estimates and assumptions have been made relating to the reporting of results of operations and the financial condition of the Group. Results may differ significantly from those estimates under different assumptions and conditions. Management considers that the following discussion addresses the Group's most critical accounting estimates. These particular policies require subjective and complex assessments, often as a result of the need to make estimates about the effect of matters that are uncertain.

### 3.1 Impairment

Management assesses property, plant and equipment and intangible assets (excluding goodwill) for impairment whenever events or changes in circumstances indicate that the carrying value is less than its recoverable amount. Factors that are considered important and that could trigger an impairment review include the following:

- Obsolescence or physical damage;
- Significant changes in technology and regulatory environments;
- Acquisition and merger activity;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the use of the assets or the strategy of the overall business;
- Significant negative industry or economic trends; and
- Significant decline in the market capitalisation relative to net book value for a sustained period.

In addition, Management tests goodwill and other intangible assets with an indefinite life at least annually for impairment.

The identification of impairment triggers is a key judgement. Where an impairment review is required, the Group generally determines recoverable amount based on value in use. The key estimates used in calculating value in use are the discount rate, revenue growth, operating cost margin and capital expenditure. Estimates are based on extrapolated approved three-year business plans.

### 3.2 Receivables allowance

The impairment allowance for trade receivables reflects the Group's estimates of losses arising from the failure or inability of the Group's customers to make required payments. The allowance is based on the ageing of customer accounts, customer creditworthiness and the Group's historical write-off experience. Changes to the allowance may be required if the financial condition of the Group's customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs. Historically, changes to the estimate of losses have not been material to the Group's financial position and results.

### 3.3 Revenue recognition

Judgement is required in assessing the application of revenue recognition principles and the specific guidance in respect of the Group's revenue. This includes the allocation of revenue between multiple deliverables, such as the sale value of telecommunications equipment and ongoing service, where such items are sold as part of a bundled package. See note 2.14.

### 3 Critical accounting estimates and judgements (continued)

#### 3.4 Exceptional items

Judgement is required in assessing the classification of items as exceptional and assessing the timing of recognising exceptional provisions. The Group has established criteria for assessing the classification and a consistent approach is applied each period.

#### 3.5 Tax

The calculation of the Group's total tax charge involves a degree of estimation in respect of certain items where the tax treatment cannot be finally determined until a resolution has been reached with the relevant tax authority or, if necessary, through a formal legal process. The final resolution of some of these items may give rise to material income statement and/or cash flow variances.

The resolution of issues is not always within the control of the Group and is often dependent on the efficiency of the administrative and legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge through profit or loss and tax payments made.

#### 3.6 Pensions

The asset recognised in the statement of financial position in respect of the defined benefit pension plan represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as:

- The life expectancy of the members;
- The length of service;
- The rate of salary progression;
- The rate used to discount future net pension assets or liabilities; and
- Future inflation rates.

The assumptions used by the Group are set out in note 20 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice. Changes to these assumptions could materially affect the defined benefit schemes' liabilities and assets.

### 4 Revenue

**Accounting policy detailed in note 2.14.**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| Sales of telecommunications services and related operations | **19,682** | 17,290 | **19,649** | 17,239 |
| Sales of telecommunications equipment and accessories | **1,910** | 1,153 | **1,910** | 1,153 |
| **Total revenue** | **21,592** | 18,443 | **21,559** | 18,392 |

**5 Segment information**

The Group is a local telecommunications service provider offering mobile, broadband, video, fixed line and managed 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/HSPA+/LTE. Broadband, data and other services consist of broadband (ADSL), Metro Ethernet (fibre 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 Chief Operating Decision Maker (CODM), the entire operations of the Group are considered as one operating segment.

Financial information related to the operating segment results for the year ended 31 March 2015, 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 year ended 31 March 2015 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.

There are no differences in the measurement of the reportable segments' results and the Group's results.

There is no significant trading between the segments. Transactions between the segments are on commercial terms similar to those offered to external customers.

There are no differences in the measurement of the reportable segments' assets and liabilities and the Group's assets and liabilities. Furthermore, there are no asymmetrical allocations to reportable segments.

**Revenue**

The revenue from external customers are analysed by product below.

| Group | **2014/15 $m** | 2013/14 $m |
|---|---|---|
| Mobile | **8,698** | 6,674 |
| Broadband and video | **2,722** | 2,336 |
| Fixed voice | **6,535** | 6,483 |
| Managed services and other | **3,637** | 2,950 |
| **Total** | **21,592** | 18,443 |

Revenue 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.

## 6 Operating costs and other operating income and expenses

### 6 (a) Operating costs

Detailed below are the key expense items charged or (credited) in arriving at our operating profit. Outpayments to other operators arise when our customers call customers connected to a different network. Operating costs are stated net of credits or charges arising from the release or establishment of accruals.

An analysis of the operating costs incurred by the Group and the Company is presented below, classified by the nature of the cost:

| | **2014/15** | | | 2013/14 | | |
|---|---|---|---|---|---|---|
| **Group** | **Pre-exceptional $m** | **Exceptional items $m** | **Total $m** | Pre-exceptional $m | Exceptional items $m | Total $m |
| Outpayments and direct costs | **6,171** | **-** | **6,171** | 5,307 | - | 5,307 |
| Employee and other staff expenses | **3,255** | **1,242** | **4,497** | 3,476 | 1,594 | 5,070 |
| Gain on disposal of assets | **-** | **-** | **-** | - | ( 130) | ( 130) |
| Other administrative expenses | **4,521** | **1,397** | **5,918** | 3,217 | - | 3,217 |
| Network costs | **1,253** | **617** | **1,870** | 1,335 | - | 1,335 |
| Property and utility costs | **2,200** | **-** | **2,200** | 2,329 | - | 2,329 |
| **Operating costs before depreciation and amortisation** | **17,400** | **3,256** | **20,656** | 15,664 | 1,464 | 17,128 |
| Depreciation of property, plant and equipment | **1,696** | **-** | **1,696** | 1,584 | - | 1,584 |
| Impairment of property, plant and equipment | **-** | **3,696** | **3,696** | - | - | - |
| Amortisation of intangible assets | **848** | **-** | **848** | 441 | - | 441 |
| **Operating costs** | **19,944** | **6,952** | **26,896** | 17,689 | 1,464 | 19,153 |

**6 Operating costs and other operating income and expenses (continued)**

**6 (a) Operating costs (continued)**

| Company | 2014/15 Pre-exceptional | 2014/15 Exceptional items | 2014/15 Total $m | 2013/14 Pre-exceptional | 2013/14 Exceptional items | 2013/14 Total $m |
|---|---|---|---|---|---|---|
| Outpayments and direct costs | 6,167 | - | 6,167 | 5,292 | - | 5,292 |
| Employee and other staff expenses | 3,254 | 1,242 | 4,496 | 3,476 | 1,594 | 5,070 |
| Gain on disposal of assets | - | - | - | - | ( 130) | ( 130) |
| Other administrative expenses | 4,518 | 1,397 | 5,915 | 3,210 | - | 3,210 |
| Network costs | 1,253 | 617 | 1,870 | 1,335 | - | 1,335 |
| Property and utility costs | 2,175 | - | 2,175 | 2,306 | - | 2,306 |
| **Operating costs before depreciation and amortisation** | 17,367 | 3,256 | 20,623 | 15,619 | 1,464 | 17,083 |
| Depreciation of property, plant and equipment | 1,572 | - | 1,572 | 1,308 | - | 1,308 |
| Impairment of property, plant and equipment | - | 3,542 | 3,542 | - | - | - |
| Amortisation of intangible assets | 848 | - | 848 | 441 | - | 441 |
| Impairment of balance due from subsidiary | - | 657 | 657 | - | - | - |
| **Operating costs** | 19,787 | 7,455 | 27,242 | 17,368 | 1,464 | 18,832 |

Exceptional items include costs related to the Group's restructuring activities, including employee termination and contract settlements as well as costs relating to the settlement of material legal disputes, which are non-recurring and material.

**6 (b) Employee and other staff expenses**

**Accounting policy detailed in note 2.11.**

The pre-exceptional employee and other staff expenses are set out below:

| | Group 2014/15 $m | Group 2013/14 $m | Company 2014/15 $m | Company 2013/14 $m |
|---|---|---|---|---|
| Wages and salaries | 1,889 | 2,472 | 1,889 | 2,472 |
| Social security costs | 225 | 280 | 225 | 280 |
| Other benefits and allowances | 1,487 | 1,032 | 1,486 | 1,032 |
| Pension credits – employee benefits | ( 58) | ( 86) | ( 58) | ( 86) |
| | 3,543 | 3,698 | 3,542 | 3,698 |
| Less: Staff costs capitalised | ( 288) | ( 222) | ( 288) | ( 222) |
| **Staff costs** | 3,255 | 3,476 | 3,254 | 3,476 |
| Exceptional employee and other staff expenses (note [6a]) | 1,242 | 1,594 | 1,242 | 1,594 |
| **Total staff costs** | 4,497 | 5,070 | 4,496 | 5,070 |

**6 Operating costs and other operating income and expenses (continued)**

**6 (c) Directors' and key management remuneration**

Key management are represented by those that have authority and responsibility for managerial decisions affecting the future development and business prospects of the Group.

Included within employee costs is key management remuneration as follows:

| Group and Company | **2014/15 $m** | 2013/14 $m |
|---|---|---|
| Directors' emoluments: | | |
| Fees | **3** | 3 |
| Salaries and other short-term employment benefits | **64** | 48 |
| **Total Directors' remuneration** | **67** | 51 |
| Other key management personnel – short-term employment benefits | **107** | 111 |
| **Total key management remuneration** | **174** | 162 |

**6 (d) Auditor's remuneration**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| Audit services | **50** | 45 | **48** | 42 |

**7 Finance income/expense and other non-operating expenses**

Finance income is mainly comprised of interest received from external bank deposits. Financing costs mainly arise from interest due on external bank loans, related party loans and transactional foreign exchange losses.

**Accounting policy detailed in note 2.6.**

The finance income and expense are set out below.

| | Group | | Company | |
|---|---|---|---|---|
| | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| **Finance income** | | | | |
| Interest on cash and deposits | **69** | 78 | **68** | 75 |
| **Finance expense** | | | | |
| Interest on bank loans | **29** | 16 | **29** | 16 |
| Interest on related party loans | **3,595** | 2,383 | **3,595** | 2,383 |
| Unwinding of discounts on provisions | **76** | 182 | **73** | 181 |
| Foreign exchange losses | **198** | 226 | **194** | 223 |
| **Total finance expense** | **3,898** | 2,807 | **3,891** | 2,803 |

## 8 Income tax expense

This section explains how our Group and Company tax charge arises. The current and deferred tax charges or credits in the year together make up the total tax charge in the income statement. The deferred tax section also provides information on our expected future tax charges. A reconciliation of the loss before tax to the tax charge is also provided.

**Accounting policy detailed in note 2.12.**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| **Current tax charge** | | | | |
| Jamaica tax at 33⅓ % | **-** | - | **-** | - |
| Withholding tax on management fees earned | **47** | 77 | **47** | 77 |
| **Total current tax charge** | **47** | 77 | **47** | 77 |
| **Deferred tax (credit)/charge** | | | | |
| Tax losses | **(2,888)** | (932) | **(2,888)** | (932) |
| Origination and reversal of temporary differences | **2,888** | 932 | **2,888** | 932 |
| **Total deferred tax charge** | **-** | - | **-** | - |
| **Total income tax charge** | **47** | 77 | **47** | 77 |

The Group's tax charge differs from the expected charge at the Jamaica statutory tax rate as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| **Loss before income tax and exceptional charges** | **(2,180)** | (1,963) | **(2,050)** | (1,692) |
| Exceptional charges | **(6,952)** | (1,464) | **(7,455)** | (1,464) |
| **Loss before income tax** | **(9,132)** | (3,427) | **(9,505)** | (3,156) |
| Income tax credit at Jamaican statutory tax rate: 33⅓ % & 25% | **(3,017)** | (1,142) | **(3,165)** | (1,052) |
| Effect of capital allowances on non-current assets | **4,386** | (2,397) | **4,324** | (2,482) |
| Effect of Caricom income | **( 93)** | ( 202) | **( 93)** | ( 202) |
| Disallowed expenses and other capital adjustments | **1,781** | ( 321) | **1,998** | ( 326) |
| Effect of changes in unrecognised deferred tax assets | **(3,014)** | 4,139 | **(3,017)** | 4,139 |
| Relief Under the Jamaica Export Freezone Act | **4** | - | **-** | - |
| **Total income tax charge** | **47** | 77 | **47** | 77 |

## 8 Income tax expense

At 31 March 2015 taxation losses, subject to agreement by the Commissioner of Tax Administration Jamaica, available for relief against future taxable profits, amounted to approximately $43 billion (2013/14: $34.5 billion).

For the analysis of the Group's and Company's deferred tax assets and liabilities at the reporting date, including factors affecting the future tax rates, see note 18.

## 9 Loss per share

Earnings per share (EPS) is the amount of post-tax profit attributable to each share.

Basic earnings per ordinary share is based on the loss for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding as follows:

| | **2014/15 $m** | 2013/14 $m |
|---|---|---|
| Loss for the financial year attributable to stockholders | **(9,179)** | (3,504) |
| Weighted average number of ordinary shares in issue (millions) | **16,817** | 16,817 |
| Basic loss per share (cents per share) | **( 54.6)** | ( 20.8) |

## 10 Intangible assets

The following section shows the intangible assets used by the Group to generate revenues and profits.

These assets include software and licenses and operating agreements. Within license and operating agreements we include the cost of any acquired spectrum we use for our mobile services. The cost of intangible assets is the amount that the Group has paid.

The value of other intangible assets reduces over the number of years the Group expects to use the assets via an annual amortisation charge. Should an asset's value fall below its carrying value an additional impairment charge is made against profit or loss.

## 10 Intangible assets (continued)

**Accounting policy detailed in note 2.5.**

| Group and Company | Computer Software & Licence $m |
|---|---|
| **Cost** | |
| At 1 April 2013 | 4,815 |
| Transfer from property, plant and equipment | 829 |
| At 31 March 2014 | 5,644 |
| Transfer from property, plant and equipment | 4,504 |
| Disposals | ( 6) |
| **At 31 March 2015** | 10,142 |
| **Amortisation and impairment** | |
| At 1 April 2013 | 4,099 |
| Charge for the year | 441 |
| At 31 March 2014 | 4,540 |
| Charge for the year | 848 |
| Reclassification from property, plant and equipment | 60 |
| Disposals | ( 5) |
| **At 31 March 2015** | 5,443 |
| | |
| **Net book value** | |
| **At 31 March 2015** | 4,699 |
| At 31 March 2014 | 1,104 |

## 11 Property, plant and equipment

The following section shows the physical assets used by the Group to generate revenues and profits. We make significant investments in network plant and equipment and infrastructure – the technology and base stations required to operate our networks – that form the majority of our tangible assets.

Depreciation is calculated by estimating the number of years the Group expects the asset to be used (useful economic life). If there has been a technological change or decline in business performance management reviews the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value an additional impairment charge is made against profit or loss.

The Group and Company held no assets under finance leases at 31 March 2015 (2013/14: nil).

Additions during the year include interest and own work capitalised during the construction of certain assets of $288 million (2013/14: $222 million) for both the Group and Company.

**11 Property, plant and equipment (continued)**

**Accounting policy detailed in note 2.4.**

| **Group** | Freehold land and buildings $m | Plant and Machinery $m | Cables & transmission equipment $m | Office equipment and computers $m | Assets under construction $m | Total $m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2013 | 14,654 | 46,515 | 11,208 | 3,631 | 893 | 76,901 |
| Additions | - | - | - | - | 3,210 | 3,210 |
| Disposals | ( 131) | - | - | ( 439) | - | ( 570) |
| Transfers to intangible assets | - | - | - | - | ( 829) | ( 829) |
| Transfers between categories | 341 | 1,181 | 141 | 274 | (1,937) | - |
| **At 31 March 2014** | 14,864 | 47,696 | 11,349 | 3,466 | 1,337 | 78,712 |
| Additions | - | - | - | - | 10,884 | 10,884 |
| Disposals | - | - | - | ( 9) | - | ( 9) |
| Transfers to intangible assets | - | - | - | - | (4,504) | ( 4,504) |
| Transfers between categories | 1,337 | 5,061 | 683 | 70 | (7,151) | - |
| Reclassification to assets held for sale | ( 654) | - | (1,595) | - | - | ( 2,249) |
| **At 31 March 2015** | 15,547 | 52,757 | 10,437 | 3,527 | 566 | 82,834 |
| **Depreciation** | | | | | | |
| At 1 April 2013 | 10,549 | 44,111 | 9,154 | 2,715 | - | 66,529 |
| Charge for the year | 359 | 868 | 143 | 214 | - | 1,584 |
| Disposals | ( 15) | - | - | ( 291) | - | ( 306) |
| **At 31 March 2014** | 10,893 | 44,979 | 9,297 | 2,638 | - | 67,807 |
| Charge for the year | 409 | 811 | 224 | 252 | - | 1,696 |
| Impairment | - | 3,696 | - | - | - | 3,696 |
| Disposals | - | - | - | ( 9) | - | ( 9) |
| Reclassification to intangibles | - | ( 60) | - | - | - | ( 60) |
| Reclassification to assets held for sale | ( 213) | - | ( 948) | - | - | ( 1,161) |
| **At 31 March 2015** | 11,089 | 49,426 | 8,573 | 2,881 | - | 71,969 |
| **Net book value** | | | | | | |
| **At 31 March 2015** | 4,458 | 3,331 | 1,864 | 646 | 566 | 10,865 |
| At 31 March 2014 | 3,971 | 2,717 | 2,052 | 828 | 1,337 | 10,905 |

**11 Property, plant and equipment (continued)**

| Company | Freehold land and buildings $m | Plant and Machinery $m | Cables & transmission equipment $m | Office equipment and computers $m | Assets under construction $m | Total $m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2013 | 14,613 | 44,439 | 10,678 | 3,604 | 365 | 73,699 |
| Additions | - | - | - | - | 3,210 | 3,210 |
| Disposals | ( 131) | - | - | ( 436) | - | ( 567) |
| Transfers to intangible assets | - | - | - | - | ( 829) | ( 829) |
| Transfers to subsidiary | - | ( 85) | - | - | - | ( 85) |
| Transfers between categories | 341 | 653 | 141 | 274 | (1,409) | - |
| **At 31 March 2014** | 14,823 | 45,007 | 10,819 | 3,442 | 1,337 | 75,428 |
| Additions | - | - | - | - | 10,881 | 10,881 |
| Disposals | - | - | - | ( 9) | - | ( 9) |
| Transfers to intangible assets | - | - | - | - | (4,504) | ( 4,504) |
| Transfers between categories | 1,337 | 5,061 | 683 | 70 | (7,151) | - |
| Reclassification between categories | - | - | (479) | (214) | 693 | - |
| Reclassification to assets held for sale | ( 654) | - | (1,595) | - | - | (2,249) |
| **At 31 March 2015** | 15,506 | 50,068 | 9,428 | 3,289 | 1,256 | 79,547 |
| **Depreciation** | | | | | | |
| At 1 April 2013 | 10,512 | 41,615 | 9,055 | 2,680 | - | 63,862 |
| Charge for the year | 356 | 599 | 142 | 211 | - | 1,308 |
| Disposals | ( 15) | - | - | ( 283) | - | ( 298) |
| **At 31 March 2014** | 10,853 | 42,214 | 9,197 | 2,608 | - | 64,872 |
| Charge for the year | 409 | 811 | 100 | 252 | - | 1,572 |
| Impairment | - | 3,542 | - | - | - | 3,542 |
| Disposals | - | - | - | ( 9) | - | ( 9) |
| Reclassification to intangibles | - | ( 60) | - | - | - | ( 60) |
| Reclassification to assets held for sale | ( 213) | - | ( 948) | - | - | ( 1,161) |
| **At 31 March 2015** | 11,049 | 46,507 | 8,349 | 2,851 | - | 68,756 |
| **Net book value** | | | | | | |
| **At 31 March 2015** | 4,457 | 3,561 | 1,079 | 438 | 1,256 | 10,791 |
| At 31 March 2014 | 3,970 | 2,793 | 1,622 | 834 | 1,337 | 10,556 |

Freehold land and buildings for the Group and the Company include land aggregating $69.5 million (2013/14: $69.5 million) at historical cost.

**Non-current assets held for sale**

During the year ended 31 March 2015, Management committed to a plan to transfer the Group's International Wholesale Capacity assets to a related party and to sell certain large properties. The transfer of those assets is expected within one year of the reporting date. Accordingly, the assets are presented as held for sale.

**11 Property, plant and equipment (continued)**

As a result of the acquisition by the ultimate parent company of Columbus Communications Limited and the effects of technological changes during the year, impairment charges of $3,696 million were recognised for the Group and $3,542 million for the Company in relation to specific categories of property, plant and equipment.

**12 Subsidiaries**

The Group includes the following wholly-owned subsidiaries:

| As at 31 March 2015 | Ownership of ordinary shares % | Country of incorporation | Area of operation |
|---|---|---|---|
| **Subsidiaries** | | | |
| Digital Media & Entertainment Limited | 100 | Jamaica | Jamaica |
| Jamaica Digiport International Limited | 100 | Jamaica | Jamaica |
| Caribbean Landing Company Limited | 100 | Jamaica | Jamaica |

**13 Trade and other receivables**

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Trade receivables are shown net of allowance for bad or doubtful debts.

**Accounting policy detailed in note 2.6.**

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| Gross trade receivables | **3,184** | 2,744 | **3,170** | 2,740 |
| Impairment allowance | **( 684)** | ( 510) | **( 682)** | ( 508) |
| **Net trade receivables** | **2,500** | 2,234 | **2,488** | 2,232 |
| Other receivables | **549** | 170 | **549** | 170 |
| Loan receivables | **-** | 201 | **-** | 201 |
| Prepayments and accrued income | **1,332** | 598 | **1,332** | 598 |
| Taxation and social security receivables | **113** | 144 | **106** | 105 |
| Due from related companies (note 25(b)(ii)) | **2,641** | 3,014 | **2,658** | 3,027 |
| **Trade and other receivables – current** | **7,135** | 6,361 | **7,133** | 6,333 |
| Loan receivable | **724** | 724 | **724** | 724 |
| Due from subsidiary (note 25(b)(i)) | **-** | - | **-** | 657 |
| Prepayments – Telecommunications licence (note 23) | **1,252** | 1,534 | **1,252** | 1,534 |
| **Other receivables – non-current** | **1,976** | 2,258 | **1,976** | 2,915 |
| **Total trade and other receivables** | **9,111** | 8,619 | **9,109** | 9,248 |

### 13 Trade and other receivables (continued)

The maximum exposure to credit risks for receivables is equal to their carrying value. There is no material difference between the carrying value and fair value of trade and other receivables presented.

Concentrations of credit risks with respect to trade receivables are small as the Group's customer base is large and unrelated. Receivables predominantly relate to retail customers, governments and corporate entities as well as other telecommunications operators.

Credit risk procedures vary depending on the size and type of customer. These procedures include such activities as credit checks, payment history analysis and credit approval limits. Based on these procedures, management assessed the credit quality of those receivables that are neither past due nor impaired as low risk. During the year there was continued economic weakness in the market in which the Group operates. This would indicate an increased credit risk on receivables that are neither past due nor impaired. However, management assessed this risk and, after providing valuation allowance where necessary, continued to support the assessment of credit quality as low risk.

An ageing analysis of the current 'trade receivables' and current 'other receivables' that are not impaired is as follows (excludes prepayments and accrued income and taxation and social security):

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| Not yet due | **1,367** | 1,252 | **1,355** | 1,250 |
| Overdue 30 days or less | **345** | 355 | **345** | 355 |
| Overdue 31 to 60 days | **224** | 181 | **224** | 181 |
| Overdue 61 to 90 days | **143** | 135 | **143** | 135 |
| Overdue 91 days to 180 days | **179** | 96 | **179** | 96 |
| Overdue 181 days or more | **242** | 215 | **242** | 215 |
| **Net trade receivables - current** | **2,500** | 2,234 | **2,488** | 2,232 |

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due by up to 30 days. Due to the nature of the telecommunications industry, balances relating to interconnection with other carriers often have lengthy settlement periods. Generally, interconnection agreements with major carriers result in both receivables and payables balances with the same counterparty. Industry practice is that receivable and payable amounts relating to interconnection revenue and costs for a defined period are agreed between counterparties and settled on a net basis.

An analysis of movements in the trade receivables impairment allowance during the year is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014/15 $m** | 2013/14 $m | **2014/15 $m** | 2013/14 $m |
| At beginning of the year | **510** | 678 | **508** | 676 |
| Bad debts written off | **( 43)** | (342) | **( 43)** | (342) |
| Increase in allowance | **217** | 174 | **217** | 174 |
| **At end of year** | **684** | 510 | **682** | 508 |

In the Group's operations it is customary to collect security deposits from customers as collateral. These are recorded as liabilities within other payables.

## 14 Inventories

Our inventory primarily consists of mobile handsets, equipment and consumables and is presented net of allowance for obsolete products.

**Accounting policy detailed in note 2.8.**

Inventories of $465 million (2013/14: $316 million) are presented net, after recording an allowance of $75 million (2013/14: $63 million) made against slow moving or obsolete items.

Inventories are not pledged as security or collateral against any of the Group's borrowings.

## 15 Cash and cash equivalents

The majority of the Group's cash resources are held in banks.

**Accounting policy detailed in note 2.6.**

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| Cash at bank and in hand | **661** | 415 | **615** | 367 |
| Short-term bank deposits | **71** | 89 | **69** | 89 |
| **Cash and cash equivalents** | **732** | 504 | **684** | 456 |

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value of those financial instruments.

## 16 Trade and other payables

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or accrued. They also include deferred revenue which represents amounts we have billed to our customers where we have yet to provide the service. Taxes and social security amounts are due in relation to our role as an employer.

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| Trade payables | **1,399** | 1,172 | **1,382** | 1,167 |
| Customer deposits | **352** | 367 | **327** | 343 |
| Other tax and employee costs | **1,420** | 1,580 | **1,460** | 1,580 |
| Accruals | **3,781** | 2,953 | **3,762** | 2,941 |
| Deferred income | **579** | 603 | **579** | 603 |
| Loan payable to related companies (note 25(d)) | **912** | 2,192 | **912** | 2,192 |
| Due to related companies (note 25(c)) | **2,252** | 524 | **2,252** | 524 |
| Other payables | **647** | 290 | **647** | 290 |
| **Trade and other payables – current** | **11,342** | 9,681 | **11,321** | 9,640 |
| Deferred income | **202** | 223 | **202** | 223 |
| Accruals | **1,477** | - | **1,477** | - |
| **Trade and other payables – non-current** | **1,679** | 223 | **1,679** | 223 |
| **Total trade and other payables** | **13,021** | 9,904 | **13,000** | 9,863 |

## 16 Trade and other payables (continued)

There is no material difference between the carrying value and fair value of trade and other payables presented. For liquidity risk exposure analysis purposes, the carrying amount of trade and other payables is the same as the contractual cash flows, with the contractual maturities of these financial liabilities all due in less than one year.

**Deferred income**

Current

This relates to income deferred to future years in relation to prepaid phone cards and global directory revenue amounting to $579 million (2013/14: $603 million).

Non-current

Capacity owned by the Company on the Fibralink Cable System is by way of an Indefeasible Right of Use (IRU). The Company is a consortium member of the Maya-1 cable system. The Company has agreed to grant a customer an IRU on the Fibralink for a fifteen year term from the Seven Mile Point, Bull Bay terminal station in Kingston, Jamaica to the ARCOS North Miami terminal station in Miami, Florida.

## 17 Borrowings

The Group's and Company's sources of borrowing for funding and liquidity purposes come from related party loans and facilities and bank loans. Our key borrowings at 31 March 2015 consist of related party loans and bank loans.

**Accounting policy detailed in note 2.6.**

| Group and Company | | | 31 March 2015 | | | 31 March 2014 | | |
|---|---|---|---|---|---|---|---|---|
| | Type | Security | Interest rate % | Carrying value $m | Fair value $m | Interest rate % | Carrying value $m | Fair value $m |
| Export Development Corporation (EDC) US dollar loan | Floating | Secured | 3.30 | 335 | 494 | 3.30 | 328 | 489 |
| Overdrafts | Floating | Secured | 11.87 | 34 | 34 | 12.00 | 395 | 395 |
| **Total borrowings** | | | | 369 | | | 723 | |
| **Borrowings – current** | | | | ( 55) | | | (415) | |
| **Borrowings – non-current** | | | | 314 | | | 308 | |

The carrying amount approximates to fair value, based on discounted cash flows and are within level 2 of the fair value hierarchy

For liquidity risk exposure analysis purposes, the following are the contractual maturities of loans (including the expected interest payable at rates prevailing at the reporting date):

| Group and Company | 31 March 2015 $m | 31 March 2014 $m |
|---|---|---|
| **Borrowings** | | |
| Due in less than one year | **55** | 415 |
| Due in more than one year but not more than two years | **21** | 20 |
| Due in more than two years but not more than five years | **63** | 60 |
| Due in more than five years | **389** | 389 |
| | **528** | 884 |
| Less: future finance charges | **(159)** | (161) |
| **Total borrowings** | **369** | 723 |

### 17 Borrowings (continued)

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier or at significantly different amounts.

Interest was payable on borrowings falling due after more than five years at rates 3.3% (2013/14: 3.3%).

### 18 Deferred tax

**Accounting policy detailed in note 2.12.**

The movements in deferred tax assets and liabilities during the year are as follows:

| Group | Capital allowances on non-current assets $m | Tax losses $m | Pensions $m | Other $m | Financial position offset $m | Net $m |
|---|---|---|---|---|---|---|
| Deferred tax assets | 749 | 10,557 | - | - | (11,306) | - |
| Deferred tax liabilities | - | - | ( 917) | ( 181) | 1,098 | - |
| At 1 April 2013 | 749 | 10,557 | ( 917) | ( 181) | (10,208) | - |
| Credit/(charge) to profit or loss | 2,000 | 933 | 470 | 1,129 | ( 4,532) | - |
| Tax charged to other comprehensive income | - | - | ( 249) | - | 249 | - |
| At 31 March 2014 | 2,749 | 11,490 | ( 696) | 948 | (14,491) | - |
| | | | | | | |
| Deferred tax assets | 2,749 | 11,490 | - | 948 | (15,187) | - |
| Deferred tax liabilities | - | - | ( 696) | - | 696 | - |
| At 1 April 2014 | 2,749 | 11,490 | ( 696) | 948 | (14,491) | - |
| (Charge)/credit to profit or loss | (3,922) | 2,938 | ( 25) | (2,031) | 3,040 | - |
| Tax charged to other comprehensive income | - | - | 100 | - | ( 100) | - |
| **At 31 March 2015** | (1,173) | 14,428 | (621) | (1,083) | (11,551) | - |

Tax losses are not subject to expiration but may only be utilised to the extent of 50% of each year's taxable profits.

**18 Deferred tax (continued)**

| Company | Capital allowances on non-current assets $m | Tax losses $m | Pensions $m | Other $m | Financial position offset $m | Net $m |
|---|---|---|---|---|---|---|
| Deferred tax assets | 749 | 10,557 | - | - | (11,306) | - |
| Deferred tax liabilities | - | - | ( 917) | ( 181) | 1,098 | - |
| At 1 April 2013 | 749 | 10,557 | ( 917) | ( 181) | (10,208) | - |
| Credit/(charge) to profit or loss | 2,000 | 933 | 470 | 1,129 | ( 4,532) | - |
| Tax charged to other comprehensive income | - | - | ( 249) | - | 249 | - |
| At 31 March 2014 | 2,749 | 11,490 | ( 696) | 948 | (14,491) | - |
| Deferred tax assets | 2,749 | 11,490 | - | 948 | (15,187) | - |
| Deferred tax liabilities | - | - | ( 696) | - | 696 | - |
| At 1 April 2014 | 2,749 | 11,490 | ( 696) | 948 | (14,491) | - |
| (Charge)/credit to profit or loss | (3,920) | 2,888 | ( 25) | (2,031) | 3,088 | - |
| Tax charged to other comprehensive income | - | - | 100 | - | ( 100) | - |
| **At 31 March 2015** | (1,171) | 14,378 | ( 621) | (1,083) | (11,503) | - |

**19 Provisions**

**Accounting policy detailed in note 2.13.**

| | **2015** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Group** | | | | **Company** | | | |
| | Redundancy costs $m | Network and asset retirement obligations $m | Legal and other $m | Total $m | Redundancy costs $m | Network and asset retirement obligations $m | Legal and other $m | Total $m |
| At 1 April 2014 | 794 | 1,254 | - | 2,048 | 794 | 1,226 | - | 2,020 |
| Additional provisions | 1,099 | 136 | 1,942 | 3,177 | 1,099 | 135 | 1,942 | 3,176 |
| Amounts used | ( 794) | - | (1,397) | (2,191) | ( 794) | - | (1,397) | (2,191) |
| Unwinding of discount (interest cost) | - | 76 | - | 76 | - | 73 | - | 73 |
| **At 31 March 2015** | 1,099 | 1,466 | 545 | 3,110 | 1,099 | 1,434 | 545 | 3,078 |
| **Provisions – current** | 412 | 72 | 447 | 931 | 412 | 72 | 447 | 931 |
| **Provisions – non-current** | 687 | 1,394 | 98 | 2,179 | 687 | 1,362 | 98 | 2,147 |

**19 Provisions (continued)**

**Accounting policy detailed in note 2.13.**

| 2014 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Redundancy costs $m | Network and asset retirement obligations $m | Total $m | Redundancy costs $m | Network and asset retirement obligations $m | Total $m |
| At 1 April 2013 | 2,457 | 1,191 | 3,648 | 2,457 | 1,171 | 3,628 |
| Additional provisions | 794 | 7 | 801 | 794 | - | 794 |
| Amounts used | (2,457) | - | (2,457) | (2,457) | - | (2,457) |
| Unused amounts released | - | ( 126) | ( 126) | - | ( 126) | ( 126) |
| Unwinding of discount (interest cost) | - | 182 | 182 | - | 181 | 181 |
| **At 31 March 2014** | 794 | 1,254 | 2,048 | 794 | 1,226 | 2,020 |
| **Provisions – current** | 794 | - | 794 | 794 | - | 794 |
| **Provisions – non-current** | - | 1,254 | 1,254 | - | 1,226 | 1,226 |

**Redundancy**

Provision has been made for the total employee related costs of redundancies announced prior to the reporting date. Amounts provided for and spent during the periods presented primarily relate to transformation activities. The provision is expected to be used within one year.

**Network and asset retirement obligations**

Provision has been made for the best estimate of the unavoidable costs associated with redundant leased network capacity. The provision is expected to be used over the shorter of the period to exit and the lease contract life. Provision has also been made for the best estimate of the asset retirement obligation associated with office sites, technical sites, mobile cell sites, domestic and sub-sea cabling. This provision is expected to be used at the end of the life of the related assets on which the obligation arises.

**Legal and other**

Legal and other provisions include amounts relating to specific legal claims against the Group together with amounts in respect of certain employee benefits and sales taxes. The timing of the utilisation of the provision is uncertain and is largely outside the Group's control, for example, where matters are contingent upon litigation. Legal proceedings are further discussed in note 24.

**20 Retirement benefit assets**

**Accounting policy detailed in note 2.11.**

The Group operates a pension scheme for its current and former employees. This scheme is a defined benefit scheme, where retirement benefits are based on employees' remuneration and length of service. Contributions to the defined benefit scheme are made in accordance with the recommendations of independent actuaries who value the scheme.

The scheme is closed to new entrants, closed to future accrual and governed by local pension laws and regulations.

## 20 Retirement benefit assets (continued)

The scheme owns an insurance policy which matches in full the value the value of the defined benefit liabilities.

The defined benefit scheme is recorded at the present value of the future economic benefits available in the form of a cash refund or a reduction in future contributions, which is lower than the actual surplus in the plan. Any adjustment to the surplus (net of interest) is recorded in other comprehensive income. The effect of the asset ceiling, was $2,980 million as at 31 March 2015 (2013/2014:$2,421 million). The maximum economic benefit was determined by reference to the reductions in future contributions available to the Group.

The best estimate of contributions to the schemes for 2015/16 is $130 million for employer contributions and $145 million for employee contributions.

### IAS 19 Employee Benefits valuation

The IAS 19 valuation of the defined benefit pension scheme operated by the Group has been updated to 31 March 2015 by the qualified independent actuary, Rambarran & Associates Limited.

The main financial assumptions applied in the valuation and the analysis of scheme assets are as follows:

| | **31 March 2015** | 31 March 2014 |
|---|---|---|
| | **Assumption %** | Assumption % |
| **Significant actuarial assumptions** | | |
| Discount rate - JMD | **9.5** | 9.5 |
| - USD | **5.5** | 6.5 |
| CPI inflation assumption | **6.0** | 5.5 |
| Salary increases | **6.0** | 5.5 |

| Group and Company | **31 March** | 31 March |
|---|---|---|
| | **2015** | 2014 |
| | **$m** | $m |
| **Plan assets** | | |
| – Annuity policies | **10,053** | 8,251 |
| – Quoted equities | **448** | 242 |
| – Quoted bonds and gilts | **1,858** | 1,809 |
| – Property | **4,376** | 4,003 |
| – Cash and cash equivalents | **1,336** | 1,279 |
| – Other quoted securities | **68** | 102 |
| | **18,139** | 15,686 |

**20 Retirement benefit assets (continued)**

**IAS 19 Employee Benefits valuation (continued)**

Assumptions used are best estimates from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The assumptions shown above represent a weighted average of the assumptions used for the individual scheme.

**Risks**

Through its defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below.

The net pension asset is a snapshot view which can be significantly influenced by short-term market factors. The calculation of the surplus or deficit depends, therefore, on factors which are beyond the control of the Group, principally the value at the reporting date of equity shares in which the scheme has invested and long-term interest rates which are used to discount future liabilities. The funding of the scheme is based on long-term trends and assumptions relating to market growth, as advised by qualified actuaries and investment advisors:

– Investment returns: The Group's net asset, and contribution requirements are heavily dependent upon the return on the assets invested in by the scheme;
– Longevity: The cost to the Group of the pensions promised to members is dependent upon the expected term of these payments. To the extent that members live longer than expected this will increase the cost of these arrangements;
– Inflation rate risk: The pension promises are, in the main, linked to inflation, and higher inflation will lead to higher liabilities.

The above risks have been mitigated for all of the scheme's liabilities through the purchase of insurance policies, the payments from which exactly match the promises made to employees.

In addition, the defined benefit obligation as measured under IAS19 is linked to yields on AA rated corporate bonds. However, the majority of the Group's arrangements invest in a number of other assets which will move in a different manner from these bonds. Therefore, changes in market conditions may lead to volatility in the net pension asset on the Group's statement of financial position and in other comprehensive income, and to a lesser extent in the IAS 19 pension expense in the Group's income statement.

| Sensitivity analysis | Increase in assumption $m | Decrease in assumption $m |
|---|---|---|
| Discount rate | | |
| Effect on total defined benefit asset of a 0.5% change in discount rate | (804) | 915 |
| One (1) year improvement in life expectancy revised benefit obligation | 233 | - |

**Methods and assumptions for sensitivity analysis**

The above analysis is based on a standalone change in each assumption while holding all other assumptions constant. The impact on the net liability is significantly reduced for the defined benefit scheme as a result of the annuity policies held. In the absence of such policies, the impact on the net liability would be much closer to the significantly higher impact on the defined benefit obligation.

The methods used in preparing the sensitivity analysis did not change compared to the prior period.

Using the projected unit method for the valuation of liabilities, the current service cost is expected to increase when expressed as a percentage of pensionable payroll as the members of the scheme approach retirement.

## 20 Retirement benefit assets (continued)

### (a) Assets and liabilities

The assets and liabilities of the defined benefit pension scheme operated by the Group were as follows:

| Group and Company | 31 March 2015 $m | 31 March 2014 $m |
|---|---|---|
| Fair value of plan assets | 18,139 | 15,686 |
| Present value of funded obligations | (13,296) | (11,177) |
| Excess of assets of funded obligations | 4,843 | 4,509 |
| Effect of asset ceiling | ( 2,980) | ( 2,421) |
| **Net asset** | 1,863 | 2,088 |

### (b) The amounts recognised in the income statement were as follows:

| Group and Company | 31 March 2015 $m | 31 March 2014 $m |
|---|---|---|
| Current service cost | ( 134) | ( 183) |
| Past service cost | - | 3 |
| Interest on net liabilities | ( 827) | ( 755) |
| Interest cost on asset ceiling | ( 230) | ( 143) |
| Interest income on plan assets | 1,249 | 1,164 |
| **Net credit** | 58 | 86 |

### (c) Amounts recognised in other comprehensive income were as follows:

| Group and Company | 31 March 2015 $m | 31 March 2014 $m |
|---|---|---|
| Change in demographic assumptions | - | ( 16) |
| Change in experience adjustments | (283) | ( 63) |
| Loss on curtailment | - | (669) |
| **Net expense** | (283) | (748) |

### (d) Changes in the net asset recognised in the statement of financial position (after application of asset limit):

| Group and Company | 31 March 2015 $m | 31 March 2014 $m |
|---|---|---|
| Net asset at 1 April | 2,088 | 2,750 |
| Net credit recognised in the income statement | 58 | 86 |
| Net expense recognised in other comprehensive income | ( 283) | ( 748) |
| **Net asset at 31 March** | 1,863 | 2,088 |

**20 Retirement benefit assets (continued)**

**(e) Changes in the present value of the defined benefit pension obligations are as follows:**

| **Group and Company** | **31 March 2015 $m** | 31 March 2014 $m |
|---|---|---|
| At beginning of year | **11,177** | 9,775 |
| Current service cost | **134** | 183 |
| Past service cost | **-** | ( 3) |
| Interest on obligations | **827** | 755 |
| Annuities purchased during the year | **31** | 22 |
| Gain on curtailment | **-** | ( 3) |
| Re-measurements: | | |
| Actuarial loss from changes in demographic assumptions | **-** | 590 |
| Actuarial loss from changes in financial assumptions | **1,280** | - |
| Actuarial loss from experience adjustments | **361** | 507 |
| Employee contributions | **149** | 193 |
| Benefits paid | **( 663)** | ( 845) |
| **At end of year** | **13,296** | 11,177 |

**(f) Changes in the fair value of defined benefit assets are as follows:**

| **Group and Company** | **31 March 2015 $m** | 31 March 2014 $m |
|---|---|---|
| At beginning of year | **15,686** | 13,958 |
| Interest on plan assets | **1,249** | 1,164 |
| Annuities purchased during the year | **31** | 22 |
| Re-measurements: | | |
| Actuarial gain from changes in financial assumptions | **1,280** | - |
| Actuarial gain from experience on adjustments | **407** | 620 |
| Actuarial gain from charges in demographic assumptions | **-** | 574 |
| Employee contributions | **149** | 193 |
| Benefits paid | **( 663)** | ( 845) |
| **At end of year** | **18,139** | 15,686 |

**(g) Changes in the fair value of minimum funding requirement/asset ceiling are as follows:**

| **Group and Company** | **31 March 2015 $m** | 31 March 2014 $m |
|---|---|---|
| At beginning of year | **(2,421)** | (1,433) |
| Interest on asset ceiling | **( 230)** | ( 143) |
| Change in effect of asset ceiling- loss | **( 329)** | ( 845) |
| **At end of year** | **(2,980)** | (2,421) |

## 21 Share capital

Called up share capital is the number of shares in issue at no par value. There was no movement in share capital in the year. In this note we also explain how we manage capital which we define as equity, borrowings and cash and cash equivalents.

**Accounting policy detailed in note 2.9.**

| Group and Company | Number of shares (000) | 31 March 2015 $m | 31 March 2014 $m |
|---|---|---|---|
| Issued, called-up and fully paid shares at no par value | **16,817,440** | **16,817** | 16,817 |

### Capital management

The Group defines capital as equity, borrowings (note 17) and cash and cash equivalents (note 15). The Group does not have any externally imposed requirements for managing capital, other than those imposed by Company Law.

The Board's objective is to maintain a capital structure that supports the Group's strategic objectives. In doing so the Board seeks to:

- Manage funding and liquidity risk;
- Optimise shareholder return; and
- Maintain credit ratings.

This strategy is unchanged from the prior year.

Funding and liquidity risk are reviewed regularly by the Board and managed in accordance with the policies described in note 26.

## 22 Commitments, guarantees and contingent liabilities

### Commitments

A commitment is a contractual obligation to make a payment in the future. These amounts are not recorded in the statement of financial position since we have not yet received the goods or services from the supplier. We have a number of commitments, mainly in relation to leases and agreements to buy property, plant and equipment. The amounts below are the minimum we are committed to pay.

Capital commitments at the end of the financial year for the Group and Company relating to the purchase of plant and equipment of $645 million (2013/14: $2,910 million). A total of $528 million was provided for.

In addition, the Group has a number of operating commitments arising in the ordinary course of its business. The most significant of these relate to network operating and maintenance costs. In the event of default of another party, the Group may be liable to additional contributions under the terms of the agreements.

The Group leases land and buildings and networks under various lease agreements. The leases have varying terms, escalations, clauses and renewal rights.

## 22 Commitments, guarantees and contingent liabilities (continued)

### Commitments (continued)

The aggregate future minimum lease payments under operating leases are:

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| No later than one year | **199** | 202 | **199** | 198 |
| Later than one year but not later than five years | **397** | 1,046 | **382** | 1,018 |
| Later than five years | **143** | 207 | **143** | 207 |
| **Total minimum operating lease payments** | **739** | 1,455 | **724** | 1,423 |

## 23 Licences and operating agreements

The Group holds licences to operate or operating agreements. These licences and operating agreements take a variety of forms and their terms, rights and obligations vary significantly. The Group assumes that it will renew these licences and operating agreements as they expire. Previous history indicates this is the most likely outcome.

The operating licenses 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 Zone Carrier (Jamaica Digiport International Limited) Licence; and
- Free Zone service Provider (Jamaica Digiport International Limited) Licence.

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

The Group does not have any concession agreements with governments that fall within the scope of IFRIC 12 *Service Concession Arrangements*.

## 24 Legal proceedings

In the ordinary course of business, the Group is involved in litigation proceedings, regulatory claims, investigations and reviews. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Accordingly, significant management judgement relating to provisions and contingent liabilities is required since the outcome of litigation is difficult to predict. The Group does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Group.

### Digicel (Jamaica) Limited

During the year Cable & Wireless Jamaica and Digicel Jamaica entered into a confidential settlement agreement in relation to outstanding consolidated legal claims relating to interconnection charges. The effect of this settlement is recognised in the determination of the loss for the year [(see note 6(a)].

## 25 Related party transactions

The related parties identified by Management include joint ventures, associated undertakings, investees and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Group we disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

**Transactions with other related parties**

**(a) Related party Income Statement transactions after charging/(crediting) the following:**

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| Cable & Wireless Communications Plc | | | | |
| Management and branding fees | **914** | 812 | **914** | 812 |
| CWI Caribbean Limited and Cable & Wireless Jamaica Finance (Cayman) Limited | | | | |
| Interest expense | **3,595** | 2,383 | **3,595** | 2,383 |
| Other related companies | | | | |
| Management and operational recharges | **(1,081)** | (1,489) | **(1,081)** | (1,489) |
| Management fee revenue, net | **526** | 871 | **526** | 871 |

**(b) Receivables from related parties**

**(i) Due from subsidiary**

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

| | Company | |
|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m |
| Gross | **657** | 657 |
| Allowance for impairment | **(657)** | - |
| **Net value at** | **-** | 657 |

**(ii) Due from related companies**

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| Cable & Wireless Barbados Limited | **1,201** | 1,641 | **1,201** | 1,641 |
| Cable & Wireless Cayman Limited | **994** | 854 | **994** | 854 |
| Other | **446** | 519 | **463** | 532 |
| **At 31 March** | **2,641** | 3,014 | **2,658** | 3,027 |

**25 Related party transactions (continued)**

**(c) Due to related companies**

| Group and Company | Group | |
|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m |
| CWI Caribbean Limited | | |
| Other | **1,010** | - |
| Interest | **1,242** | 524 |
| **At 31 March** | **2,525** | 524 |

These represent balances with other Cable & Wireless Group companies, principally for telecommunications traffic and services provided under a Support Services Agreement.

**Support Services Agreement**

The Company entered into a Support Services Agreement effective 1 April 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 Human Resource Shared Service Centre which is also located in Jamaica.

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

**(d) Loans payable to related companies**

| Group and Company | **31 March 2015 $m** | 31 March 2014 $m |
|---|---|---|
| CWI Caribbean Limited<br>*Short term* | | |
| Principal | **839** | 2,112 |
| Interest | **73** | 80 |
| **At 31 March** | **912** | 2,192 |

This is a short term revolving facility granted by CWI Caribbean Limited on 26 May 2010 with a credit limit of US$25 million (2013/14: US$25 million). Interest is charged on the net daily loan balances at the average 1-month LIBOR plus 300 basis points. The rate is currently 3.173% per annum.

**25 Related party transactions (continued)**

**(d) Loans payable to related companies (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| Cable & Wireless Jamaica Finance (Cayman) Limited *Long term* | | | | |
| Principal | **42,033** | 31,604 | **42,033** | 31,604 |
| Interest | **3,522** | 3,159 | **3,522** | 3,159 |
| Loans from subsidiary | **-** | - | **1,099** | 1,042 |
| **At 31 March** | **45,555** | 34,763 | **46,654** | 35,805 |

**Cable & Wireless Jamaica Finance (Cayman) Limited**

This represents the amount drawn on a $47 billion (2013/14:$35 billion) revolving facility with Cable & Wireless Jamaica Finance (Cayman) Limited. The loan has no fixed repayment term. 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 reviewed semi-annually on May 11 and November 11. The rate was 8.73% per annum at 31 March 2015.

**Loans from subsidiary**

This materially represents interest-free long-term loans for which no fixed repayment terms have been determined. The balance includes United States dollar denominated loans totalling approximately US$9.5 million (2013/14: US$9.5 million).

**(e) Related party guarantee**

Pensions contributions to Group schemes are disclosed in note 20.

Other than the parties disclosed above, the Group has no other material related parties.

**26 Financial risk management**

This note details our treasury management and financial risk management objectives and policies. We discuss the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Treasury policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments.

**Treasury policy**

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group’s policy falls under the Cable & Wireless Communications Plc Group overall risk management programme, which seeks to minimise potential adverse effects on the Group’s financial performance.

To the extent that the Group undertakes treasury transactions, these are governed by Group policies and delegated authorities. Material positions are monitored by Group Treasury and the Jamaica Regional Treasury Centre. Where appropriate, transactions are reported to the Board. The Company is required to report details of its cash and debt positions to Group and Regional Treasury on a monthly basis.

**26 Financial risk management (continued)**

**Treasury policy**

The key responsibilities of Group and Regional Treasury include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Group's cash resources (including facilities) and borrowings are management centrally.

**Exchange rate risk**

The Group trades in Jamaica and a proportion of its revenue is generated in currencies other than Jamaican dollars. The Group is exposed to movements in exchange rates in relation to non-Jamaican dollar currency payments and reported profits of foreign currency denominated subsidiaries. See note 2.3 for key exchange rates used.

A reasonably possible strengthening (weakening) of the Jamaica dollar against the United States dollar at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | **2014/15** | | 2013/14 | | **2014/15** | | 2013/14 | |
| | **1% Strengthening** | **10% Weakening** | 1% Strengthening | 10% Weakening | **1% Strengthening** | **10% Weakening** | 1% Strengthening | 10% Weakening |
| Jamaican Dollar ($) | 19 | 193 | 334 | (3,338) | 29 | 287 | 334 | (3,289) |

This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2013/14.

**Interest rate risk**

The Group is exposed to movements in interest rates on its surplus cash balances and variable rate loans although there is a degree of offset between the two. Treasury may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate.

| **Group** | **2014/15** | | | | **2013/14** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fixed rate financial liabilities $m** | **Variable rate financial liabilities $m** | **Non-interest bearing financial liabilities $m** | **Total $m** | **Fixed rate financial liabilities $m** | **Variable rate financial liabilities $m** | **Non-interest bearing financial liabilities $m** | **Total $m** |
| **At 31 March** | 696 | 42,873 | 8,352 | 51,921 | 760 | 36,955 | 8,895 | 46,610 |

| **Company** | **2014/15** | | | | **2013/14** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fixed rate financial liabilities $m** | **Variable rate financial liabilities $m** | **Financial liabilities on which no interest is paid $m** | **Total $m** | **Fixed rate financial liabilities $m** | **Variable rate financial liabilities $m** | **Financial liabilities on which no interest is paid $m** | **Total $m** |
| **At 31 March** | 696 | 42,873 | 8,352 | 51,921 | 738 | 36,955 | 9,892 | 47,585 |

**26 Financial risk management (continued)**

Non-interest bearing financial liabilities comprise a loan from Export Development Corporation (see note 17), accounts payable, current portion of provisions and amounts owed to related companies in the normal course of business.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 250 increase or 100 decrease (2013/14: 250 increase or 100 decrease) basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by $1,072 million and ($429) million (2013/14: $924 million and ($370) million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013/14.

**Credit risk**

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. The carrying amount of the financial assets of the Group represents the maximum credit exposure of the Group. Management seeks to reduce credit risk on cash and investments by ensuring the counterparties to all but a small proportion of the Group's financial instruments are the core relationship banks. These banks are awarded a maximum credit limit based on ratings by Standard & Poor's and Moody's, the level of the banks' credit default swap (CDS) and its associated level of tier one capital. The credit limit assigned to counterparties is monitored on a continuing basis.

The Group's Treasury policy approved by the Board contain limits on exposure and prescribes the types of instrument used for investment of funds. Credit risk on receivables is discussed in note 13.

**Credit risk**

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2015 $m** | 31 March 2014 $m | **31 March 2015 $m** | 31 March 2014 $m |
| Cash and cash equivalents | **732** | 504 | **684** | 456 |
| Accounts receivable | **3,049** | 2,605 | **3,037** | 2,603 |
| Due from subsidiary | **-** | - | **-** | 657 |
| Loan receivable | **724** | 724 | **724** | 724 |
| Due from related companies and subsidiaries | **2,641** | 3,014 | **2,658** | 3,027 |
| **At 31 March** | **7,146** | 6,847 | **7,103** | 7,467 |

**Liquidity risk**

CWC Group ensures that the operating units manage their own operational liquidity supported by the corporate centre, which manages its own liquidity to meet its financial obligations of servicing and repaying external debt, external dividends, corporate centre costs and strategic initiatives. The principal source of liquidity for the corporate centre is repatriation cash inflows from the operating units supported by bank finance, bond issuances and asset disposals.

Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. Management also regularly assesses the balance of capital and debt funding of the Group.

**26 Financial risk management (continued)**

**Liquidity risk (continued)**

Approximately 10% of the Group's cash is invested in short-term bank deposits and money market funds (2013/14:18%).

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

| **Group** | **2014/15** | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $m | Contractual cash flows $m | 0-12 months $m | 1-2 years $m | 2-5 years $m | More than 5 years $m |
| Bank overdraft | 34 | 34 | 34 | - | - | - |
| Accounts payable | 7,599 | 7,599 | 7,599 | - | - | - |
| Due to other group companies – current | 912 | 912 | 912 | - | - | - |
| Due to related parties | 2,252 | 2,252 | 2,252 | - | - | - |
| Due to other group companies – long term | 45,555 | 68,396 | 4,568 | 4,568 | 13,705 | 45,555 |
| Current portion of provisions | 931 | 931 | 931 | - | - | - |
| Long-term loan | 335 | 494 | 21 | 21 | 63 | 389 |
| | 57,618 | 80,618 | 16,317 | 4,589 | 13,768 | 45,944 |

| **Group** | **2013/14** | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $m | Contractual cash flows $m | 0-12 months $m | 1-2 years $m | 2-5 years $m | More than 5 years $m |
| Bank overdraft | 395 | 395 | 395 | - | - | - |
| Accounts payable | 6,362 | 6,362 | 6,362 | - | - | - |
| Due to other group companies – current | 2,192 | 2,192 | 2,192 | - | - | - |
| Due to related parties | 524 | 524 | 524 | - | - | - |
| Due to other group companies – long term | 34,763 | 48,128 | 2,673 | 2,673 | 8,019 | 34,763 |
| Current portion of provisions | 794 | 794 | 794 | - | - | - |
| Long-term loan | 328 | 489 | 20 | 20 | 60 | 389 |
| | 45,358 | 58,884 | 12,960 | 2,693 | 8,079 | 35,152 |

**26 Financial risk management (continued)**

**Liquidity risk (continued)**

| Company | 2014/15 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $m | Contractual cash flows $m | 0-12 months $m | 1-2 years $m | 2-5 years $m | More than 5 years $m |
| Bank overdraft | 34 | 34 | 34 | - | - | - |
| Accounts payable | 7,578 | 7,578 | 7,578 | - | - | - |
| Due to other group companies – current | 912 | 912 | 912 | - | - | - |
| Due to related parties | 2,252 | 2,252 | 2,252 | - | - | - |
| Due to subsidiaries | 1,099 | 1,099 | 1,099 | - | - | - |
| Due to other group companies – long term | 46,554 | 66,443 | 3,978 | 3,978 | 11,933 | 46,554 |
| Current portion of provisions | 931 | 931 | 931 | - | - | - |
| Long-term loan | 335 | 494 | 21 | 21 | 63 | 389 |
| | 59,695 | 79,743 | 16,805 | 3,999 | 11,996 | 46,943 |

| Company | 2013/14 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $m | Contractual cash flows $m | 0-12 months $m | 1-2 years $m | 2-5 years $m | More than 5 years $m |
| Bank overdraft | 395 | 395 | 395 | - | - | - |
| Accounts payable | 6,321 | 6,321 | 6,321 | - | - | - |
| Due to other group companies – current | 2,192 | 2,192 | 2,192 | - | - | - |
| Due to related parties | 524 | 524 | 524 | - | - | - |
| Due to subsidiaries | 1,042 | 1,042 | 1,042 | - | - | - |
| Due to other group companies – long term | 34,763 | 47,086 | 1,631 | 2,673 | 8,019 | 34,763 |
| Current portion of provisions | 794 | 794 | 794 | - | - | - |
| Long-term loan | 328 | 489 | 20 | 20 | 60 | 389 |
| | 46,359 | 58,843 | 12,919 | 2,693 | 8,079 | 35,152 |