Telecommunications Services
of Trinidad and Tobago Limited

TSTT

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2008

TELECOMMUNICATION SERVICES OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST MARCH, 2008

C O N T E N T S

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

CORPORATE INFORMATION

DIRECTORS

Samuel A. Martin, MA Econ, MSc
Dr. Rolph Balgobin
Leonardo DeBarros, BSc
Kerwyn Garcia, LLB, Attorney at Law
Derwin Howell, C. Eng
Mark Macfee, BA, FCA
Bernard Dulal-Whiteway, CA, FCCA
Bernard Buckley

CHIEF EXECUTIVE OFFICER

Roberto Peòn

CORPORATE SECRETARY

Norris Campbell, BSc, FCCA, CA

REGISTERED OFFICE

1 Edward Street
Port of Spain
Trinidad, W.I.

PRINCIPAL BANKERS

Scotiabank Trinidad and Tobago Limited
Corner Park and Richmond Streets
Port of Spain
Trinidad, W.I.

The Bank of Nova Scotia
Plaza Scotiabank Building
273 Ponce de Leon Ave
5th Floor, Suite 502
Hato Rey, Puerto Rico, 00917

AUDITORS

Ernst & Young
5/7 Sweet Briar Road
St. Clair
Port of Spain
Trinidad, W.I.

PRINCIPAL ATTORNEYS

J. D. Sellier and Company
129-131 Abercromby Street
Port of Spain
Trinidad, W.I.

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31st March 2008.

Financial Results	$'000
Profit for the year after taxation	159,920
Retained Earnings brought forward	2,149,351
	2,309,271
Dividends paid	-
Retained earnings carried forward	2,309,271

Dividends

As a result of the loss of $239.2 million for the financial year ended 31st March 2007, the Board of Directors did not recommend a payment of any dividends relating to the said financial year.

However the Company is once again profitable for the financial year ended 31st March 2008, therefore in accordance with the Dividend Policy stated in the Shareholders' Agreement, the Board of Directors recommends the declaration of a total distribution of $79,960,116.00, representing a final dividend and that the determination of the date of payment of same be deferred pending a meeting of the Shareholders on the future of the Company.

Directors

The following Directors served during the period under review:

Mr. Samuel A. Martin (Chairman), Mr. Neil Parsanlal (resigned 13th November 2007), Dr. Rolph Balgobin, Mr. Kerwyn Garcia, Mr. Derwin Howell, Mr. Mark Macfee, Mr. Leonardo DeBarros, Mr. Christopher Hetherington (resigned 31st January 2008) and Mr. Bernard Dulal-Whiteway.

Auditors

The Auditors, Ernst & Young retired and have expressed their willingness to be re-appointed.

Annual Meeting

The Thirty-Eighth Annual Meeting of the Company was held on Tuesday 14th August 2007.

On behalf of the Board,

....

Samuel A. Martin
CHAIRMAN

....

Mark Macfee
DIRECTOR

Date: 25th June 2008

ERNST & YOUNG

P.O. Box 158
5/7 Sweet Briar Road
St. Clair
Port-of-Spain
Trinidad and Tobago

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

We have audited the accompanying financial statements of Telecommunications Services of Trinidad and Tobago Limited (the Company) which comprise the balance sheet as at 31st March, 2008 and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain
TRINIDAD:
25th June, 2008

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

BALANCE SHEET
AS AT 31ST MARCH, 2008

	Notes	2008 $ '000	2007 $ '000
ASSETS			
Non-current assets			
Property, plant and equipment	3	3,375,692	3,646,198
Defined benefit plans asset	4a	602,500	478,600
Deferred tax asset	5c	85,838	138,253
Medium-term debt recoverable	6	-	7,678
		4,064,030	4,270,729
Current assets			
Inventories	7	83,228	91,681
Trade and other receivables	8	390,751	381,336
Medium-term debt recoverable	6	6,226	14,134
Current tax recoverable		1,443	1,458
Cash and short-term investments	9	726,733	188,414
		1,208,381	677,023
Total assets		5,272,411	4,947,752
EQUITY AND LIABILITIES			
Shareholders' funds			
Stated capital	10	572,717	572,717
Retained earnings		2,309,271	2,149,351
		2,881,988	2,722,068
Non-current liabilities			
Retirement benefit obligations	4a	62,035	58,622
Long-term borrowings	11a	664,249	846,678
Deferred tax liability	5d	279,251	276,949
		1,005,535	1,182,249
Current liabilities			
Employee benefits	12	335,224	145,728
Deferred revenues	14	201,306	175,601
Trade and other payables	13	647,325	513,918
Borrowings - current portion	11a	201,033	208,188
		1,384,888	1,043,435
		2,390,423	2,225,684
Total equity and liabilities		5,272,411	4,947,752

The notes form an integral part of these financial statements

Director

Director

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST MARCH, 2008

	Notes	2008 $ '000	2007 $ '000
Revenue		2,958,317	2,789,989
Cost of sales	15	(716,461)	(799,116)
Gross profit		2,241,856	1,990,873
Operating expenses			
Personnel		(539,366)	(500,871)
Re-organisation cost		(75,004)	(1,917)
Maintenance and repairs		(169,230)	(196,486)
Other	16	(430,912)	(807,379)
		1,027,344	484,220
Depreciation	3	(705,564)	(559,046)
Impairment of property, plant and equipment	3	(62,000)	(188,266)
Operating profit/(loss)		259,780	(263,092)
Finance revenue		24,282	20,672
Finance costs		(61,492)	(73,421)
Profit/(loss) before taxation		222,570	(315,841)
Taxation (expense)/income	5a	(62,650)	76,633
Profit/(loss) after taxation		**159,920**	**(239,208)**

The notes form an integral part of these financial statements

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2008

	2008 $ '000	2007 $ '000
Cash flows from operating activities		
Profit/(loss) for the year before taxation	222,570	(315,841)
Adjustments for:		
Gain on disposal of property, plant and equipment	(10,621)	(435)
Depreciation and impairment	767,564	747,312
Interest expense	61,492	73,421
Interest income	(24,282)	(20,672)
Net pension income	(90,500)	(42,400)
Net medical benefit cost	5,732	5,016
Operating profit before working capital changes	**931,955**	**446,401**
Increase in trade and other receivables	(4,879)	(15,697)
Decrease in inventories	8,453	14,389
Increase/(decrease) in employee benefits	189,496	(56,373)
Increase in trade and other payables	162,565	219,307
Cash generated from operations	**1,287,590**	**608,027**
Interest paid	(64,945)	(75,623)
Taxes paid	(7,918)	(28,468)
Pension contributions paid	(33,400)	(47,700)
Medical benefit premiums paid	(2,319)	(2,157)
Net cash generated from operating activities	**1,179,008**	**454,079**
Cash flows from investing activities		
Purchase of short-term investments	(343,117)	(28,827)
Purchase of property, plant and equipment	(511,677)	(783,392)
Proceeds from sale of property, plant and equipment	25,240	435
Medium-term debt recoverable	15,585	6,672
Interest received	19,747	24,617
Net cash used in investing activities	**(794,222)**	**(780,495)**
Cash flows from financing activities		
Long-term loan repayments	(189,584)	(189,671)
Dividends paid	-	(74,859)
Net cash used in financing activities	**(189,584)**	**(264,530)**
Net increase/(decrease) in cash and cash equivalents	**195,202**	**(590,946)**
Cash and cash equivalents at beginning of year	**117,166**	**708,112**
Cash and cash equivalents at end of year (note 9)	**312,368**	**117,166**

The notes form an integral part of these financial statements

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2008

	Note	Stated capital $ '000	Retained earnings $ '000	Total equity $ '000
Balance as at 1st April, 2006		572,717	2,463,418	3,036,135
Net loss after taxation		-	(239,208)	(239,208)
Dividends paid	21	-	(74,859)	(74,859)
Balance as at 31st March, 2007		572,717	2,149,351	2,722,068
Balance as at 1st April, 2007		572,717	2,149,351	2,722,068
Net profit after taxation		-	159,920	159,920
Balance as at 31st March, 2008		572,717	2,309,271	2,881,988

The notes form an integral part of these financial statements

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2008

1. Incorporation and principal activity

The Company was incorporated in Trinidad and Tobago in May 1968 and on 15th April, 1999 the Company obtained its Certificate of Continuance under the Companies Act 1995. Its domestic operations are regulated by the Telecommunications Act of 2001, subsequently amended in 2004.

The Company's registered office is located at 1 Edward Street, Port of Spain and its principal activity is the provision of fixed, mobile and broadband telecommunications services to domestic and business customers in the Republic of Trinidad and Tobago.

Cable & Wireless (West Indies) Limited holds a 49% interest in the Company and the other 51% is held by National Enterprises Limited.

The Board of Directors authorized these financial statements for issue on 25th June 2008.

2. Statement of accounting policies

a) Basis of accounting and reporting currency

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are presented in Trinidad and Tobago dollars (functional currency) under the historical cost convention except as otherwise permitted or required by IFRS.

b) Standards effective during the year

The Company has adopted the following new IFRS during the year. Adoption of this new standard did not have any effect on the financial performance or position of the Company. It did however give rise to additional disclosures.

Standard or Interpretation	Title	Effective date
IFRS 7	Financial Instruments: Disclosures	1 January 2007

This standard requires disclosure that enables users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments The new disclosures are included throughout the financial statements. There has been no effect on the financial position or results

c) Standards in issue not yet effective

The Company has not applied the following IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not yet effective. These standards /interpretations either do not apply to the activities of the Company or have no impact on its financial statements.

Standard or Interpretation	Title	Effective date
IFRS 8	Operating Segments	1 January 2009
IAS 23	Borrowing costs – revised	1 January 2009
IFRIC 12	Service concession arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

IAS - International Accounting Standard

2. Statement of accounting policies *(continued)*

d) Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are shown below:

- Mobile rollover minutes - The Company has estimated the value of mobile rollover minutes based on an average price per minute within the base bundle of the various plans.

- Provision for back-pay - A provision for the potential increase in employee costs (retroactive salaries) is included in the financial statements as negotiations between the Company and the Recognized Bargaining Unit continues. The final impact of this provision will be determined upon settlement of negotiations.

- Provision for short-term incentive programme (STIP) - A provision for the payout of management bonuses is included in the financial statements based on an average salary per management category, estimated performance target results as well as other benchmark criteria.

- Provision for doubtful debts - The Company's policy on the provision for doubtful debt reflects the nature of each revenue stream, customer payment pattern and response to credit policy established and enforced.

- Provision for inventory obsolescence - The Company assesses on an annual basis its inventory to determine the provision that should be carried for items that are in good condition, but will not be used in the foreseeable future. Provision is also made for items that have deteriorated, expired or become damaged while in stock.

- Pension and post-employment medical plans - The cost of the pension plans and post-employment medical plan is determined by the use of actuarial valuations. Valuation results involve the use of assumptions for items such as discount rates, salary and pension increases, and the expected rate of return on pension plan assets. The costs are best estimates and thus are subject to some uncertainty given the long term nature of pension and post-employment medical plans.

- Impairment of assets - The Company assesses on an annual basis whether there is an indication that an asset may be impaired i.e. where the carrying value of an asset exceeds its recoverable amount. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's value in use and its net selling price.

  Estimating a value in use amount requires management to make an estimate of the expected future cash flows specific to the asset or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Assumptions are made for the Company's weighted average cost of capital (WACC), the inflation rate, growth rate for revenue and expected useful life of assets. If the value in use is less than the net book value, then the asset is said to be impaired.

2. Statement of accounting policies *(continued)*

d) Significant accounting judgements, estimates and assumptions *(continued)*

- Estimation of property, plant and equipment useful lives - The Company performs an annual review of the useful lives of its property, plant and equipment. Based on the results of this review adjustments are made to the relevant depreciation rates as necessary.

- Deferred tax assets - Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. The amount of deferred tax assets that is recognized is based upon the likely timing and estimated levels of future taxable profits.

e) Foreign currency translation

Foreign currency transactions during the period are converted at the rates ruling at the date of the transaction or at a rate which approximates the actual rate. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at rates ruling at that date. Profits or losses thus arising are dealt with in the statement of income.

f) Trade and other receivables

Trade receivables are measured at initial recognition at fair value, which is the original invoice amount. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Bad debts are written off when identified.

g) Property, plant and equipment

i. Plant in service

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment. Cost does not include routine servicing and repair, but includes major replacements once the recognition criteria of IAS 16 "Property, plant and equipment" are met.

Depreciation is charged so as to write off the cost of assets, other than plant under construction, over their estimated useful lives, using the straight-line method.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income.

2. **Statement of accounting policies** *(continued)*

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

      i. **Plant in service** *(continued)*

The estimated useful lives of depreciable plant are as follows:

Properties	
Freehold building	50 years
Leasehold properties	Over the period of lease
Technical assets	
Central office equipment	5–15 years
Customers' installations	4–10 years
External cable plant	18–22 years
Plant & machinery	15 years
Towers	20 years
Underground conduit	40 years
Other	
Furniture and office equipment including computers	3–10 years
Indefeasible rights of use (I.R.U)	10 years
Tools and implements	15 years
Vehicles	4–5 years

Land is not depreciated as it is deemed to have an indefinite life.

      ii. **Plant under construction**

Property, plant and equipment under construction are recorded as plant under construction (PUC) until they are ready for their intended use, thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. The cost of PUC includes allocation of labour and overhead which are directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management in accordance with IAS 16 "Property, Plant and Equipment". The total costs capitalised for the year amounted to $14 million (2007: $26 million).

      iii. **Impairment**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. **Statement of accounting policies** *(continued)*

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

iii. **Impairment** *(continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. The reversal of an impairment loss is recognised immediately in the statement of income.

iv. **Repairs and renovations**

Repairs and renovations are normally expensed as they are incurred. Expenses are reported as assets only if the amounts involved are substantial and one or more of the following conditions are satisfied:

- the original useful life is prolonged
- the production/service capacity is increased
- the quality of the products/services is enhanced materially or
- production/service costs are reduced considerably

h) **Employee benefits**

i. **Defined benefit plans**

The Company operates three defined benefit plans, namely the Textel Pension Plan, the Telco Staff Pension Plan and the TSTT Pension Plan. The current employees are all covered by either the Telco Staff Pension Plan or the TSTT Pension Plan. However, the constructive benefit obligation of the Textel Pension Plan is based on the benefit structure of the TSTT Pension Plan.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 % of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost and reductions in future contributions to the plan.

2. Statement of accounting policies *(continued)*

h) Employee benefits *(continued)*

ii. Post employment medical benefits

The Company operates a post employment medical benefit plan that is insured with Colonial Life Insurance Company (CLICO). Medical benefits are available on retirement to all current retirees and employees. The plan has been in existence since 1st September, 1997 and is run alongside an arrangement to provide in-service medical benefits to employees. CLICO charges the Company one premium based on the number of current employees only. The premiums are met jointly by the Company and current employees only. No specific premiums are paid in respect of the cover provided to current retirees.

IAS 19 "Employee Benefits" requires the Company to account for the cost of the post-employment medical plan benefits during the period of employment with the Company so that the cost of these post-employment medical benefits is fully provided by the time the employee retires.

The IAS 19 liability is calculated by an independent actuary by quantifying the margins implicitly contained in the premium paid to CLICO by the Company. This margin is translated into a per-capita cost of medical benefits in respect of retirees currently covered by the plan. The data from CLICO for retirees currently covered by the post employment medical plan together with the data used to calculate the IAS 19 pension plan assets figures are then used to estimate the future post employment medical benefit obligation.

iii. Short-term employee benefits

The Company recognises the expected cost of vacation earned which will not be taken by its employees as an expense.

i) Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company is exposed to financial risk through its financial assets and financial liabilities (receivables and borrowings). The key financial risk is that receivables will not be collected and borrowings will not be serviced in a timely manner. The significant components of this financial risk are:

- interest rate risk on borrowings and short-term investments
- liquidity risk - the risk that cash may not be available to meet financial obligations when due at reasonable costs
- currency risk on borrowings and
- credit risk pertaining to its receivables

2. Statement of accounting policies *(continued)*

j) Taxation

i. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

ii Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2. Statement of accounting policies *(continued)*

k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past transaction or event and it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

l) Leases

Leases where the lessor effectively retains substantially all the risk and benefits of the ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

The Company has no finance leases.

m) Trade and other payables

Liabilities for trade and other accounts payable which are normally settled on 30-90 day terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

n) Inventories

Inventories held for use in the maintenance and expansion of the Company's telecommunications systems are stated at landed cost, less provision for deterioration and obsolescence. Inventory held for resale are stated at the lower of cost and net realisable value.

o) Cash and short-term investments

Cash and cash equivalents are short-term highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They include cash on hand and demand deposits, and other short-term highly liquid investments.

Short-term investments are deposits held at call with banks with a remaining maturity of more than 3 months and less than 12 months.

p) Revenue recognition

i. Fixed line

Fixed line revenues are recorded based on usage of the Company's network and facilities and contract fees. Fixed fees (rentals) are billed one month in advance on a cyclical basis and recognised in the month in which the service is provided.

2. Statement of accounting policies *(continued)*

p) Revenue recognition *(continued)*

ii. Mobile

Mobile revenues are earned by providing access to and usage of the Company's network, which includes airtime, usage and roaming. Access revenue is billed one month in advance, on a cyclical basis, and recognised when earned. Airtime, usage and roaming revenue are recognised when the service is rendered.

Prepaid mobile airtime is recognised based upon usage of prepaid cards by customers. Revenue relating to unused card balances, as well as cards sold but not activated on the prepaid platform, is deferred until usage occurs.

Postpaid mobile service revenue is recorded based on monthly package rental fees plus additional revenue for any usage in excess of allocated package minutes, on a monthly billing cycle. Revenue associated with unused package minutes is deferred to the following billing cycle.

Equipment sales revenue associated with the sale of mobile handsets and accessories is recognised when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from the sale of mobile services.

iii. Broadband

Broadband revenue is generally recognised based on monthly package rental fees. Internet dial-up revenue is recognised on the same basis except, additional revenue is recognised for usage in excess of the package minutes.

iv. Directory advertising

This represents amounts billed to customers for published directory yellow pages. Revenue is recognised when publication and delivery of the books have taken place.

v. Business services

This represents, in general, revenues on contracts to supply and install equipment. The contracts are generally completed within one to two years.

On completion of the contracts, revenues are recognised and the related costs are offset against the deferred charges which had been recorded over the life of the contracts and the resulting profit/loss is recognised in the statement of income.

2. Statement of accounting policies *(continued)*

p) Revenue recognition *(continued)*

vi. Interest revenue

Interest revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless recoverability is in doubt.

vii. Other

Other telecommunication services revenues, including leased circuits are recorded when the services are rendered to customers.

q) Borrowing costs

Interest cost on borrowings is expensed as incurred in accordance with the benchmark treatment in IAS 23 "Borrowing Costs".

r) Comparative figures

Certain changes in presentation have been made during the year to the classification of expenses and the comparative figures have been restated. These changes have no impact on profit.

3. Property, plant and equipment

At cost:

	Balance as at 31/03/2007 $'000	Additions/ Transfers $'000	Disposals $'000	Adjustments	Balance as at 31/03/2008 $'000
Properties					
Freehold properties	404,544	1,731	17,232	-	389,043
Leasehold properties	174,240	2,822	18	-	177,044
	578,784	4,553	17,250	-	566,087
Technical assets					
Central office equipment	3,215,386	116,871	-	7,385	3,339,642
Customers' installation	738,241	21,243	-	-	759,484
External cable plant	1,386,018	76,535	4,080	-	1,458,473
Plant & machinery	13,172	349	-	-	13,521
Towers	156,149	-	-	-	156,149
Underground conduit	342,489	20,553	-	-	363,042
Shares of Americas 1	76,984	5,746	-	-	82,730
	5,928,439	241,297	4,080	7,385	6,173,041
Other					
Air conditioning	23,734	3,311	84	-	26,961
Computer equipment	561,653	22,235	2,168	-	581,720
Furniture & fittings	25,351	1,136	4,832	-	21,655
I.R.U./intangibles	53,116	-	-	-	53,116
Tools & implements	35,433	214	-	-	35,647
Vehicles	92,259	568	-	-	92,827
Plant under construction	287,465	238,363	-	-	525,828
	1,079,011	265,827	7,084	-	1,337,754
Total cost	7,586,234	511,677	28,414	7,385	8,076,882

3. Property, plant and equipment *(continued)*

Accumulated depreciation:

	Balance as at 31/03/2007 $'000	Depreciation Charges/ Transfers $'000	Disposals $'000	Adjustments	Balance as at 31/03/2008 $'000
Properties					
Freehold properties	86,513	6,992	2,631	-	90,874
Leasehold properties	30,133	2,223	-	-	32,356
	116,646	9,215	2,631	-	123,230
Technical assets					
Central office equipment	1,485,502	426,475	-	7,385	1,919,362
Customers' installation	622,027	55,366	-	-	677,393
External cable plant	794,652	123,793	4,080	-	914,365
Plant & machinery	8,111	513	-	-	8,624
Towers	18,250	7,346	-	-	25,596
Underground conduit	102,102	9,208	-	-	111,310
Shares of Americas 1	53,286	5,230	-	-	58,516
	3,083,930	627,931	4,080	7,385	3,715,166
Other					
Air conditioning	8,765	1,665	84	-	10,346
Computer equipment	384,262	58,335	2,168	-	440,429
Furniture & fittings	15,593	2,489	4,832	-	13,250
I.R.U./intangibles	31,108	2,734	-	-	33,842
Tools & implements	22,165	1,601	-	-	23,766
Vehicles	89,301	1,594	-	-	90,895
	551,194	68,418	7,084	-	612,528
Total accumulated depreciation	3,751,770	705,564	13,795	7,385	4,450,924
Accumulated impairment:					
Central office equipment	188,266	62,000	-	-	250,266
Total accumulated impairment	188,266	62,000	-	-	250,266
Total accumulated depreciation and accumulated impairment	**3,940,036**	**767,564**	**13,795**	**7,385**	**4,701,190**
Net carrying amount	**3,646,198**				**3,375,692**

3. Property, plant and equipment *(continued)*

Impairment

The telecommunications industry continued to experience growth since the introduction of competition in April 2006. Though the mobile services segment of the market consolidated in terms of both the two major players reducing their aggressive market strategies (evident in significantly reduced advertising and handset subsidies as compared to the prior year), other market segments experienced significant development and customer churn.

The broadband market, as well as the international (voice traffic) saw new entrants, as well as other incumbents besides the Company launching aggressive marketing campaigns. These events in the current financial year have acted as a trigger for the Company to once again test for impairment of its assets across all lines of business. In accordance with IAS 36 "Impairment", the Company tested its major cash-generating units to determine if impairment was necessary based on the net present value of estimated future cash flows.

The major and pivotal assumptions the Company used in its testing were:

- The industry growth rate
- The discount rate (weighted average cost of capital)
- Estimated future inflation rates
- Capital expenditure projections only necessary to maintain assets on the books as at year-end
- Revenue growth factors based only on the revenue capacity of assets on the books as at year-end

The projected revenue base of the Company was assumed to be a factor of the current base year, taking into account new entrants as the Company has only experienced one year of competition since it emerged from a monopolistic environment where the markets were basically mature.

The major cash-generating units were deemed to be:

- Fixed line and broadband services
- Mobile services

The net cash flows from the above cash-generating units were discounted using the Company's estimated weighted average cost of capital of 16.87% (2007: 16.21%).

The fixed line and broadband services cash-generating unit was partially impaired by $62 million (2007: $138 million). This impairment was primarily the result of the marketing operations of a significant competitor who executed a very aggressive marketing and pricing campaign, and initiated extensive capital expenditure in a quest for TSTT's subscriber base in this major income generating line of business.

The mobile services segment of the business experienced no impairment in the current year (2007: $50.3 million) consistent with its relatively current technical equipment base and no new major entrants into the market, as well as no significant loss of market share, both in terms of handsets and minutes.

3. Property, plant and equipment *(continued)*

Changes in useful lives

The impact of changes to the depreciation rates of property, plant and equipment implemented in the current year is an increase in depreciation of $140 million (2007: $18 million). The categories which were affected include central office equipment, customers' installations and external cable plant.

4. Pension & other post employment benefits

The Company operates three defined benefit plans, namely the Textel Pension Plan, the Telco Staff Pension Fund Plan and the TSTT Pension Plan. The current employees are all contributors to either the Telco Staff Pension Fund Plan or the TSTT Pension Plan. However, the Textel Pension Plan still retains a liability to pay benefits to its former members for their service as contributors. The liability for all three plans has been calculated assuming that there is a constructive obligation to provide benefits based on the TSTT Pension Plan's benefit structure.

(a) Amounts recognised in the balance sheet	Pension Plans		Post employment medical benefit	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Defined benefit obligations	(2,051,700)	(1,845,000)	(56,472)	(53,040)
Fair value of plan assets	3,269,000	3,078,500	-	-
	1,217,300	1,233,500	(56,472)	(53,040)
Unrecognised actuarial gain	(407,000)	(560,400)	(5,563)	(5,582)
Un-utilised assets	(207,800)	(194,500)	-	-
Net defined benefit asset/(liability)	602,500	478,600	(62,035)	(58,622)

(b) Amounts recognised in the income statement	Pension Plans		Post employment medical benefit	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current service cost	56,300	49,200	1,209	1,188
Interest costs	158,100	155,000	4,542	3,803
Expected return on plan assets	(305,900)	(267,800)	-	-
Curtailment and settlements	(8,600)	500	-	66
Net amortised (gains)/losses	(3,700)	11,200	(19)	(41)
Un-utilisable asset adjustment	13,300	9,500	-	-
Net benefit (income)/cost	(90,500)	(42,400)	5,732	5,016

4. Pension & other post employment benefits *(continued)*

(c) Changes in the present value of the defined benefit obligation are as follows:

	Pension Plans		Post employment medical benefit	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Opening defined benefit obligation	1,845,000	2,046,200	53,040	50,132
Service cost	56,300	49,200	1,209	1,188
Interest costs	158,100	155,000	4,542	3,803
Members' contributions	18,100	18,100	-	-
Actuarial losses/(gains)	63,000	(326,700)	-	-
Curtailment and settlements	(6,900)	900	-	74
Company's premiums paid	-	-	(2,319)	(2,157)
Expenses paid	(3,100)	(2,500)	-	-
Benefits paid	(78,800)	(95,200)	-	-
Closing defined benefit obligation	2,051,700	1,845,000	56,472	53,040

(d) Changes in the fair value of the plan assets are as follows:

	Pension Plans		Post employment medical benefit	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Opening fair value of the plan assets	3,078,500	2,996,100	-	-
Expected return	305,900	267,800	-	-
Employer contributions	33,400	47,700	-	-
Members' contributions	18,100	18,100	-	-
Actuarial losses	(85,000)	(153,500)	-	-
Expenses paid	(3,100)	(2,500)	-	-
Benefits paid	(78,800)	(95,200)	-	-
Closing fair value of the plan assets	3,269,000	3,078,500	-	-

(e) Reconciliation of opening and closing balance sheet entries

	Pension Plans		Post employment medical benefit	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Opening defined benefit asset/(liability)	478,600	388,500	(58,622)	(55,763)
Net income/(cost)	90,500	42,400	(5,732)	(5,016)
Company contributions paid	33,400	47,700	2,319	2,157
	602,500	478,600	(62,035)	(58,622)

4. Pension & other post employment benefits *(continued)*

(f) Actual return on plan assets

	Pension Plans		Post employment medical benefit	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Expected return on plan assets	305,900	267,800	-	-
Acturial gains/(losses) on plan assets	(85,000)	(153,500)	-	-
	220,900	114,300	-	-

(g) The fair value of plan assets at the balance sheet date is analysed as follows:

	Pension Plans		Post employment medical benefit	
	2008	2007	2008	2007
	%	%	%	%
Equity instruments	41	40	-	-
Debt instruments	36	38	-	-
Other assets	23	22	-	-
Total	100	100	-	-

The plan assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by the Company.

The expected rates of return on individual categories of plan assets are determined by reference to their expected performance relative to the estimated yield to maturity on a long-term (e.g. 20 year) Government bond (equal to the discount rate used in the IAS 19 calculations). That is the expected annual rate of return on:

- Debt instruments = yield on 20 year Government bond
- Equity = yield on 20 year Government bond plus 4% and
- Money market instruments = yield on 20 year Government bond less 1.5%

(h) Effect of change of one percentage point in assumed medical expense inflation

	Post employment medical benefit	
	2008	2007
	\$'000	\$'000
Increase in aggregate service and interest cost of 1%	1,215	1,000
Decrease in aggregate service and interest cost of 1%	(872)	(800)
Increase in defined benefit obligation of 1%	10,132	9,500
Decrease in defined benefit obligation of 1%	(7,173)	(6,800)

4. Pension & other post employment benefits *(continued)*

The service cost and interest cost for the year are based on the assumptions adopted at the start of the year. Thus the effect on the aggregate of the service and interest cost for 2007/2008 of one percentage point change in assumed medical expense inflation is shown as at 31st March, 2007 as opposed to 31st March, 2008 (as this would have no effect).

(i) Summary of principal actuarial assumptions	Pension Plans		Post employment medical benefit	
	2008	2007	2008	2007
	% pa	% pa	% pa	% pa
Discount rate	8.75	8.75	8.75	8.75
Salary increases	7.50	7.50	-	-
Pension increases	3.00	3.00	-	-
Return on plan assets	10.00	10.00	-	-
Medical expense inflation	-	-	7.50	7.50

The overall expected rate of return is calculated by weighting the individual rates discussed above in accordance with the anticipated balance in the Plans' investment portfolio.

(j) Estimated expected Company contributions and premiums

The best estimate of expected Company pension plan contributions and medical benefit premiums to be paid for the period 1st April, 2008 to 31st March, 2009 amounts to approximately $21 million and $2.49 million, respectively.

(k) Textel pension plan

As a consequence of the High Court Action – LOPEZ vs. TSTT and RBTT Trust Co. Ltd., in 2001/2002 it was determined that the unallocated surplus of the Textel Pension Plan could not be transferred to the TSTT Pension Plan. As a result, surplus arising from the Textel Pension Plan asset was derecognised.

Currently, negotiations for an out-of-court settlement, with particular reference to a sharing of the surplus in the Textel Pension Plan, are still in progress between TSTT and the Textel Pension Plan Negotiating Committee of which Mr. Eugene Lopez is a member.

5. Taxation

	2008	2007
	$'000	$'000
a) Components of the tax expense/(income)		
Deferred tax expense/(income)	54,717	(81,310)
Current tax expense	7,933	4,677
	62,650	**(76,633)**

5. Taxation *(continued)*

	2008 $'000	2007 $'000
b) Reconciliation of accounting profit/(loss) to tax expense/(income):		
Accounting profit/(loss)	222,570	(315,841)
Tax at 25%	55,643	(78,960)
Green fund levy/business levy	7,933	4,231
Other	(926)	(1,904)
Tax expense/(income)	**62,650**	**(76,633)**
c) Components of deferred tax asset		
Tax loss carried forward	66,695	119,100
Interest payable	3,634	4,497
Defined benefit obligation - Medical Plan	15,509	14,656
	85,838	**138,253**
d) Components of deferred tax liability		
Property, plant and equipment	(128,626)	(157,299)
Defined benefit plans asset - TSTT/Telco	(150,625)	(119,650)
	(279,251)	**(276,949)**

6. Medium-term debt receivable

The medium-term debt receivable represents a loan receivable from the Government of Trinidad and Tobago for the repayment of costs relating to the management, finance, delivery and maintenance of a network communications solution aimed at enhancing the functioning and delivery of certain electronic services.

The project was converted into a loan in 2005/2006 which is repayable over a three (3) year period at an annual rate of 7% for which payments commenced in September 2005.

7. Inventories

	2008 $ '000	2007 $ '000
Cable	7,048	8,952
Cellular	25,700	34,273
Business systems	18,382	12,468
Goods in transit	1,614	5,020
Material and supplies	37,477	52,490
Provision for obsolescence	(6,993)	(21,522)
	83,228	91,681

8. Trade and other receivables

Foreign telecom administrations	25,028	35,992
Cable & Wireless entities	708	858
Amount due from third party customers	718,679	722,120
Sundry debtors and prepayments	74,850	92,179
Provision for doubtful debts	(428,514)	(469,813)
	390,751	381,336

Movements on the provision for doubtful debts are as follows:

At 1st April	469,813	277,813
(Credit)/charge for the year	(34,071)	241,991
Utilised	(7,228)	(49,991)
At 31st March	428,514	469,813

As at 31st March, the ageing analysis of amounts due from third party customers is as follows:

	Total $'000	< 30 days $'000	30 – 60 days $'000	60 – 90 days $'000	90 – 180 days $'000	>180 days $'000
2008	718,679	202,096	61,825	29,017	51,641	374,100
2007	722,120	160,747	81,697	64,924	202,274	212,478

9. Cash and short-term investments

	2008	2007
	$ '000	$ '000
Cash and cash equivalents	312,368	117,166
Short-term investments	414,365	71,248
	726,733	188,414

The Company has unsecured bank overdraft facilities up to a maximum of $50 million.

Based on collective agreements the Company established Escrow accounts on behalf of the permanent employees within the junior and senior staff categories as well as the estate police officers. The funds currently earn interest at rates ranging between 6.00% and 7.25% per annum at an overall value of $8.26 million.

10. Stated capital

	2008	2007
Authorised	$ '000	$ '000
1,300,000,000 ordinary shares of no par value		
Issued		
282,820,361 ordinary shares of no par value	572,717	572,717

11. Borrowings

a) Long-term loans	2008 $'000	2007 $'000
Balance brought forward	1,054,866	1,244,537
Repayments	(189,584)	(189,671)
Balance carried forward	865,282	1,054,866
Less: Amounts due within one year	(201,033)	(208,188)
	664,249	846,678
Amounts due within 2 years	117,364	154,410
Amounts due within 3 years	100,000	117,378
Amounts due within 4 years	100,000	100,000
Amounts due within 5 years	100,000	100,000
Amounts due after 5 years	246,885	374,890
	664,249	846,678

b) Interest rates

Interest rates on loans held as at 31st March, 2008 are classified as both floating and fixed rates. Loans from the Export Import Bank of the United States, Export Development Corporation and Fincor are all at fixed rates and the Republic Bank Limited loans are at floating rates.

	2008 %	2007 %
Fixed interest rates	4.72 - 7.50	4.72 - 7.50
Floating interest rates	7.35 - 8.00	6.00 - 7.35

c) Long-term loan facilities	2008 $'000	2007 $'000
At fixed rates	818,616	971,946
At floating rates	46,666	82,920
	865,282	1,054,866

d) Security

These long-term loans are held with various local and foreign financial institutions. The loan from Fincor is secured by a chattel mortgage over certain specific assets which are part of the Company's GSM mobile network.

11. Borrowings *(continued)*

e) Repayments

The Company's loans are being repaid in full within varying periods ranging between October 2008 and June 2015.

f) Fair value of fixed rate loans

The fair values of the fixed rate long-term loans are based on estimated future cash flows discounted using the current market rates for debt with similar maturities and credit risks.

	Carrying amounts		Fair values	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance at 31st March	818,616	971,946	786,842	933,913

Those borrowings denominated in a currency other than the Company's functional currency are in United States (US) dollars.

12. Employee benefits

	2008	2007
	$ '000	$ '000
Balance as at 31st March	335,224	145,728

Liabilities arising from Human Resources including accrued vacation leave, provisions for retroactive salaries, termination benefits and escrow accounts (note 9).

13. Trade and other payables

	2008 $ '000	2007 $ '000
Foreign telecom administrations	16,206	16,474
Cable & Wireless entities	79,324	48,777
Trade payables	81,253	151,698
Accrual - other	341,490	256,054
Other payables	129,052	40,915
	647,325	513,918

14. Deferred revenues

Mobile	165,036	130,870
Directory	21,224	24,200
Other	15,046	20,531
	201,306	175,601

15. Cost of sales

Equipment usage	193,853	475,894
Commissions	119,501	203,612
Outpayments	403,107	119,610
	716,461	799,116

16. Operating expenses - other

	2008 $ '000	2007 $ '000
Advertising	121,210	188,871
Contract services	118,883	134,702
Rentals	49,994	43,937
License fees	48,167	46,976
Electricity	26,948	19,485
Insurance	22,642	16,579
Miscellaneous	18,750	18,790
Supplies and related expenses	16,628	13,540
Training and foreign travel	11,777	15,463
Rates and taxes	9,724	9,585
Stock write-off/provision for obsolescence	7,708	34,261
Janitorial service	6,858	7,963
Stationery	5,894	13,414
Directors' fees	308	324
Exchange (gain)/loss	(508)	1,498
Bad debts	(34,071)	241,991
	430,912	807,379

17. Related party transactions

Related party transactions are as follows:

Cable & Wireless entities	2008 $'000 Due (to) / from	2008 $'000 Transactions (Expenses) / Revenues	2007 $'000 Due (to) / from	2007 $'000 Transactions (Expenses) / Revenues
Technical and professional fees	(56,467)	(12,800)	(43,668)	(27,868)
Traffic settlements (net)	(22,149)	(13,661)	(4,251)	(7,803)
	(78,616)	(26,461)	(47,919)	(35,671)
GORTT				
Telephone	45,640	177,687	44,002	173,202
Mobile	3,740	10,027	3,044	6,145
	49,380	187,714	47,046	179,347

These transactions are unsecured and there are no guarantees. Provisions for doubtful debt in respect of these transactions are only for amounts due from the various ministries of the Government of Trinidad & Tobago (GORTT) aged over one year. All other related party transactions with GORTT are at arms length.

17. Related party transactions *(continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2008 $'000	2007 $'000
Short-term benefits	19,440	15,523
Post employment pension and medical benefits	375	168
	19,815	15,691

18. Financial instruments

Financial instruments carried on the balance sheet include cash and short-term investments, trade and other receivables, trade and other payables and borrowings. The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments. A central treasury department is responsible for risk management.

Transactions in financial instruments have resulted in the Company assuming the financial risks described below:

a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Treasury department is responsible for managing the net position in each foreign currency.

(ii) Interest rate risk

The changes in market interest rates on the Company's loans cause exposure to interest rate risk. Included in note 11 is information on the maturity dates as well as effective interest rates.

b) Credit risk

Financial instruments that potentially subject the Company to credit risk include trade and other receivables and loans to employees. Provisions have been set up against the receivable balances for potential credit losses. There is no concentration of credit risk in a particular customer, employee or geographic area.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying lines of business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

18. Financial instruments *(continued)*

d) Fair value

The carrying amounts of the Company's cash and short-term investments, trade and other receivables and trade and other payables approximate to their fair value because of the short-term maturities of these instruments.

The fair value of the Company's floating rate long-term loans approximates its carrying amount given the floating rate nature of the loan at prevailing market rates. The fair value of the fixed rate long-term loans is based on estimated future cash flows discounted using the current market rates of debt with similar maturities and credit risk (note 11(f)).

19. Commitments and contingencies

a) Capital expenditure commitments

At 31st March, 2008 the Company has commitments of $326.3 million (2007: $273.4 million) for the acquisition of property, plant and equipment incidental to the ordinary course of business.

b) Operating lease commitments

Operating lease expense was $25.3 million and $25.7 million for the years ended 31st March, 2008 and 2007 respectively.

Future minimum rentals under operating leases are as follows:

	2008 $'000	2007 $'000
Within one year	21,595	22,996
After one year but not more than five years	47,630	58,566
After five years	7,836	12,868
Total	77,061	94,430

20. Contingent liabilities

a) The Company has various legal matters pending in both the High Court and the Industrial Court of the Republic of Trinidad & Tobago. Though the Company is plaintiff in a number of these cases, the matters in which it is a defendant causes a possible liability or obligation and as such contingent liabilities. In the cases where management is confident of estimating a realistic probable outcome, the relevant settlement was computed including the award of costs and the appropriate estimate of the liability was recorded in these financial statements. Subsequent to the year end, certain legal matters amounting to $11.1 million were settled out of court.

b) The Company provides a guaranteed loan facility to its employees through Republic Bank Limited. This facility is used by employees for the purchase of vehicles and computers, as well as for general-purpose vacation. Once a loan is disbursed for any of the aforementioned purposes, the Company is obligated to repay the bank in full, regardless of whether the employee defaults or not. For vehicles, a mortgage bill of sale is executed, thus mitigating this contingent liability; however both computer loans and vacation loans are un-encumbered. The balance on this facility as at 31st March, 2008 was approximately $48 million.

21. Dividends proposed and paid

	2008 $'000	2007 $'000
Dividend on ordinary shares:		
Final dividend paid for 2006/07: nil (2005/06: $0.26)	-	74,859
	-	74,859

On the 25th June, 2008, the Board of Directors recommended the declaration of a final dividend for the year ended 31st March, 2008 of $79,960,116 to be paid on a date to be determined subsequently.

22. Capital disclosures

The Company's objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the after-tax return on capital employed. This ratio is calculated as net income after tax divided by capital employed. Capital employed is calculated as non-current liabilities and shareholders' funds (as shown on the balance sheet).

The Company's short-term objectives for the financial year 2007/2008 were to consolidate its operations and revert to a profit making position. The Company, by its nature, is experiencing exponential changes in its technology infrastructure and is also operating in a newly liberalized and competitive marketplace. As such, the Company considers itself a growth company and requires 'patient capital'- shareholders that are willing to sacrifice short-term maximization of returns in exchange for medium to long term capital growth.

The after-tax return on capital employed and the return on shareholders' funds ratios at 31st March, 2008 and at 31st March, 2007 were as follows:

	2008 $ '000	2007 $ '000
Profit/(loss) after taxation	159,920	(239,208)
Shareholders' funds	2,881,988	2,722,068
Capital employed	3,887,523	3,904,317
Return on Shareholders' funds	5.55%	-8.79%
After-tax return on capital employed	4.11%	-6.13%