

**BELIZE TELEMEDIA LIMITED**  
**REPORT OF DIRECTORS**

**INTRODUCTION**

This Report of the Directors to Shareholders of Belize Telemedia Limited covers the fiscal year April 1<sup>st</sup> 2010 to March 31<sup>st</sup> 2011.

This report is divided into three main sections – An **Overview of Telemedia** and our current position, the **Operations Review** which examines the main developments in the Company's business operations particularly over the fiscal year, and the **Financial Review** which assesses the impact of the business operations on the Company's finances. The audited financial statements of Belize Telemedia Limited for the year ended March 31<sup>st</sup> 2011, an interim financial statement for the first quarter (April 2011 to June 2011) of the current fiscal period, together with the Report of the Auditors, form an integral part of this Report.

**OVERVIEW OF TELEMEDIA**

Since the nationalization of Belize Telemedia Limited on the 25<sup>th</sup> of August 2009, the company's Board of Directors has made significant improvements in the operations of the Company and provided great benefits to the Belizean people.

The Board's main focus for this year was to strive to achieve excellence in customer service and maintain a superior quality telecommunication service while at the same time reducing prices where possible. The Board also focused on keeping employees motivated and well trained, and has sought to make the company's services more accessible throughout Belize. The Board spent many hours of meeting time in formulating the direction for Telemedia's long term growth not only upon the basis of financial gain as was done in the past but more on strategy, proper planning, fiscal prudence and benefits to Belize.

On October 15<sup>th</sup> 2010 the Government of Belize offered a portion of its shares in Belize Telemedia Limited to the Belizean public. 606 persons purchased shares from the Government. The public offering resulted in the Social Security Board gaining two seats on the company's board of directors. The newly constituted

Board is comprised of eight persons each of whom brings his own expertise and experience to the table. Currently the directors meet at least once per month.

### Interconnection

In March 2011 Telemedia was successful in the Supreme Court in defending itself against claims by the competitor company to force Telemedia to provide the competitor with capacity at prices that undercut Telemedia by thousands of dollars. On August 26<sup>th</sup> 2011 as a result of this success Telemedia signed a new interconnection agreement with its competition with the approval of the Public Utilities Commission. The new agreement provides fair terms for the use of Telemedia's network and replaces a previous arrangement that favoured the competition at Telemedia's expense. Three other proposed agreements for colocation, infrastructure sharing and other services are in the hands of the Public Utilities Commission for approval.

## **OPERATIONS REVIEW**

Despite some initial challenges, 2010-2011 has been a year filled with milestones, achievements and success. The entire Telemedia team under this new leadership was given latitude, leverage and resources to step back, evaluate and implement the changes needed to deliver on its commitment to its growing customer base. The success of this fiscal year is owed to the dedicated support of a refocused staff that has, since nationalization, been permitted to adopt a highly competitive focus with a service excellence approach and an aggressive marketing strategy.

Management focused on the internal and external interaction with customers, processes, people, and technology and a truly competitive spirit for the first time ever.

A new mission and vision evolved:

Our Mission: *Be fast and efficient in providing communication solutions, enriching the quality of life of customers, keeping them connected anytime, anywhere.*

Our Vision: *A highly proficient, customer-driven, strategy-focused, best-in-class solutions provider, outstanding in everything we do.*

Over the past two years the company has been transforming from the inside out with direct response to customers, with rate reductions, courtesy, improved service delivery, high quality standards and the best in communication. Importantly, the entire company was motivated as a team and worked toward building a strong, well trained, progressive and strategy focused workforce.

Under this Board, significant efforts were therefore placed in expanding and improving the network to provide high quality reliable services, improving customer services to respond efficiently to the demands of customers, and retaining competitive advantage.

### **1. Network Development**

Significant expansions and upgrades were successfully achieved on the data & internet, mobile, fixed and wireless networks over the past year. While most of the expansions were apparent on the mobile network as DigiCell customers experienced the improved coverage nationwide, major investment and developments were in the data and internet network. The recently completed installation of a countrywide IP-MPLS infrastructure will position the company with the quality, reliability and capacity needed to meet the accelerating demands for broadband services and to deliver the new and emerging services of the Industry.

Seventeen new cell sites have been erected from north to south of the country. DigiCell customers now enjoy much wider coverage, improved reliability, more features and functionalities, faster internet speeds and an overall better DigiCell experience. In late 2010, new cell sites were installed in August Pine Ridge, Cristo Rey, Chan Chic, Sarteneja, Pomona, Armenia and St. Margarets Village, giving customers in these areas access to the best in mobile services. In early 2011 villages such as Guinea Grass, Libertad, Santa Cruz, Hopkins, Caves Branch,

Barranco and other communities along the Hummingbird Highway also enjoy these same benefits. The DigiCell expansion throughout Belize has reached many rural communities and for the remainder of the fiscal year, Telemedia continued to build an advanced mobile system to deliver the innovative products, services and applications that are driving the industry and transforming our society.

The installation of its state-of-the-art nationwide 3G CDMA/EVDO wireless network was a milestone development. Telemedia's 3G Network dramatically enhanced voice, high speed internet and data services; opening a new world of devices, content and applications that are redefining communication in rural Belize. Customers who were never able to use communication services in their home villages before now have voice and high speed internet services at their fingertips.

Telemedia continued to invest in the development of the entire telecommunications infrastructure, in order to ensure a resilient and robust network that would guarantee high quality and reliable service to customers. Progress was also made on several other strategic initiatives including the further development of the fixed line infrastructure, value added services platforms, as well as the transmission network and our internal information systems and technology.

The Company completed the installation of its DLC (Digital Line Concentrator) which expanded fixed line and high speed internet services to North San Pedro. Residents now enjoy modern telecommunication services such as HomeFone, BizFone and High Speed Internet. In addition to these, many Value added and user-friendly services such as Caller ID, Voicemail, Call Waiting, Call Forwarding, Call Barring and Three Way calling are also available.

A country-wide fiber network was completed by installing fiber cables from the Dump at Mile 14 on the Southern Highway to Punta Gorda Town and increased the capacity of the fiber between Belmopan and San Ignacio. These expansions and upgrades increased capacity for voice, data and other multimedia services for

residents in San Ignacio, Benque, Independence, Punta Gorda and all areas along the route. The company is proud to announce that it can now boast the only complete nationwide fiber optic network.

## **2. Customer Service**

Telemedia has committed to creating a good experience in each customer service interaction both internally and externally. The company is implementing various customer service initiatives to improve the level of customer interaction country-wide. These include but are not limited to much faster delivery of service to customers, a service excellence approach in all our customer interactions, improvement in courtesy and responsiveness by all our staff as well as adherence to key performance indicators which should measure and guide our standard of customer service.

A new Quality Assurance Department was formed to assist in driving forward the Service Excellence approach. This department sets standards, provides soft skills training to staff and monitors that the service quality is implemented and delivered in everything Telemedia does. A complementary Knowledge Based System was launched to provide relevant information on products and services for our Customer Service Agents to access and respond quickly and efficiently to customers' questions and concerns. This system is a quick reference for Agents to further support the quality that customers expect to receive on calls and customer service interactions.

A new toll free complaint line aptly named Telemedia's "Satisfy Service" was launched in December 2010 utilizing voice, email and text reporting to enhance the level of customer service. By utilizing 0-800-satisfy, [satisfy@belizetelemedia.net](mailto:satisfy@belizetelemedia.net) or text to 10-10-275 customers could report long standing issues; make complaints and suggestions for improvements or simply express their dissatisfaction on issues in which the Company can improve. Operators are trained to respond to customers complaints and concerns within a four hour period.

Our Customer Service Centers are also receiving much needed renovations to ensure that the ambience and physical layout are designed for a smooth and convenient process flow, inclusive of child friendly areas and free WIFI. Customer Service Centers that boast this new look are the newly opened Benque Viejo Customer Service Center in 2010, and Independence, Dangriga and San Pedro in 2011. The Belize City Church Street location is next on schedule for early 2012.



### **3. DigiCell Mobile Cellular Service**

Digicell continues to be the leading mobile service in Belize and provides the best quality, best coverage and best prices to customers. Following the installation and commissioning of new cell sites, Digicell travelled across the length and breadth of the country offering great one-off deals on handsets, and special promotions to rural communities in places such as Sarteneja, Armenia Village, Gallon Jug, Chan Chic, Sylvestre and Pomona. This accounted for the growth in DigiCell customers

this year and added to the increasing usage of Digicell service in both urban and rural areas.

#### 1. DigiCell Top-Up

To stimulate further usage of DigiCell service and provide even more value for DigiCell customers, frequent double and triple up days were offered on average about twice monthly, providing two and three times more recharged value at no additional cost. Customers benefitted significantly from these offers and with the launch of Fone TopUp Belize on April 19<sup>th</sup>, 2010, Belizeans living abroad were able to top up family and friends in Belize to have them benefit from the double triple as well.

#### 2. DigiCell Packages

Many other Innovative deals and promotions were offered throughout the year, including special deals on handsets and prepaid packages for Mother's day, father's day, graduation as well as Christmas and Valentine. Similar specials attracted large crowds and high sales at the annual Agriculture trade show and the EXPO Belize market place.

#### 3. DigiCell Prepaid Internet

One of the most anticipated launches ever was DigiCell's PrePaid Internet in June 2010. To ensure that this service was affordable for a majority of the mobile market, the company offered an early bird special of 50% discount on the usage charge. This was long overdue and placed internet at the fingertips of over 175,000 customers as there were no restrictions or applications to receive this service.

#### 4. DigiCell On-Net Plans

DigiCell customers were offered new calling plans which provided more minutes, unlimited texts and cheaper rates for calls and SMS made only on Telemedia and Digicell networks. Plan also includes Value Added Features such as 3-way Calling, Call Waiting, Call Forwarding and voicemail, all to enhance the ease, convenience and calling experience.

#### 5. DigiCell Text to Win

This year DigiCell stimulated a significant increase in SMS usage with many popular “Text to Win” promotions, giving back to customers in the form of text voting and Raffles. Customers texted to win vacations and other prizes ranging from household goods such as flat screen TVs to electronic items like laptops, cell phones and Apple iPADS.

#### 6. MMS – (Multimedia Messaging Service)

DigiCell’s Premier and PrePaid customers are now able to enjoy the ability to send still pictures, short videos and voice clips to one another as DigiCell launched its new Multimedia Messaging Service on April 4<sup>th</sup> 2011. This service is quite popular in the youth market and works using the DigiCell Internet (EDGE) service.

#### 7. Digicell Mobile Banking

In March 2011 DigiCell customers were the first in Belize to enjoy mobile banking service, allowing them to perform core banking services or top-up their DigiCell account using SMS or phone call. Mobile Banking is new to the market but provides great convenience for customers to access their personal banking information, and conduct core banking transactions such as loan payments, bill payments, transfers between accounts, as well as TopUp their Telemedia and DigiCell accounts, while on the go - anytime and anywhere. This is a significant milestone in the market as it required a collaborative effort between DigiCell and the commercial banks to make this happen. Very private and confidential business is now conducted using DigiCell which is testament to the security and reliability of the DigiCell brand. The DigiCell network now supports approximately 190,000 customers, an increase of about 15,000 from that of last year.

#### 4. Broadband Services

The demand for High Speed Internet Services steadily increased as the need for current and real-time information became the norm for customers in all walks of life. Individuals, the business community, schools and non-governmental

organizations are now even more reliant on faster internet connections to access information.

During the fiscal year, the Company continued to expand its service offerings to new areas around the country. Residents in Hopkins, Silk Grass, Georgeville, United Ville, Alta Vista and Marcus Canul in the Orange Walk District were able to not only receive High Speed Internet for the first time, but also to do so at a discounted promotional price.

With the installation of Telemedia's new 3G - CDMA/EVDO 450 MHz wireless network many customers from remote areas who previously did not have access were able to receive Internet service. Hundreds of new customers are already on this service. This is exciting news as this is new revenue stream for the company.

On December 28<sup>th</sup> 2010 the company partnered with Google to provide enhanced btl.net email service, powered by google. This partnership provided a stable, secure, and customized btl.net email account that gave customers easy access to a number of new and exciting email applications, features and benefits. These included Best-in-class virus protection and spam filtering; 7GB of Mailbox storage; 25MB for attachments, Free Technical Support and Free built-in collaboration tools, such as in Google Calendar and Google Docs. Since then, the improvement in the btl.net email service has been very beneficial to customers and the high quality of service has been maintained.

#### 1. 'Data Only' Internet

Telemedia launched its 'Data Only' Internet service which allows customers to sign up for DSL service without the requirement for a voice line. Customers are now able to enjoy Telemedia's High Speed Internet at a more affordable price as they no longer need to contract phone services to receive reliable high speed Internet connections. Similarly, mobile customers are now able to contract DigiCell Internet without the need to sign up for a voice plan. This 'Data only' plan is geared towards those customers interested in using iPads, wireless swipe

machines, tracking devices and other technologies that need access to broadband services and not necessarily voice.

## 2. Internet on the Go

Telemedia's new 3G CDMA & EVDO network provides the opportunity for customers to utilize an EVDO Wireless USB modem to enjoy easy, convenient, always on Internet access while on the go – anytime and anywhere. To encourage customers to purchase these USB modems and enjoy Internet on the go, the Company initially offered the modems discounted at 50%, as well as a monthly payment plan that made the service more affordable for a larger percentage of the customer base.

## 3. Reduction in Internet Charges

In November 2010, Telemedia doubled the internet bandwidth for all high speed internet customers at no additional cost. Customers were able to enjoy twice the speed and capacity for their same fixed monthly charges. In addition, the Company reduced the start-up cost for Internet service to allow more customers to afford access to the service. Knowing that access to the internet requires the use of a computer, Telemedia went a step further and partnered with computer houses to offer a low cost internet and computer bundle with a payment plan for the benefit of students and low income residents.

## 5. Fixed Telephone Service

The overall assessment shows that the market is continuously migrating from fixed telephone towards mobile services. This has created a shift from Telemedia's Fixed Line service to DigiCell. As a result, the total number of fixed telephone lines decreased from around 31,000 to about 29,500 at March 2011.

Despite this trend, an increase in customer base is now occurring with the installation of the new wireless 3G CDMA Network which offers fixed telephone service to customers particularly in remote areas and outlying communities. This 3G network also provides fixed telephone service to customers from the old analog cellular system. These customers now enjoy added services such as data

and texting from their home phones. The customer base on this 3G network is now in the hundreds and continues to grow.

#### 1. HomeFone & BizFone Services

The company continues to aggressively market its HomeFone and BizFone services that offer customers unlimited call usage to other fixed telephones and additional savings on cellular, internet and international calls. These services target both the residential and business markets with different options and variations in packages to suit the needs of the customer. The rates on International calls and calls to cellular are now being reduced even further, to allow HomeFone and BizFone customers to enjoy additional benefits and further stimulate usage of fixed telephone service.

#### 2. Enhanced VoiceMail Service

Telemedia's new Voicemail system offers advanced features that enable customers to enjoy more activities using the voicemail platform. This service opens the way to obtain voicemail to email, voicemail to fax, fax to voicemail, set personalized messages and much more. All Telemedia and DigiCell customers now benefit from this free value added service that provides them the convenience of never missing a message, whether at home or while roaming!

### **6. Employee Relations**

Recognizing the importance of Employee development, the Board and Management of Telemedia has invested significantly in its employees whose collective productivity make the Company as successful as it is today. A new beginning was the reestablishment of orientation sessions for new employees and the appointment of a training manager dedicated to developing and improving the skills and attitudes needed in the workplace.

In this fiscal year, employees attended training programs and conferences held both at home and abroad, to better equip them with the knowledge and skills needed to improve and keep up to speed with the latest in technology, as well as to provide a greater level of customer service. The trainings primarily focused on,

but were not limited to management and supervisory skills, customer service techniques and other technical skills including introduction to the new 4G technology. The conferences allowed staff to also take advantage of the opportunity to network with other telecommunication companies with the aim of gaining other experiences, knowledge and building business partnerships.

Development was also reflected by the increased efforts and dedication of our employees to pursue further studies and self development programs. Employees received higher educational certification ranging from Associate Degrees to Masters Degree. This they effectively accomplished while on the job, putting into practice their new knowledge and concepts in the working environment.

The company also organized various motivational activities and social events that brought together its more than 500 employees. In May, the company held its annual Employee Recognition and Award Ceremony to honour the contribution and outstanding performance of staff. Many members were honored and presented with certificates of appreciation for the years of dedicated service to the Company and for outstanding performance and achievements.

In December, the company hosted the eagerly anticipated Christmas banquet attended by employees from all over the country. The Christmas banquet is a social event designed to celebrate the season and to show appreciation for the work of our staff members throughout the year. It also presents an opportunity to unite and share thoughts outside the work environment.

The company also sponsored other events which promoted the development and involvement of staff. These included Administrative Assistant's Day, Bosses Day and Labour Day, among others. In addition, talented employees were encouraged to participate in interoffice competitions which included football, basketball, volleyball and softball. This year, the company extended its sponsorship in these areas and also sponsored Interoffice Teams in both Dangriga and Belmopan. The company also supported many of its Union related activities by sponsoring events and providing venues; building a good management staff relationship.

Telemedia values its employees who have committed to the everyday operation of the Company. To foster good internal communication, encourage feedback and get a true reflection of their perception of the Company, a series of employee forums and meetings were held. These forums have also been instituted for the management team on a quarterly basis. The first was a special Board of Directors' meeting held with all employees in September 2010. The meeting was extremely productive as the Board addressed questions from staff, allaying many of their concerns with the Nationalization and encouraged the full participation of the employees in the future growth and development of the Company. The Prime Minister also took the time out of his busy schedule and opened himself up to a very open discussion with staff.

One of the most rewarding were the forums which commenced in January 2011 and were conducted by the company's Chief Operations Officer (COO). These forums facilitate open floor discussions between employees and the COO for improvements in the company. To date these meetings have provided encouraging feedback and have resulted in various actions already taken to address issues brought to light.

As part of Telemedia's initiative to promote a healthy lifestyle for employees, the first Health and Wellness Program was introduced in the workplace and has now become a trend setter in Belize. The program was twofold as the company first launched the program with an overall health assessment of all employees countrywide. Then in December 2010, Telemedia's Wellness Hut was inaugurated, providing employees with fitness classes, weigh-ins, sugar and blood pressure checks and proper diets, all coordinated by a well-qualified in-house wellness coordinator. The company also organized several team competitions including a marathon, cancer walk, canoe race, sports day, cycling classic and fun night which brought out the competitiveness, skills, talent and teamwork of employees.

The latter part of the fiscal year was very encouraging as a new union/management relationship was cultivated: starting with several agreements and understandings reached on operational issues and staff compensation. The

union cherished the new beginning since the change of ownership and looks forward to the continued development, good relationship and teamwork moving forward.

The Board was pleased with its contribution to employee development during the fiscal year. Many were the benefits provided to them in improving their productivity, personal development and standard of living. Telemedia is committed to the development of its most valuable resource – its employees.

With the Government of Belize now owning the majority of shares in Telemedia, employees have been urged by Telemedia’s Board to apply to the Government of Belize to purchase a block of shares in the Company using the model of an employee share scheme in which the employees can appoint the Trustees and obtain direct financial benefit from the scheme. The employees have since formed a committee to plan for such a share scheme.

## **7. Community Development**

### **Education**

In keeping with its corporate social responsibilities Telemedia made sizeable contributions to the development of our community and youths through meaningful initiatives.

This fiscal year 2010-2011 Telemedia was proud to award twenty one new high school scholarships under the “Telemedia High School Scholarship Program” to deserving and academically qualified students from all over Belize. This year, for the first time, Telemedia awarded three tertiary level scholarships to High School graduates from the “Telemedia Scholarship Family”. These students performed exceptionally well and are a great example of the importance and the benefit of corporate involvement in educating our young people.

Telemedia continues to provide schools in Belize with free internet through the “Internet to Schools Program.” To date, 138 primary schools, 43 high schools, 10 tertiary level institutions and 21 non-governmental agencies benefit from free

High Speed Internet access. This program enhances the quality of education and the lives of over one hundred and seventy thousand students living throughout the country.

Telemedia's new 3G CDMA network, has extended this program far and wide into rural areas. Telemedia aims to eventually give every school access to the information superhighway. With reliable connectivity to the World Wide Web, students, teachers and NGO leaders are able to stay connected 24/7 and get the latest information on any topic. This is a key area of focus to promote the development of long distance learning and e-learning in Belize.

The company also provides complementary installations of phone services to many NGO's and schools throughout the country as well as 0-800-hotlines for services that promote the common good. Two of these to name a few are 0-800 NOPCAN which supports children in abusive families and 0-800 922-Tips where citizens can report confidential crime occurrences via crime stoppers Belize.

### Sports

Since the launch of the "Telemedia Community Sports Development Program" (TCSDP) in September 2010, Telemedia has sponsored a total of eighteen programs that have been approved under this initiative. This TCSDP has been positively embraced by many community leaders and now, thousands of youths throughout the country have access to a wide variety of sporting activities available at no cost to them. The approved programs under the TCSDP are all tailored to develop and advance the athletics skills of our youths by providing positive and engaging outlets which afford those involved the opportunity to develop, redefine and reshape the future of sports in Belize.

Telemedia is confident that through the ongoing success of the TCSDP initiative, the impact of the programs supported are all far reaching and are impacting positively on our communities. The company is proud to be involved in these programs that positively impact the community, especially as the Company focuses on targeting at risk youths throughout the country.

In addition to the Telemedia Community Sports Development Program, the Company provided additional sponsorship to other sporting initiatives in our communities. These included sponsorship to the Telemedia Swoosh Cycling Team, Telemedia Female Softball Team, Telemedia Cycling Club, Triathlon Association of Belize, Belize District Basketball Federation and the Belize Social Security Board for the annual *Ride Across Belize*. The Company also funded many other sporting organizations and staff interoffice teams.

In responding to the social ills affecting our community and youths, Telemedia partnered with numerous non-profit, non-governmental institutions to combat a number of health and social issues. Many of these partnerships were established over the years and have allowed the Company to make meaningful contributions to causes worth investing in. These contributions assisted organizations such as the Belize Cancer Society, Diabetes Association, Salvation Army, Karl Heusner Memorial Hospital, Child Development Foundation, Lifeline Foundation and the Rotary Club of Belize, among others, to provide better service to thousands of Belizeans around the country.

Over the past fiscal year, Telemedia's sponsorships and contributions has brought the company public commendation for being one of Belize's most outstanding Corporate Citizens. Through our continued commitment and dedication to make a difference in the lives of those we serve, we have been empowered and enabled to once again deliver on our social commitment to "Build the Community through our support of Education, Sports and Culture."

## 8. FINANCIAL REVIEW

The following represent audited figures for the year ended March 31, 2011.

### 1. Income Statement (Audited)

All Figures BZ \$'000's	Financial Year 2010/11	Financial Year 2009/10	\$ Variance Fav / (Adv)	% Variance Fav / (Adv)
Telecom Revenue	\$138,261	\$139,787	(\$1,526)	-1%
Other Operating Income	\$19,661	\$5,893	\$13,768	234%
<b>Gross Revenues</b>	<b>\$157,922</b>	<b>\$145,680</b>	<b>\$12,242</b>	<b>8%</b>
Operating Expenditure	(\$77,144)	(\$72,928)	(\$4,216)	-6%
Depreciation	(\$27,942)	(\$19,446)	(\$8,496)	-44%
Net Interest Income / (Expense)	(\$278)	(\$2,211)	\$1,933	87%
Business Tax	(\$21,265)	(\$28,371)	\$7,106	25%
Net Earnings	\$31,293	\$22,724	\$8,569	38%
Earnings Per Share	63 cents	46 cents	18 cents	38%

### 2. Revenue

Telemedia in the fiscal year 2010/11 had gross revenues of \$157.9 million which was a net increase of 8% in revenue compared to the prior year. Included in gross revenues is a one-time inflow of \$13.6 million from other revenues related to a change in the tax rate on internet revenues. Core telecom revenues experienced a decrease of 1% which was a direct result of decreased usage of the fixed line subscribers, including a decrease in international settlement revenues. The revenue streams that saw an overall increase were GSM prepaid revenues, international roaming revenue and internet & data revenues.

Fixed-line revenue streams excluding international settlements experienced a decline by \$7.1 million. The mobile services market remained very competitive but the many promotions and new service introductions resulted in an increase in GSM revenues of 5%. Internet and data revenue stream showed a strong increase of approximately 12%, highlighting that this revenue stream has a strong

potential for further growth. International roaming revenue saw a 39% increase over the previous year whilst revenue from international settlements decreased by \$1.2 million (-10%), compared with a 7% increase during the preceding fiscal year. This underscores the effect of slow economic conditions abroad on international calls to Belize. Nevertheless, the net effect on gross revenues was an increase of \$12.2 million as compared to the previous financial year.

### 3. Expenditure

The company in fiscal year 2010/11 experienced a net increase in operating expenses of \$5.6 million or 5% over the prior year. The main categories of expenses that contributed to the increase were: Staff Costs – increase of 12%, Maintenance – increase of 11% due to new support contracts, Depreciation – increase of 43% which resulted from completion of the GSM and CDMA networks, other capital expansion in the GSM network and data network; and Other Operating expenses – increase of 24% due to increase in fuel costs and international capacity. Categories of expenses that saw a decrease were: Other General & Administrative – 10% due to lower legal and management fees, Electricity Charges – decrease of 5% and Taxation – decrease of 25%. The end result on the performance of the Company's bottom line is that operating expenses increased by 5% to \$126.3 million.

Net financial costs decreased by \$1.9 million to \$278 thousand as compared to the previous year which had a net financial cost of \$2.2 million. The decrease was caused due to interest charges for the US\$22.5 million loan no longer being paid as the new post August 2009 Board of Directors of Telemedia on legal advice has always taken the position that the loan of US\$22.5 million borrowed from The Belize Bank (Turks and Caicos) Ltd. now British Caribbean Bank Ltd. to purchase shares of Telemedia held by Royal Bank of Trinidad & Tobago (RBTT) was an unlawful transaction of the previous Board of Telemedia. For the fiscal year ended March 31, 2011 the only financial cost to Telemedia was for the \$19.2 million loan from Government of Belize (see note 10 of the financials).

#### 4. Balance Sheet (Audited)

<b>Consolidated balance sheet</b>				
<b>Year ended 31 March</b>				
	<b>Audited</b>	<b>Audited</b>	<b>\$ Variance</b>	<b>% Variance</b>
	<b>2011</b>	<b>2010</b>	<b>Fav / (Adv)</b>	<b>Fav / (Adv)</b>
	<b>BZ\$'000</b>	<b>BZ\$'000</b>		
<b>Assets</b>				
Current assets	68,429	60,345	8,084	13%
Non Current Assets	241,025	246,620	(5,595)	-2%
<b>Total assets</b>	<b>309,454</b>	<b>306,965</b>	<b>2,489</b>	<b>1%</b>
<b>Liabilities</b>				
Current liabilities	48,718	63,383	(14,665)	-23%
Non Current liabilities	2,743	5,486	(2,743)	-50%
<b>Total liabilities</b>	<b>51,461</b>	<b>68,869</b>	<b>(17,408)</b>	<b>-25%</b>
Shareholders' equity	257,993	238,096	19,897	8%
<b>Total shareholders' equity</b>	<b>257,993</b>	<b>238,096</b>	<b>19,897</b>	<b>8%</b>
<b>Total liabilities and shareholders' equity</b>	<b>309,454</b>	<b>306,965</b>	<b>2,489</b>	<b>1%</b>

<b>Financial Ratio Analysis</b>			
<b>Year Ended 31 March</b>			
	<b>2011</b>	<b>2010</b>	<b>% Variance</b>
			<b>Fav / (Adv)</b>
Current Ratio	1.40	0.95	48%
Return on Assets	10%	7%	37%
Return on Equity	12%	10%	27%

The working capital ratio (current assets ÷ current liabilities) improved to 1.4:1 from 0.95:1 in the previous fiscal year. This is due to an increase in cash and equivalents and a decrease in short term payables.

The capital additions totaled \$23 million in 2010/11 and were mainly attributed to the ongoing investment in the GSM network expansion projects and data network which resulted in improved service coverage and reliability to approximately 20 new locations.

## 5. Cash and Cash Equivalents

Cash on hand at the end of March 2011 increased by \$8 million to \$31.9 million as compared to the \$23.9 million cash on hand one year earlier. The increase in cash to March 2011 was mainly attributed to less capital outlay for the period. As has been demonstrated in the current period to March 2011, Telemedia continues to generate strong positive cash flows due to prudent fiscal and treasury management.

## 6. Shareholder Returns

In this fiscal year ended March 31, 2011, net income increased by \$8.6 million or 38% to \$31.3 million from \$22.7 million recorded in the previous year. This resulted in earnings per share increasing to 63 cents from 46 cents per share from the previous year.

The net inflow to the Company from profits and after dividend distributions resulted in an addition to the shareholder equity of \$19.9 million.

The company for this fiscal year achieved a return on equity of 12% an increase of 2% over the previous year.

## 7. Share Movement

As a result of the Government's offer for sale, as of March 31, 2011 the Government of Belize held approximately 71% of the total outstanding shares in Telemedia.

## **DIRECTORS**

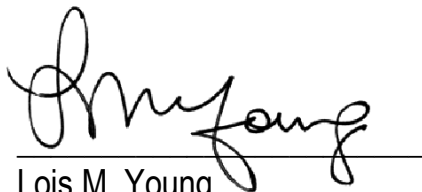
As at March 31, 2011, The Board of Directors of Belize Telemedia Limited for the financial year 2010-11 was comprised of Mr. Nestor Vasquez, Dr. Carla Barnett, Rt. Hon. Sir Manuel Esquivel, Mr. Ambrose Tillett, Col. George Lovell (Rtd.), Miss Audrey Wallace, Mr. Ariel Mitchell and Mr. Paul Jones. Mr. Mitchell and Mr. Jones joined the board on the 1<sup>st</sup> of February 2011 as appointees of the Social Security Board. They replaced Mr. Anwar Barrow and Mr. Alan Slusher who were directors for the period April 1, 2010 to January 31, 2011.

Mr. Nestor Vazquez is Chairman of the Board of Directors and Executive Chairman of the Company. From April 1<sup>st</sup>, 2010 to January 31<sup>st</sup>, 2011 there existed an Executive Committee appointed by the Board of Directors to manage Telemedia comprised of Mr. Nestor Vasquez, Executive Chairman; Mr. Alan Slusher, Mr. Anwar Barrow and Dr. Carla Barnett.

### **AUDITORS**

For the end of the fiscal year 2010/2011 Pannell Kerr Foster was Telemedia's external auditor. A resolution to re-appoint them or to appoint another competent accounting firm as auditors for 2011/2012 for Belize Telemedia Limited will be proposed at Belize Telemedia Limited's annual general meeting.

By order of the Board of Directors

A handwritten signature in black ink, appearing to read 'Lois M. Young', written over a horizontal line.

Lois M. Young  
Company Secretary  
Belize Telemedia Limited