



**CABLE & WIRELESS**

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**APPLICATION  
FOR RATE ADJUSTMENTS  
PURSUANT TO SECTIONS 16  
OF THE UTILITIES REGULATIONS ACT 2000-30**

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*31<sup>st</sup> July, 2003*

## CONTENTS

Schedule 1	General Memorandum .....	3
Schedule 2	Memorandum on Financial Information.....	11
Schedule 3	Memorandum on Service Profitability Model.....	14
Schedule 4	Memorandum on Subsidy from International to Domestic Telecommunications Service .....	18
Schedule 5	Memorandum on Network .....	21
Schedule 6	Memorandum on Tariff Structure and Rate Proposals.....	29
Attachment 1-5	Supplementary Financial Computations	
Attachment 6	Financial Statements/Reports	
Attachment 7	Existing Rates	
Attachment 8	Proposed Rates	

## SCHEDULE 1

### GENERAL MEMORANDUM

#### *Overview of licensed telecommunications provider*

1. Cable & Wireless (Barbados) Limited is the continuing company following the amalgamation of Cable & Wireless BARTEL Limited, Cable & Wireless BET Limited, Cable & Wireless Caribbean Cellular (Barbados) Limited and Cable & Wireless Information Systems Limited effective 1<sup>st</sup> April, 2002.
  
2. Under the Domestic Licence granted by the Government of Barbados on 1<sup>st</sup> October 1991, Cable & Wireless has the exclusive right and licence to be the national telephone carrier of Barbados and to own and run the national telephone system and services of Barbados as specified in the Domestic Licence. In addition, under the International Licence granted by the Government of Barbados on 30<sup>th</sup> October 1984, as amended by Amendment No. 1 dated 21<sup>st</sup> November 1991, Cable & Wireless has inter alia the exclusive right and licence to provide/and/or operate and/or augment the external telecommunications circuits and to carry on the telecommunications services specified in the International Licence. These licences expire in 2011. On the 16<sup>th</sup> October 2001, Government and Cable & Wireless signed a Memorandum of Understanding (“MOU”) to facilitate the Government’s desire to liberalise the telecommunications sector.

### *Drivers of change*

3. In 1989 at Grand Anse in Grenada, the CARICOM Heads of State took the decision to establish the CARICOM Single Market and Economy (“CSME”) to deepen the integration process and strengthen the Caribbean Community in all of its dimensions, to respond to the challenges and opportunities presented by changes in the global economy. Chief among these were liberalisation of trade and other economic activities, the phenomenon of globalisation and the emergence and expansion of economic blocks. Barbados has been steadfastly preparing for the establishment of the CSME in 2004 and the increased competition the Free Trade Area of the Americas (FTAA) will bring in 2005. The reform of the telecommunications sector and the movement to cost oriented pricing is a critical element of this process.
  
4. Telecommunications has undergone significant change worldwide. Markets have seen telecommunications operators being privatised and the sector moving from a monopoly structure to one where there are multiple providers. The General Agreement on Trade in Services (GATS) signed by sixty nine countries in 1997, signaled a new era for telecommunications. This Agreement came into effect in February 1998 with signatory countries agreeing to progressively liberalise their telecommunications markets. Barbados made similar commitments in 1997 whilst acknowledging the existing licences already granted to Cable & Wireless.
  
5. The Barbados Green Paper on Telecommunications Sector Policy dated 20<sup>th</sup> December 2000 (“the Green Paper”) was approved by Government on 21<sup>st</sup> December 2000 as a representation of Government’s policy on

telecommunications. The Green Paper was also laid in Parliament on 16<sup>th</sup> February 2001. At page 58 of the Green Paper, it stated that “Affordable and competitive international calling rates are critical to Barbados in its efforts at continuing to attract international business and grow offshore business. Jurisdictions which have been able to transition their prices towards cost, thereby effecting lower international rates, are better placed to effectively compete with Barbados for the off-shore and international business. Traditionally, Governments across the world permitted the international telecommunications prices to be set high to subsidise the domestic service prices which were below cost. This arrangement is not sustainable in a competitive environment. There is now an urgent need to move the prices of telecommunications services to cost. In addition, the first phase of transition to cost based pricing must be completed before the provision of domestic line service is liberalized.”

6. With the Government’s active participation in the CSME and the FTAA, there is an urgent need for the movement towards cost oriented pricing to take place quickly to assist Barbados to become more competitive. High international rates contribute to Barbados not being as competitive as its sister countries in the Caribbean which have already achieved rate rebalancing. Domestic services which are below cost make the domestic service market unattractive for new entrants. Ultimately, the rates for the domestic and the international telecommunications services must become cost oriented.

#### *Government policy*

7. A monopoly structure exists for the provision of domestic and international telecommunications services in Barbados. In the Green

Paper at page 18, it is stated that “As part of Government’s Policy in Barbados, the international rates were allowed to be set high to subsidise the domestic rates which were set low and below costs. Maintaining below cost domestic line rates has allowed for an affordable telecommunications service to be provided to a wide cross section of the population.” The Green Paper further states at page 34 that ‘This imbalance in the international and the domestic prices is not unique to Barbados. It is not sustainable in a competitive environment and must be addressed urgently to allow prices to move to cost.’

8. The statutory instrument, the Barbados Telephone Revenue Apportionment Order 1989 was saved under section 114(3) of the Telecommunications Act 2001-36. The instrument requires the transfer of fifty-five per cent of the revenues from overseas telephone calls to the domestic provider. This revenue sharing arrangement continues to apply in relation to the amalgamated Cable & Wireless company. This revenue sharing arrangement is not cost oriented.

*Rationale and Consequence of moving to cost oriented pricing*

9. The movement to cost oriented pricing results in ‘rebalancing’. In the World Bank Regional and Sectoral Studies: Implementing Reforms in the Telecommunications Sector - Lessons from Experience, it was stated at page 730 that ”Rate rebalancing” has been defined as ”moving telecommunications service rates closer to their associated costs, as needed when an incumbent provider prepares to face competition from new entrants or when a regulator seeks to increase economic efficiency of telecommunications services (as resulted in subscription rental) and local charges that are below costs, and long distance and international charges

that are above costs”. This movement to cost oriented pricing has always been a sensitive issue for governments since price increases are generally unpopular. In addition, since consumers in Barbados have for a long time paid a flat rate for the line and made domestic calls free of charge, it is expected that any rate adjustment which results in some customers paying more for the domestic service will be viewed unfavourably.

10. It is important to point out that Cable & Wireless is not seeking additional revenue. In response to the Government’s desire to liberalise the telecommunications sector, the Company is required to move to cost oriented pricing. This will result in some rates being reduced and others being increased. There is no intention to exceed the total revenues derived from domestic and international telecommunications services in the test year.
11. Rebalancing is an industry reality. In the *InfoDev Telecommunications Regulation Handbook* edited by Hank Intven of McCarthy Tétrault, (module 4.1.2) it is stated that “Unbalanced price structures are not sustainable in a competitive environment. New competitors will generally enter those market segments where profit margins are highest, such as long distance and international calling. Incumbent operators will therefore be under pressure to reduce subsidies or risk losing customers in the more profitable market segments. Traditional unbalanced price structures are also inefficient in that higher-than -cost prices encourage uneconomic entry by high-costs operators. Lower than costs prices discourage economic entry, even by low-cost operators”.
12. The Government has agreed to achieve the liberalisation of telecommunications in three phases subject to the terms of the MOU

signed with Cable & Wireless. The Government also agreed, that there is a need to move to cost oriented pricing and remove the cross subsidy between international and domestic telephone service. In the Green Paper at page 80 it is stated that “If affordable international rates are to be achieved in Barbados, while allowing for continued network expansion and increased accessibility by consumers, it will be necessary for the domestic service to bear its cost, to ensure that it earns a margin to allow for continued investment and also to make the sector attractive for new entrants. The existence of the subsidy from international to domestic service has both social and economic impacts. It would therefore be desirable that a change in the pricing structure be phased thereby reducing the impact on consumers. It is intended that this phased change should occur during the transition to liberalisation with the achievement of cost based prices by full liberalisation”.

### *Challenges to the subsidy*

13. The domestic service is effectively subsidised by overseas callers to Barbados. Under the Federal Communications Commission 1997 Benchmark Order, Barbados’ settlement rates were unilaterally reduced from US fifty cents per minute to US nineteen cents per minute from January 2000, a reduction of sixty-two percent from its previous level. Through continued pressure by the USA Carriers, these settlement rates continue to be reduced.
14. Technological innovation and convergence have created opportunities for customers to bypass the international network through the use of IP based services. This innovation coupled with the high international rates that presently exist cause customers and entrepreneurs to offer cheap



international rates to customers through callback or other bypass methods. Whilst the Telecommunications Act prohibits by-pass, the continued detection of callback and bypass activities is sometimes challenging. These activities also, have the effect of undermining and reducing international revenues which Cable & Wireless would ordinarily have used to fund the domestic network.

15. In recognition of these threats to the subsidy to the domestic service, the Government agreed a liberalisation timetable with Cable & Wireless which permits competition in international services in Phase 3 after the movement to cost oriented pricing has been completed. In clause 6.1(d) of the MOU, Government agreed that ‘the transition to cost oriented pricing for domestic line service should be completed before the commencement of Phase 3, and to that end, prior to the introduction of incentive based regulation.’

*Consequence if rebalancing is not achieved*

16. The following is likely to occur in the event that rebalancing is not achieved before competition in the telecommunication sector:
  1. high interconnection charges
  2. the below cost domestic charge would be a barrier to entry for potential investors in the domestic market
  3. Strategic targeting of profitable areas of business such as international services (“cherry-picking”)
  4. charges for international would remain high making Barbados unattractive for inward investment particularly given that competing destinations can offer cheaper rates

5. inability of the domestic provider to upgrade, maintain and expand the domestic network.
  
17. Indeed, as stated in the Green Paper at page 77, “Unbalanced prices like those currently existing in Barbados, give distorted market signals and lead to inefficient market entry. This distortion is an important issue for users and companies which are potential new entrants, and serve as a disincentive to efficient competition. Thus the establishment of a market which shows cost orientation of tariffs before competition is introduced would be in the public interest”. (our emphasis)

Submitted by:

Donald Austin

## SCHEDULE 2

### MEMORANDUM ON FINANCIAL INFORMATION

#### *Test Year*

18. Cable & Wireless has selected a historic test period namely the financial year 2001/02 as the 'Test Year'. This is also the most recent financial year for which regulatory financial statements have been prepared. These statements are attached to this Application as Attachment 6.

#### *Revenue Requirement*

19. The Company's Revenue Requirement is made up of its total allowable costs of supplying the domestic telephone service in the Test Year including the Return on Equity allowed under the Public Utilities Board Order of 1994 of 12.14% and including known and measurable changes. The Revenue Requirement is set out in Attachment 1 and the related supplementary Attachments numbers 2 to 5.
20. Cable & Wireless is not applying for additional Revenue Requirement. In response to the Government's desire to introduce competition and in agreement with the terms of the MOU dated 16<sup>th</sup> October 2001, the Company is required to move to cost oriented pricing. This will result in some rates being reduced and others being increased.
21. Cable & Wireless' proposed rate structure will largely redistribute costs among customers based on their usage of the domestic services. There is no intention to exceed the total revenues derived from domestic and international telecommunications services in the test year.

22. It is proposed that the Total Revenue Requirement for domestic (as set out in an Attachments) of \$180.5million be met as follows:

	\$M
Domestic Service Revenues at existing rates	127.6
Revenues arising from new Domestic Service Rates	24.7
Revised Share of International Revenues (subsidy)	28.2
<b>Total Revenue Requirement</b>	<b>180.5</b>

23. This Application therefore proposes adjusted Revenues of \$24.7million, representing the Deficit on the Domestic Calling and Access Services referred to in the *Memorandum on Subsidy from the International to Domestic Telecommunications Services*. The source of these additional domestic service revenues is set out in the *Memorandum on Tariff Structure and Rate Proposals*.
24. *The General Memorandum* of this Application notes that the revenue sharing arrangement under the Statutory Instrument 54 of 1989 remains in force under Section 114(3) of the Telecommunications Act. In the MOU, it was agreed that this ratio in favour of the domestic service (presently 55%) would be reduced over time with the introduction of cost oriented pricing.

This Application therefore introduces the two phases of this reduction. It was also agreed at clause 6(1) of the MOU “that the transition to cost oriented pricing for domestic line service should be completed before the commencement of Phase 3, and, to that end, prior to the introduction of incentive based regulation”.

Submitted by

Gordon Cochrane

## SCHEDULE 3

### MEMORANDUM ON SERVICE PROFITABILITY MODEL

#### *Introduction*

25. Cable & Wireless has developed a disaggregated model of the finances of C&W services for the financial year 2001/02. The model has been reviewed by the international accounting firm, PriceWaterhouseCoopers (PWC), which has determined that the model is suitable for the Barbados environment and is capable of providing the quantum of the cross-subsidy between international and domestic services. The model is therefore capable of supporting the process of moving to cost oriented pricing.
26. The cost model has been populated with financial information based on the financial records of the four former entities which now comprise Cable and Wireless (Barbados) Limited for the financial year ended March 31, 2002.

#### *Methodology*

27. The service profitability model used by Cable & Wireless is a fully allocated, historic cost accounting convention, disaggregated service profitability model. These models are more often described as 'fully allocated' or 'fully distributed cost' models (FAC/FDC). Under FAC, the inputs and outputs of the approach are directly sourced from the financial statements of the Cable & Wireless operations, providing credibility and ease of understanding. The numbers used are factual and Barbados-specific and, as such, are largely devoid of much of the subjectivity which is often prevalent in models employing alternative costing methodologies.

### *FAC Methodology versus Alternative Methodologies*

28. Cable & Wireless has selected the FAC approach in preference to a number of alternative costing methodologies which exist in the field of telecommunications regulation. Alternative approaches include forward-looking current cost convention or incremental costing methodologies.
29. There are a number of reasons why Cable & Wireless has adopted the FAC approach, the most significant being:
  - Objectivity
30. Wherever possible, the process of accounting separation adopts objective, and often empirically measured, bases of cost attribution. Consequently, the fully allocated methodology can, to a large extent, be regarded as objective. Alternative methodologies such as the two described above, while also requiring accounting separation to be undertaken, invariably involve a greater degree of subjective judgement which, in turn, often further convolutes and prolongs what can already be a complex process.
  - Pragmatism
31. The FAC approach adopted uses accounting separation to derive the implied costs and profitability of the various products and services offered by Cable & Wireless. The use of accounting separation is also a requirement of the alternative costing methodologies and is arguably already a complex process. The additional valuation processes and economic modeling requirements of the alternative methodologies add to the degree of complexity and can be extremely resource intensive and time consuming.

- Proportionality
32. It is an essential feature of good financial regulation that the costs of regulatory compliance should be proportionate to the scale of operations of the organisation subject to regulation and the market within which it operates. If the costs of compliance exceed the anticipated benefits of such regulation, then the adopted regulatory costing methodology may not ultimately be in the best interests of the customers. The costs of both of the alternative methodologies are unlikely to reduce in proportion to the scale of operations of Cable & Wireless.
33. In short, the adoption of FAC on a historic cost convention is often viewed as a pragmatic, cost effective and largely objective approach.

#### *Outputs of the Model*

34. The outputs of the modeling exercise undertaken by Cable & Wireless include:
- a) Disaggregated profit and loss accounts for retail services, and thereby
  - b) The quantum of cross-subsidy between such services.
  - c) The basis for wholesale interconnection pricing.
  - d) Unit cost calculations
35. The cost attribution modelling undertaken delivers output in the form of a disaggregated profit and loss account for all core retail PSTN services in Barbados. In the exercise, the model also disaggregates network costs from those associated with retail service provision, thereby facilitating the model's use for the establishment of wholesale interconnection pricing.



36. With regard to international and domestic service provisioning and the existing price structures, the model indicates that while international services are profitable, domestic services are loss making. Such results are indicative of a substantial degree of cross-subsidy between services which would be unsustainable in a liberalised competitive market.
  
37. The outputs have been addressed in the rate proposals under the *Memorandum on Tariff Structure and Rate Proposals*, so that domestic service deficits are progressively reduced.

Submitted by:

David Vrancken

## SCHEDULE 4

### MEMORANDUM ON SUBSIDY FROM INTERNATIONAL TO DOMESTIC TELECOMMUNICATIONS SERVICE

38. In the Green Paper, it was stated at page 18, “As part of Government’s policy in Barbados, the international rates were allowed to be set high to subsidise the domestic rates which were set low and below costs. Maintaining below cost domestic line rates has allowed for an affordable telecommunications service to be provided to a wide cross section of the population. This approach has allowed for fulfillment of Government’s Universal Service policy”. It was further stated at page 34 that “This imbalance in the international and the domestic prices is not unique to Barbados. It is not sustainable in a competitive environment and must be addressed urgently to allow prices to move to cost.”(our emphasis)
- 39 The Government of Barbados, through Statutory Instrument 54 of 1989 established the current revenue sharing arrangement of 55:45 between the domestic and international services. The resultant revenue transfer to domestic service implied by the ratio is not reflective of the underlying costs of domestic service provision and is not cost oriented. The quantum of this transfer to the domestic service would differ from what it would otherwise be if the transfer were a commercially determined fee based on cost. Ongoing development of the domestic network could not be financed if the domestic business did not receive some form of cross-subsidy to compensate for the domestic service being priced below cost. Sustainable competition cannot be achieved if significant cross-subsidies continue to exist. In Schedule 6 of the MOU, it is stated that “the explicit objective of the interim mechanism and a requirement for Regulator’s approval of the rate application for phased price changes, will be the

removal of the cross subsidy between international and domestic telephone services”.

40. With the advent of competition, if rates are not cost-oriented before the international services are liberalized and cross subsidies between services remain, new market entrants will strategically target (i.e. “cherry pick”) those areas of business which generate profits whilst not serving customers to whom Cable & Wireless provides products and services on a deficit basis. In the relatively short-term, such new market entrants will be in a position to undercut the profitable services provided by Cable & Wireless, thereby diminishing the ability of Cable & Wireless to cross-subsidize loss-making domestic services. If rate rebalancing is not undertaken, losses will result for Cable & Wireless, specifically in the area of domestic calling. This situation will not be sustainable and will have a negative impact on Cable & Wireless’ ability to upgrade, maintain and expand the domestic network.

### *The Deficit*

41. The derivation of deficits is based on the fully allocated cost model. The degree of deficit applicable to domestic calling services is equal to the excess of the cost of providing the services over their revenue. The calculations take into account the average routing factors for calls passing through the various network elements in order that such network costs can be appropriately attributed to different types of fixed line network calling.

42. The model also demonstrates that access network costs exceed the annual revenues derived from the provision of this service. The access network in this context is defined as that part of the public switched telephony network (PSTN) from the line card in the central office or 'remote' to the network interface device (NID) in the customer's premises. Such a definition is standard within the telecommunications industry. The Access network comprises line cards, poles, duct, cabling, distribution cabinets, capitalised installation labour, and all other net assets employed in connecting a customer to the core switching and transmission network.
43. The costs are the annual operating costs and shared overheads incurred in provision of this part of the network, together with depreciation of the constituent assets and a requisite return on the average rate base during the test year.
44. Applicable revenues off-setting such costs are those derived from line rental, installation and re-connection charges arising in the same test year. It must be emphasised that the access network and its related costs of provision do not include customer premises equipment (CPE) which commonly comprises internal wiring, handsets or other PSTN terminating equipment. This is consistent with demarcation to the NID and the pending liberalisation of CPE and internal wiring.
45. The cost model has demonstrated that the deficits from domestic calling and access services to be eliminated by this rate application amount to \$24.7 million.

Submitted by:

David Vrancken

## SCHEDULE 5

### MEMORANDUM ON NETWORK

#### *Introduction*

46. This Memorandum addresses the implications for the network that the present flat rate, unlimited calling environment creates. It sets out the strategies policies and procedures used by Cable & Wireless's engineers to plan and develop the network for the delivery of reliable and advanced telecommunications services to the consumers of Barbados. It also addresses the impact which the present flat rate charging system has on the network design and hence on the Company's ability to deliver its services in the most cost efficient manner.

#### *Network Deployment*

47. A telecommunications network may be broken down into three main categories; External Plant, Switching and Transmission. The external plant network connects the telephone instrument in the customer's home to the line card in the exchange and is provisioned one cable pair for each customer. This part of the network is not usage sensitive as the facilities are dedicated to the customer whether the phone is in use or not.
48. The switching network interprets the dialed digits from the customer's phone and sets up a connection to another customer on the same exchange or to a trunk in another exchange where the customer is served. The line card is the only part of the switching network that is not usage sensitive. All other parts are dependant on usage and are designed to meet the average usage of all customers.

49. The transmission network connects exchanges together to facilitate calls across multiple exchanges. The design of the transmission network is totally dependant on the minutes of usage that traverses the link.
50. The traditional Public Switched Telephone Network (PSTN) is planned, engineered and expanded based on customer growth projections and the average consumption of network resources per customer. This allows a telephone company to provision the fewest number of trunks, internal links and switching elements to efficiently meet the needs of the users.
51. All telephone switch manufacturers use statistical models to efficiently match the number of simultaneous calls to a much larger number of physical line terminations. This is referred to as “concentration” and the ratio of line circuits to switch channels is called the “concentration ratio”. The theory applied is that since not all the phones are being used at the same time, fewer trunks than lines are needed.
52. The network must be capable of carrying the busy hour traffic. To facilitate the design of the network the busy hour traffic is determined for each usage sensitive network resource. Busy hour traffic is measured in CCS (Centum Call Seconds, 1 CCS = 100 seconds) and statistical models are used to determine the amount of the resource required.
53. The busy hour is determined by examining the hourly traffic collected for an entire year. The average of the ten busiest hours over ten different days for each trunk route and internal link is then used to determine the equipment resources needed. The Barbados network is expanded based on the number of trunks that would satisfy the probability of ‘blocking’

one call in every 100 i.e. 1%. 'Blocking' means that the calls cannot be terminated owing to insufficient inter-exchange trunk circuits or switching capacity.

### *Network Congestion*

54. Presently calling patterns in Barbados are extraordinary, with consumers placing unusually heavy demands on the network causing significant periods of heavy use and blocked call attempts. Network congestion is aggravated when internet dial-up users remain online for extended periods of time.
55. Today the Barbados network is engineered for traffic loads of up to 10 CCS per line, that is to say 1000 seconds of usage in the busy hour compared with the industry average of 3CCS (300 secs) per line. Equipment manufacturers, including Nortel Networks, have optimised their switches to serve traffic levels in the range of 2 CCS to 6 CCS per line efficiently. It is therefore no surprise that the switches in Barbados cannot be operated at optimum design levels. This contributes to the unusually high level of capital expenditure required to deliver basic services and hence, the increasing operating cost of the Company.
56. In almost every telephone company in the world the busy hour occurs in the morning i.e. business customers generate the calls. However in Barbados the busy hour is 7:00 p.m to 8:00 p.m and is driven by the long holding times of our residential customers. These holding times are more than three times industry averages. The long holding times associated with internet calls which averages 27 minutes compared with 5 minutes for a voice call, also contribute to the above-average usage patterns.

57. Over the past three years, Cable & Wireless has implemented measures to reduce the impact of high internet usage by identifying internet dial traffic at source and routing it to the data network away from the voice network. This has resulted in an average 12% reduction in traffic on the inter-exchange trunks. However it has made no impact on the resource requirements in the exchange serving the dial-up customer. The high internet usage and the resources required to support it still have to be provisioned in the serving exchange.
58. Increased traffic (CCS/Line) increases the likelihood of congestion. Congestion, which usually manifests itself as a busy signal or “all circuits busy” announcement, occurs when a call cannot find a free path through the switch and can take place:
- a) On trunks, which are facilities between the local originating switch and the terminating switch, and
  - b) Within the exchange itself, which are facilities used to connect one line module of the exchange to another line module.
59. Usage levels directly drive several investments in the exchange. These investments are referred to as usage sensitive. The result is that higher usage levels require higher investment in the usage sensitive components.
60. Specifically for the two causes of congestion mentioned above:



Trunk Congestion: - invest in more trunks on the congested routes.

This requires the addition of trunk terminations on the two affected switches, additional switching matrix in each exchange as well as the additional transmission capacity between the exchanges.

61. Internal Switch Congestion: - invest in more intra-switch channels (lower the concentration ratio) or in worst case scenarios sub-equip the line modules. Sub-equipping line modules have been a common practice in Barbados as the maximum number of intra-links available is still not sufficient to carry the traffic offered. This is more acute in remotes where the intra-links are 24 channels instead of 30 in a host environment. Typical small remotes designed for 640 lines will be sub-equipped to as low as 480 lines while larger remotes design for 5720 lines are sub-equipped to as low as 1800 lines.

62. The Table below shows the traffic limits resulting from the high calling rates on our Remote Switching Centres. According to manufacturer's specifications these units can support up to 5760 lines.

<b>Remote</b>	<b>Traffic Limit</b>
Silver Sands	1853
Deacons	1655
Porey Spring	1585
West Terrace 1	1079
West Terrace 2	1383
St. Lucy	1571
Kensington 1	2094
Kensington 2	1982
Garrison	2324

63. In all cases higher usage levels require higher capital investments with some solutions to traffic problems being very costly. For example in 1998, Cable & Wireless BARTEL Limited spent \$1.2 Million to solve a traffic congestion problem on our West Terrace remote. This investment did not increase the line capacity of the remote and earned no additional revenue. Today both of these remotes are again experiencing congestion and measures are being investigated to mitigate.
64. In many other cases the Company is unable to provide service to new customers because remotes cannot be provisioned to optimum levels. There are currently 58 applications for services on the Boscobelle remote, 52 on the St. Lucy Remote and 27 on the University of the West Indies remote that cannot be satisfied because of this problem.

*Impact of the Flat Rate System on the network engineering*

65. The generally higher customer usage profile in Barbados can be explained by cultural differences and the flat rate charging system that exists. Heavy usage of the telephone network restricts the capacity of switching equipment to service subscribers. This can lead to a decrease in the quality of service and cause the Company to invest in more equipment than would otherwise be necessary to satisfy the similar demand in other telephone companies. Consumers in Barbados believe that usage of the network is virtually free of cost. There are however two types of costs that should be considered, namely usage based costs and fixed access cost.

66. "Usage based" costs will vary with the actual use of the network and includes the costs of network resources mentioned earlier.

67. "Fixed access" costs incorporate the cost of network infrastructure that is dedicated to an individual customer. These costs are incurred through investments in the external network and the line circuit in the exchange.



68. A major consideration in the design of the telecommunications network in Barbados has been the very high traffic levels brought about by the flat rate charging system employed. The higher than normal usage resulting from this system has caused the Company to:

- Add additional transmission facilities to support additional inter-exchange trunks
- Add additional trunk terminations in all exchanges
- Deload remote switching units to levels which in many cases are uneconomical
- Add additional remote switching units to relieve congested ones.
- Contract an overlay data network whose primary purpose was to relieve the voice network of internet dial-up traffic.

69. All of these have resulted in scarce capital being diverted away from urgent needs in our external plant network which continues to receive less than its fair share of our investment dollar and also reduces the Company's ability to provide more advanced services.

## *Conclusion*

70. Any changes in the charging system which reduces the high traffic on the network, will free up resources for deployment in other areas that will reap greater benefits to the Company, the economy of Barbados and hence to all Barbadians. The diversion of capital has had a significant impact on the Company's plans to transition the network to an Internet Protocol (IP) based network and to take advantage of the further cost efficiencies inherent with this technology. The Company is also unable to offer next generation IP based services to its customers leading to the attractiveness of Barbados being eroded as the Company falls behind in its use of modern technologies.

Submitted by:

Edwin Layne

## SCHEDULE 6

### MEMORANDUM ON TARIFF STRUCTURE AND RATE PROPOSALS

#### *Introduction*

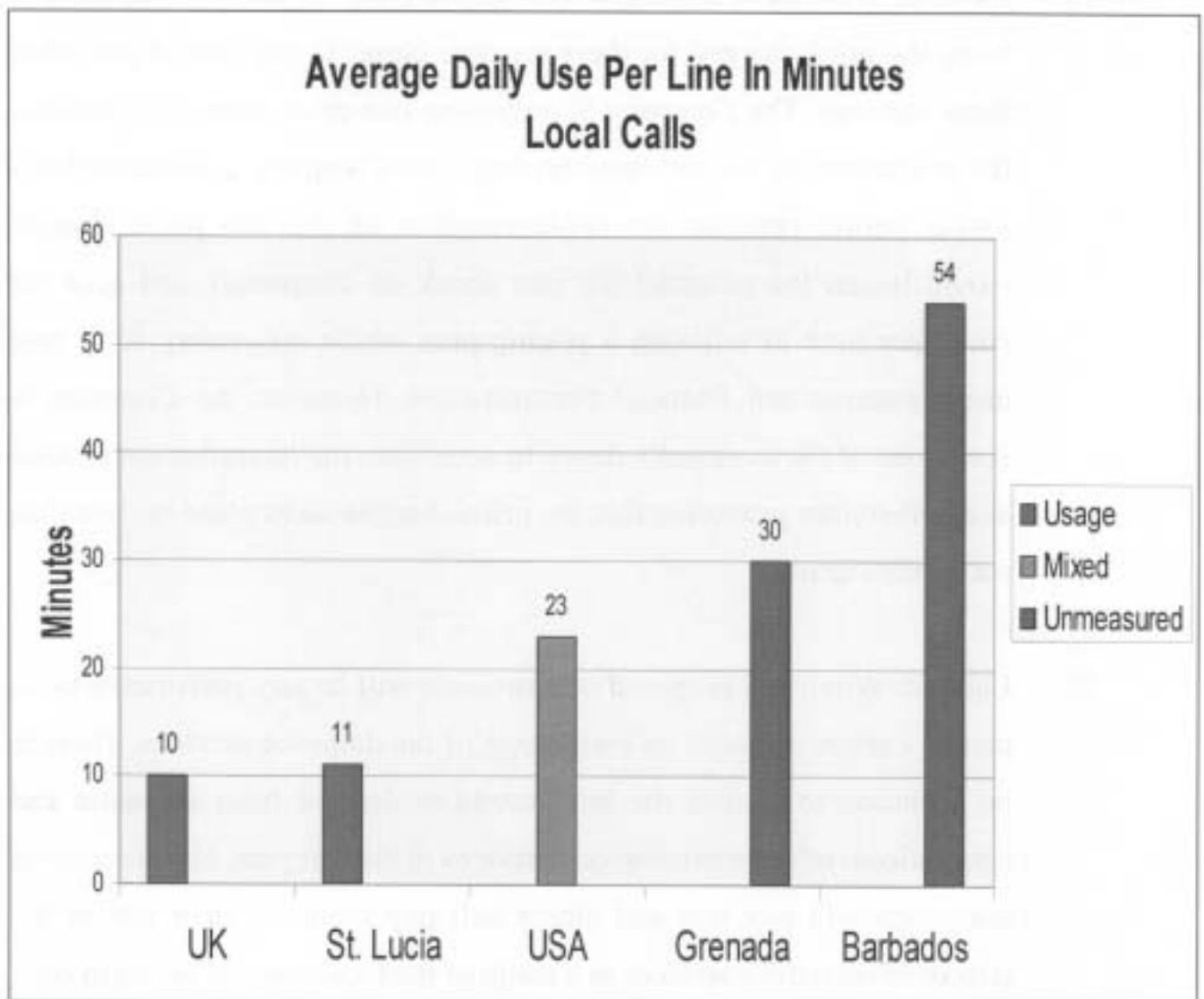
71. Cable & Wireless is seeking to change the price of fixed line services to bring the price charged for these services closer to the cost of providing these services. The Company is proposing two price changes to achieve the movement to cost oriented pricing. The Company is mindful that a longer period between the implementation of the two price changes would lessen the potential for rate shock on consumers and give the consumer time to settle on a pricing plan which reasonably suits their usage patterns and financial circumstances. However, the Company is conscious of Government's desire to accelerate the liberalisation process and is therefore proposing that the price changes takes place no less than six months apart.
72. Cable & Wireless's proposed rate structure will largely redistribute costs among customers based on their usage of the domestic services. There is no intention to exceed the total revenues derived from domestic and international telecommunications services in the test year. However some customers will pay less and others will pay more for their use of the telecommunications services as a result of the movement of prices to cost.

#### *Description of present situation*

73. Presently, consumers in Barbados only pay a rental for the domestic line. All local calls made are free. This has resulted in extraordinary usage by some consumers who place unusually heavy demands on the network

causing periods of congestion and failed call attempts. In 2000, the average residential customer used the telephone for 54 minutes per day compared to 23 minutes per day for an average customer in the USA. (See Chart 1 below).

Chart 1



### *Social considerations*

74. Owing to the long existence of a flat rate in Barbados, customers have grown accustomed to heavy usage of the telephone. Whilst consumers pay for electricity, water and mobile telephone services on a usage basis, some consumers have been openly opposed to the introduction of usage based charges for the domestic phone service. The Company is mindful of the sensitivities and perceptions about usage based prices for telephone service and has therefore developed pricing plans which provide choice to all customers. Usage based pricing assists in customers controlling their spend on telecommunications services. Choice is an important consideration.

### *Rate structure*

75. The proposed rate structure has been developed for Business and Residential domestic service taking the cost of service into consideration in an effort to move prices closer to cost orientation. The rate structure provides customers with a choice of three plans, which are designed to meet various usage profiles.
76. In the event that the Commission accepts Cable & Wireless' proposals set out in this Memorandum, Cable & Wireless will adjust the international direct dialed (IDD) rates to all destinations below the existing maximum rates pursuant to the Utilities Regulation Act. The adjustment made to the international telecommunications rates will depend on the domestic rates approved by the Commission. The adjusted international rates are

expected to take effect from the date when the new domestic line rates, flat rate charging plans and usage based rates come into effect.

77. Implementation of usage based plans is preferred over a straight increase in the existing line charge, which would merely perpetuate the existing imbalance in the sharing of the costs between consumers. This would mean that customers who are low users and those who are high users will both pay the same rates and will therefore have no choice. This form of charging is unfair to the low users since the rate adjustment would have to be pegged to accommodate the usage profiles of the high users.
78. Where customers are allowed to select a pricing plan that reasonably suits their usage patterns and financial circumstances, a customer who does not make heavy use of the network and who selects the low usage plan may ultimately benefit from a reduced rate or experience no price increase. Heavy users of the network are likely to pay more for their use of the network unless they modify their usage patterns and then select the appropriate package.

#### *Proposed Domestic Calling Rates*

79. Table 1 sets out the proposed charges for monthly call usage to be combined with the charge for line access. These charges apply to domestic and business lines alike.
80. The unlimited plan does not have a specific bundle of FTF minutes, but allows the customer to call for the month without a limitation on the number of minutes for the month. Where a customer in a given month exceeds the level of bundled FTF minutes in their chosen plan, a per



minute rate of \$0.017 is applied only to those excess minutes used. Unused minutes within a bundle will not be carried over to the subsequent month and will expire at the end of a billing period. Additionally minutes within a bundle cannot be shared across multiple lines.

81. The unlimited minute plan allows residential or business customer to have an unlimited number of minutes for the proposed flat rate.

<b>Table 1</b>			
<b>Proposed Domestic Calling Rates (VAT exclusive) PHASE 1</b>			
	<b>Plan 1</b>	<b>Plan 2</b>	<b>Plan 3</b>
	<b>Monthly rate</b>	<b>Monthly rate</b>	<b>Monthly rate</b>
Monthly Bundled FTF minutes rate	\$0.00 (Included in line rental)	\$10.00	\$20.00
Number of monthly bundled FTF minutes	2000	4000	Unlimited
	\$0.017 per minute for minutes in excess of bundled FTF minutes used in a month.		No additional charge for any FTF minutes used

82. Plan 1 is already included in the monthly line rental, but unlike the existing arrangements there will not be unlimited free calling. However, there will be 2000 FTF minutes allocated to the customer at no additional charge. In Phase 1 for example, for Residential customers, (see Table 2 below) this would result in a charge of \$28 for the Monthly Line Access, plus 2000 bundled FTF minutes per month. For an additional charge of \$10.00 to the proposed line access rental a customer can obtain Plan 2 with 4000 bundled FTF minutes.

Unlimited calling can be obtained for an additional \$20.00.

<b>Table 2</b>			
<b>Proposed Domestic Calling Rates (VAT exclusive) PHASE 1</b>			
	<b>Plan 1</b>	<b>Plan 2</b>	<b>Plan 3</b>
	<b>Monthly rate</b>	<b>Monthly rate</b>	<b>Monthly rate</b>
Monthly Residential Line access rental charge	\$28.00	\$28.00	\$28.00
Monthly Bundled FTF minutes rate	\$0.00	\$10.00	\$20.00
Number of monthly bundled FTF minutes	2000	4000	Unlimited
<b>Total Monthly charge</b>	<b>\$28.00</b>	<b>\$38.00</b>	<b>\$48.00</b>
	\$0.017 per minute for minutes in excess of bundled FTF minutes used in a month.		No additional charge for any FTF minutes used

83. Based on the present usage profiles of customers, about 74.6% of residential and business customers are best suited to Plan 1. This would mean that these customers would continue to pay the same rate of BDS\$28 for line rental charge in Phase 1.

<b>Level of usage (fixed to fixed)</b>	<b>Percentage of customer base</b>	<b>Plans</b>	<b>Percentage of customers on plan</b>
2000 minutes and less	67.0%	2000 Minute plan	74.6%
4000 minutes and less	20.9%	4000 Minute plan	16.0%
In excess of 4000	12.1%	Unlimited	9.4%

84. Assuming that customers select a plan based on their current usage and do not change their usage profile, then 67.0% of Residential customers would not see an increase in the monthly line rental or additional call usage charges in Phase 1.

#### Domestic Access/ Line Rental - Residential

85. The price of residential line rentals will remain at \$28 in Phase 1, but will be increased to \$32 in Phase 2 to reflect the cost of these services. It is proposed that Residential domestic line rental rates be adjusted as follows.

<b>Table 4</b>			
<b>Existing and proposed Domestic Access Line Rental – Residential Rates</b>			
<b>Line rental</b>	<b>Existing Rates</b>	<b>Proposed Rates Phase 1</b>	<b>Proposed Rates Phase 2</b>
Residential single line	\$28.00	\$28.00	\$32.00
Monthly Bundled FTF Minutes	Unlimited	2000 Minutes	2000 Minutes

86. Customers will no longer get unlimited FTF calling as part of the monthly line rental, but will now receive 2000 bundled minutes. Alternatively customers can choose to take a bundle of 4000 FTF minutes for an additional monthly fee of \$10 or Unlimited FTF for an additional fee of \$20.

#### SmartChoice

87. The existing charge of the SmartChoice product incorporates the existing line rental of \$28.00. As a consequence of the changes proposed above for the residential domestic calling rate and line rental, the SmartChoice package rates will change, as shown below in Table 5

<b>Table 5</b>			
<b>Existing and Proposed SmartChoice Plan Rates</b>			
<b>SmartChoice Plans</b>	<b>Existing Rates</b>	<b>Proposed Rates Phase 1</b>	<b>Proposed Rates Phase 2</b>
Plan A	\$49.50	\$49.50	\$53.50
Plan B	\$58.50	\$58.50	\$62.50
Plan C	\$67.50	\$67.50	\$71.50
Monthly Bundled FTF Minutes	Unlimited	2000 Minutes	2000 Minutes

88. The SmartChoice Plans incorporate the line rental, which in the first Phase change is proposed to remain at \$28.00. The rates for the plans will therefore not change in the first phase price change. The rates will be increased in the phase 2 rate changes to incorporate the increased line rental.
89. Customers will no longer get unlimited FTF calling as part of the monthly SmartChoice rental, but will now receive 2000 bundled minutes. Alternatively customers can choose to take a bundle of 4000 FTF minutes for an additional monthly fee of \$10 or Unlimited FTF for an additional fee of \$20.

Domestic Access/ Line Rental - Business

90. The proposal is to adjust and simplify the price of business line rentals as shown in Table 6 below. This change will affect customers who have business lines, PABX/ Key Systems, and Centrex.

Further we propose to simplify the charges for a business line rental and adjusted rates as follows.

<b>Table 6</b>			
<b>Existing and proposed Domestic Business Rates</b>			
<b>Line rental</b>	<b>Existing Rates</b>	<b>Proposed Rates Phase 1</b>	<b>Proposed Rates Phase 2</b>
Business single line	\$81.75	\$120.00	\$120.00
PABX/Key System line	\$101.25	\$150.00	\$150.00
Comnet 1 Band 1	\$90.00	\$90.00	\$90.00
Comnet 1 Band 2	\$84.25	\$90.00	\$90.00
Comnet Band 1	\$73.25	\$90.00	\$90.00
Comnet Band 2	\$61.75	\$90.00	\$90.00
Comnet Band 3	\$50.50	\$90.00	\$90.00
Comnet Band 4	\$45.00	\$90.00	\$90.00
Comnet Band 1 (Stepping)	\$92.75	\$90.00	\$90.00
Comnet Band 2 (Stepping)	\$81.25	\$90.00	\$90.00
Comnet Band 3 (Stepping)	\$70.00	\$90.00	\$90.00
Comnet Band 4 (Stepping)	\$64.50	\$90.00	\$90.00
Monthly Bundled FTF Minutes	Unlimited	2000 Minutes	2000 Minutes

91. Customers will no longer get unlimited FTF calling as part of the monthly line rental, but will now receive 2000 bundled minutes. Alternatively customers can choose to take a bundle of 4000 FTF minutes for an additional monthly fee of \$10 or Unlimited FTF for an additional fee of \$20.
92. The Commission is therefore requested to approve both the Phase 1 and Phase 2 rates with the provision that the Company can apply for an adjustment of the Phase 2 rates if necessary, depending on the take up of the Phase 1 pricing plans by the customers.

### *Implementation Timelines*

93. It is proposed that the Phase 1 rates take effect from 1<sup>st</sup> October 2003. Cable & Wireless will then assess the take up of the various pricing plans by customers to determine if the proposals for Phase 2 require any adjustment. It is proposed that the Phase 2 rates take effect from 1<sup>st</sup> April 2004.
  
94. Whilst it is proposed that the Phase 1 rates take effect from 1<sup>st</sup> October 2003, it is suggested that customers are given thirty days notice between the date of the announcement and the date when the new rates become effective. The Company intends to have a comprehensive communications programme to support the implementation.

### *Financial Impact of Proposed Rate Changes and Assumptions*

95. The proposal seeks to recover the deficits from domestic calling and line access of \$24.7 million over two Phases. \$20.3 million will be recovered in Phase 1 and a further \$4.4 million in phase 2. See Table 7 below:

**Table 7**

	<b>Actual Revenue 2001/2002 \$M</b>	<b>Proposed Phase 1 Revenue 2001/2002 \$M</b>	<b>Proposed Phase 2 Revenue 2001/2003 \$M</b>	<b>Additional Revenue Phase 1 \$M</b>	<b>Additional Revenue Phase 2 \$M</b>
Line Rentals	59.0	75.2	79.6	16.2	20.6
Domestic Call Bundled Minute Plans		3.00	3.0	3.0	3.00
Domestic Call Usage Outside Plans 1.7c per minute		1.1	1.1	1.1	1.1
<b>Total</b>	<b>59.0</b>	<b>79.3</b>	<b>83.7</b>	<b>20.3</b>	<b>24.7</b>

C&W proposes to achieve rebalancing with the appropriate adjustment made on the International Voice rates.

Prepared by:

Chris Carpenter



## ATTACHMENT 1

## CABLE AND WIRELESS (BARBADOS) LTD.

RESULTS OF CWBARTEL  
REVENUE REQUIREMENT COMPUTATION  
FOR THE TEST YEAR APRIL 1, 2001 TO MARCH 31, 2002

EXPRESSED IN \$'000S

		2001/02 ACTUALS	KNOWN AND MEASURABLE	ADJUSTED 2001/02
<b>TOTAL ALLOWABLE COSTS</b>	<b>Reference Schedule</b>			
OPERATING AND MAINTENANCE EXPENSES	2	102,282		102,282
DEPRECIATION ON REGULATORY BASIS		30,067		30,067
DEPRECIATION RESERVE ADJUSTMENT		609		609
TAXES	3	15,060		15,060
OPERATING REVENUE DEDUCTIONS		148,018	-	148,018
INTEREST AND FINANCING CHARGES	4	6,412		6,412
LONG-TERM LOANS				-
INTEREST ON OVERDRAFT				-
INTEREST OTHER				-
INTEREST EARNED		(699)		(699)
DEFERRED FINANCE CHARGES		198		198
TOTAL		5,911	-	5,911
LOSS ON DISPOSAL OF FIXED ASSETS		1,214		1,214
SHARE OF (GAIN)/LOSS OF ASSOCIATED COMPANY				-
(GAIN)/LOSS ON EXCHANGE		(62)		(62)
TOTAL (GAINS)/LOSSES		1,152		1,152
SALARY INCREASES			944	944
<b>TOTAL ALLOWABLE COSTS</b>		<b>155,081</b>		<b>156,025</b>
RETURN ON EQUITY @ 12.14%	5	25,404		25,404
REVENUE REQUIREMENT		180,485		181,429
<b>REVENUE RECOVERY</b>				
REVENUE REQUIREMENT		180,485		181,429
<b>SOURCES</b>				
NATIONAL TELEPHONE REVENUES		(127,573)		(127,573)
SHORTFALL		52,912		53,856
<b>REVENUES FROM NEW RATES</b>				
ADDITIONAL DOMESTIC REVENUES ( See Table 7 of the Application)		(24,463)		(24,463)
REVENUE TO BE RECOVERED THROUGH REVISED REVENUE SHARING ARRANGEMENT		28,449		29,393

## ATTACHMENT 2

CABLE AND WIRELESS (BARBADOS) LTD.  
 OPERATING AND MAINTENANCE EXPENSES  
 FOR THE TEST YEAR APRIL 1, 2001 TO MARCH 31, 2002

EXPRESSED IN \$'000S

ACCOUNT CATEGORY	
Repairs of Outside Plant	8,527
Repairs of Test Desk	3,274
Repairs of Central Office	9,404
Repairs of Station Equipment	17,801
Repairs of Buildings & Grounds	2,123
Maintenance of Transmission Power	2,938
<b>Total Maintenance Expenses</b>	<b>44,067</b>
General Traffic Supervision	186
Operator Wages	2,099
<b>Total Traffic Expenses</b>	<b>2,285</b>
Advertising, Marketing & Promotion	10,492
Local Commercial Operations	7,573
Directory Expenses	3,220
<b>Total Commercial Expense</b>	<b>21,285</b>
Executive Department	4,090
Accounting Department	12,848
Law Department	65
Other General Office Expenses	5,692
<b>Total General Office Expenses</b>	<b>22,695</b>
Insurance	232
Operating Rents	2,604
National Insurance	2,195
Relief & Pension	2,921
Government License Fee	750
PUB/ FTC Expenses	180
Rate Case Expenses	120
Other Expenses	1,294
<b>Total Other Expenses</b>	<b>10,296</b>
Property Taxes	670
Bad Debts	984
<b>Total Other Operating Expenses</b>	<b>1,654</b>
<b>Total Operating Expenditure :</b>	<b>102,282</b>

## ATTACHMENT 3

CABLE & WIRELESS BARTEL LIMITED  
 CORPORATION TAX COMPUTATION  
 FOR THE TEST YEAR APRIL 1, 2001 TO MARCH 31, 2002

EXPRESSED IN \$'000S

CATEGORY	
PROFIT BEFORE TAXATION	46,937
ADD: Depreciation	33,044
Increase in employee benefit provision	54
Loss on disposal of property, plant & equipment	144
Balancing charge	266
Sub-total	80,445
LESS: Capital allowances	
-Initial	6,589
-Annual	28,256
Balancing allowance	377
Commercial building allowance	971
Share of profit of associated company	3,992
Preference dividends paid	33
Decrease in bad debt provision	64
Sub-total	40,282
ADJUSTED PROFIT/ (LOSS)	40,163
TAXABLE INCOME	40,163
CORPORATION TAX RATE	37.5%
CORPORATION TAX PAYABLE	15,060

**ATTACHMENT 4**

**CABLE & WIRELESS BARTEL LIMITED  
SUMMARY OF INTEREST ON FUNDED DEBT  
FOR THE TEST YEAR APRIL 1, 2001 TO MARCH 31, 2002**

**EXPRESSED IN \$'000S**

FACILITY	INTEREST RATE	\$'000s
BANK OF NOVA SCOTIA -US\$ 10M LOAN	6.99%	981
FIRST CARIBBEAN INTERNATIONAL BANK (FORMERLY BARCLAYS BANK PLC) -CARIFA 936 Refinance	6.98%	1,705
-US\$ 10M LOAN	7.53%	867
THE MUTUAL BANK	7.75%	76
SUB-TOTAL		3,629
OVERDRAFT -RBC	9.75%	12
SUB-TOTAL		12
GUARANTEE FEES		27
INTEREST ON INTERCOMPANY ACCOUNT	14.50%	2,744
SUB-TOTAL - INTEREST OTHER		2,771
TOTAL INTEREST AND GUARANTEE FEES		6,412

ATTACHMENT 5

CABLE & WIRELESS BARTEL LIMITED  
ALLOWABLE RETURN ON EQUITY  
FOR THE TEST YEAR APRIL 1, 2001 TO MARCH 31, 2002

EXPRESSED IN \$'000S

EQUITY & RETAINED EARNINGS	
Opening Balance	200,516
Deduct: Preferred Shares	630
Deduct: Revaluation on Land	905
Adjusted Opening Balance	198,981
Closing Balance	221,072
Deduct: Preferred Shares	630
Deduct: Revaluation on Land	905
Adjusted Closing Balance	219,537
PUB EQUITY - CLOSING (1993 METHODOLOGY)	219,537
PUB EQUITY - OPENING (1993 METHODOLOGY)	198,981
AVG. PUB EQUITY (1993 METHODOLOGY)	209,259
RATE OF RETURN ON EQUITY	12.14%
<b>ALLOWABLE RETURN ON EQUITY</b>	<b>25,404</b>



**CABLE & WIRELESS**

**CABLE & WIRELESS BARTEL LIMITED**

**FINANCIAL STATEMENTS  
(FOR REGULATORY REPORTING)  
FOR THE YEAR ENDED  
MARCH 31, 2002  
(UNAUDITED)**

**ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
Statement of Income & Retained Earnings  
For the year ended 31st March 2002  
With restated comparatives for the year ended 31<sup>st</sup> March 2001

	Notes	31st March 2002 \$000's	31st March 2001 Restated \$000's
Revenue	4	184,264	174,867
Operating Expenditure	5	<u>(133,094)</u>	<u>(148,075)</u>
Operating Profit		51,170	26,792
Other Revenue/(Losses)	6	<u>(515)</u>	<u>(1,070)</u>
Profit Before Interest		50,655	25,722
Interest		<u>(6,412)</u>	<u>(8,336)</u>
Profit Before taxation		44,243	17,386
Taxation		<u>(15,060)</u>	<u>(4,935)</u>
Profit After Taxation		29,183	12,451
Dividends			
- on preference shares		(33)	(33)
- on common shares		<u>(8,594)</u>	<u>(8,150)</u>
<b>Retained earnings for the period</b>		<u>20,556</u>	<u>4,268</u>
<b>Retained earnings at beginning of period</b>		181,520	165,925
Prior period adjustment - curtailment adjustment on employee benefits		(4,980)	-
Prior period adjustment - impact of adopting IAS 10 (revised)		-	5,779
Taxation over provided		<u>-</u>	<u>568</u>
<b>Retained earnings at beginning of period - restated</b>		176,540	172,272
Retained earnings for the period		<u>20,556</u>	<u>4,268</u>
<b>Retained earnings at end of period</b>		<u>197,096</u>	<u>176,540</u>

The accompanying notes form an integral part of these financial statements.

**ATTACHMENT 6****Cable & Wireless BARTEL Limited  
Balance Sheet  
As at 31st March 2002  
With restated comparatives as at 31<sup>st</sup> March 2001**

	Notes	31st March 2002 \$000's	31st March 2001 Restated \$000's
<b>ASSETS EMPLOYED</b>			
Property, plant and equipment	8	340,575	324,567
Investment in associated company	7	4,444	4,444
Deferred charges	9	1,504	240
Unamortized depreciation reserve adjustments	10	764	1,373
		<u>347,287</u>	<u>330,624</u>
<b>CURRENT ASSETS</b>			
Inventories		6,766	5,417
Accounts receivable	11	42,884	29,157
Accounts receivable - related companies		15,687	9,853
Cash at bank and on hand		8,259	3,505
		<u>73,596</u>	<u>47,932</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	12	37,483	35,479
Accounts payable - related companies		75,666	55,514
Current portion of long term loans	13	8,562	8,562
Short term loans		-	2,000
Taxes payable		15,060	4,937
		<u>136,771</u>	<u>106,492</u>
<b>NET CURRENT LIABILITIES</b>		<u>(63,175)</u>	<u>(58,560)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		284,112	272,064
<b>EMPLOYEE BENEFITS</b>	18	(13,464)	(13,409)
<b>LONG TERM LOANS</b>	13	<u>(36,188)</u>	<u>(44,751)</u>
<b>NET ASSETS</b>		<u>234,460</u>	<u>213,904</u>
<b>CAPITAL &amp; RESERVES</b>			
Share capital	14	36,459	36,459
Revaluation reserve		905	905
Retained earnings		197,096	176,540
		<u>234,460</u>	<u>213,904</u>

The accompanying notes form an integral part of these financial statements.



**ATTACHMENT 6****Cable & Wireless BARTEL Limited  
Cash Flow Statement**

For the year ended 31st March 2002

With restated comparatives for the year ended 31<sup>st</sup> March 2001

	Note	2002 \$000's	2001 \$000's (As restated Note 20)
<b>Cash flows from operating activities</b>			
Net profit before taxation		44,243	17,386
Adjustments for:			
Depreciation		30,067	30,790
Other (income)/losses		515	1,070
Interest expense		6,412	8,336
(Decrease)/Increase in employee benefit plans		54	2,867
Decrease in unamortized depreciation reserve adjustment		609	609
Deferred charges		120	120
Restructuring provision		-	17,009
Operating profit before working capital changes		82,020	78,187
Increase in deferred charges		(1,384)	-
Decrease/(Increase) in accounts receivable		(19,561)	218
Increase in inventory		(1,348)	(621)
Increase in accounts payable		22,211	11,455
Cash generated from operations		81,938	89,239
Interest paid		(6,466)	(8,641)
Interest received		699	1,114
Taxes paid		(4,937)	(18,569)
Dividends paid		(8,627)	(8,183)
Net cash from operating activities		62,607	54,960
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(47,640)	(34,888)
Proceeds from sale of property, plant and equipment		350	460
Net cash used in investing activities		(47,290)	(34,428)
<b>Cash flows from financing activities</b>			
Payment of short term loans		(2,000)	(2,000)
Payment of long term loans		(8,563)	(15,288)
Net cash used in financing activities		(10,563)	(17,288)
Net increase in cash and cash equivalents	15	4,754	3,244

The accompanying notes form an integral part of these financial statements.

## ATTACHMENT 6

### Cable & Wireless BARTEL Limited Notes to the Financial Statements For the year ended 31st March 2002

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#### 1 BASIS OF PRESENTATION

These financial statements have been prepared specifically for submission to the Fair Trading Commission (FTC). As such they have been prepared in accordance with the prescriptions of the FTC and may be inappropriate for users other than the FTC. The figures are rounded up to the nearest \$1,000, and therefore minor differences may occur in reconciling these statements with the statutory financial statements.

#### 2 INCORPORATION AND ULTIMATE HOLDING COMPANY

Cable & Wireless BARTEL Limited is a limited company incorporated under the laws of Barbados.

The Company is a subsidiary of Cable & Wireless (West Indies) Limited and the ultimate holding company is Cable & Wireless plc, both of which are incorporated in England.

The Company provides modern telecommunications services to both business and domestic users.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of these financial statements are as follows:

##### a. Historical Cost Convention

These financial statements have been prepared under the historical cost basis, except for the revaluation of property, plant and equipment, as referred to in note 8.

##### b. Property, Plant and Equipment

###### (i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment constructed by the Company includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

###### (ii) Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

For regulatory purposes the Year 2000 costs of the upgrades to the Central Offices' Central Processing Units and networks were capitalised using the rates prescribed by the FTC for these assets. This was based on the fundamental principle of utility rate making, that of ensuring the proper inter-period synchronisation of all the various elements to the costs of service, thereby facilitating the matching of the customer benefits with cost recovery. This treatment for the regulatory statements recognises that differences may arise in the application of accounting principles because of the effects of the rate-making process.

## ATTACHMENT 6

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

### (iii) Depreciation

Depreciation is charged to the income statement on a straight line remaining life basis, at rates which are prescribed by the FTC as follows:

	Effective April 01,1999	July 01,1993 to April 01, 1999	Prior to July 01, 1993
Buildings	70 yrs.	70 yrs.	100 yrs.
Central office (Switching) equipment	7 - 20 yrs.	16 - 20 yrs.	20 yrs.
Plant and equipment	11 - 35 yrs.	14 - 35 yrs.	20 yrs.
Furniture and office equipment	8 yrs.	8 yrs.	10 yrs.
Motor vehicles	5 yrs.	5 yrs.	5 yrs.
Work equipment	5 yrs.	5 yrs.	5 yrs.
Computer hardware and software	6 yrs.	8 yrs.	10 yrs.

The depreciation rates effective from April 01, 1999 are based on a directive given by the FTC on October 25<sup>th</sup>, 2002 to revise the prescribed assets lives.

### (c) Investments in Cable & Wireless Caribbean Cellular (Barbados) Limited

Because these financial statements have been prepared primarily to supply information to the FTC for domestic telephone rate regulation purposes, the Company's 50% equity investment in Cable & Wireless Caribbean Cellular (Barbados) Limited is accounted for in the accompanying financial statements by the cost method. Under this method, income from investment is limited to any dividends received.

### (d) Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on a moving average basis and includes transport and handling costs. Provision is made for obsolete, slow-moving and defective stock.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

### (e) Foreign Currencies

Transactions in foreign currencies are translated to Barbados dollars on the following bases:

- i) Property, plant and equipment and depreciation thereon at the rate ruling on the date of purchase.
- ii) Monetary assets and monetary liabilities at the rate ruling at the balance sheet date.
- iii) Revenue and expenses have been translated at the actual rates ruling during the year.
- iv) Profits and losses on foreign exchange transactions are dealt with in the income statement.

### (f) Capitalisation of Indirect Expenses

Indirect payroll costs and other overhead expenditure are allocated between operations and capital expansion, the amount capitalised being based upon the level of expansion activity.

### (g) Corporation Tax

The Company follows the tax payable method of accounting for corporation tax whereby only actual taxes payable are charged to current operations. The FTC has not allowed the deferred method of accounting for taxes.

## ATTACHMENT 6

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

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(h) **FCC Regulations**

The accounting policies and practices of the Company conform generally with the recommendations of the Federal Communications Commission of the United States of America Uniform System of Accounts for Telephone Companies.

(i) **Deferred Charges**

(i) **Rate Case Expenses**

In accordance with the rulings of the FTC, rate case expenses are amortized over a period of four years.

(ii) **Long term Loans**

Borrowing costs, when material, are deferred and amortized on the straight line basis over the lives of the respective loans. Immaterial costs are expensed in the period in which they are incurred.

(j) **Revenue Recognition**

Revenue is recognised based on the amounts which have accrued to the Company from international and domestic telecommunications.

(k) **Trade and Other Receivables**

Trade and other receivables are stated at their cost less provision for bad and doubtful receivables.

(l) **Employee Benefits**

The Company contributes to defined benefit pension plan, health care and life insurance plans. The recognised amount in the balance sheet is determined as the present value of the defined benefit obligation adjusted for the unrecognised actuarial gains or losses and less any past service costs not yet recognised and the fair value of any plan assets. Where this calculation results in a net surplus, the recognised asset does not exceed the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The recognition of actuarial gains and losses is determined separately for each defined benefit plan. Unrecognised actuarial gains or losses are recognised in income over 5 years, following the year in which they arose.

Past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognised as an expense immediately.

The present value of the defined benefit obligations and the related service costs are calculated by a qualified actuary using the projected unit credit method. The amount charged to the income statement consists of current service cost, interest cost, the expected return on any plan assets and actuarial gains and losses (see note 18)

(m) **Dividends**

Dividends are recognised as a liability in the period in which they are declared.

(n) **Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

**ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

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**4. REVENUE**

Revenue as shown in the income statement is made up as follows:

	<b>2002</b>	<b>2001</b>
	<b>\$000's</b>	<b>\$000's</b>
International calls	56,691	57,897
Local service charges	109,848	102,587
Other revenue	17,725	14,383
	<u>184,264</u>	<u>174,867</u>

**International Calls** - include amounts accruing to the Company from international telecommunications and data transmission.

**Local Service Charges** - represent the rental and installation charges arising on the provision of fixed line services.

**Other Revenue** - includes advertising, local private wire and other miscellaneous revenues.

These services are provided under agreement with the Government of Barbados.

**5. OPERATING EXPENDITURE**

	<b>2002</b>	<b>2001</b>
	<b>\$000's</b>	<b>\$000's</b>
Auditors' remuneration	118	132
Depreciation	30,067	30,790
Amortized depreciation reserve adjustment	609	609
Directors' emoluments	33	33
Financial charges	136	247
Operating expenses	53,863	47,639
Employee costs	48,268	51,616
Restructuring provision	-	17,009
	<u>133,094</u>	<u>148,075</u>

**ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

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**6. OTHER REVENUE/(LOSSES)**

	<b>2002</b>	<b>2001</b>
	<b>\$000's</b>	<b>\$000's</b>
Interest income	699	1,114
Loss on disposal of property, plant and equipment	(1,214)	(2,184)
	<u>(515)</u>	<u>(1,070)</u>

**7. INVESTMENT IN ASSOCIATED COMPANY**

At 31st March 1999 the Company held 2,750,000 preference shares and 250,000 common shares, representing 50% of the equity issued in the associated company, Cable & Wireless Caribbean Cellular (Barbados) Limited, whose principal activity is the operation of a cellular telephone service.

Effective 1st April 1999 the 2,750,000 preference shares along with outstanding dividends of \$1,443,750 were converted into common shares of \$1.00 nominal value. As at 31st March 2002, the Company held 4,443,750 common shares representing 50% of the equity issued in Cable & Wireless Caribbean Cellular (Barbados) limited.

**ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

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**8. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and Buildings \$000's</b>	<b>Office Equipment \$000's</b>	<b>Plant and Equipment \$000's</b>	<b>TOTAL \$000's</b>
<b>COST OR VALUATION</b>				
Balance at 1st April 2001	26,339	162,253	419,544	608,136
Additions	518	4,238	42,884	47,640
Disposals	-	(396)	(10,247)	(10,643)
	<u>26,857</u>	<u>166,095</u>	<u>452,181</u>	<u>645,133</u>
Balance at 31st March 2002	<u>26,857</u>	<u>166,095</u>	<u>452,181</u>	<u>645,133</u>
<b>ACCUMULATED DEPRECIATION</b>				
Balance at 1st April 2001	3,875	101,466	178,228	283,569
Eliminated on disposal	-	(379)	(8,699)	(9,078)
Charge for year	408	8,609	21,050	30,067
	<u>4,283</u>	<u>109,696</u>	<u>190,579</u>	<u>304,558</u>
Balance at 31st March 2002	<u>4,283</u>	<u>109,696</u>	<u>190,579</u>	<u>304,558</u>
<b>CARRYING AMOUNT</b>				
31st March, 2002	<u>22,574</u>	<u>56,399</u>	<u>261,602</u>	<u>340,575</u>
31st March, 2001	<u>22,464</u>	<u>60,787</u>	<u>241,316</u>	<u>324,567</u>

**Revaluation**

In the rate cases of 1974 and 1976, the FTC adopted the revaluation of the Company's property, plant and equipment on the basis of depreciated replacement cost. The total excess of \$16.5m over book value arising from these revaluations has been booked by the Company and was fully amortized at 5% per annum on a straight line basis. In 1989 an independent revaluation of the Company's land resulted in an excess of \$0.905m being taken to reserves.

## ATTACHMENT 6

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

### 9. DEFERRED CHARGES

	Balance at 1st April 01 \$000's	Incurred \$000's	Amortised \$000's	Balance at 31st March 02 \$000's
ISDN Rate case	240	0	(120)	120
Depreciation study	0	600	0	600
Merger costs	0	616	0	616
Rate rebalancing	0	168	0	168
	<u>240</u>	<u>1,384</u>	<u>(120)</u>	<u>1,504</u>

### 10. UNAMORTIZED DEPRECIATION RESERVE ADJUSTMENT

On 30th October, 1992, the Company filed an application with the FTC for an increase in domestic telephone rates. In its application, the Company requested changes in depreciation rates (asset lives) as well as a change in its depreciation procedure from the Straight Line Whole Life Method (SLWL) to Straight Line Remaining Life Method (SLRL). The FTC awarded an increase in telephone rates, granted changes in depreciation rates and also approved the SLRL.

On recognizing the existence of depreciation reserve imbalance, the FTC allowed the amortization of the depreciation reserve adjustment over a ten-year period. The depreciation reserve adjustment was determined as the increase in depreciation charge due to the change in depreciation procedure from SLWL to SLRL.

On implementing the SLRL Method, the full depreciation inclusive of the reserve imbalance was credited to the accumulated depreciation reserve. The unamortized portion was debited to the balance sheet and the amortized portion charged to the profit and loss account on an annual basis.

The annual amortization is \$0.609m. The unamortized portion of the depreciation reserve adjustment as at 31st March, 2002 is \$0.8m.

### 11. ACCOUNTS RECEIVABLE

	2002 \$000's	2001 \$000's
Accounts Receivable - Trade	31,176	22,655
Other receivables and prepaid expenses	<u>11,708</u>	<u>6,502</u>
	<u>42,884</u>	<u>29,157</u>



## ATTACHMENT 6

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

### 12. ACCOUNTS PAYABLE

	2002 \$000's	2001 \$000's
Accounts Payable - Trade	15,092	7,750
Other payables and accrued expenses	22,391	27,729
	<u>37,483</u>	<u>35,479</u>

### 13. LONG-TERM LOANS

	Total Indebtedness 1st April 01 \$000's	Repayments \$000's	Total Indebtedness 31st March 02 \$000's
Bank of Nova Scotia - US \$10m loan	14,781	(2,039)	12,742
Barclays Bank plc - CARIFA 936 Refinance - US\$10m loan	25,790 <u>12,742</u>	(4,485) <u>(2,039)</u>	21,305 <u>10,703</u>
Total	53,313	<u>(8,563)</u>	44,750
Current portion	<u>(8,562)</u>		<u>(8,562)</u>
Long-term portion	<u>44,751</u>		<u>36,188</u>

#### Bank of Nova Scotia

**US\$10m Loan.** The Company acquired a \$20.4m (US\$10.0m) loan on 9th July, 1997. The principal outstanding at 31st March, 2002 of \$12.7m (US\$6.2m) is repayable in 25 quarterly installments ending May 2008. The loan bears interest at the rate of 6.99% per annum. The loan is unsecured.

#### Barclays Bank plc

**CARIFA 936 Refinance.** The Company acquired a \$44.9m (US\$22.0m) loan to refinance the repayment of the CARIFA 936 bonds on 1st January, 1997. The principal outstanding at 31st March 2002 of \$21.3m (US\$10.5m) is repayable in 20 quarterly installments ending in December 2006. The loan bears interest at the rate of 6.98% per annum. The loan is unsecured.

**US \$10m Loan.** The Company acquired \$20.4m (US\$10.0m) loan on 1st October, 1996. The principal outstanding of \$10.7m (US\$5.2m) at 31st March 2002 is repayable in 21 quarterly installments ending in April 2007. The loan bears interest at the rate of 7.53% per annum. The loan is unsecured.

**ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
 Notes to the Financial Statements  
 For the year ended 31<sup>st</sup> March 2002

**14. SHARE CAPITAL****(a) Authorised Capital**

35,000 6% cumulative preference shares of \$4.80 each  
 100,000 5% cumulative preference shares of \$4.80 each  
 Unlimited number of common shares of no par value

**(b) Issued Capital**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual general meetings.

Holders of cumulative preference shares are entitled to dividends of 5% and 6% per annum on the par value of their shareholding and have preference over holders of ordinary shares regarding the payment of dividends and the return of capital.

	2002 \$000's	2001 \$000's
31,250 6% cumulative preference shares	150	150
100,000 5% cumulative preference shares	480	480
14,818,596 common shares (2001 - 14,818,596)	<u>35,829</u>	<u>35,829</u>
	<u><u>36,459</u></u>	<u><u>36,459</u></u>

**(c) Dividends**

In accordance with IAS10, these dividends which were declared after the balance sheet date have not been provided for. They are as follows:

	2002 \$000's	2001 \$000's
No final dividend was declared on common shares at 31 <sup>st</sup> March 2002 (see note 20) (2001 - \$0.40)	<u>--</u>	<u>5,927</u>
An interim dividend of \$0.18 (2001 - \$0.16) per common share has been declared and paid during the year	<u>2,667</u>	<u>2,371</u>

**ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

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**15. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	2002 \$000's	2001 \$000's
Balance at 1st April	3,505	261
Net cash inflow	<u>4,754</u>	<u>3,244</u>
Balance at 31st March	<u>8,259</u>	<u>3,505</u>
Represented by:-		
Cash at bank and on hand	<u>8,259</u>	<u>3,505</u>

**16. CAPITAL COMMITMENTS**

Contracts for capital expenditure outstanding at 31st March, 2002 amounted to approximately \$7.7m (2001 - \$1.5m).

**17. RELATED PARTY TRANSACTIONS**

Transactions in the ordinary course of business are conducted with related parties and are reflected in the accounts receivable related companies and accounts payable related companies. These amounts also include management fees and service charges relating to the Company's associate.

The Company shares international telephone revenue to and from Barbados with Cable & Wireless BET Limited, a fellow subsidiary of Cable and Wireless (West Indies) Limited. This revenue is presently shared 55:45 in favour of Cable & Wireless BARTEL Limited.

Included in operating expenditure is a charge for management fees of \$1.0m (2001 - \$1.0m) payable to the ultimate holding company.

**18. EMPLOYEE BENEFITS**

The Company maintains a contributory defined benefit pension plan with Life of Barbados Insurance Company Limited. Employees contribute 2.5% of basic annual salary up to the maximum annual National Insurance Scheme (NIS) contribution base of \$37,200 and 5% of basic annual salary in excess of the NIS base. The Company pays the balance (6.9%) of the payroll in the last actuarial review. Employees are eligible to join the plan on the 1st April following a minimum of 12 months continuous service.

**ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
 Notes to the Financial Statements  
 For the year ended 31<sup>st</sup> March 2002

**18 EMPLOYEE BENEFITS (continued)**

	2002 \$000's	2001 \$000's (as restated in Note 20)
Present value of funded obligations	67,458	55,006
Fair value of plan assets	<u>(42,994)</u>	<u>(39,172)</u>
	24,464	15,834
Present value of unfunded obligations	3,263	2,512
Unrecognised actuarial (losses)/gains	<u>(14,263)</u>	<u>(4,936)</u>
Net liability in balance sheet	<u><u>13,464</u></u>	<u><u>13,410</u></u>
<b>Movements in the net liability recognised in the balance sheet</b>		
Net liability at the beginning of the year:	13,410	10,542
Contributions	(2,913)	(2,343)
Expense recognised in the income statement	<u>2,967</u>	<u>5,211</u>
Net liability in balance sheet at end of the year	<u><u>13,464</u></u>	<u><u>13,410</u></u>
<b>Expense recognised in the income statement</b>		
Current service costs	1,316	1,779
Interest on obligation	3,384	3,169
Expected return on plan assets	(2,720)	(2,531)
Net actuarial losses/(gains) recognised in the year	987	(231)
Losses on curtailment	<u>-</u>	<u>3,025</u>
Total included in employee costs	<u><u>2,967</u></u>	<u><u>5,211</u></u>
Actual return on plan assets	4,471	2,988
<b>Principal actuarial assumptions at the balance sheet date</b>		
Discount rate at 31st March	6%	7%
Expected return on plan assets at 31st March	6%	7%
Future salary inflation and promotional increases	4%	4%
Future pension increases	3%	3%
Proportion of employees opting for early retirement	4%	4%
Future changes in NIS ceiling: 0% for 5 years, thereafter	3%	5%

## **ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

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### **19. FINANCIAL INSTRUMENTS**

Financial assets of the Company include cash and trade receivables. Financial liabilities include loans and borrowings and trade payables.

#### **(a) Interest Rate Risk**

The interest rates and terms of repayment of loans are disclosed in note 13 to the financial statements.

#### **(b) Credit Risk**

Cash is placed with international banks with high credit ratings. Credit risk on trade receivables is limited as trade receivables are shown net of provision for bad and doubtful receivables.

#### **(c) Fair Value**

The fair values of cash, trade receivables, trade payables, loans and borrowings are not materially different from their carrying amounts.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. All non-financial instruments are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying value of the company.

### **20. PRIOR PERIOD ADJUSTMENTS**

#### **(a) Changes in accounting policy**

During the year ended 31st March 2001, the Company adopted IAS10 (revised): Events After the Balance Sheet Date.

IAS10 (revised) stipulates that dividends proposed or declared after the balance sheet date should not be recognized as a liability at the balance sheet date. This change has been accounted for retrospectively by adjusting the opening balance of retained earnings at 1st March 2001 and 2000

#### **(a) Adjustment**

The company has adjusted the previously reported balance of employee benefits at March 2001 by \$5.0m to take into account the impact of a curtailment loss due to restructuring. This amount was actuarially determined, using information which was not previously available to the actuary.

**ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
 Notes to the Financial Statements  
 For the year ended 31<sup>st</sup> March 2002

**20. PRIOR PERIOD ADJUSTMENTS (continued)****Impact of prior period adjustments**

The prior period adjustments, when applied consistently to 2002 and 2001, had the following impact:

	<b>2002</b> <b>\$000's</b>	<b>2001</b> <b>\$000's</b>
Profit before prior period adjustment	29,183	17,431
Curtailment adjustment on employee benefits	<u>-</u>	<u>(4,980)</u>
Profit after prior period adjustment	<u>29,183</u>	<u>12,451</u>
Opening retained earnings as previously reported	181,520	165,925
Curtailment adjustment on employee benefits	(4,980)	-
Impact of adopting IAS 10 (revised)	-	5,779
Txation overprovided	<u>-</u>	<u>568</u>
Opening retained earnings as adjusted	176,540	172,272
Net profit after taxation	29,183	12,451
Dividends	<u>(8,627)</u>	<u>(8,183)</u>
Closing retained earnings as restated	<u>197,096</u>	<u>176,540</u>

**21. OPERATING LEASES**

Non- cancellable operating lease rentals are payable as follows:

	<b>2002</b> <b>\$000's</b>	<b>2001</b> <b>\$000's</b>
Less than one year	3,781	1,864
Between one and five years	12,634	2,872
More than five years	<u>13,443</u>	<u>649</u>
	<u>29,858</u>	<u>5,385</u>

The Company leases some of its motor vehicles, a warehouse and office facilities under operating leases. The motor vehicle leases typically run for a period of five years. Warehousing and office facilities leases typically run for an initial period of three to ten years with an option to renew the lease after that date. Warehousing and office facilities lease payments are renewed every three years. None of these leases includes contingent rentals.

During the current year \$2.4m was recognized as an expense in the income statement in respect of operating leases (2001 - \$2.1m).

## **ATTACHMENT 6**

Cable & Wireless BARTEL Limited  
Notes to the Financial Statements  
For the year ended 31<sup>st</sup> March 2002

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### **22 SUBSEQUENT EVENT**

Subsequent to the balance sheet date the four Cable & Wireless business units in Barbados, Cable & Wireless BARTEL Limited (CWBARTEL), Cable & Wireless BET Limited, Cable & Wireless Caribbean Cellular (Barbados) Limited and Cable & Wireless Information Systems Limited were amalgamated on 1st April 2002 to form Cable & Wireless (Barbados) Limited (CWBARBADOS).

The 14,818,596 common shares of CWBARTEL were converted into 51,865,086 common shares of CWBARBADOS at a conversion ratio of 3.5 CWBARBADOS shares for each CWBARTEL share.

A final dividend of 13 cents per share was declared after the balance sheet date on the 141,864,946 CWBARBADOS common shares. This equates to approximately 45.50 cents per common share for CWBARTEL.

### **23. COMPARATIVE FIGURES**

Certain comparative figures were changed to conform with the current year's presentation.

## Attachment 7

### Cable & Wireless (Barbados) Limited

#### Schedule of Existing Rates

##### Residential Line Rental

Monthly Line rental	\$28.00
Domestic calling	No rate

##### SmartChoice

SmartChoice Plans	Existing Rates
Plan A	\$49.50
Plan B	\$58.50
Plan C	\$67.50



## Business Line Rental

<b>Line rental</b>	<b>Existing Rates</b>
Business single line	\$81.75
PABX/Key System line	\$101.25
Comnet 1 Band 1	\$90.00
Comnet 1 Band 2	\$84.25
Comnet Band 1	\$73.25
Comnet Band 2	\$61.75
Comnet Band 3	\$50.50
Comnet Band 4	\$45.00
Comnet Band 1 (Stepping)	\$92.75
Comnet Band 2 (Stepping)	\$81.25
Comnet Band 3 (Stepping)	\$70.00
Comnet Band 4 (Stepping)	\$64.50

## Attachment 8

### Cable & Wireless (Barbados) Limited

#### Schedule of Proposed Rates

##### Domestic Calls

<b>Proposed Domestic Calling Rates (VAT exclusive) PHASE 1</b>			
	<b>Plan 1</b>	<b>Plan 2</b>	<b>Plan 3</b>
	<b>Monthly rate</b>	<b>Monthly rate</b>	<b>Monthly rate</b>
Monthly Bundled FTF minutes rate	\$0.00 (included in line rental)	\$10.00	\$20.00
Number of monthly bundled FTF minutes	2000	4000	Unlimited
\$0.017 per minute for minutes in excess of bundled FTF minutes used in a month.			No additional charge for any FTF minutes used

Residential Line Rental

<b>Line rental</b>	<b>Proposed Rates Phase 1</b>	<b>Proposed Rates Phase 2</b>
Residential single line	\$28.00	\$32.00
Monthly Bundled FTF Minutes	2000 Minutes	2000 Minutes

SMARTCHOICE

<b>SmartChoice Plans</b>	<b>Proposed Rates Phase 1</b>	<b>Proposed Rates Phase 2</b>
Plan A	\$49.50	\$53.50
Plan B	\$58.50	\$62.50
Plan C	\$67.50	\$71.50
Monthly Bundled FTF Minutes	2000 Minutes	2000 Minutes