Cable & Wireless Jamaica Limited

Notes to the Financial Statements

March 31, 2002

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1 The company and its regulatory framework

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

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

The principal activity of the group [see note 2(d)] and the company is the provision of domestic and international telecommunications services under various operating licences granted on March 14, 2000, under the Telecommunications Act (the Act) which came into effect on March 1, 2000. The key regulatory features of the Act are that there will be a three year transition to full competition initially extended to mobile telecommunications services, and thereafter to domestic and international facilities.

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

Carrier (Cable & Wireless Jamaica Limited) Licence;

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

In accordance with the Act, one year after March 1, 2000, the company no longer operates under its immediately previous scheme of control (which provided for a return on specified capital employed of 17.5%-20%). Instead, rates are now subject to a "price-cap" methodology under the new regime. Therefore, for all accounting periods commencing after March 1, 2001, the company is no longer required to prepare and present its financial statements in accordance with accounting policies stipulated under the "rate of return" scheme of control. The directors and management reviewed the appropriateness of the company's previous accounting policies following this introduction of the price-cap methodology and have approved and adopted certain changes to those accounting policies effective April 1, 2001 [see note 2(a)].

At March 31, 2002, the group's employees aggregated 2,599 (2001: 3,207).

2 Significant accounting policies and basis of disclosure

(a) Changes in significant accounting policies:

Consequent on the change in the regulatory regime, the directors and management have approved the following changes in the accounting policies of the group and the company to ensure that the balance sheets of the group and the company represent a true and fair view of value realisable from future operations.

The main aspects of the change in accounting policies relate to:

(i) The cessation of the annual revaluation of plant and equipment [see note 2(g)] and the restatement to a historical cost net book value basis; and

(ii) Foreign currency gains and losses, materially in respect of foreign liabilities incurred for the purchase of fixed assets, will no longer be offset against surpluses arising annually on the revaluation of fixed assets [see note 2(o)].

To effect the above accounting policy changes, plant and equipment was appropriately adjusted to historical cost and the related revaluation surplus, together with the related depreciation and effect of cumulative plant retirements, appropriately written off. All of the above, along with the related cumulative foreign exchange gains and losses, included previously in capital reserve, and deferred taxation have been reversed to retained earnings or capital reserves as appropriate and shown in the statement of changes in stockholders' equity.

Additionally, consequent on the restatement of plant and equipment to historical cost and, given that no material change had been permitted to asset lives during the former regulatory regime, the directors and management have, prospectively, revised the asset lives of certain fixed assets to reflect their economic useful lives, as of April 1, 2001 [see note 2(g)].

(b) Statement of compliance:

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP), which are materially represented by the Statements of Standard Accounting Practice issued by the Institute of Chartered Accountants of Jamaica.

(c) Basis of preparation:

The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets at valuation.

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

Where necessary, prior year comparatives have been reclassified and restated to conform to 2002 presentation and accounting policies.

(d) Basis of consolidation:

The group financial statements include the financial statements of the company and its wholly-owned subsidiaries - The Jamaica Telephone Company Limited (JTC), Jamaica

International Telecommunications Limited (JAMINTEL) and Jamaica Digiport International Limited, all of which are incorporated in Jamaica - made up to March 31, 2002. The company and its subsidiaries are collectively referred to as the "group".

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

All significant inter-company transactions are eliminated.

(e) Use of estimates:

To prepare the financial statements in conformity with generally accepted accounting principles, management makes and applies several estimates and assumptions relating to the reporting of assets, liabilities, contingent assets and liabilities at the balance sheet date and the income and expense for the year then ended. Actual amounts could differ from these estimates.

(f) Revenue recognition:

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

(g) Fixed assets and depreciation:

In previous years, a substantial part of plant and equipment was revalued annually on the replacement cost basis, using relevant industry indices or other independent bases for equipment purchased abroad (adjusted where applicable for movements of the Jamaica dollar), and indices for local costs, taking into consideration modern equivalent units where applicable. Consequent on the change in accounting policies, plant and equipment have been restated on a historical cost net book value basis [see note 2(a)].

Buildings are revalued, at a frequency determined by the directors and management, on the replacement cost basis by independent, professional valuers.

Additions to plant and equipment include direct labour, materials and an appropriate charge for overheads. An allowance for funds used during construction is capitalised, based on the average cost of funds.

Depreciation expense is calculated on a straight-line basis on the cost or valuation of plant in service at the following rates:

Buildings	-	2.5% to 10% (2001: 2% and 2.5%)
Plant and Machinery	-	5% to 22.5% (2001: 2% to 22.5%)
Cables and transmission equipment	-	5% to 8% (2001: 2.8% to 8%)
Office equipment and computers	-	10% to 25% (2001: 9.5% to 22.5%)
Vehicles	-	25% (2001: 20% and 22.5%)

Leased assets are depreciated over the shorter of the lease period and the estimated useful lives of the assets [note 2(n)].

(h) Interest in subsidiaries:

The company's investment in its subsidiaries has been revalued to reflect the underlying net assets of the subsidiaries. The net surplus arising on revaluation has been credited to capital reserve in the financial statements of the company.

(i) Deferred expenditure:

Deferred expenditure is written off over the expected period of benefit.

(j) Cash resources:

Cash resources comprise cash and bank balances including short-term deposits with maturities ranging between one and twelve months from balance sheet date. For the purpose of the statement of cash flows, bank overdrafts are presented as financing activities.

(k) Accounts receivable:

Trade and other receivables are stated at cost less provisions for any doubtful debts likely to be incurred in realisation.

(l) Inventories:

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

(m) Accounts payable:

Trade and other payables, including provisions, are stated at expected settlement values.

(n) Leases:

Assets held under leases transferring substantially all the risks and rewards incident to ownership (finance leases) are capitalised at the present value of the total minimum lease payments and are depreciated over the shorter of the lease periods and their estimated useful lives [note 2(g)]. Lease payments are apportioned between interest (included in the statement of operations) and principal, to produce a constant periodic rate of interest on the outstanding lease obligations.

All other leases are treated as operating leases, with the entire lease payments included in the income statement.

(o) Foreign currency:

Foreign currency balances at the balance sheet date, with the exception of investments which are stated at historical rates, are translated at the rates of exchange ruling on that date. Transactions in foreign currencies have been converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the income statement.

In previous years, to the extent that the net movement on the revaluation of fixed assets was attributable to changes in the rate of exchange, or where foreign liabilities incurred materially for the purchase of fixed assets were matched in whole or in part by foreign currency assets, the net translation gains and losses were transferred to capital reserve; otherwise they were included in the income statement [see note 2(a)].

(p) Deferred taxation:

Provision is made for deferred taxation arising from all material timing differences between profit, as computed for taxation purposes, and profit, as stated in the financial statements, at enacted tax rates.

(q) Pension costs:

The company operates pension plans (note 17), the assets of which are held separately from those of the company. Contributions to fund past and future benefits are charged to the income statement as and when these are incurred.

(r) Financial instruments:

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

3 Net finance costs

These comprise:

	2002 $'000	2001 $'000 (Restated)
Interest expenses:		
Fixed loans	506,321	696,948
Other	1,743	7,646
Foreign exchange losses	333,445	543,832
	841,509	1,248,426
Less Interest income	(112,276)	(314,483)
Allowance for funds used during construction	(114,748)	(56,653)
	614,485	877,290

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

(a) Profit before exceptional item is stated after charging/(crediting) the following:

	2002 $'000	2001 $'000 (Restated)
Directors' emoluments:		
Fees	765	800
Management remuneration	5,816	9,150
Pension contributions	154,678	222,822
Redundancy expenses	128,000	878,394
Other staff costs	2,991,245	2,961,824
Depreciation	3,175,632	1,679,489
Auditors'remuneration	12,100	11,550
Gain on settlement of operating leases	(816)	(151,921)
Investment income, including interest income	(112,347)	(346,347)
	=========	=========

(b) The group has various ongoing transactions with related companies. These include the provision of, and compensation for, international telecommunications services, financing and insurance arrangements, technical support, professional services, and software use. These transactions comprised approximately 1.34% (2001: 1.56%) of revenues and 4.22% (2001: 4.82%) of expenses.

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

5 Taxation

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

	2002 $'000	2001 $'000
Income tax @ 33 1/3%	1,437,734	850,654
Less: Tax credit arising in respect of the proposed bonus share issue (note 15)	(283,627)	(491,621)

	1,154,107	359,033
Prior year adjustments, net	253,157	(115,477)
	1,407,264	243,556
Deferred taxation	(694,601)	951,237
	712,663	1,194,793
	=========	=========

(a) The company applied for and received revised capital allowance rates in accordance with the provisions of the Income Tax Act (the Act) for year of assessment 2000. As a consequence of this, there was a one-off adjustment relating to taxation previously accrued for March 31, 2000. Deferred taxation was adjusted appropriately. The company is in further negotiation with the tax authorities in respect of the manner in which the revised rates are to be applied for the years of assessment 2000 and 2001 and thereafter.

In the opinion of the directors and management, supported by specialist advice based on facts and circumstances available at this time, the basis for providing taxation in the financial statements of the company represents the most prudent estimate of the taxation liability obtaining at March 31, 2002.

(b) The income tax regime in Jamaica operates under a self-assessment system. Consequently, tax credits claimed in respect of the bonus share issues are subject to the agreement of the Commissioner of Taxpayer Audit & Assessment.

(c) Deferred taxation arises materially on account of timing differences between depreciation charges, on historic cost basis for financial statement purposes, and capital allowances for tax purposes.

6 Earnings per stock unit

The calculation of earnings per stock unit is based on the profit attributable to stockholders of $3,095,746,000 (2001: $3,906,190,000) and the 14,748,628,364 issued and fully paid ordinary stock units at March 31, 2002. The comparative in respect of 2001 has been adjusted for the 2:13 bonus issue effected during the year [note 15(a)]. An additional calculation discloses the effect of the proposed bonus issue [note 15(b)].

7 Dividends

	2002	2001

	$'000	$'000
Proposed out of unfranked income, gross:		
Interim @ 4c (2001: 4c) on 14,748,628,364		
(2001: 12,782,144,582) stock units	589,945	511,286
Final @ 9.85c (2001: 11.12c) on 15,883,138,238*		
(2001: 14,748,628,364*) stock units	1,564,489	1,640,375
	2,154,434	2,151,661

* Includes proposed bonus issues (see note 15) in both years.

8 Fixed assets

(a) The Group:

	Freehold land & buildings $'000	Plant & machinery $'000	Cables & transmission equipment $'000	Office equipment, computers & motor vehicle $'000	Capital work-in-progress $'000	Total $'000
At cost or valuation (restated)						
April 1, 2001	6,019,619	20,989,554	5,950,804	1,587,330	7,246,518	41,793,825
Additions	-	-	-	-	6,319,330	6,319,330
Transfers & reclassifications	223,652	4,290,087	1,371,179	505,876	(6,390,794)	-
Disposals	-	(22,890)	(243,472)	(5,769)	-	(272,131)
	6,243,271	25,256,751	7,078,511	2,087,437	7,175,054	47,841,024
Depreciation (restated)						
April 1, 2001	1,241,884	3,885,543	1,331,061	332,336	-	6,790,824
Charge for the year	292,467	2,163,923	373,343	345,899	-	3,175,632
Provision for impairment	-	1,800,000	-	-	-	1,800,000
Eliminated on disposals	-	(20,791)	(120,100)	(2,012)	-	(142,903)
	1,534,351	7,828,675	1,584,304	676,223	-	11,623,553
Net book values:						
March 31, 2002	4,708,920	17,428,076	5,494,207	1,411,214	7,175,054	36,217,471
March 31, 2001	4,777,735	17,104,011	4,619,743	1,254,994	7,246,518	35,003,001

(b) The Company:

At cost or valuation (restated)						
April 1, 2001	5,961,709	20,733,549	5,950,804	1,562,047	7,243,361	41,451,470
Additions	-	-	-	-	6,255,720	6,255,720
Transfers & reclassifications	223,652	4,246,823	1,371,179	502,194	(6,343,848)	-
Disposals	-	(22,890)	(243,472)	(3,757)	-	(270,119)
	6,185,361	24,957,482	7,078,511	2,060,484	7,155,233	47,437,071
Depreciation (restated)						
April 1, 2001	1,212,522	3,795,766	1,331,061	309,083	-	6,648,432
Charge for the year	289,595	2,142,966	373,343	344,341	-	3,150,245
Provision for impairment	-	1,800,000	-	-	-	1,800,000
Eliminated on disposal	-	(20,791)	(120,100)	-	-	(140,891)
	1,502,117	7,717,941	1,584,304	653,424	-	11,457,786
Net book values (restated):						
March 31, 2002	4,683,244	17,239,541	5,494,207	1,407,060	7,155,233	35,979,285
March 31, 2001	4,749,187	16,937,783	4,619,743	1,252,964	7,243,361	34,803,038

. Freehold land & buildings for the group and the company include land aggregating $190,244,000 (2001: $189,544,000) at historic cost.

. Buildings held for use in the business were revalued at March 31, 2001, to reflect replacement value at that date by Goldson Barrett Johnson, Quantity Surveyors and Construction Economists of Kingston, Jamaica. The surplus arising on the revaluation of buildings, net of depreciation no longer required, is credited to capital reserve (note 16).

. The provision for impairment recognises impairment in respect of certain fixed assets, the carrying value of which is not considered realisable due to reduced expected revenue flows arising from liberalisation and increased competition. The provision has been recognised in the income statement as an exceptional item and the tax effect thereof deferred to expected retirement date.

9 Investments

	The Group and the Company	
	2002	2001
	$'000	$'000
At cost:		
Trade investments (a)	143,176	143,468
Other (b)	2,088	2,088
	145,264	145,556
	=======	=======

(a) At March 31, 2002, the group's trade Investments had an aggregate estimated value of approximately US$5,697,489 (2001: US$5,350,000).

(b) Other includes National Housing Trust contributions, made up to July 31, 1979, which are refundable in the years 2001 to 2004. However, no refunds have been received to date.

10 Deferred expenditure

	The Group and the Company	
	2002	2001
	$'000	$'000
(a) Deferred General Consumption Tax (GCT)	626,273	699,319
(b) Deferred customer acquisition and directory costs	617,253	1,066,323
(c) Other deferred expenses	24,353	309,894
	1,267,879	2,075,536
Less: Current portion	(1,106,613)	(1,737,888)
	161,266	337,648
	=========	=========

(a) Deferred GCT comprises input tax on fixed asset acquisitions and is recoverable over a twenty-four month period by way of offset against output tax.

(b) Deferred customer acquisition and directory costs are written off as the revenue to which they relate is earned, estimated at between 12 and 15 months (2001: 12 and 18 months) depending on the nature of expense.

(c) Other deferred expenses mainly represent expenditure incurred by the company in connection with its agreement with the Government of Jamaica and those leading to the establishment and implementation of a new regulatory regime and compliance therewith (note 1). During the year, these expenses were significantly written-off as the three-year transition to full competition is materially complete.

11 Accounts receivable

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Trade receivables	3,113,480	2,151,424	3,068,392	2,127,788
Other receivables	472,038	744,611	450,864	728,120
	3,585,518	2,896,035	3,519,256	2,855,908
	=========	=========	=========	=========

12 Accounts payable

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Trade payables	5,644,954	4,926,718	5,514,485	4,859,982
Provisions	875,808	1,767,089	875,808	1,767,089
	6,520,762	6,693,807	6,390,293	6,627,071
	=========	=========	=========	=========

13 Due to subsidiaries

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

14 Loans

The Group and
The Company

	2002 $'000	2001 $'000
Guaranteed by Government of Jamaica:		
Export Development Corporation		
interest free loan repayable 1999/2038 (US$6,679,000)	317,975	313,475
Guaranteed by Cable and Wireless plc:		
ABN Amro, Bank NV		
9 7/8% loan repayable 1992/2002	-	71,882
Bank of Nova Scotia - Puerto Rico		
LIBOR+ 5/8% loan repayable 1992/2002 (US$2,098,000)	99,879	191,679
Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 1992/2002 (US$5 83,000)	27,772	53,298
Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 1994/2003 (US$1,200,000)	57,132	82,232
Bank of Nova Scotia - Grand Cayman		
6 7/16% loan repayable 1993/2002 (US$5,000,000)	238,050	456,846
Bank of Nova Scotia - Puerto Rico		
LIBOR +3/4% loan repayable 1996/2005 (US$19,256,000)	916,797	1,117,281
Bank of Nova Scotia - Puerto Rico		
LIBOR +3/4% loan repayable 1996/2006 (US$2,000,000)	95,220	114,212
Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 1995/2003 (US$9,297,000)	442,616	567,481
ING Bank		
EURIBOR + 5/8% loan repayable 1996/2006 (E9,110,000)	382,981	503,577
European Investment Bank		
3% loan repayable 1996/2006 (US$25,377,000)	1,208,184	1,391,188
Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 2002	-	24,759
Barclays Bank		
3.93% loan repayable 2002 (US$15,000,000)	714,151	685,271
	4,182,782	5,259,706
Unsecured.-		
Government of Jamaica		
10% loan repayable 1995/2007	206,671	248,005
Citibank		
LIBOR + 1 1/2% loan repayable 1996/2001	-	523,471
Bank of Nova Scotia - Puerto Rico		

LIBOR + 2 1/4% loan repayable 1996/2003 (US$7,122,000)	339,077	488,525
Citibank		
LIBOR+ 1 1/2% loan repayable 2005 (US$26,250,000)	1,249,765	913,694
CIBC		
LIBOR + 2 3/10% loan repayable 2006 (US$ 10,000,000)	476,102	-
	2,271,615	2,173,695
Total loans outstanding	6,772,372	7,746,876
Less: Current portion	(2,544,782)	(2,836,225)
	4,227,590	4,910,651
	=========	=========

(a) Bank of Nova Scotia -Puerto Rico loans, on which interest is based on a margin above LIBOR, may instead attract interest at the cost of'936'funds subject to the availability of such funds and the continued qualification of these loans for '936' funding. The cost of '936' funds at March 31, 2002, was 1.74% (2001: 4.96%).

(b) LIBOR is used to abbreviate the London Interbank Offer Rate which, at March 31, 2002, was 2.03% (2001: 4.56%).

(c) EURIBOR is used to abbreviate the European Interbank Offer Rate which, at March 31, 2002, was 3.45% (2001: 4.94%).

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

15 Share capital

	The Group and the Company	
	2002	2001
	$'000	$'000
Authorised:		
14,800,000,000 (2001: 13, 100,000,000)		
ordinary shares of $1 each	14,800,000	13,100,000
	==========	==========
Issued and fully paid:		
14,748,628,364 (2001: 12,782,144,582)		
ordinary stock units of $1 each	14,748,628	12,782,144
	==========	==========

(a) At the 2001 annual general meeting, the directors recommended and the stockholders approved:

* An increase of $1,700,000,000 in the authorised share capital by the creation of 1,700,000,000 ordinary shares of $1 each, such shares to rank pari passu in all respects with the existing ordinary stock units of the company;

* The capitalisation of the sum of $1,966,483,782 fully out of the profits of the company for the year ended March 31, 2001, to be capitalised and applied in paying up in full 1,966,483,782 unissued shares of the company; to be allotted, as fully paid up shares (to be converted into stock units at the time of issue) of the company, to members of the company in the ratio of two (2) shares for every thirteen (13) units held on the date of closure of the register of members on November 21, 2001.

(b) The directors have recommended, for the approval of stockholders, at the 2002 annual general meeting:

* An increase of $1,100,000,000 in the authorised share capital by the creation of 1,100,000,000 ordinary shares of $1 each, such shares to rank pari passu in all respects with the existing ordinary stock units of the company;

* The capitalisation of the sum of $1,134,509,874 fully out of the profits of the company for the year ended March 31, 2002, to be capitalised and applied in paying up in full 1,134,509,874 unissued shares of the company; to be allotted, as fully paid up shares (to be converted into stock units at the time of issue) of the company, to members of the company in the ratio of 1 (one) share for every 13 (thirteen) units held on the date of closure of the register of members.

16 Capital reserve

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Revaluation reserve (a)	1,763,493	1,895,700	6,395,220	6,505,746
Other reserves (b)	460,046	453,053	460,046	453,053
	2,223,539	2,348,753	6,855,266	6,958,799
	=========	=========	=========	=========

(a) Revaluation reserve comprises surpluses arising on revaluation of fixed assets (note 8) and underlying net assets of subsidiaries accounted for in the books of the company on the equity basis. Incremental depreciation arising on the revalued portion of fixed assets, amounting to $132,207,000 (2001: $68,952,000) was transferred to retained earnings during the year.

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

17 Pension plans

The group operates pension plans in respect of various classes of its employees. The main pension plan (the plan), which is a defined benefit plan, is administered by Life of Jamaica Limited, which is also the primary investment manager. Investment management services in respect of defined portions of plan assets are also provided by Prime Life Assurance Company Limited and the company's own treasury.

The trustees of the plan have arrived at a preliminary agreement with The Jamaica Mutual Life Assurance Society (JMLAS), a life assurance organisation in receipt of financial assistance from the Government of Jamaica, in respect of the recovery of certain of the plan's assets for which JMLAS previously provided investment management services. As at March 31, 2002, full settlement in cash had been received with additional amounts due partly in cash and partly in property. The trustees have advised management that settlement in respect of property receivable has been materially resolved.

The plan requires employee contributions of 5.5% of pensionable earnings and employer contributions determined actuarially as a percentage of employees' pensionable earnings. Annual pension at normal retirement age is based on 2% of the final 5 years' average pensionable earnings for each year of service.

The plan is subject to triennial actuarial valuations, with interim annual valuations as required by the trustees. The latest actuarial valuation, conducted as at September 30, 2001, using the Projected Unit Credit method indicates that the plan was solvent as at that date. Having regard to the actuaries' recommendations in respect of future employers' contribution rates, the company, with the agreement of the trustees, reduced its contribution rate from 10% to 5.5% of pensionable earnings effective April 1, 2001.

18 Commitments and contingencies

(a) Capital commitments:

At March 31, 2002, commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately:

	The Group and the Company	
	2002	2001
	$'000	$'000
Commitments in respect of contracts placed	212,478	480,116
Amounts authorised in addition to contractual commitments	278,839	789,450
	491,317	1,269,566
	=======	=========

(b) Lease commitments:

Unexpired commitments under operating leases are payable as follows:

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Within 1 year	32,391	17,322	5,062	4,771
From 1-2 years	22,304	7,932	5,296	2,724
From 2-15 years	72,923	58,585	-	-
	127,618	83,839	10,358	7,495
	=======	======	======	======

In addition to the above operating lease commitments, the company has entered into an arrangement to outsource its entire motor vehicle fleet management to a third party. During the year, an annual rental of $424,374,000 was paid under the agreement and expected future payments for the year ending March 31, 2003, aggregate approximately $430,000,000

19 Financial instruments

Exposure to credit, interest rate, currency, market and liquidity risks arises in the ordinary course of the company's business. Derivative financial instruments are not presently used to reduce exposure to fluctuations in interest and foreign exchange rates.

(a) Credit risk:

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

For certain customers, the group requires cash deposits in respect of financial assets, materially trade receivables. These cash deposits generally cover significant credit risk related to such customers. Additionally, management has a credit policy in place to minimise exposure to credit risk generally. This includes comprehensive procedures for the disconnection of services to, and recovery of amounts owed by, defaulting customers.

The group considers that it has concentration of credit risk with one international connecting carrier, which individually exceeds 5% of gross operating revenue. At March 31, 2002, amounts receivable from this carrier aggregated $421,142,000 (2001: $251,706,000). This represents 13.5% (2001: 12%) of trade receivables and 12% (2001: 9%) of total accounts receivable.

(b) Interest rate risk:

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

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

Currency	Fixed rate financial liabilities	Floating rate financial liabilities	Financial liabilities on which no interest is paid	Total	Weighted average interest rate	Weighted average period for which rate is applicable
	$'000s	$'000s	$'000s	$'000s	%	Months
March 31, 2002:						
UK£	-	-	283,314	283,314	-	-
US$	2,160,385	3,704,360	7,146,466	13,011,211	3.71	27
E	-	382,981	-	382,981	4.07	36
Jamaica$	206,671	-	3,543,652	3,750,323	10.00	59
	2,367,056	4,087,341	10,973,432	17,427,829		

Currency	Fixed rate financial liabilities	Floating rate financial liabilities	Financial liabilities on which no interest is paid	Total	Weighted average interest rate	Weighted average period for which rate is applicable
	$'000s	$'000s	$'000s	$'000s	%	Months
March 31, 2002:						
UK£	6,340	-	525,605	531,945	-	-
US$	2,533,305	4,076,632	5,285,993	11,895,930	7.13	28
E	71,882	503,577	-	575,459	6.18	39
Jamaica$	273,934	-	4,940,974	5,214,908	10.00	71
	2,885,461	4,580,209	10,752,572	18,218,424		

Floating rate financial liabilities mainly comprise bank borrowings bearing interest at rates fixed in advance for periods ranging from three months by reference to LIBOR for US dollar (US$) borrowings and EURIBOR in the case of Euro (E) borrowings (note 14). Bank overdrafts are unsecured and subject to fixed interest rates which may be varied by appropriate notice by the lender. Financial liabilities on which no interest is paid comprise a loan from Export Development Corporation, accounts payable and amounts owed to the ultimate parent company.

The maturity profiles of the company's fixed loan financial liabilities, are disclosed in note 14.

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

(c) Foreign currency risk:

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

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

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

	Net foreign currency monetary liabilities			
	UK£	US$	E	Total
	$'000s	$'000s	$'000s	$'000s
March 31, 2002:				
UK£	(222,647)	-	-	(222,647)
US$	-	(9,670,888)	-	(9,670,888)
E	-	-	(382,981)	(382,981)
	(222,647)	(9,670,888)	(382,981)	(10,276,516)
March 31, 2002:				
UK£	(520,064)	-	-	(520,064)
US$	-	(9,616,720)	-	(9,616,720)

E	-	-	(575,459)	(575,459)
	(520,064)	(9,616,720)	(575,459)	(10,712,243)
	=======	=========	=======	==========

Exchange rates in terms of Jamaica dollars were as follows:

	UK£	US$	E
At June 28, 2002	72.98	48.51	48.47
At March 31, 2002	67.14	47.61	42.04
At March 31, 2001	64.11	45.68	40.64

In accordance with accounting policies, exchange gains and losses are recognised in the income statement when incurred [see note 2(o)].

(d) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The group's significant exposure to market risk relates to the holding of trade investments which are reflected in the financial statements at cost. Changes in the estimated value of these investments are disclosed in note 9.

(e) Liquidity risk:

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

(f) Borrowing facilities:

At March 31, 2002, undrawn facilities of US$Nil (2001: US$10 million) had been committed by lenders.

(g) Fair value disclosures:

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

(ii) The carrying value reflected in the financial statements for cash resources, accounts receivable, other financial assets and other financial liabilities are assumed to approximate to their fair values due to their short-term nature. Amounts due to/from related companies are considered to approximate their carrying value as they represent an ability to effect set-offs in future in the amounts disclosed. Long term assets, except for trade investments, and liabilities are carried at their contracted settlement value. The estimated fair value of trade investments has been determined using available market information and appropriate valuation methodologies applied consistently (note 9). Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.