CABLE & WIRELESS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

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1 <u>The company and its regulatory framework</u>

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. March 1, 2003, therefore, marks the onset of full liberalisation of the telecommunications industry in Jamaica.

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

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

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

In accordance with the Act, rates are now subject to a "price-cap" methodology applied by the Office of Utilities Regulation. In the previous year, following the introduction of the price-cap methodology, the directors and management reviewed the appropriateness of the company's previous accounting policies and approved and adopted certain changes to those accounting policies effective April 1, 2001 [see note 2(a)].

At March 31, 2003, the group's employees aggregated 2,387 (2002: 2,599).

2 Significant accounting policies and basis of disclosure

(a) Changes in significant accounting policies:
Effective April 1, 2001, consequent on the change in the regulatory regime, the directors and management 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 related 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 were 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, prospectively, revised the asset lives of certain fixed assets to reflect their economic useful lives, as of April 1, 2001 [see note 2(g)).

In 2002, the directors and management, approved the cessation of the revaluation of buildings and the restatement to a historical cost net book value basis. This has been recognised in 2003 and the depreciation effect thereof reflected as a prior year adjustment.

(b) Statement of compliance:
The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP), which are substantially codified in standards and recommendations issued by the Institute of Chartered Accountants of Jamaica.

(c) Basis of preparation:
The financial statements are prepared under the historical cost convention.

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

Where necessary, prior year comparatives have been reclassified and restated to conform to 2003 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, 2003. 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:
Prior to April 1, 2001, 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)].

In previous years, buildings were revalued, at a frequency determined by the directors and management, on the replacement cost basis by independent, professional valuers. During the year, buildings were restated on a historical cost net book value basis [see note 2 (a)].

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

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%

Plant and Machinery	-	5% to 22.5%
Cables and transmission equipment	-	5% to 8%
Office equipment and computers	-	10% to 25%
Vehicles	-	25%

(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.

(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 are stated at cost. A provision is recognised in the balance sheet when the company has an obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) Leases:
All existing leases are treated as operating leases, with the entire lease payments included in the income statement.

(o) Foreign currencies:
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.

Prior to April 2001, 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 18), 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 company balances and trade investments. Similarly financial liabilities include bank overdraft, accounts payable, related company balances and loans.

3 Net finance costs

These comprise:

	2003 $'000	2002 $'000
Interest expenses:		
Fixed loans	293,947	506,321
Ultimate parent company	24,291	-
Other	439	1,743
Foreign exchange losses	1,044,926	333,445
	1,363,603	841,509
Less:	(68,661)	(112,276)
Allowance for funds used during construction	(61,044)	(114,748)
	1,233,898	614,485

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

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

	2003 $'000	2002 $'000 (Restated)
Directors' emoluments:		
Fees	1,418	765
Management remuneration	8,565	5,816
Pension contributions (note 18)	70,196	154,678
Redundancy expenses	494,857	128,000
Other staff costs	3,370,874	3,043,425
Depreciation	2,754,148	3,175,632
Auditors' remuneration	12,817	12,100
Gain on settlement of operating leases	-	(816)
Investment income, including interest income	(69,193)	(112,347)

(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 0.85% (2002: 1.34%) of revenues and 4.10% (2002: 3.70%) of expenses and outpayments.

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

5 Exceptional item

This comprises:

	2003 $'000	2002 $'000
Provision for impairment of fixed assets	1,832,971	1,800,000
Loss on fixed assets retirement	280,631	-
	$2,113,602	1,800,000

6 Taxation

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

	2003 $'000	2002 $'000
Income tax @ 33 1/3%	915,602	1,437,734
Less: Tax credit arising in respect of the proposed bonus share issue (note 16)	(233,576)	(283,627)
	682,026	1,154,107
Prior year adjustments, net	-	253,157
	682,026	1,407,264
Deferred taxation	42,451	(694,601)
	724,477	712,663

(a) The company applied for and received revised capital allowance rates in accordance with the provisions of the Income Tax Act (the Act) to be effective from 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.

Based on mutual agreement between the company and the taxation authorities, the intervention of the court was sought in determining the manner in which the revised

rates are to be applied for the years of assessment 2000, 2001 and thereafter. A judgement is awaited.

The company continues to make the most prudent estimate of its taxation liability. In the event that the judgement is in its favour, the taxation liability outstanding at March 31, 2002, as reported, could be reduced by as much as $1,043 million. If the judgement is unfavourable, additional charges totalling $134 million could arise. These charges have not been provided for as the directors consider it unlikely that, given the circumstances, these charges will crystallise.

(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.

7 Earnings per stock unit

The calculation of earnings per stock unit is based on the profit attributable to stockholders of $2,086,771,000 (2002: $3,227,953,000) and the 15,883,137,534 issued and fully paid ordinary stock units at March 31, 2003. The comparative in respect of 2002 has been adjusted for the 1:13 bonus issue effected during the year [note 16(a)]. An additional calculation discloses the effect of the proposed bonus issue [note 16(b)].

8 Dividends

	2003	**2002**
	$'000	**$'000**
Proposed out of unfranked income, gross:		
Interim @ 4c (2002: 4c) on 15,883,137,534 (2002: 14,748,628,364) stock units	635,326	589,945
Final @ 2.40c (2002: 9.85c) on 16,817,439,742* (2002: 15,883,137,534*) stock units	403,619	1,564,489
	1,038,945	2,154,434
	=========	=========

*Includes proposed bonus issues (see note 16) in both years.

9 Fixed assets

(a) The Group:

	Freehold land & buildings $'000	Plant & machinery $'000	Cables & transmission equipment $'000	Office equipment, computers & motor vehicles $'000	Capital work-in-progress $'000	Total $'000
At cost (restated)						
April 1, 2002	3,541,426	25,256,751	7,078,511	2,087,437	7,175,054	45,139,179
Additions	-	-	-	-	6,606,779	6,606,779
Transfers & reclassifications	400,821	4,880,102	343,384	539,787	(6,164,094)	-
Disposals/retirements	(65,150)	(2,902,120)	(186)	(146,385)	-	(3,113,841)
	3,877,097	27,234,733	7,421,709	2,480,839	7,617,739	48,632,117
Depreciation (restated)						
April 1, 2002	595,999	7,828,675	1,584,304	676,223	-	10,685,201
Charge for the year	182,260	1,709,772	425,412	436,704	-	2,754,148
Provision for impairment	-	1,832,971	-	-	-	1,832,971
Eliminated on disposals/retirements & adjustments	(11,694)	(2,714,382)	117,951	(107,111)	-	(2,715,236)
	766,565	8,657,036	2,127,667	1,005,816	-	12,557,084
Net book values:						
March 31, 2003	3,110,532	18,577,697	5,294,042	1,475,023	7,617,739	36,075,033
March 31, 2002	2,945,427	17,428,076	5,494,207	1,411,214	7,175,054	34,453,978

(b) The Company:

	Freehold land & buildings $'000	Plant & machinery $'000	Cables & transmission equipment $'000	Office equipment, computers & motor vehicles $'000	Capital work-in-progress $'000	Total $'000
At cost (restated)						
April 1, 2002	3,483,516	24,957,482	7,078,511	2,060,484	7,155,233	44,735,226
Additions	-	-	-	-	6,603,387	6,603,387
Transfers & reclassifications	400,691	4,869,898	343,384	539,162	(6,153,135)	-
Disposals/retirements	(65,150)	(2,902,120)	(186)	(146,385)	-	(3,113,841)
	3,819,057	26,925,260	7,421,709	2,453,261	7,605,485	48,224,772
Depreciation (restated)						
April 1, 2002	563,765	7,717,941	1,584,304	653,424	-	10,519,434

Charge for the year	179,159	1,685,077	425,412	434,578	-	2,724,226
Provision for impairment -	-	1,832,971	-	-	-	1,832,971
Eliminated on disposals/retirements & adjustments	(11,694)	(2,714,382)	117,951	(107,111)	-	(2,715,236)
	731,230	8,521,607	2,127,667	980,891	-	12,361,395
Net book values (restated):						
March 31, 2003	3,087,827	18,403,653	5,294,042	1,472,370	7,608,485	35,863,377
March 31, 2002	2,919,751	17,239,541	5,294,207	1,407,060	7,155,233	34,215,792

- Freehold land & buildings for the group and the company include land aggregating $191,223,000 (2002: $190,244,000) at historic cost.

- 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.

- During the year, fixed assets for which a provision for impairment was made in the prior year, were retired and the tax effect thereof fully recognised.

10 Investments

2003 **2002**

	The Group and the Company	
	2003	**2002**
	$'000	**$'000**
At cost:		
Trade investments (a)	143,176	143,176
Other (b)	2,088	2,088
	145,264	145,264

(a) At March 31, 2003, the group's trade investments had an aggregate estimated value of approximately US$5,677,805 (2002: US$5,697,489).

(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.

11 Deferred expenditure

		The Group and the Company	
		2003	**2002**
		$'000	**$'000**
(a)	Deferred General Consumption Tax (GCT)	521,211	626,273
(b)	Deferred customer acquisition and directory costs	985,459	617,253
(c)	Other deferred expenses	22,218	24,353
		1,528,888	1,267,879
	Less: Current portion	(1,380,486)	(1,106,613)
		148,402	161,266

(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 (2002: 12 and 15 months) depending on the nature of expense.

(c) Other deferred expenses mainly represent expenditure incurred by the company in connection with the acquisitions of certain long-term loans. These expenses are written-off over the life of these loans.

12 Accounts receivable

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	3,453,802	3,784,402	3,409,518	3,713,369
Doubtful debt provision	(837,623)	(670,922)	(811,994)	(644,977)
	2,616,179	3,113,480	2,597,524	3,068,392
Other receivable	160,221	472,038	126,824	450,864

	2,776,400	3,585,518	2,724,348	3,519,256

13 Accounts payable

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Trade payables	5,916,686	5,945,084	5,821,484	5,814,615
Provisions	341,906	575,678	341,906	575,678
	6,258,592	6,520,762	6,163,390	6,390,293

14 Due to subsidiaries

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

15 Loans

	The Group and the Company	
	2003	2002
	$'000	$'000
Guaranteed by Government of Jamaica.-		
Export Development Corporation		
interest free loan repayable 1999/2038 (US$6,495,000)	365,302	317,975
Guaranteed by Cable and Wireless plc:		
Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 1992/2000	-	99,879
Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 1992/2002	-	27,772
Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 1994/2003	-	57,132
Bank of Nova Scotia - Grand Cayman		
6 7/16% loan repayable 1993/2002	-	238,050
Bank of Nova Scotia - Puerto Rico		
LIBOR + 1/4% loan repayable 1996/2005 (US$14,056,000)	790,490	916,797
Bank of Nova Scotia - Puerto Rico		
LIBOR + 1/4% loan repayable 1996/2006	-	95,220

Bank of Nova Scotia - Puerto Rico		
LIBOR + 5/8% loan repayable 1995/2004 (US$6,172,000)	347,078	442,616
ING Bank		
EURIBOR + 5/8% loan repayable 1996/2006 (E5,830,000)	360,702	382,981
European Investment Bank		
3% loan repayable 1996/2006 (US$20,301)	1,141,688	1,208,184
Barclays Bank		
3.93% loan repayable 2002	-	714,151
	2,639,958	4,182,782
Unsecured	==========	==========
Government of Jamaica		
10% loan repayable 1995/2007	165,337	206,671
Bank of Nova Scotia - Puerto Rico		
LIBOR + 2 1/4% loan repayable 1996/2003	-	339,077
Citiban		
LIBOR + 1 1/2% loan repayable 2005 (US$18,750)	1,054,448	1,249,765
CIBC		
LIBOR + 2 1/10% loan repayable 2006 (US$8,750)	492,076	476,102
	1,711,861	2,271,615
Total loans outstanding	4,717,121	6,772,372
Less: Current portion	(1,570,544)	(2,544,782)
	3,146,577	4,227,590

(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, 2003, was 1.40% (2002: 1.74%).

(b) LIBOR is used to abbreviate the London Interbank Offer Rate which, at March 31, 2003, was 1.28% (2002: 2.03%).

(c) EURIBOR is used to abbreviate the European Interbank Offer Rate which, at March 31, 2003, was 2.52% (2002: 3.45%).

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

16 Share capital

	The Group and the Company	
	2003	**2002**
	$'000	**$'000**
Authorised:		
15,900,000,000 (2002: 14,800,000,000) ordinary shares of $1 each	15,900,000	14,800,000
Issued and fully paid:		
15,883,137,534 (2002: 14,748,628,364) ordinary stock units of $1 each	15,883,138	14,748,628

(a) At the 2002 annual general meeting, the directors recommended and the stockholders approved:

- 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 one (1) shares for every thirteen (13) units held on the date of closure of the register of members on November 22, 2002.

(b) At an extraordinary general meeting held on May 22, 2003, the authorised share capital was increased by $920,000,000 by the creation of 920,000,000 ordinary shares of $1 each, such shares to rank *pari passu* in all respects with the existing ordinary stock units of the company;

(c) The sum of $934,302,208 was capitalised fully out of the profits of the company for the year ended March 31, 2003, and applied in paying up in full 934,302,208 unissued shares of the company. These were allotted, as fully paid up stock units, to members of the company in the ratio of 1 (one) share for every 17 (seventeen) units held on May 30, 2003

17 Capital reserve

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Revaluation reserve (a)	-	-	4,651,983	4,631,727
Other reserves (b)	470,431	460,046	461,581	460,046
	470,431	460,046	5,113,564	5,091,773

(a) Revaluation reserve comprises surpluses arising on revaluation of underlying net assets of subsidiaries accounted for in the books of the company on the equity basis.

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

18 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 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 5.5% to 2.5% of pensionable earnings effective April 1, 2002.

19 Commitments and contingencies

(a) Capital commitments:
At March 31, 2003, commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately:

	The Group and the Company	
	2003	**2002**
	$'000	**$'000**
Commitments in respect of contracts placed	2,556,428	212,478
Amounts authorised in addition to contractual commitments	626,464	278,839
	3,182,892	491,317
	=========	=======

(b) Lease commitments:
Unexpired commitments under operating leases are payable as follows:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	29,161	32,391	8,285	5,062
From 1-2 years	20,550	22,304	3,374	5,296
From 2-15 years	98,523	72,923	-	-
	148,234	127,618	11,659	10,358
	=======	=======	======	======

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 $420,439,000 (424,374,000) was paid under the agreement approximately $426,658,000 (2002:$430,000,000).

(c) Contingent liability:
Caribtel (Caribbean) Limited has filed a suit against the company for US$50 million for loss of income from (April 25, 2003 to April 25, 2007) , and aggravated and exemplary damages for $J300 million, arising from alleged wrongful disconnection by the company of the local access telephone services to the plaintiff's premises.

The company's directors, management and legal counsel are of the firm belief

that the suit has no merit and should not succeed.

20 Financial instruments

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

(a) Credit risk

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

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

The group considers that it has concentration of credit risk with two international connecting carriers, which individually exceed 5% of gross operating revenue. At March 31, 2003, amounts receivable from these carriers aggregated $462,238,000 (2002:$554,349,000). This represents 17.67% (2002:17.80%) of trade receivables and 16.65% (2002:15.46%) 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
	$'000	$'000	$'000	$'000	%	Months
March 31, 2003						
UK £	-	-	2,064,388	2,064,388	-	-
US $	1,141,688	2,684,092	4,270,485	8,096,265	2.84	33
E	-	360,702	-	360,702	3.13	24
Jamaica $	165,337	-	6,172,365	6,337,702	10.00	47
	1,307,025	3,044,794	12,507,238	16,859,057		
	=========	=========	==========	==========		
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	-	3,453,652	3,750,323	10.00	59
	2,367,056	4,087,341	10,973,432	17,427,829		
	=========	=========	==========	==========		

Floating rate financial liabilities mainly comprise bank borrowings bearing interest at rates fixed in advance for periods ranging from three months by reference to LIBDOR for US dollar (US$) borrowings and EURIBOR in the case of EURO (E) borrowings (note 15). 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 in the normal course of business.

The maturity profiles of the company's fixed loan financial liablities are disclosed in note 15.

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 period 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 recognized during the year:

	Net foreign currency monetary liabilities			
	UK £	US$	E	Total
	$'000's	$'000's	$'000's	$'000's
March 31, 2003				
UK £	(1,514,007)	-	-	(1,514,007)
US $	-	(5,409,528)	-	(5,409,528)
E	-	-	(360,702)	(360,702)
	(1,514,007)	(5,409,528)	(360,702)	(7,284,237)
March 31, 2003				
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)

Exchange rates in terms of Jamaica dollars were as follows:

	UK £	US $	E
At June 3, 2003	96.82	59.41	70.63
At March 31, 2003	87.41	56.24	61.87
At March 31, 2002	67.14	47.61	42.04

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 financial instruments subject to this risk bear interest rates that are variable in the short-term which serves to mitigate substantial market risk.

The group's signifcant 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 10.

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

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

(g) Fair value disclosures:
(i) Fair value amounts represent estimates of the arms-length consideration

that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. 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 10). Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.