

# **Belize Telemedia Limited**

**Consolidated  
Financial statements  
March 31, 2011**

**REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBERS OF  
BELIZE TELEMEDIA LIMITED**

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**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Belize Telemedia Limited, which comprise the Group statement of financial position as at March 31, 2011, the Group statement of comprehensive income, the Group statement of changes in equity, the Group 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Accountants &  
business advisers

## REPORT OF THE INDEPENDENT AUDITORS continued

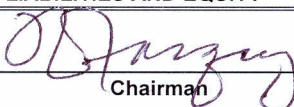
### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Belize Telemedia Limited and its subsidiaries as of March 31, 2011 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PKF Belize*

**PKF Belize**  
**Chartered Accountants**  
**Belize City**  
**29 September 2011**

	Notes	2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	213,719	219,067
Other long-term assets	6	5,319	5,651
Investments - bank term deposits		1,085	1,000
Trade and other receivables	8	20,902	20,902
<b>Total non-current assets</b>		<b>241,025</b>	<b>246,620</b>
<b>Current assets</b>			
Inventories	7	14,035	14,746
Trade and other receivables	8	22,482	21,710
Cash and bank balances	9	31,912	23,889
<b>Total current assets</b>		<b>68,429</b>	<b>60,345</b>
<b>TOTAL ASSETS</b>		<b>BZ\$'000 309,454</b>	<b>306,965</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	10	2,743	5,486
<b>Total non-current liabilities</b>		<b>2,743</b>	<b>5,486</b>
<b>Current liabilities</b>			
Trade and other payables	11	32,664	50,098
Current tax liabilities		5,083	5,057
Borrowings	10	10,971	8,228
<b>Total current Liabilities</b>		<b>48,718</b>	<b>63,383</b>
<b>TOTAL LIABILITIES</b>		<b>51,461</b>	<b>68,869</b>
<b>EQUITY</b>			
Stock issued and fully paid	12	49,552	49,552
Treasury stock (BTL stock held by subsidiaries)	13	(14)	(14)
<b>Equity attributable to owners of parent</b>		<b>49,538</b>	<b>49,538</b>
Share Premium	14	15,274	15,274
Share Capital Reserve - Non-distributable	15	36,637	36,637
Retained earnings		156,544	136,647
<b>TOTAL EQUITY</b>		<b>257,993</b>	<b>238,096</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>BZ\$'000 309,454</b>	<b>306,965</b>

  
Chairman

  
Director

Independent auditors' report - Pages 1 and 2  
The notes on pages 7 - 24 form an integral part of these financial statements

	Notes	2011	2010
<b>Continuing operations</b>			
Revenue		138,261	139,787
Other operating income	16	19,661	5,893
Operating costs		(105,086)	(93,761)
<b>Operating profit</b>		<b>52,836</b>	<b>51,919</b>
Finance income		833	1,058
Finance expense		(1,111)	(3,269)
<b>Net finance expense</b>		<b>(278)</b>	<b>(2,211)</b>
<b>Profit before tax</b>		<b>52,558</b>	<b>49,708</b>
Taxes	17	(21,265)	(28,371)
<b>Profit for the year from continuing operations</b>		<b>31,293</b>	<b>21,337</b>
<b>Discontinued operations</b>			
Gain from discontinued operations		-	1,284
<b>PROFIT FOR THE YEAR</b>		<b>BZ\$'000 31,293</b>	<b>22,621</b>
<b>Profit attributable to :</b>			
Equity shareholders of the parent		31,293	22,724
Non-controlling interests		-	(103)
		<b>BZ\$'000 31,293</b>	<b>22,621</b>
<b>Earnings per share from continuing and discontinued operations attributable to the equity holders of the company during the year</b>			
<b>Basic earnings per share</b>			
From continuing operations	18	0.63	0.43
From discontinued operations	18	0.00	0.03
		<b>BZ\$ 0.63</b>	<b>0.46</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS AT MARCH 31, 2011**

	Share capital BZ\$'000	Treasury Shares BZ\$000	Share Premium BZ\$'000	Capital Reserve, non- distributable BZ\$'000	Retained earnings BZ\$'000	Total BZ\$'000	Non- controlling interest BZ\$'000
At April 1, 2009	49,552	(8,584)	15,274	36,637	51,134	144,013	(160)
Profit for the year			-	-	22,724	22,724	103
Dividends to shareholders			-	-	(9,414)	(9,414)	-
Transferred to GOB (Note 19)		8,570	-	-	-	8,570	-
Other movements in non-controlling interest (Note 20)			-	-	-	-	57
At April 1, 2010	49,552	(14)	15,274	36,637	64,444	165,893	-
Adjustments (Note 21)			-	-	946	946	-
Tax assessment reversal (Note 22)			-	-	38,083	38,083	-
Reinstate portion of GOB loan (Note 23)			-	-	(2,664)	(2,664)	-
Impairment of asset (Note 24)			-	-	(9,993)	(9,993)	-
BCB loan & interest voided (Note 28)			-	-	45,831	45,831	-
At April 1, 2010, restated	49,552	(14)	15,274	36,637	136,647	238,096	-
<b>Profit for the year</b>			-	-	<b>31,293</b>	<b>31,293</b>	-
<b>Dividends to shareholders</b>			-	-	<b>(11,396)</b>	<b>(11,396)</b>	-
<b>At March 31, 2011</b>	<b>49,552</b>	<b>(14)</b>	<b>15,274</b>	<b>36,637</b>	<b>156,544</b>	<b>257,993</b>	-

**CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2011**

	2011	2010
<b>Cash flow from operating activities:</b>		
Profit before tax including discontinued operations	52,558	50,992
Adjustments for non-cash items:		
Depreciation and amortization	28,274	19,778
Non-controlling interest	-	103
Deferred income	-	(17,369)
Gain on disposal of subsidiary	-	(1,284)
Loss on disposal of property, plant and equipment	8	37
	<u>80,840</u>	<u>52,257</u>
Changes in working capital:		
Increase in trade and other receivables	(772)	(5,202)
Decrease (Increase) in inventories	711	(1,525)
Decrease in trade and other payables	(17,434)	(4,056)
	<u>63,346</u>	<u>41,474</u>
<b>Cash generated from operations</b>	<b>63,346</b>	<b>41,474</b>
Taxes	(21,239)	(22,919)
	<u>42,107</u>	<u>18,555</u>
<b>Net cash inflow from operating activities</b>	<b>42,107</b>	<b>18,555</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(22,732)	(60,197)
Proceeds on disposal of property, plant and equipment	130	237
Proceeds on assets traded-in	-	28,396
Proceeds from redemption of long term notes receivable	-	6,000
Proceeds from acquisition of treasury shares by Government of Belize	-	8,570
Purchase of investments - bank term deposits	(85)	-
Proceeds from investments - bank term deposits	-	1,002
Disposal of subsidiary	-	5,100
	<u>(22,687)</u>	<u>(10,892)</u>
<b>Net cash outflow from investing activities</b>	<b>(22,687)</b>	<b>(10,892)</b>
<b>Cash flow from financing activities:</b>		
Dividends paid to company's shareholders	(11,396)	(9,414)
Repayment of borrowings	-	(607)
	<u>(11,396)</u>	<u>(10,021)</u>
<b>Net cash outflow from financing activities:</b>	<b>(11,396)</b>	<b>(10,021)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,024</b>	<b>(2,358)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>23,889</b>	<b>26,247</b>
<b>Cash and cash equivalents, end of the year</b>	<b>BZ\$'000 31,912</b>	<b>23,889</b>

**1. GENERAL INFORMATION**

Belize Telemedia Limited is a public limited liability company incorporated and domiciled in Belize. Belize Telemedia Limited (the Company) and its subsidiaries (together, the Group) provides communication products, services and a broad range of voice, broadband and data communication services including fixed and mobile telephone services and internet services within Belize.

The Group includes Belize Telemedia Limited (the parent company) which provides telecommunication services and its wholly-owned subsidiaries - Telemedia Free Zone Limited which provides telecommunication services in the Commercial Free Zone at Santa Elena, Corozal; BTL Digicell Limited which operates the GSM cellular network; Business Enterprises Systems Limited ("BESL"), which sells telecommunication products, rents telecommunication equipment, and provides other non-telecommunications services; International Communication Services Limited and International Communication Services (Belize District) Limited which operate in the E-Business Freezone Park at Mile 13 1/2, Northern Highway; Belize Telecommunications (Overseas) Limited and BTL Mobile Services Limited.

Telemedia operates under an Individual Telecommunications License, issued by the Public Utilities Commission ("PUC"). The License expires on December 29, 2017, and thereafter, is renewable, for consecutive periods of five years, unless the PUC or the Licensee serves not less than one year's written notice to the contrary.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These are the Group's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended March 31, 2011, the comparative information presented in these financial statements for the year ended March 31, 2010 and in the preparation of an opening IFRS statement of financial position at April 1, 2009 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, there were no material items which required that the Group adjust the amounts reported in the previous financial statements prepared under US GAAP. The only impact of the transition from US GAAP to IFRSs was to change the presentation and disclosure of the Group's financial statements.

The adoption of IFRS required that information be aggregated on the basis of shared characteristics and introduced a 'statement of changes in equity' to enable readers to analyze changes in an entity's equity resulting from transactions with owners separately from 'non-owner' changes. The revisions included changes in the titles of the primary statements to reflect their function more clearly (e.g. the balance sheet is renamed 'statement of financial position'). IFRS adoption also changed the disclosure provided by in the Group financial statements. Comparative information has been revised to conform with the IFRS standard.

**Initial elections upon adoption of IFRS:****(a) IFRS exemption options**

IFRS 1 provides the option to apply IFRS 3, "Business combinations", prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Group elected to apply IFRS 1 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

The remaining voluntary exemptions do not apply to the Group - exemption for fair value as deemed cost, exemption for cumulative translation differences (IAS 21), exemption for employee benefits (IAS 19), share-based payments (IFRS 2), leases (IAS 17), insurance contracts (IFRS 4), compound financial instruments and decommissioning liabilities because the Group has none of these as at the date of transition, and financial assets or intangible assets accounted for under IFRIC 12 because the Group has not entered into any agreements within the scope of IFRIC 12.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Initial elections upon adoption of IFRS (continued):**

(b) IFRS mandatory exceptions

IFRS estimates as at April 1, 2009 are consistent with the estimates as at the same date made in conformity with US GAAP.

The other compulsory exceptions of IFRS 1 have not been applied as these are not relevant to the Group - hedge accounting, derecognition of financial assets and financial liabilities and non-controlling interests.

**2.1 Basis of preparation**

The consolidated financial statements of Belize Telemedia Limited have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and include all the companies within the Group as described in Note 1, paragraph 2. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

**Changes in accounting policies and disclosures**

(a) The Group did not early adopt any new and amended standards.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning April 1, 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events):

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting period beginning on or after April 1, 2010 or later periods:

IAS 36 (amendments) - 'Impairment of assets'; about units of accounting for goodwill impairment testing using segments under IFRS 8 before aggregation

IFRS 2 (amendments) - 'Group cash-settled share-based payment transactions'; about Group cash-settled share-based payment transactions

IFRS 5 (amendments) - 'Non-current assets held for sale and discontinued operations'; about disclosure requirements in other standards

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning April 1, 2010:

The Group's assessment of the impact of these new standards and interpretations is set out below:

IAS 1 amendment - 'Presentation of financial statements', issued in June 2011. The amendment revises the way other comprehensive income is presented and is effective for annual periods beginning on or after July 1, 2012, with early adoption permitted. The amendment currently does not affect the Group's financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.1 Basis of preparation (continued)****Changes in accounting policies and disclosures (continued)**

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning April 1, 2010 (continued):

IAS 27 amendment - 'Consolidated and Separate Financial Statements'; amendment resulting from May 2010 Annual Improvements to IFRS; about transition requirements for consequential amendments arising as a result of IAS 27 (2008). The amendment is effective for annual periods beginning on or after July 1, 2010 and earlier applications is permitted.

IFRS 3 amendment - 'Business Combinations', issued May 2010. The amendment resulting from May 2010 Annual Improvements to IFRS and is effective for annual periods beginning on or after July 1, 2010, with early adoption permitted. The amendment currently does not affect the Group's financial statements.

IFRS 9 'Financial Instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 sets out new requirements for the classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. This standard is not applicable until January 1, 2013 but is available for early adoption. The group is yet to assess IFRS 9's impact on its financial statements.

IAS 24 (Revised) - 'Related party disclosures', issued in November 2009. The revised standard is mandatory for periods beginning on or after January 1, 2011. IAS 24 (Revised) clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. Earlier application in whole or in part, is permitted. The Group will consider the standard for adoption beginning April 1, 2011.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments', effective for financial statements beginning on or after July 1, 2010. This interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in an entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap).

IFRIC 14 amendment - 'Prepayments of a Minimum Funding Requirement', effective for financial statements beginning on or after January 1, 2011. This amendment permits some voluntary prepayments for minimum funding contributions to be recognized as a defined benefit asset.

Improvements to IFRSs 2010 (effective April 1, 2011)

This is the third set of amendments published under the IASB's annual improvements process and incorporate minor amendments to seven standards and interpretations.

Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' (effective July 1, 2011)

These amendments provide limited exemption from comparative IFRS 7 disclosures for IFRS first-time adopters.

Amendments to IFRS 7 'Financial Instruments: Disclosures' (effective April 1, 2012)

These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

**2.2 Consolidation****Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.2 Consolidation (continued)**

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values asset transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non- controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. The accounting policies of subsidiaries are consistent with Group policies.

**2.3 Foreign Currency Translation***(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Belize dollars' (BZ\$), which is the Group's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year- end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in statement of comprehensive income within 'finance income or expense'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'sundry income (expense)'.

**2.4 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the "first- in, first- out" (FIFO) method. Cost comprises direct material costs and, where applicable, direct labor costs and those overheads (based on normal operating capacity) that have been incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less cost to complete and sell; the impairment loss is recognized immediately in the statement of comprehensive income.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****2.5 Property, plant and equipment**

Land and buildings comprise mainly offices, transmission stations and warehouses. Land and buildings are shown at (a) cost or (b) fair value based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical costs includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount and depreciation based on the asset's original cost is transferred from "other reserves" to "retained earnings".

Land and special projects (capital work-in-progress) are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Transmission equipment	10 - 15 years
Switching equipment	10 - 20 years
Other plant and equipment	3 - 40 years
Motor vehicles	4 years
Furniture and office equipment	4 - 8 years

The assets' residual values, useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income" in comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

**2.6 Impairment of non- financial assets**

Assets that have an indefinite life, for example, goodwill or intangible assets not ready to use, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****2.7 Financial assets****(a) Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the statement of financial position.

**(b) Recognition and measurement**

Trade and other receivables are recognized at cost on the trade date and are subsequently carried at amortized cost using the effective interest method.

**2.8 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**2.9 Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in payments;
- (c) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that a lender would not otherwise consider;
- (d) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) observable data indicating that there is a measurable decrease in the estimated future cash flows from trade and other receivables since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets, including:
  - (i) adverse changes in the payment status of debtors; and
  - (ii) national or local economic conditions that correlate with defaults on balances due from debtors.

The Group first assesses whether objective evidence of impairment exists.

In the case of trade and other receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in comprehensive income.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****2.10 Trade receivables**

Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

**2.11 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

**2.12 Share capital**

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Where any group company purchases the parent company's shares (treasury shares), the consideration paid is deducted from the equity attributable to the parent company's equity holders.

**2.13 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented in non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**2.14 Borrowings**

Borrowings are recognized initially at fair value, net of transactions costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in comprehensive income over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

**2.15 Taxes**

The tax expense for the period comprises current tax. The tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date. Management evaluates situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****2.15 Taxes (continued)**

Taxes are based on monthly gross revenue receipts and are payable within the following month.

Complying with deferred taxation accounting pursuant to International Accounting Standard (IAS) 12 is not applicable.

**2.16 Employee benefits*****(a) Pension obligations***

The Group has a defined contribution plan for management and non- management staff. The defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognized as staff pension expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognized as an asset.

***(b) Termination benefits***

The Group recognizes termination benefits in accordance with the labor laws of Belize, union agreements and company policy.

**2.17 Provisions**

Provisions for legal claims, restructuring costs and environmental restoration are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably measured. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

**2.18 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of general sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below:

***(a) Sales of services***

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnection fees, data services and information provision, connection fees and equipment sales. Products and services may be sold separately or in bundled packages. Revenue for access charges, airtime usage and messaging by contract customers is recognized as revenue as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future period deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****2.18 Revenue recognition (continued)*****(a) Sales of services (continued)***

Revenue from interconnection fees is recognized at the time the services are performed.

Revenue from data services and information provision is recognized when the Group has performed the related service and, depending on the nature of the service, is recognized either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Customer connection revenue is recognized together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognized together with related equipment revenue is deferred and recognized over the period in which services are expected to be provided to the customer.

Revenues from prepaid sales is recognized based on extent of consumption by customer. Allocations are done to respective revenues stream based on the type of call.

***(b) Sales of goods***

Revenue for device sales is recognized when the device is delivered to the end customer and the sale is considered complete. For device sales made to intermediaries, revenue is recognized if the significant risks associated with the device are transferred to the intermediary and the intermediary has no general right of return. If the significant risks are not transferred, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of the right of return.

***(c) Multiple element sales***

When revenue arrangements include multiple deliverables, the revenue recognition criteria usually are applied separately to each transaction. In certain circumstances, however, it is necessary to separate a transaction into identifiable components to reflect the substance of the transaction. Deliverables are separated into individual transactions when the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is then allocated to each separate unit of accounting based on its relative fair value.

**2.19 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain land and buildings on operating leases.

**2.20 Dividend distribution**

Dividend distribution to the company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

**3. Financial risk management**

The Group's activities expose it to a variety of financial risks, mainly, credit risk, foreign currency risk, interest rate risk and liquidity risk.

**3. Financial risk management (continued)****(a) Credit risk**

Credit risk - is the risk that a debtor will fail to settle an obligation to the Group, thereby causing the Group to incur a financial loss. The Group is exposed to credit risk mainly on accounts receivable from its customers and receivables from entities associated to the Group prior to the change in ownership of the Group. In order to reduce its credit risk, the group has adopted credit policies which include assessing the customer's credit worthiness, requesting a deposit before credit is granted, regular review of credit limits and pursuing legal recourse to collect overdue balances. The maximum exposure to credit risk is the carrying value of receivables due from previous associated entities which may only be collected through litigation.

**(b) Foreign currency risk**

Foreign currency risk - is the risk that the value of a financial transaction will fluctuate because of changes in foreign exchange rate. The Group incurs currency risk exposure in respect of overseas trade purchases and commitments made in currencies other than Belize dollars and repayable in foreign currencies, mainly in US dollars. Its exposure to losses from currency risk is mitigated by the fact that the official exchange rate for the Belize dollar is tied to the US dollar at BZ\$2 to US\$1.

**(c) Interest rate risk**

Interest rate risk - is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group has no significant exposure to interest-rate risk on its assets held in the form of bank deposits since these assets earn fixed interest rates. Interest rate risk on borrowings is managed by sourcing the funds needed from competitive financial institutions both locally and abroad.

**(d) Liquidity risk**

Liquidity risk - is the risk that an entity's available cash may not be sufficient to meet its working capital obligations. The Group performs cash flow forecasting to ensure that it has sufficient cash to meet operational needs whilst maintaining a sufficient buffer in its undrawn committed borrowing facilities so that the group does not breach borrowing limits or covenants on any of its borrowing facilities.

**4. Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The Group provides for bad and doubtful debts based on an evaluation of the collectability of individual customer balances supplemented by a general provision amounting to 1% of billable revenues.

The estimate for obsolete inventories is based on an evaluation of slow-moving items, particularly inventories that have not moved for more than 12 months.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Network infrastructure equipment	Other assets	Assets in course of construction	Total
	BZ\$'000	BZ\$'000	BZ\$'000	BZ\$'000	BZ\$'000
Cost					
At April 1, 2009	45,549	314,797	31,316	58,627	450,289
Additions	1,341	54,154	4,702	-	60,197
Transfers	-	1,274	-	(1,274)	-
Disposals and adjustments	(1,407)	(67,382)	(766)	-	(69,555)
At April 1, 2010	45,483	302,843	35,252	57,353	440,931
Additions	1,740	12,970	8,022	-	22,732
Transfers	-	38,033	-	(38,033)	-
Recategorize	50	(293)	243	-	-
Disposals and adjustments	(29)	(3,534)	(445)	-	(4,008)
<b>At March 31, 2011</b>	<b>47,244</b>	<b>350,019</b>	<b>43,072</b>	<b>19,320</b>	<b>459,655</b>
Accumulated depreciation					
At April 1, 2009	6,869	212,685	17,681	-	237,235
Charge for the year	734	13,667	5,045	-	19,446
Disposal and adjustments	(65)	(34,281)	(471)	-	(34,817)
At April 1, 2010	7,538	192,071	22,255	-	221,864
Charge for the year	656	21,123	6,163	-	27,942
Transfers	1	(82)	81	-	-
Disposal and adjustments	-	(3,369)	(501)	-	(3,870)
<b>At March 31, 2011</b>	<b>8,195</b>	<b>209,743</b>	<b>27,998</b>	<b>-</b>	<b>245,936</b>
Carrying amount					
At April 1, 2010	37,945	110,772	12,997	57,353	219,067
<b>At March 31, 2011</b>	<b>39,049</b>	<b>140,276</b>	<b>15,074</b>	<b>19,320</b>	<b>213,719</b>

Other assets comprise vehicles, furniture, fixtures, computers and other equipment.

Assets in course of construction (Special project assets) at March 31, 2011 consist of internet, transmission, external cable plant equipment, optical fiber installation, countrywide generator installations, new voicemail and messaging gateway installation, accounting and human resources computerized systems that are currently being installed. It does not include the Nortel GSM and CDMA projects which were finalized during the course of the year ended March 31, 2010.

**6. OTHER NON- CURRENT ASSET****Cost - Arcos -1**

At April 1, 2009		8,006
Additions		-
At April 1, 2010		8,006
Additions		-
<b>At March 31, 2011</b>	<b>BZ\$'000</b>	<b>8,006</b>

**Accumulated amortization**

At April 1, 2009		2,023
Amortization for the year		332
At April 1, 2010		2,355
Amortization for the year		332
<b>At March 31, 2011</b>	<b>BZ\$'000</b>	<b>2,687</b>

**Carrying amount**

At April 1, 2010	<b>BZ\$'000</b>	5,651
<b>At March 31, 2011</b>	<b>BZ\$'000</b>	<b>5,319</b>

Telemedia is a party to the Americas Region Caribbean Ring System (ARCOS-1), an optical fiber submarine cable system available to facilitate the provision of international telecommunication services in the region. The original project cost was approximately \$801.7 million of which BTL funded \$8.006 million.

The ARCOS-1 system became operational in March 2002. Its total cost is being amortized over its estimated service life of twenty-five years, commencing March 2002.

**7. INVENTORIES**

	2011	2010
Spares and other consumable supplies	16,076	16,292
Less: provision for obsolete inventories	(2,041)	(1,546)
	<b>BZ\$'000</b>	
	<b>14,035</b>	<b>14,746</b>

**8. TRADE AND OTHER RECEIVABLES**

Trade receivables	11,775	12,181
Less: provision for impairment of trade receivables	(2,608)	(2,199)
Trade receivables - net	9,167	9,982
Foreign telephone administrations receivable	4,486	4,410
Other receivables	24,807	22,922
Prepayments	4,923	5,298
	<b>43,384</b>	<b>42,612</b>
Less: non-current portion - receivables under litigation and receivable from GOB for treasury shares	(20,902)	(20,902)
	<b>BZ\$'000</b>	
	<b>22,482</b>	<b>21,710</b>

**8. TRADE AND OTHER RECEIVABLES (continued)** **2011** **2010**

Movements of the group provision for impairment of trade receivables are as follows:

At April 1	<b>2,199</b>	1,310
Additional provision against trade receivables	<b>460</b>	889
Amounts written off against the provision	<b>(51)</b>	-
<b>At March 31</b>	<b>BZ\$'000</b> <u><u><b>2,608</b></u></u>	<u><u><b>2,199</b></u></u>

Other receivables include \$10.6 million receivable from Great Belize Productions Limited (Channel 5). This receivable arises from a decision made by the previous Board of Director on August 24, 2009 to effectively hive off Channel 5 from Telemedia by issuing a dividend in-specie and waiving (forgiving) a balance due to the Group by Channel 5. The \$10.6 million included some \$5.1 million paid by Telemedia to the former shareholders of GBPL for their shares and some \$3.8 million paid by Telemedia for the Channel 5 building on Coney Drive, Belize City. The current board of directors considers the entire \$10.6 million as receivable from Channel 5 and has filed a legal claim for relief of loss and damages to the Group due to the unlawful and wrongful acts of the previous directors and affiliated companies.

Other receivables also include a receivable from the British Caribbean Bank Limited for reimbursement of the payment of \$1.7 million made by the Group's previous Board of Directors towards a US\$22.5 million loan. The new Board of Directors has taken legal advice and is of the opinion that the loan was obtained in breach of the Company's Memorandum and Articles of Association as well as the Belize Companies Act and is, therefore, unlawful and void. The Company has filed a legal claim, seeking a declaration from the Courts as to the unlawfulness of the loan. A successful claim would entitle the Group to claim reimbursement.

**9. CASH AND CASH EQUIVALENTS**

Cash on hand and at bank	<b>29,279</b>	22,844
Bank term deposits - maturing in 3 months or less	<b>2,633</b>	1,045
	<b>BZ\$'000</b> <u><u><b>31,912</b></u></u>	<u><u><b>23,889</b></u></u>

Included in cash at bank is US\$248 thousand (BZ\$495 thousand) held at British Caribbean Bank (BCB) in the name of BTL (Overseas) Limited following the takeover of the Group by the Government of Belize.

**10. BORROWINGS**

On the basis of the May 2007 Belize Telecommunications Undertaking (Belize Telecommunications Limited) Vesting Act 2007, the Group was obligated to pay the Government of Belize (GOB) BZ\$19.2 million for several properties. An agreement also provided for GOB to finance the purchase of the properties at an interest rate of 6.188% per annum. The loan is repayable in twenty-eight quarterly instalments of \$685,714 with the first instalment payable on June 30, 2006 and the last instalment due on March 31, 2013. The loan is in arrears and is in the process of being renegotiated.

Less: current portion (including arrears)

	<b>13,714</b>	13,714
	<b>(10,971)</b>	(8,228)
	<b>BZ\$'000</b> <u><u><b>2,743</b></u></u>	<u><u><b>5,486</b></u></u>

The loan is repayable as follows:

2010 - 2011	-	8,228
2011 - 2012	<b>10,971</b>	2,743
2012 - 2013	<b>2,743</b>	2,743
	<b>BZ\$'000</b> <u><u><b>13,714</b></u></u>	<u><u><b>13,714</b></u></u>

11. TRADE AND OTHER PAYABLES	2011	2010
Trade payable and accruals	23,550	24,186
Customers' deposits	3,413	3,354
Prior year taxes payable	-	13,657
Dividend payable	5,702	8,901
	<b>BZ\$'000</b>	
	<b>32,664</b>	<b>50,098</b>

Interest is accrued on customers' deposits at 6% per annum.

## 12. SHARE CAPITAL

Authorized share capital - 100,000,000 ordinary shares of \$1 par value

<b>BZ\$'000</b>	<b>100,000</b>	100,000
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Issued and fully paid:

49,551,652 ordinary shares of \$1 par value

<b>BZ\$'000</b>	<b>49,552</b>	49,552
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## 13. TREASURY SHARES (BTL SHARES HELD BY SUBSIDIARIES)

BTL (Overseas) Limited holds 2,624 shares in Telemedia, at a cost of \$10,625.

11	11
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Telemedia Investments Limited holds 500 shares in Telemedia, at a cost of \$3,496.

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<b>BZ\$'000</b>	<b>14</b>	14
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## 14. SHARE PREMIUM

In July 2007, a rights issue was offered to shareholders at \$3.00 per share. As a result of this offer an additional 8,216,725 shares were issued, at a share premium of \$15,273,595. After the transaction was completed, the average share price was \$2.859 due to discounts offered when payments were made in US dollars.

<b>BZ\$'000</b>	<b>15,274</b>	15,274
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## 15. CAPITAL RESERVE - NON DISTRIBUTABLE

This represents the sum of the balances on the share premium, revaluation reserve and capital redemption reserve accounts which were vested in Belize Telemedia Limited by Belize Telecommunications Limited on May 29,2007.

<b>BZ\$'000</b>	<b>36,637</b>	36,637
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## 16. OTHER OPERATING INCOME

Change in tax estimate on revenues from internet services

13,657	-
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Revenue from merchandize sales, directory services and sundry items

6,004	5,893
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<b>BZ\$'000</b>	<b>19,661</b>	5,893
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## 17. TAXES

The Group was chargeable to business tax at 24.5% on gross revenue receipts from telecommunication services (including gross revenue receipts from net international settlements). Effective January 2011, this rate was reduced to 19%. Gross revenues from non-telecommunications services are chargeable to business tax at 1.75 percent and gross revenue receipts from rent is chargeable to business tax at 3%.

**18. EARNINGS PER SHARE**

Earnings per share is computed based on the weighted average number of shares outstanding, excluding treasury shares, during the period.

**19. TRANSFER TO GOB**

The treasury shares held by BTL subsidiaries, BTL International Inc. and BTL Investments Limited were amongst those acquired by GOB in August 2009.

**20. MOVEMENT IN NON-CONTROLLING INTEREST**

In 2010, the Group disposed of its interest in a subsidiary, Total Business Solutions Limited, which had a 40% minority interest.

**21. ADJUSTMENTS (TO RETAINED EARNINGS BROUGHT FORWARD)**

Phonemart receivable overstated	(486)
Speednet under billing	648
Management fees over accrual	640
Stale-dated cheques written back	144
	<u>BZ\$'000</u>
	<u>946</u>

**22. TAX ASSESSMENT REVERSAL FOR PREVIOUS YEARS**

Withholding taxes from previous years	21,436
Business tax on international settlements	16,647
	<u>BZ\$'000</u>
	<u>38,083</u>

During 2011, the Group was advised by Government of Belize that these taxes would be collected from the consideration payable for the shares acquired by the Government of Belize.

**23. REINSTATEMENT OF GOB LOAN**

To reinstate portion of GOB loan which was offset by the pre-2009 Board LCIA Award No. 81079.

**24. IMPAIRMENT OF ASSET**

This represents the writing down of the value of the property at the ICSL compound, Mile 13, Northern Highway, from \$14.7 million to its recoverable amount (\$4.7 million) as per independent appraisal report, as required by International Accounting Standard (IAS) 36.

**25. OPERATING LEASES**

The Group has several operating lease agreements with local suppliers for rental of properties whose lease terms range from 1 to 5 years. The Group incurred lease rental charges amounting to \$450,851 for the year ended March 31, 2011 (\$550,223 - 2010).

	2011	2010
<b>26. RETIREMENT BENEFIT OBLIGATIONS</b>		
Pension contributions for the two schemes	<b>BZ\$'000</b>	<b>922</b>
		<b>984</b>

Separate defined contribution plans are in effect for management and non-management staff. These schemes are administered by separate Boards of Trustees and the funds are held outside the Group.

**27. COMMITMENTS**

**Capital commitments**

Capital expenditure authorized and contracted	<b>BZ\$'000</b>	<b>6,344</b>	<b>7,706</b>
Capital expenditure planned but not contracted	<b>BZ\$'000</b>	<b>7,008</b>	<b>5,722</b>

**28. CONTINGENT LIABILITY**

In July 2007, Belize Telemedia Limited entered into a US\$22.5 million loan arrangement with the British Caribbean Bank Limited, formerly the Belize Bank (Turks & Caicos) Ltd. (the Bank) for the purpose of acquisition of its own shares. The loan was drawn down on the same day that it was obtained and was to be repaid in 4 years. The loan was secured by a mortgage debenture made by Telemedia over all of the properties and assets owned by the Company and guarantees from each of Telemedia's subsidiaries.

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 bank to purchase shares of Telemedia held by Royal Bank of Trinidad & Tobago (RBTT) and the giving of security, therefor, was an unlawful transaction of the previous Board of Telemedia.

The previous Board of Directors did not comply with the provisions of Section 48 of the Companies Act, Chapter 250 of the Laws of Belize and the new Board of Directors were advised that, as a matter of law, this transaction was ultra virus and, consequently, is null and void. For that reason, the opinion of the Board of Directors of the Group is that the Group does not have a legal liability to the Bank for the US\$22.5 million loan.

Furthermore, in its acquisition of the Group, the Government of Belize acquired the US\$22.5 million liability by SI's #104 and #130 of 2009 and, consequently, the Directors no longer consider the loan as a liability of the Group.

The Group has received legal advice which confirms that the mortgage debenture loan made by the Bank to Belize Telemedia Limited is unlawful and thus void.

Consequently, the US\$22.5 million loan (BZ\$45 million) reported in the Group financials of March 2009 and March 2010 was removed from the financial records of the Group. The Group has advised the Government of Belize, in writing, of the facts reported above and of its decision to derecognize the loan.

However, in the event (remote as it may seem to the Board) that Belize's highest Appellate Court rules otherwise and the Government of Belize becomes ultimately liable for the US\$22.5 million, then the Group is prepared to take on the liability for the loan and settle it by sourcing a long-term loan.

Belize Telemedia Limited has filed a claim in the courts seeking a declaration from the Supreme Court of Belize as to the unlawfulness of the loan and the mortgage debenture.

**29. RELATED-PARTY TRANSACTIONS**

The Group is controlled by the Government of Belize who acquired, by legislation, 94.5% of the shares of the parent company on August 25, 2009. The Government of Belize issued an offer for sale of 44.5% of its shares to the general public in October 2010. After the closure of the offer for sale and as of March 31, 2011, the Government now owns 71.4% of the shares of the company.

The following transactions were carried out with related parties:

	<b>2011</b>	2010
(a) Sales of goods and services		
Sales of services:		
- Government of Belize (2010 - September to March only)	<b>BZ\$'000</b> <u>7,443</u>	4,913

Good and services are sold to related parties on the same terms and conditions that would be available to third parties.

(b) Purchases of goods and services

Purchases of services:		
- Entities controlled by key management personnel (2010 - September to March only)	<b>BZ\$'000</b> <u>1,036</u>	226

Goods and services are bought from related parties on normal commercial terms and conditions.

The entities controlled by key management personnel are entities owned or controlled by directors.

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee, and Executives.

Salaries and other short-term benefits	2,617	2,847
Termination benefits/ post-employment benefits	169	176
	<b>BZ\$'000</b> <u>2,786</u>	3,023

(d) Year-end balances arising from sales and purchases of goods and services

Receivable from related parties		
- Government of Belize	<b>BZ\$'000</b> <u>1,097</u>	2,232
Payable to related parties		
- Entities controlled by key management personnel	<b>BZ\$'000</b> <u>225</u>	-

The receivables from related parties arise mainly from the sale of telecommunication services and are due the month after the sale. The receivables are unsecured and bear no interest. No provisions are held against receivables from related parties.

The payables to related parties arise mainly from purchase transactions and are due in the month following the date of purchase. The payables bear no interest.

(e) There were no loans made to key management personnel and their families.

**30. LITIGATION**

(a) Speednet is appealing the Court's refusal of an injunction requiring that Belize Telemedia provide to Speednet international E1 services and to reinstall Speednet's equipment on Belize Telemedia's sites. The directors do not expect any liability to the Group arising from this court action. See Note 31, paragraph 2.

(b) On 4th of June 2011 the Company and the Government of Belize filed a claim in the Supreme Court of Belize against the British Caribbean Bank Limited seeking Declarations that the US\$22.5 million loan is unlawful, null and void and that the Company has no legal obligation to pay. (See note 28)

(c) The Group has filed a legal claim for a total of BZ\$21 million against the pre-2009 Board of Directors and associated companies of the previous owners for relief for loss and damage to the Group by virtue of their unlawful and wrongful acts in connection with the disposal of the Group's subsidiary, Great Belize Productions Limited.

**31. EVENTS AFTER THE END OF THE REPORTING DATE**

In order to maintain ownership of the Group, the Government of Belize renationalized the Group on July 4, 2011 by Statutory Instrument (SI) 70 of 2011 which provided that the control over telecommunications be acquired by GOB "to restore the control of the telecommunications industry to Belizeans, to provide greater opportunities for investment to socially-oriented local institutions and the Belizean society at large and to advance the process of economic independence of Belize with a view to bringing about social justice and equality for the benefit of all Belizeans."

On August 26, 2011, the Group and Speednet signed an interconnection agreement.