KeyTech LIMITED

Annual Report 2012

Unlocking a World of Connections

challenger

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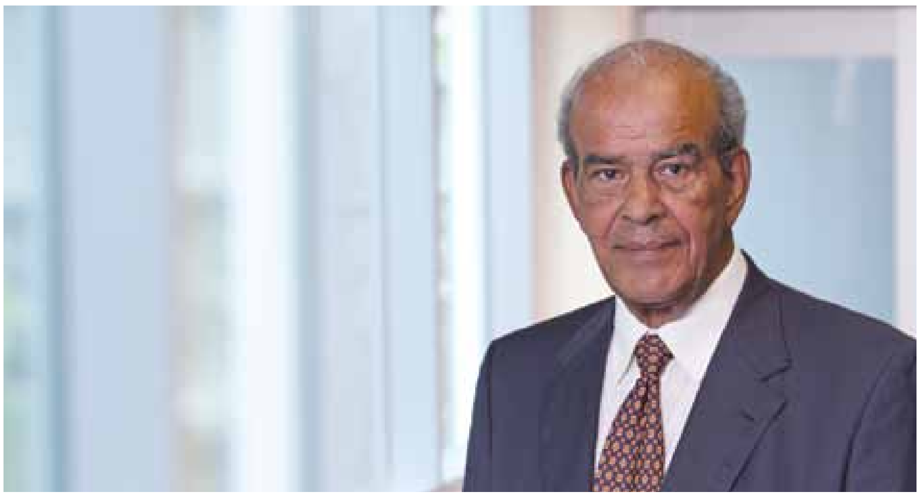
Logic

BTC®
The Bermuda Telephone Company Limited

Contents

Chairman's Report



The KeyTech Group of Companies concluded fiscal year 2011/12 with a profit for the year of $7.2 million, as compared to $6.6 million for the prior year. Total cash dividend payments for the year were $0.48 per common share.

In 2011 and into 2012 challenging economic conditions continued to adversely impact our revenues, particularly residential data access and voice revenues, although the rate of revenue decline was significantly less than experienced in the prior year. The Chief Executive Officer's report provides analysis and commentary on the financial and operating results for the year, including highlights of a number of non-recurring financial items.

The Group's strategy was, in broad terms, to review the various operations, focus on revenue generating activities and create efficiencies where possible. In keeping with this, BTC continued the shift from a broad based information and communications service model, to one focused on recurring network-based communications. In line with this strategy we ceased providing certain lines of hardware, including phone systems at customer premises. In June 2012 we completed this process with the discontinuance of phone system rentals. Provision of hardware and software based communications systems is a fragmented market in which many service providers operate given low barriers to entry. Margins are not attractive and yet the service delivery model is complex and the opportunity to disappoint customer expectations is high.

Our focus on provision of network services requires reliable, knowledgeable operations and high capacity networks. In 2011/12 a number of investments were made supporting this strategy. In May 2012 BTC launched its "PRISM" fibre-optic network, a state-of-the-art transport facility for data and voice communications. In the City of Hamilton it comprises five self-healing fiber rings, where if a break occurs in the circuit the network traffic will be seamlessly directed on an alternative route. The network extends to both ends of the island, providing greater core network capacity to support future higher speeds to the home. BTC partnered with CISCO, one of the world's most respected network architecture companies, to ensure that this new network meets the current and future needs of our customers. In 2011 BTC also launched higher residential broadband speeds. In Cayman we completed construction of our fiber network in George Town to service business customers.

We will continue our investment in high capacity networks with focus on residential networks in both Bermuda and Cayman following the completion of our corporate network investments in the current year. As with most telecommunications operators, this will involve upgrades of electronics on existing copper/fiber networks to enable higher speeds while additional fiber is deployed as a longer-term basis of access technology. In the US market AT&T's U-verse service operates on high speed DSL on fiber/copper networks, while Verizon's FiOS is an all fiber deployment.

In addition to construction of higher capacity networks we have been re-engineering our monitoring and pro-active fault resolution tools and operations for our networks. All networks performed with a very high level of service availability for the year. In the case of the Challenger cable subsea cable system, service uptime has been an uninterrupted 100% since it entered service in 2008.

Our account management teams have been primarily focused on customer renewal and retention. The marketplace is very competitive and 2011/12 saw little in the way of new business start-ups, the exception being in Cayman where the additional customer reach provided by the George Town fiber network enabled new corporate customer acquisition. In January 2012 Logic Cayman was licensed by the Cayman regulatory authority to provide Internet protocol television (“IPTV”) content services. Our intent is to deploy the triple play service of voice, data and content, on fiber.

As reported in the previous Annual Report, we completed a merger with Cellular One in May 2011. Our new associate interest in CellOne is creating more sustainable returns for KeyTech shareholders from the cellular sector for a more efficient capital investment rate. Next fiscal year we will see additional cost saving benefits following the successful completion of the merger of CellularOne and M3 Wireless physical networks earlier in 2012.

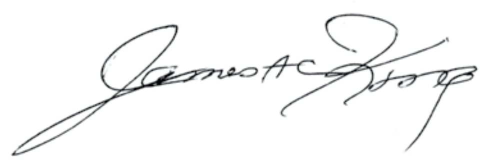
On the subject of regulatory reform we have most recently been informed that the target date for the first new licenses is March 2013.

As we move through changes in our environment and business model, we also acknowledge changes within the leadership of the group. In July we say farewell to Ms. Sheila Lines as she and her family relocate to Sydney, Australia. Sheila has led the KeyTech group as CEO for six years, having been CFO for the four years prior. Sheila’s stewardship has seen us through many necessary and challenging changes, positioning us as a competitive communications group with clear strategic goals and customer-focused execution. We thank her for her energy, focus and commitment to the long term well being of KeyTech and its shareholders. Our incoming KeyTech CEO is Mr. Lloyd Fray. Lloyd has had a successful career with KeyTech over a number of years – delivering improved operations and sales focus in three of our subsidiaries, most recently with BTC. Lloyd has worked closely with Sheila on strategy and execution and will bring his own focus to the role, with particular strengths in leadership, customer relations and technology design and implementation.

At the 2012 annual general meeting we are presenting a new candidate to shareholders for appointment as Director. Mr. Charles Jillings has a strong understanding of telecoms companies operating in different segments in a number of countries, as a result of investment activities for Utilico Investments Limited, a long term investor in KeyTech, and Utilico Emerging Markets Limited. Charles is qualified as a Chartered Accountant and we look forward to the investment, corporate finance and telecoms experience he will add to the skills of the Board.

My current term as a Director completes in 2013 and I have informed my Board that it is time for a new Chairman for the Keytech group as I will not be standing for re-election. The Board has started the succession process and I am confident we will complete it with a continued strong and diverse Board to oversee and pursue shareholder best interests, as well as those of other stakeholders.

On behalf of the Board I would again like to thank all the staff for their focus and hard work in ensuring the Company is steered through the current difficult economic conditions and in securing structural changes in the group aligned with our long term strategies. I would also like to take this opportunity to thank the Directors for their time and attention to the affairs of the Company.



James A. C. King, M.D., F.R.C.S.(C.), F.A.C.S., J.P.
Chairman of the Board

Chief Executive Officer's Report

Our Results

2011/12 was a year in which we tangibly advanced our strategies as a group of companies with the facilities and breadth to meet and exceed the global and local communication needs of our customers.

In the corporate segment we completed our rebuild of Bermuda's Hamilton network, branded "PRISM", to a full Ethernet network using CISCO technology. In the Cayman Islands we completed our fiber network construction in George Town and secured new corporate contracts of total value in excess of $1 million over periods of up to three years. Internationally Logic established a network point of presence (PoP) in London, in addition to existing points of presence in New York and Miami and, of course, Bermuda and the Cayman Islands. In the residential market BTC increased the DSL speeds it offers to customers to 8 and 10 megabytes per second. In the cellular market we completed a merger of M3 Wireless with CellularOne in May 2011, creating Bermuda's largest cellular company and bringing together the operating and scale synergies of the two companies. This merger retains for KeyTech shareholders the diversification and returns from the wireless segment while addressing challenges of scale posed in the cellular business that has driven mergers in many jurisdictions in recent years. Profit for the year was $7.2 million versus $6.6 million for the prior year.

In terms of operating environment, 2011/12 proved to be another year of challenging economic conditions in Bermuda and the Cayman Islands with the latter half of the year seeing some improvement in economic indicators for the Cayman Islands. Corporate revenues steadied versus prior year declines, though new business into either jurisdiction was not significant to our results. In the Cayman Islands we secured additional corporate revenues due to the increased customer reach of our fiber network in George Town rather than significant growth in Caymanian business activity. We continued to see a drop in residential revenues driven in Bermuda by lower population demand and driven in the Cayman Islands by both lower demand and the competitive challenges of a wireless service with its speed limitations.

In total, operating revenues in 2011/12 declined $5.1 million versus the prior year. However, of this decline $3.4 million arose on hardware and software revenues with a corresponding decline of $2.4 million in cost of goods sold included in operations and maintenance expenses. This decline reflects our strategic shift from sale of software and hardware, a fragmented market with lower margins, to increase our focus on recurring communications revenues.

Excluding the decline in hardware and software revenues, total operating revenues declined $1.8 million in 2011/12 compared to the prior year caused by a $2.3 million decline in wire-line revenues, predominantly residential, partially offset by growth in data and international capacity revenues. This year over year decline is substantially less than that experienced in the prior year when wire-line revenues declined $3.9 million and, again excluding hardware and software revenue declines, total revenues declined $7.2 million year over year. This indicates that economic activity contracted more significantly in 2010 than 2011. Clearly global and local economic factors remain challenging, and we are impacted by our operating conditions. Our approach is to focus on our business models, customer retention, reduce structural recurring cost levels and continue to invest in our network assets that underpin our competitive advantage and sustain our recurring revenues. Despite the economic challenges in the last twelve months we have continued to implement tangible change and investment in the group and have kept our focus firmly on the future of our businesses.

Total operating expenses increased $1.3 million primarily due to one-off asset impairment charges recorded in the year. Salaries and employee benefit expenses declined $3.6 million due to restructuring of our business model. Staff termination costs were $3 million, $1.4 million lower than the prior year. Depreciation and amortization expenses increased $4.7 million due to additional tangible fixed asset impairment charges in the current year. Included in operations and maintenance expenses are $0.7 million of inventory impairment charges related to BTC's exit of telephone rentals in 2012. Other operating expenses increased $1.7 million due to an increase in the provision for bad debts compared to the prior year and to lower utilization of group support services post the M3 Wireless merger with CellularOne (costs which are included in the net in profit from discontinued operations for the prior year). Over the six months following the May 2011 merger we reduced the size of our group support services to match that of the group without M3 Wireless, actions which contributed to the staff termination cost expense in the current year but will reduce other operating expenses in future years.

Profit for the year was $7.2 million versus $6.6 million for the prior year. Net income for the current year includes a number of significant unusual or non-recurring items. A $10.5 million gain was recorded on the merger of M3 Wireless and CellularOne as accounting standards required us to report our investment in the merged entity on a fair value basis whereas M3 Wireless had been carried previously at historical book value.

Included in net income for the year is impairment of the goodwill and wireless tangible assets totaling $4.1 million for the Logic Cayman segment due to residential wireless revenue declines. Also included in net income for the year are inventory and tangible asset impairments in BTC totaling $4.4 million, primarily related to the telephone rental business in BTC which we are ceasing in June 2012.

Other operating expenses include an increase of $0.8 million in bad debt expense arising on a change in provisioning and write-off methodology due to the reduced ability to collect on aged receivables in the current climate versus prior year experience. We do not expect our bad debt expense to require a similar adjustment next year.

Our share of income of our associate Bermuda CableVision Limited was reduced by $0.4 million due to additional amortization reflecting a change in estimated useful life of tangible assets. Staff termination costs in the year were $3 million. International Financial Reporting Standards now require that the net interest element of the defined pension plan assets and liabilities be recognized in profit for the year and was $0.7 million of income in the current year.

Excluding the gain on merger, asset impairments, impact of the bad debt expense methodology change, change of useful life amortization charges, staff termination costs and the net interest income from the defined pension plan, profit for the year is $8.7 million. Prior year net profit included $4.3 million in staff termination costs and $0.9 million in net interest income from the defined pension plan, excluding these items profit for the prior year was $10.1 million.

Share of income of CellOne since the May merger and an improvement in share of income from QuoVadis due to significant European certificate revenue growth combined to increase share of income from associates by $1.8 million. The synergistic operating cost gains arising from the cellular merger will increase in 2012/13 reported results as the merge of the physical networks was completed in 2012. Share of income of Bermuda CableVision Limited declined compared to the prior year primarily as a result of additional amortization expense in 2011/12 as reported earlier. In total, share of income of associates increased $1.3 million to $3.2 million.

The discontinued operations reported in the consolidated statement of comprehensive income represents the operations of M3 Wireless until the date of the merger in May 2011.

Due to the combined impact of a reduction in both the actuarial discount rate for the defined pension liability and the value of assets held by the defined benefit pension plan, for the current year other comprehensive income changes in the defined benefit plan was a decrease of $2.9 million versus a $0.9 million decrease for the prior year and the net pension plan liability at 31 March 2012 is $2.2 million. The pension plan is not accruing new benefits and substantially all existing benefits are vested. Independent actuarial reviews are performed annually and form the basis of the valuation of the pension plan net asset or liability position. The $2.2 million liability in the plan at year end is shown as a liability in the consolidated balance sheet reflecting the commitment to support the plan obligations in full and funding of plan liability over a five year period has commenced.

Cash generated from operating activities and loan repayments from associates in 2011/12 totaled $22.6 million, of which $11.7 million was invested in our plant and networks, $7 million returned to shareholders by way of dividend and $3.9 million increased cash and cash equivalents held by the Company.

Total capital asset expenditure in the current year was $11.7 million compared to $14 million in the prior year. Significant individual capital items in the year were the BTC Hamilton metro-Ethernet network "PRISM", completed in May 2012, investment in network and premises in BTC to improve service and maintain existing assets, and completion of construction of fiber plant in the business district of George Town in the Cayman Islands. The prior year included $3.8 million in additional cellular sites for M3 Wireless. Due to the merger the efficiency of the capital investment rate to maintain and develop the combined cellular network is significantly improved.

OUR OPERATIONS

Over the course of 2011/12 we have completed the reshaping of our businesses, moving out of low margin hardware and software product lines. We invested in our wire-line network assets to increase data capacity and improve service, and in the case of Cayman to serve new markets by extending fiber networks further in the corporate business districts.

We believe truly high-speed broadband services of the future that will support multiple devices in the home and high bandwidth applications will be best delivered over fixed line networks. At the same time mobile data services will be increasingly demanded by customers and we remain comfortable being invested in both wire-line and wireless sectors through our 42% investment in CellOne.

In Hamilton the BTC PRISM network is built on CISCO Ethernet technology with multiple fiber rings. BTC also upgraded its island wide core fiber network in 2011/12, allowing service of business customers outside Hamilton on the same Ethernet based network and to create greater capacity on our network core which will enable delivery of higher bandwidth services to individual residential customers without congestion on the network. A simple analogy is that we have greatly widened the river that each stream and rivulet, representing residential customers, flows into before being delivered to the international Internet access carriers.

The next phase of BTC's network investments will be higher speeds to the home. We know that customers are using increasingly high bandwidth applications, such as video streaming, for greater periods of time with simultaneous users in the household. This results in a continual increase in demand for higher data access speeds and capacity. This is the same challenge posed to similar companies around the world and the response is the same – continued development by vendors of DSL technology and increased fiber deployment deeper into the network and closer to the residence. We have been working with vendors to develop detailed rollout for both high speed DSL ("VDSL") and fiber to the home as a longer term multi-year investment. In the coming fiscal year we expect to commence specific plans and deployment.

Similarly in Cayman our focus turns to residential network expansion, having completed a fiber network in the business districts. We are moving ahead with investment in a fiber residential high-speed network that will support all high bandwidth requirements, including Internet protocol television ("IPTV"), a service for which Logic Cayman was granted a license in January 2012.

The other major change in our operations is that which we reported on in our 2011 Annual Report, the merger of CellularOne and M3 Wireless into CellOne in which KeyTech holds a 42% interest. Twelve months on we remain as pleased with the merger as when it was announced. As expected, the tangible benefits of synergy realization and increased competitive scale are bearing fruit.

REGULATION

In December 2011 reform legislation was passed into law. Under the reform legislation the Minister determines the activation date for the legislation. We have been informed that preparatory work to establish the new regulatory authority is underway and that the target date for issuance of the new licenses is March 2013.

Recent statements by the Hon. Marc A. Bean JP, MP, Minister for Environment, Planning, & Infrastructure Planning, have indicated that the Government has listened to the concerns of the industry on the issue of additional taxation costs due to regulatory reform. At this time it is particularly important that additional costs for the industry and ultimately the consumer are considered carefully. When telecommunications reform was first tabled, Bermuda was in a period of strong and continuous economic growth. That is in stark contrast to the situation today and it is essential that additional structural costs resulting from the establishment of a new regulatory authority be kept to the minimum required.

It has recently been suggested that the fact that regulatory reform has not been completed has deprived the industry, and therefore Bermuda, of investment. This simply is not borne out by the facts.

Regulatory reform was first tabled in 2005. Since that time, far from stultifying investment, investment has continued at the same, if not increased rate than the period prior to the announcement of reform. KeyTech has invested in excess of $150 million in infrastructure since the announcement of reform. Nor have we been alone in making multi-million dollar investments since regulatory reform was tabled. Cable & Wireless completed two submarine cable systems – Gemini and C-Bus in the same period, representing substantial investment in Bermuda's infrastructure. All three wireless carriers have made multi-million dollar investments in upgrading to 3G+ and 4G speeds. CableVision has also continued to make substantial and ongoing investments in its network.

The simple truth is that where businesses see a suitable return they will invest – even if conditions are not precisely how they wish them to be. Minister Bean has stated that a number of work streams need to be completed to ensure all players "have a fair start". Fair competition is in the best interests of consumers. We agree that the government should take all necessary steps to ensure a level playing field for competitors when the new licenses are issued, and not allow individual competitors to "jump the gun" while other industry players are unfairly held back because issues around market dominance and its remedies have not been determined. Reform should continue to be implemented with long term goals that benefit Bermuda at the forefront, not the short term business aspirations of individual industry players.

ASSOCIATES

Bermuda CableVision provides entertainment and high speed data services in the Bermuda market. KeyTech's earnings from Bermuda CableVision decreased $0.4 million from the prior year, primarily as a change in the expected useful life of certain tangible assets resulted in additional amortization expense.

QuoVadis has significantly grown certificate sales in both Switzerland and the Netherlands, leading to an improvement in earnings. In Bermuda QuoVadis operates a state-of-the-art data center in Hamilton. Sale of services in the data center have increased since its completion in 2011.

CellOne completed the integration of the operations and networks of M3 Wireless and CellularOne in the year. The successful project planning and execution of this complex merge of operations is a credit to the CellOne team. At the same time as completing the operational merge, CellOne maintained its active brand and marketing activities with new promotions and handsets. The December 2011 Bermuda Omnibus survey reported CellOne as the largest cellular company in Bermuda, measured in terms of subscribers, commenting "CellOne has clearly secured the market leader position since the merger of CellularOne and M3".

OUR COMMUNITY INVOLVEMENT

We continue to contribute to charities we have long supported. During 2011/12, in addition to many other deserving causes, we supported the Bermuda International Film Festival as a 15 year legacy sponsor having supported them since inception, the Ross Blackie Talbot Golf Charity Classic, The Bermuda National Galleries Youth Camera Action Programme, The Outstanding Teen Awards and YouthNet in Bermuda. In the Cayman Islands we sponsored a team for the Cayman Little League and a participant in the Island Games representing the Cayman Islands.

The Bermuda Telephone Company Limited

EXECUTIVE TEAM

Lloyd Fray
Chief Executive Officer

Christopher Wright
Vice President Customer Service

Gina Coddington
Vice President Business Sales, Service and Product Management

Paul Barnes
Vice President, Networks & Planning

In 2010 we took the decision to focus on recurring network revenues – our core business.

In the prior year we discontinued sales of telephone systems at business premises and in line with our commitment to support existing customers through this change we continued to support our rental customer base – largely small and medium sized enterprises.

Reluctantly we concluded that while the technology is well established for a hosted solution to replace rented equipment at customer premises, the cost of provision would not be economically attractive to our customers.

We announced the completion of this transition period in June 2012, providing customers adequate notice and information on alternate system support providers. We also allowed the customers to retain the equipment they had rented from us to minimize disruption to their operations and to obviate the need for immediate investment by customers arising from our decision to change our business model.

As a result of our efforts to continually improve service quality in our network including use of techniques, such as copper bonding and shortening copper loops, we offered increased broadband speeds to consumers in 2011. We implemented a system of pre-qualifying customers for these higher speeds to ensure the infrastructure to their residence could support them before committing the customer to the new speed contract requested.

As highlighted earlier in this report we completed the rebuild of our Hamilton network to a full Metro Ethernet network and also the fiber core of our island-wide network. These projects were a key step in our multi-year strategies at BTC. I am pleased to report the projects completed on time and within budget and I thank all the staff who worked tirelessly to make this so. We are all excited about the new future, and the leap forward in technology that these investments represent.

Logic

EXECUTIVE TEAM - BERMUDA

Ben Barlaba
Head of Sales & Business Development

Jimmy Lim
Vice President, Network Services

Diana Winfield
Head of Marketing & Customer Operations

In 2011/12 Logic maintained the increased data revenues achieved in the prior year.

Data revenues are evenly split between the residential and corporate segments. In the corporate market Logic offers a full suite of bandwidth services, including Private Line, multi-protocol label switching ("MPLS") and Internet protocol ("IP") Services that enable customers to connect into the major international financial exchanges as well as with business partners and branch offices worldwide.

Our focus in professional services is quality over size, and to utilize the deep technical skill-set in the team to develop products which inter-relate to our communications revenues. An example is Logic eVault, developed and launched in 2011/12, a secure data back-up service, and managed router services which are popular with customers who use Logic for their international data networks. In the long distance voice market price compression continued, as in prior years.

The new interconnection point in London gives Logic two major entry points into Europe as well as access to the communications hub for offshore domiciles such as Jersey, Guernsey and the Isle of Man, providing a new low latency route and more diverse access to the European market from Bermuda. Logic now operates points of presence on its international network in New York, Miami, Cayman and London. Further points of presence, including Canada, are being evaluated for deployment.

Over the last year Logic has launched a number of residential market promotions, including free Apple TVs and Slingbox's for Internet access plans and new "Chatter" voice long distance voice plans. Digicel's acquisition of Transact in 2011 proved to be a market changer in long distance voice and brought to the residential Internet market a player with a large regional brand presence. I am pleased to report that Logic met these competitive changes head on and our residential Internet revenues have not reduced as a result of these competitive changes. Our long term high customer satisfaction levels and customer service are no doubt also a major factor in customers' buying decisions in addition to promotions and marketing activity. We have a busy schedule of new offers and promotions we will be launching throughout 2012/13.

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EXECUTIVE TEAM

Gary Taylor
Management Consultant

Anthony Richardson
Operations Manager

Wendy Morris
Office Manger

Antoinette Richardson
Sales Team Leader

Bermuda Yellow Pages (BYP) continues to face difficult market conditions as customers are for the most part small and medium sized local businesses, many in business segments such as construction which have contracted significantly in recent years.

This has impacted advertising revenue in the print directory and resulted in an increase in the bad debt provision for the prior year's directory.

BYP has continued its multi-year strategy to grow on-line revenues as customers increasingly seek to promote their businesses through social networks, local search and their own websites.

BYP operates its own proprietary software platform and database to support the functionality of bermudayp.com and has launched Yabsta.com with locations in multiple countries, including the Cayman Islands, Jersey, Guernsey and Isle of Man. While revenues from Yabsta external to Bermuda are not yet significant for BYP, Yabsta represents an exciting growth opportunity.

BYP Yabsta build well designed search engine optimized web sites and web video production for customers in multiple jurisdictions as well as listings in the Yabsta local search product. In these areas BYP is continuing its progression to a full on-line digital marketing provider in addition to the print directory.

Cayman

(formerly WestTel Limited)

EXECUTIVE TEAM - CAYMAN

Mike Edenholm
Chief Executive Officer

Lewie Hydes
Chief Operating Officer

Shannon Oberprillar
Financial Accountant

In the Cayman Islands we completed construction of fiber in the downtown business districts.

Our results for Logic Cayman, while showing growth in corporate services disappointed in the area of residential wireless revenues. Both the population contraction in Cayman through to mid 2011 and the speed advantages fixed line broadband access hold over wireless broadband access led to a contraction in our residential wireless revenues.

The challenge for us is to reach a scale which covers fixed costs of operations, such as network management, marketing and sales. While the fixed cost base in Logic Cayman is less than our other subsidiaries, they are profitable as they have scale of revenue in both residential and corporate sectors.

In January 2012 Logic Cayman was granted an Internet protocol television ("IPTV") license. IPTV is used by telecommunications companies around the world, including BT, Verizon and AT&T, to deliver content services in competition to Cable TV companies – the triple play offer of voice, data and content.

It is our intent to offer a triple play in Cayman over a fiber residential network and in May 2012 we commenced construction of a residential network having spent much time in 2011/12 planning and costing the build out.

We expect the Cayman market to continue to develop and that competitors, such as the wireless TV operator in Cayman, and the incumbent telephone company, will move in a similar direction. However the business model projects an attractive return even on the basis of two or three similar service providers.

The Cayman population is currently similar to that of Bermuda and historically population growth in the Cayman Islands has been at a far higher rate. Our investment in Logic Cayman enables us to compete in the area of our core competency in an offshore market based on tourism and financial services, as is Bermuda, and provides growth opportunities KeyTech would not otherwise have. The investment of additional capital in the Cayman Islands is attractive given consideration of both the potential rewards and the risks of the business plan.

challenger

EXECUTIVE TEAM

Ray Charlton
Vice President Cable Station Operations

Cable Co. is the subsidiary which built and operates a submarine high capacity cable system, Challenger.

Challenger was completed in December 2008, and spans 1,445 kilometers, linking Bermuda to the United States. Challenger was born of a need to increase competition in the provision of international data capacity and an opportunity to enhance the resiliency of communications to and from Bermuda.

The Challenger cable system has operated to specification and without service interruption since its completion.

Capacity on Challenger is sold wholesale to other carriers serving the Bermuda market, including Logic Communications, enabling them to grow their retail business and develop new products.

In the 2011/12 year Cable Co. earned additional revenues from carrier customers compared to the prior year. In 2012 Cable Co. launched long distance voice services through an interconnection with CellOne. Cable Co. is currently in discussions with an additional carrier on interconnection for long distance voice. While we do not anticipate long distance voice will displace wholesale data as the majority revenue for Cable Co., it does provide an opportunity to add additional margin to offset fixed operating and depreciation expenses.

OUR OUTLOOK FOR 2012/13

Our subsidiaries BTC, Logic, Logic Cayman and Cable Co. have a related product set of local and international voice and data services. We have been, and remain, focused on further developing those capabilities both in terms of skill-set and network capacity to continue to deliver relevant and valuable communications products to corporate and residential customers.

Following investments in international capacity to Bermuda in 2008 with the construction of the Challenger cable system, and in the last year our Hamilton and island wide core network, we will invest further in our Bermuda residential networks as highlighted in this report. In Cayman also, having completed the George Town fiber network, we are investing in residential networks.

Our intent is to ensure that we are positioned to meet the long term capacity and product needs of our residential customers and corporate customers. We will continue to compete vigorously in the corporate and residential segments in terms of customer relationship management, brand and marketing, and development and launch of new products.

Regulatory reform will likely bring both challenges and opportunities for KeyTech. Until the regulatory authority is established and additional guidance given, it is not possible to say precisely what these will be. However we are comfortable with the overall objectives of reform and we have the skills to address the challenges constructively and to seize the opportunities.

At the 2012 Annual General Meeting I hand over the baton as CEO of KeyTech to my colleague Lloyd Fray. I have worked with Lloyd over a number of years and I am confident he will provide visible and clear leadership to our talented staff, and will be very competitive in his approach to the market. In short, I am leaving KeyTech in good hands and with an excellent and committed team working with Lloyd.

I would like to take this opportunity, as I have in prior years, to thank the staff again for all their hard work this year. We have a strong and talented team in all business disciplines and we have achieved a number of structural and operational changes this year that move us in line with our data-centric strategies while retaining for our shareholders a diversified set of business assets. I would also like to thank the Board and in particular the Chairman, Dr. James A. C. King, for all the support and guidance they have provided to me over my tenure as CEO, It has been both challenging and rewarding.

Sheila Lines
Chief Executive Officer

Board of Directors

Standing left to right:

Mr. Michael J. Mello, Q.C., J.P., T.E.P.
Counsel
Appleby

Mr. Gary L. Phillips, OBE, J.P., CIArb

Ms. Fiona E. Beck
President & Chief Executive Officer
Southern Cross Cable Network

Mr. Peter C. Durhager, J.P.
Executive Vice President,
Chief Administrative Officer
RenaissanceRe Holdings Limited

President
RenaisannceRe Services Limited

Deputy Chairman
Ascendant Group Limited

Mr. Glen C. Smith, J.P.
Director
LOM Holdings Limited

Mr. Roderick A. Ferguson III, MBA, J.P.
Chairman
Gorham's Ltd.

Chairman
Purvis Ltd.

Director
Neptune Ltd.

DEPUTY CHAIRMAN
Mrs. Jeanne J. Atherden, C.A., J.P.
Chairman
Hotel Pension Fund

Mr. S. Sean Tucker, J.P., LL.B.
Attorney
Terra Law Limited
Barristers & Attorneys

Mr. E. Michael Leverock, B. Eng., P. Eng., MBA
Cofounder and Director, Digital Communications Ltd.
Chair, Bermuda Professional Engineers Registration Council

Alison Hill, ACMA
Chief Executive Officer
Argus Group Holdings Limited

CHAIRMAN
James A.C. King, M.D., F.R.C.S.(C.), F.A.C.S., J.P.

Five Year Financial and Statistical Summary

As at March 31, 2012

	2012	2011	2010	2009	2008
Revenue & Expense Items					
($000’s)					
Operating revenues	80,646	85,800	92,214	91,955	90,305
Total expenses excluding amortization	63,095	65,130	73,504	69,029	64,129
Depreciation and amortization	18,702	14,027	15,332	13,821	14,110
Profit for the year from continuing operations	7,203	4,936	3,493	10,316	13,661
(Loss) Profit for the year from discontinued operations	(27)	1,681	2,821	235	935
Total profit for the year	7,176	6,617	6,314	10,551	14,596
Cash dividends declared on Common shares	6,991	6,991	8,738	8,547	7,944
Balance Sheet					
($000’s)					
Total assets	165,095	168,836	172,909	178,954	181,108
Total equity	136,711	139,995	141,518	143,765	145,054
Number of common shares	14,564	14,564	14,564	14,564	13,240
Per Common Share					
($’s)					
Basic and diluted (discontinued and continuing operations)	0.493	0.454	0.434	0.724	1.102
Basic and diluted (continuing operations)	0.495	0.339	0.240	0.708	1.032
Basic and diluted (discontinued operations)	(0.002)	0.115	0.194	0.016	0.071
Cash dividend	0.480	0.480	0.600	0.600	0.600
Net assets - basic	9.39	9.61	9.71	9.87	10.96
Items of Interest					
Capital expenditures ($000’s)	11,656	14,100	11,316	46,324	24,849
Number of employees (full-time)	260	307	360	432	433

Auditors' Report

June 20, 2012

Independent Auditor's Report

To the Shareholders of
KeyTech Limited

We have audited the accompanying consolidated financial statements of **KeyTech Limited**, which comprise the consolidated balance sheets as at March 31, 2012 and 2011 and April 1, 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2012 and 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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 consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **KeyTech Limited** as at March 31, 2012 and 2011 and April 1, 2010 and of its financial performance and its cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

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Consolidated Balance Sheet

As at March 31, 2012 and 2011 and April 1, 2010

	Notes	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS				
Current assets				
Cash and cash equivalents	17	$ 10,751,115	$ 6,848,305	$ 7,139,706
Accounts receivable	18	11,334,654	17,727,476	17,223,610
Loan receivable – short term portion	4, 9	1,680,000	-	-
Inventories	19	2,190,576	3,792,027	5,049,060
Prepaid expenses and other current assets	20	5,885,482	5,283,402	5,968,898
		31,841,827	33,651,210	35,381,274
Non-current assets				
Marketable securities	15, 26	629,019	774,889	575,295
Loan receivable	4, 9	3,652,489	-	-
Property, plant and equipment	11	91,587,945	109,784,064	112,808,843
Investments in associates	10	31,114,826	12,873,441	12,319,538
Intangible assets	12	6,269,141	11,752,387	11,823,805
Total assets		$ 165,095,247	$ 168,835,991	$ 172,908,755
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	21	$ 10,304,818	$ 12,606,004	$ 14,113,952
Foreign tax liabilities		81,016	103,707	85,235
Dividends payable		1,747,631	1,747,631	2,184,538
Unearned income		9,442,744	9,946,930	10,482,537
Preferred share redemption amounts unclaimed	24	725,954	873,061	945,132
Long-term debt redemption amounts unclaimed	22	540,139	541,579	552,004
Pension plan	14	438,975	-	-
		23,281,277	25,818,912	28,363,398
Non-current liabilities				
Post-retirement medical plan	14	3,346,680	3,021,772	3,027,477
Pension plan	14	1,755,901	-	-
Total liabilities		28,383,858	28,840,684	31,390,875
EQUITY				
Equity attributable to owners of the parent				
Share capital	24	3,640,908	3,640,908	3,640,908
Share premium		83,413,733	83,413,733	83,413,733
Contributed surplus		20,920,454	20,920,454	20,920,454
Other comprehensive income		(4,451,999)	(982,637)	48,889
Retained earnings		33,188,293	33,002,849	34,480,455
		136,711,389	139,995,307	142,504,439
Non-controlling interests	16	-	-	(986,559)
Total equity		136,711,389	139,995,307	141,517,880
Total liabilities and equity		$ 165,095,247	$ 168,835,991	$ 172,908,755

Approved by the Board of Directors

James A C King Director

Director

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2012 and 2011

	Notes	2012	2011
OPERATING REVENUES			
Wireline revenues		$ 45,031,617	$ 47,366,049
International long distance and network revenues		18,669,626	18,509,404
Directory revenues		5,620,308	5,752,718
Wireless revenues		2,784,972	3,118,857
Hardware and software revenues		2,769,316	6,146,691
International capacity		1,460,092	1,096,266
Other revenues		4,310,534	3,810,084
		80,646,465	85,800,069
OPERATING EXPENSES			
Salaries and employee benefit expenses	6	30,359,434	33,985,526
Staff termination costs	6	3,018,380	4,373,449
Operations and maintenance expenses		21,027,104	20,845,582
Depreciation and amortization	13	18,701,622	14,027,476
Government taxes, fees and levies	8	3,266,169	3,577,300
Other operating expenses	7	8,442,579	6,721,752
		84,815,288	83,531,085
Operating (loss) profit		(4,168,823)	2,268,984
Net interest income on pension plan	14	712,502	916,646
Net interest cost on post-retirement medical benefits plan	14	(151,367)	(160,165)
Share of income of associates	10	3,241,356	1,892,748
Investment income	26	6,849	17,309
Gain on amalgamation	10	10,516,501	-
Impairment of goodwill and intangible assets	12	(2,953,641)	-
Profit for the year from continuing operations		7,203,377	4,935,522
(Loss) Profit for the year from discontinued operations	4	(27,411)	1,681,263
Profit for the year		$ 7,175,966	$ 6,616,785
Profit attributable to:			
Equity holders of the company		$ 7,175,966	$ 6,529,237
Non-controlling interests		-	87,548
		$ 7,175,966	$ 6,616,785

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2012 and 2011

	Notes	2012	2011
Profit for the year		$ 7,175,966	$ 6,616,785
Other comprehensive income (loss) for the year:			
Realized gains on disposal of available-for-sale investments		(3,378)	(7,614)
Changes in fair value of available-for-sale investments	15	(107,891)	(42,363)
Actuarial gains and losses on post-retirement medical plan	14	(450,715)	(64,903)
Changes in defined benefit pension plan	14	(2,907,378)	(916,646)
		(3,469,362)	(1,031,526)
Total comprehensive income for the year		$ 3,706,604	$ 5,585,259
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations		$ 3,734,015	$ 3,903,996
Discontinued operations	4	(27,411)	1,681,263
		$ 3,706,604	$ 5,585,259
Earnings per share:			
Basic and diluted (discontinued and continuing operations)	25	$ 0.493	$ 0.454
Basic and diluted (continuing operations)	25	$ 0.495	$ 0.339
Basic and diluted (discontinued operations)	25	$ (0.002)	$ 0.115

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the years ended March 31, 2012 and 2011

		Attributable to equity owners for the company							
	Notes	**Share capital**	**Share premium**	**Contributed surplus**	**Other comprehensive income**	**Retained earnings**	**Total**	**Non-controlling Interest**	**Total**
Balance - April 1, 2011		$ 3,640,908	$ 83,413,733	$ 20,920,454	$ (982,637)	$ 33,002,849	$ 139,995,307	$ -	$ 139,995,307
Profit for the period		-	-	-	-	7,175,966	7,175,966	-	7,175,966
Other comprehensive income:									
Realized gains	15	-	-	-	(3,378)	-	(3,378)	-	(3,378)
Changes in fair value of available-for-sale investments	15	-	-	-	(107,891)	-	(107,891)	-	(107,891)
Re-measurement of post-retirement medical plan	14	-	-		(450,715)	-	(450,715)	-	(450,715)
Re-measurement of defined benefit pension plan	14	-	-	-	(2,907,378)	-	(2,907,378)	-	(2,907,378)
Comprehensive income (loss) for the period		-	-	-	(3,469,362)	-	(3,469,362)		(3,469,362)
Dividends		-	-	-	-	(6,990,522)	(6,990,522)	-	(6,990,522)
Balance - March 31, 2012		$ 3,640,908	$ 83,413,733	$ 20,920,454	$ (4,451,999)	$ 33,188,293	$ 136,711,389	$ -	$ 136,711,389
Balance - April 1, 2010		$ 3,640,908	$ 83,413,733	$ 20,920,454	$ 48,889	$ 34,480,455	$ 142,504,439	$ (986,559)	$ 141,517,880
Profit for the period		-	-	-	-	6,616,785	6,616,785	(87,548)	6,529,237
Other comprehensive income:									
Realized gains	15	-	-	-	(7,614)	-	(7,614)	-	(7,614)
Changes in fair value of available-for-sale investments	15	-	-	-	(42,363)	-	(42,363)	-	(42,363)
Re-measurement of post-retirement medical plan	14	-	-	-	(64,903)	-	(64,903)	-	(64,903)
Re-measurement of defined benefit pension plan	14	-	-	-	(916,646)	-	(916,646)	-	(916,646)
Comprehensive income (loss) for the period		-	-	-	(1,031,526)	-	(1,031,526)	-	(1,031,526)
Acquisition of non-controlling interest		-	-	-	-	(1,103,869)	(1,103,869)	1,074,107	(29,762)
Dividends		-	-	-	-	(6,990,522)	(6,990,522)	-	(6,990,522)
Balance - March 31, 2011		$ 3,640,908	$ 83,413,733	$ 20,920,454	($ 982,637)	$ 33,002,849	$ 139,995,307	$ -	$ 139,995,307

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the years ended March 31, 2012 and 2011

	Notes	2012	2011
CASH FLOW PROVIDED BY (USED IN)			
Operating activities			
Profit for the period		$ 7,175,966	$ 6,616,785
Adjustments for:			
Depreciation and amortization	13	18,988,791	17,196,178
Bad debt expenses and impairment allowances	18	2,007,568	1,167,101
Share of income of associates	10	(3,241,356)	(1,892,748)
Net realized gain on marketable securities		(6,849)	(17,309)
Net interest income on pension plan	14	(712,502)	(916,646)
Post-employment benefits	14	151,367	160,165
Gain on amalgamation	10	(10,516,501)	-
Impairment of goodwill and intangible assets	10	2,953,641	-
Non-controlling interests		-	(87,548)
Changes in items of working capital:			
Accounts receivable		1,688,054	(1,670,967)
Loan receivable – short term portion		(1,680,000)	-
Inventories		937,620	1,257,034
Prepaid expenses and other current assets		(1,399,677)	685,495
Accounts payable and accrued liabilities		32,106	(421,650)
Foreign tax liabilities		(22,691)	18,472
Unearned income		793,706	(535,607)
Discontinued operations	4	1,443,062	1,666
Net cash generated from operating activities		18,592,305	21,560,421
Investing activities			
Repayment of loans to associates		4,066,875	1,674,400
Repayment of borrowings from third parties		-	(1,654,291)
Acquisition of remaining shares of subsidiary		-	(29,762)
Sale of marketable securities		38,897	114,812
Purchase of marketable securities		-	(347,074)
Purchase of property, plant and equipment	11	(11,656,198)	(14,099,981)
Net cash used for investing activities		(7,550,426)	(14,341,896)
Financing activities			
Redemption of notes payable	22	(1,440)	(10,425)
Redemption of preferred shares	24	(147,107)	(72,071)
Dividends paid on common shares		(6,990,522)	(7,427,430)
Net cash used for financing activities		(7,139,069)	(7,509,926)
Increase (Decrease) in cash and cash equivalents		3,902,810	(291,401)
Cash and cash equivalents - Beginning of year		6,848,305	7,139,706
Cash and cash equivalents - End of year	17	$ 10,751,115	$ 6,848,305

The accompanying notes are an integral part of these consolidated financial statements

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

1. The company and its regulatory framework

KeyTech Limited (the "Company") is incorporated in Bermuda with limited liability under the Companies Act 1981. KeyTech Limited, through its subsidiaries and associates, is a supplier of information and communications services, providing a wide range of voice, data, Internet, media and consulting products and services.

The Company is listed on the Bermuda Stock Exchange ("BSX") and is domiciled in Bermuda. The registered office is located at 30 Victoria Street, Hamilton, HM 12, Bermuda.

These financial statements were approved by the Directors on June 20, 2012.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) *Statement of compliance and adoption of International Financial Reporting Standards (IFRS):*

The Company prepares its financial statements in accordance with generally accepted accounting principles in Bermuda and Canada, as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS as issued by the International Accounting Standards Board and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS, and comply with the provisions of the Bermuda Companies Act. In these financial statements, the term "Previous GAAP" refers to generally accepted accounting principles in Bermuda and Canada before the adoption of IFRS.

Subject to certain transition elections disclosed in Note 3, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet as at April 1, 2010 and throughout all financial years presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended March 31, 2011 prepared under previous GAAP.

(b) *New standards, amendments and interpretations issued, but not yet effective and not adopted by anticipation:*

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after April 1, 2012 or later periods and are expected to be relevant to the Company:

Standard / Interpretation	Content	Applicable for financial years beginning on / after
IAS 1	Presentation of items of other comprehensive income	July 1, 2012
IFRS 7	Disclosures: transfer of financial assets	July 1, 2011
IFRS 9	Financial instruments: Classification and measurement	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013

Amendment to IAS 1, 'Presentation of items of other comprehensive income'
In June 2011, the IASB issued 'Presentation of items of other comprehensive income' (amendments to IAS 1). The amendments improved the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments also highlighted the importance that the Board places on presenting profit or loss and OCI together and with equal prominence. The amendments issued in June 2011 retain the requirement to present profit and loss and OCI together, but focus on improving how items of OCI are presented. The main change resulting from the amendments was a requirement for entities to group items presented in OCI on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification

adjustments). The amendments did not address which items are presented in OCI. The Company is yet to assess the full impact of the IAS 1 amendments and intends to adopt the amendments to IAS 1 no later than the accounting period beginning on April 1, 2013.

Amendment to IFRS 7 Disclosures: Transfer of financial assets
The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. In the first year of application, an entity need not provide comparative information for the disclosures required. The Company does not expect the standard to have a major impact on the disclosures required.

IFRS 9, 'Financial instruments' – classification and measurement
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on April 1, 2013.

IFRS 10, 'Consolidated financial statements'
IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on April 1, 2013.

IFRS 12, 'Disclosures of interests in other entities'
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on April 1, 2013.

IFRS 13 'Fair value measurement'
IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on April 1, 2013. The IASB and the IFRIC have published the following standards and interpretations, which were not yet effective. The standards, amendments and interpretations are not expected to be relevant to the Company's operations:

Standard / Interpretation	Content	Applicable for financial years beginning on / after
IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	July 1, 2011
IAS 27	Separate financial statements	January 1, 2013
IAS 28	Investments in associates and joint ventures	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013

(c) *Early adoption of standards:*

IAS 19 ‘Employee Benefits’ was amended in June 2011. The impact on the Company will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

(d) *Basis of preparation:*

The financial statements are presented in Bermuda dollars ($), which is the functional currency of the Company.

The financial statements are prepared using the historical cost basis, except for marketable securities and pension plan liabilities measured at fair value.

(e) *Critical estimates and judgements:*

The preparation of the financial statements to conform to IFRS requires management to make significant estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the balance sheet date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year of the revision and future years, where applicable. Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Valuation of pensions and other post-retirement benefits:

The amounts recognized in the balance sheet, income statement and statement of comprehensive income for pensions, are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognized include the discount rates used to determine the present value of estimated future cash flows, and inflation. Refer to note 14 for sensitivity analysis performed.

The discount rates are based on the yields on corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The growth in pensionable payroll is based on the views of the management.

(ii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(iii) Net realizable value of inventories:

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

(iv) Residual value and expected useful life of property, plant and equipment:

The residual value and the expected useful life of an asset are reviewed at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company and its subsidiaries. The recoverable amount of property, plant and equipment is dependent upon management's internal assessment of future cash flows from the individual asset or from the cash generating units to which the asset belongs. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rate used. If discount rates were increased by 1% there would be no further impairment on property, plant and equipment.

(v) Impairment of investments in associates:

The carrying value of investments in associates is assessed for impairment using benchmark multiples of earnings before interest, depreciation and amortization ("EBIDA") and discounted cash flows of the Company, based on financial budgets approved by management over a period of up to five years with a terminal value at the end of the five year period, calculated using benchmark multiples of EBIDA. The specific method, discount rate and benchmark multiples are assessed individually for each investment depending on the nature of its business, maturity of the business and expected future revenue growth rates. If the recoverable value is less than the carrying value of the investment in associate, an impairment expense is recognized in the period to reduce carrying value to its recoverable value. The following are key assumptions used in the impairment assessment calculations:

Benchmark multiples of EBIDA	5.9 - 6.5
Discount rate applied in cash flow projections	10.7 -12.5%

(vi) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable value using value in use, of the cash-generating units to which the goodwill and intangible assets have been allocated. The cash generating unit fair value is assessed using the discounted cash flows of the cash generating unit, based on financial budgets approved by management over a period of up to five years with a terminal value at the end of the five year period. Tangible assets are deducted from the estimated enterprise value and the residual value is compared to the carrying value of goodwill and intangible assets. If the residual value is less than the book carrying value of goodwill and intangible assets, an impairment expense is recognized in the period to reduce the carrying value to its recoverable amount. The following are key assumptions used in the impairment assessment calculations:

Benchmark multiples of EBIDA	5.9 - 6.5
Discount rate applied in cash flow projections	10.7 -12.5%

If discount rates were increased by 1% there would be no further impairment on goodwill or intangible assets.

(f) *Foreign currencies:*

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Bermuda dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognized in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value and are translated to Bermuda dollars at foreign exchange rates ruling at the dates the values were determined.

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

For the purpose of the statement of cash flows, all foreign currency gains and losses recognized in the consolidated statement of comprehensive income are treated as cash items and included in cash flows from operating or financing activities along with movements in the relevant balances.

(g) *Basis of consolidation*

(i) Subsidiaries:

A “subsidiary” is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Company also assesses existence of control where it does not have more than 50% of voting power, but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Company’s voting rights relative to the size and dispersion of holdings of other shareholding’s, give the Company the power to govern the financial and operating policies, etc. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries: The Bermuda Telephone Company Limited (“BTC”), Logic Communications Limited (“Logic”), WestTel Limited (trading as Logic Communications Ltd. Cayman) (“Logic Cayman”), Bermuda Yellow Pages Limited (“BYP”), Key Management Services Limited (“KMS”), Cable Co. Ltd. and Cedar Cable Ltd. (jointly “Cable Co.”). M3 Wireless Ltd. (“M3”) was a reportable segment through to May 2, 2011, at which time M3 amalgamated with Bermuda Digital Communications Ltd. (“BDC”), as disclosed in Note 4.

(ii) Transactions eliminated on consolidation:

Intra-group balances and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

(h) *Revenue recognition*

The Company recognizes revenues as it provides services or delivers products to customers. Billings for telecommunications services (including fixed line, mobile, broadband and internet access billings) are made on a monthly basis. Unbilled revenues from the billing cycle date to the end of each month are recognized as revenue during the month the service is provided. Revenue is deferred in respect of the portion of fixed monthly charges that have been billed in advance. Revenue from the sale of prepaid mobile units is initially deferred, with recognition occurring when the prepaid units are used by the customer. Revenue from installations and connections are recognized upon completion of the installation or connection. Revenue from equipment sales is recognized upon delivery of equipment to the customer.

Where multiple products or services are bundled together on sale, revenue is allocated to each element in proportion to its fair value and recognized as appropriate for that element. Revenue is recognized to the extent that it is not contingent on the provision or delivery of a future service.

Amounts received in advance of publication of the annual telephone directory for advertising sold are shown as unearned income in the consolidated balance sheet and are recognized as income at the date of publication. Revenues and expenses related to the Internet directory services are recognized on a pro rata basis over the life of the contract.

Revenue for other services is generally recognized as services are performed.

(i) *Property, plant and equipment:*

(i) Owned assets:

Items of property, plant and equipment and intangible assets (computer software) are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

Repair and maintenance costs relating to property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Costs incurred relating to plant under construction are capitalized and held unamortized within “plant under construction” until such time as the asset is substantially complete, at which time the asset is commissioned and amortized over its useful life.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured.

(ii) Depreciation/amortization:

Depreciation/amortization is computed on the straight-line basis at annual rates estimated to write down the assets to their estimated residual values at the end of their expected useful lives. No depreciation is charged on plant under construction and land. The asset’s residual values and useful lives are reviewed and adjusted if appropriate, at the end of each financial reporting period.

Depreciation/amortization rates are as follows:

Buildings and fixtures	- 2% to 10%
Buildings leased under capital lease	- 2%
Plant and facilities	- 6% to 25%
Submarine cable system	- 6.7%
Machinery and equipment	- 20% to 33%
Software	- 33.3%

(j) *Goodwill and intangible assets:*

Goodwill represents the excess, at the date of acquisition, of the consideration transferred over the interest in net fair value of the net identifiable assets liabilities and contingent liabilities of subsidiary companies acquired and the fair value of the non-controlling interest in the acquiree. Intangibles acquired in a business combination are distinguished and separately valued from goodwill. Goodwill and intangibles with indefinite useful lives are assessed for potential impairment annually using estimates of future net cash flows. Intangible assets with definite useful lives (computer software and leased telecom capacity) are initially recorded at cost and amortized over their useful economic lives to their estimated residual values and reviewed for impairment when indications of impairment exist. Any permanent impairment of the value is charged to earnings in the year the impairment is recognized.

Useful economic lives are as follows:

Leased telecommunications capacity	- 7.5 to 15 years
Computer software	- 3 years

(k) *Investments in associates:*

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. The investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of the acquisition. The Company's investment in associates includes goodwill identified on acquisition.

The Company's share of post acquisition profit or loss is recognized in the statement of comprehensive income and its share of post acquisition movements in other comprehensive income is recognized in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds the interest in the associate, including any other unsecured receivables, the Company does not recognize future losses, unless it has incurred a legal or constructive obligation or made payments on behalf of the associate.

Profit and losses resulting from upstream and downstream transactions between the Company and its associates are recognized in the Company's financial statements, only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of impairment of the asset transferred.

(l) *Cash and cash equivalents:*

Cash and cash equivalents comprise cash, bank balances and highly liquid money market instruments, which can be redeemed on demand and which are not subject to significant risk of change in value.

Bank overdraft, which is payable on demand and forms an integral part of the Company's cash management activities, are included as a component of the cash and cash equivalents for the purpose of the statement of cash flows.

(m) *Accounts receivable:*

Trade and other receivables are initially stated at fair value and subsequently measured at amortized cost less impairment losses.

(n) *Related parties:*

The Company has a related party relationship with its directors, related companies, and affiliated parties controlled by its directors, senior officers, executives and significant shareholders of the parent company. Key management includes members of the Board of Directors (executive and non-executive), the Company Chief Executive Officer, Chief Financial Officer, and other key members of management identified as holding decision making authority.

(o) *Inventories:*

Inventories, consisting of items held for resale and parts and consumables, are recorded at lower of average cost and estimated net realizable value.

(p) *Deferred costs:*

Costs incurred directly relating to the publication of the annual directory are deferred and recognized as expenses at the date of publication. Deferred production costs of $1,629,309 (2011 - $1,632,159) are included in prepaid expenses and other current assets in the consolidated balance sheet.

(q) *Financial assets:*

(i) Classification

The Company classifies its financial assets in the following categories: 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.

(a) Loans and receivables

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 Company's loans and receivables comprise 'accounts receivable', 'loan receivable' and 'cash and cash equivalents' in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Company's available-for-sale financial assets comprise the marketable securities.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the statement of comprehensive income as investment income.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of investment income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of investment income when the Company's right to receive payments is established.

(r) *Impairment of financial assets:*

(i) Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset 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 that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

(ii) Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from OCI and recognized in profit or loss. If, in a subsequent period, the fair value of a financial instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income for the debt instruments but not for the equity instruments.

(s) *Accounts payable:*

Trade and other payables are initially measured at fair value and subsequently carried at amortized cost. They are classified as other liabilities at amortized cost.

(t) *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 the statement of comprehensive income on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(u) *Dividend distribution:*

Dividends are approved by the Company's Board of Directors and are recognized as a liability in the period in which they are declared and as income when the right to receive payment is established.

(v) *Employee benefits:*

Employee benefits, comprising net pensions assets included in these financial statements, have been actuarially determined by a qualified independent actuary, appointed by management.

The actuarial valuations are carried out on an annual basis, as at the consolidated balance sheet date.

(i) Pension arrangements:

As described in Note 14, employees of companies included in these consolidated financial statements have entitlements under company plans which are defined benefit plans. For defined benefit plans, the level of benefit provided is based on the length of service and salary of the person entitled.

The cost of defined benefit plans is determined using the projected unit credit method. The related liability recognized in the consolidated balance sheet is the present value of the defined benefit obligation at the consolidated balance sheet date, less the fair value of plan assets.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income and retained earnings without recycling to the consolidated statements of comprehensive income in subsequent periods. The interest expense / income recognized in the consolidated statements of comprehensive income is a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Any difference with the actual return on plan assets is recognized in other comprehensive income as part of the re-measurement of the plan.

(ii) Termination benefits

The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(iii) Other post-retirement benefits:

The medical post-retirement benefit is a fixed financial stipend to retirees which will increase with general inflation.

(iv) Other employee benefits:

Employee entitlements to paid leave are recognized when they accrue to employees. An accrual is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date.

(w) *Share capital:*

Ordinary shares are classified as equity. Mandatorily redeemable preference shares, which have been redeemed, are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds.

(x) *Segment reporting:*

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM), which comprise the Chief Executive Officer, Chief Financial Officer and members of the Board of Directors, to make decisions about resources to be allocated to the segment and assess its performance.

3. Transition to IFRS

The effect of the Company's transition to IFRS is summarized in this note as follows:

(i) Transition elections
(ii) Reconciliation of equity and comprehensive income as previously reported under Previous GAAP to IFRS
(iii) Adjustments to the statement of cash flows

(i) Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

	As described in Note 3(ii)
Employee benefits – treatment of actuarial gains and losses	(a)
Employee benefits – treatment of past service costs	(b)
Business combinations	(c)

(ii) Reconciliation of equity and comprehensive income as previously reported under Previous GAAP to IFRS

Equity	**Notes**	**March 31, 2011**	**April 1, 2010**
Equity as reported under Previous GAAP		$ 140,458,293	$ 141,725,041
IFRS adjustments increase (decrease):			
Employee future benefits			
– actuarial gains and losses	(a)	(334,903)	(270,000)
– past service costs	(b)	(377,000)	(435,000)
Deferred investment gain	(c)	248,917	497,839
Equity as reported under IFRS		$ 139,995,307	$ 141,517,880

Comprehensive income		**March 31, 2011**
Profit for the year as reported under Previous GAAP		$ 5,891,061
Realized gains		(7,614)
Changes in fair value of available-for-sale investments		(42,363)
Total comprehensive income as reported under Previous GAAP		$ 5,841,084
Increase (decrease) in net income for:		
Net interest income on pension plan	(a)	916,646
Employee future benefits		
– past service costs	(b)	58,000
Deferred investment gain	(c)	(248,922)
		725,724
Increase (decrease) in other comprehensive income for:		
Employee future benefits		
– actuarial gains and losses	(a)	(64,903)
– re-measurement of pension plan	(a)	(916,646)
As reported under IFRS		$ 5,585,259

Explanatory notes

(a) Under IFRS, the Company recognizes the re-measurement of employee future benefit obligations including actuarial gains and losses, in other comprehensive income as they arise. Under Previous GAAP, the Company applied the corridor method of accounting for actuarial gains and losses. Under this method, actuarial gains and losses are recognized only if they exceed specified thresholds. In addition, the difference between the discount rate and the effective return of plan assets are part of the re-measurement of the benefit obligations that is recognized in OCI. The impact of this re-measurement was $916,646. Under previous GAAP, the difference between the expected and the effective return of plan assets was recorded as actuarial gains and losses. The carrying value of the net liability for employee future benefit obligations has been increased by $270,000 to recognize cumulative net actuarial gains and losses as at April 1, 2010, which was increased to $334,903 at

March 31, 2011 to recognize the actuarial loss of $64,903 for the year. No actuarial gains and losses were recognized under Previous GAAP using the corridor approach.

(b) Under IFRS, the Company expenses the cost of past service benefits awarded to employees immediately in other comprehensive income. Under Previous GAAP, the Company expensed past service costs over the weighted average service life of active employees remaining in the plan. This adjustment decreased the net asset for employee future benefits in the consolidated balance sheet by $435,000 at April 1, 2010 and $377,000 at March 31, 2011 and reduced expenses by $58,000 for the year ended March 31, 2011.

(c) Under IFRS, any deficit is a bargain purchase and is recognized in profit or loss immediately after reassessing the identification and measurement of the business combination. Under the corporate restructuring of Bermuda CableVision Limited (“BCL”) during the year ended March 31, 2000, there was both an amount in excess of the tangible assets acquired and a deferred investment gain that arose. Under Previous GAAP, the Company determined that this deferred gain should be amortized over ten years being BCL’s license period at that time. Commencing April 1, 2002, the underlying intangible asset and the associated deferred investment gain were being amortized over ten years. Amortization of these amounts was included as a component of share of income of associates in the consolidated statement of comprehensive income. This adjustment decreased the deferred investment gain in the consolidated balance sheet by $497,839 at April 1, 2010 and $248,917 at March 31, 2011 and reduced share of income of associates by $248,922 for the year ended March 31, 2011.

(iii) Adjustments to the statement of cash flows

The transition from Previous GAAP to IFRS had no significant impact on cash flows generated by the Company.

4. Discontinued operations

On May 2, 2011, the Company completed the merger of its Bermuda wireless subsidiary, M3 Wireless Limited (M3) with Bermuda Digital Communications Ltd (BDC). M3, until this merger, was a fully owned subsidiary of Keytech Limited.

Based on the requirements of IFRS 3, this transaction was a deemed disposal of M3, as the Company no longer had control of M3 effective May 2, 2011. Subsequent to the disposal of M3, the Company acquired a 42% interest in the merged entity, operating as CellOne in Bermuda.

The net gain on amalgamation was $10,516,501, which was recognized in the consolidated statement of comprehensive income for the fiscal year ended March 31, 2012.

Share of fair value of amalgamated entity	$ 17,355,553
Loan and working capital contributions receivable	8,329,041
Less: net assets of M3 disposed	(15,168,093)
Gain	$ 10,516,501

At the date of transaction, a loan of $7,012,489 was advanced to the amalgamated entity. As at March 31, 2012 the outstanding loan amount receivable was $5,332,489. Upon amalgamation, a working capital adjustment of $1,316,552 was finalized and paid to the Company during the fiscal year ended March 31, 2012.

The share of fair value of the amalgamated entity was based on valuation models prepared by management based on discounted future cash flows of the entities.

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

The statement of comprehensive income has been re-presented to show the M3 results to May 2, 2011 as a discontinued operation, separately from the Company's continuing operations. The discontinued operations results for the financial years presented in the statement of comprehensive income are as follows:

	2012	2011
OPERATING REVENUES		
Wireline revenues	$ 1,493,593	$ 18,419,967
Other revenues	6,000	226,750
	1,499,593	18,646,717
OPERATING EXPENSES		
Salaries and employee benefit expenses	154,057	2,314,283
Operations and maintenance expenses	582,292	6,566,419
Depreciation and amortization	287,169	3,168,702
Government taxes, fees and levies	65,492	745,304
Other operating expenses	437,994	4,170,746
	1,527,004	16,965,454
Net (loss) earnings before merger related items	$ (27,411)	$ 1,681,263

The $10.5 million net gain on merger of M3 and BDC relates to the difference between the fair value and book value of the assets of the merged company and was recognized in the consolidated statement of comprehensive income for the year ended March 31, 2012.

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

The carrying value of assets and liabilities disposed of as discontinued operations are:

	May 2, 2011
ASSETS	
Current assets	
Cash and cash equivalents	$ 1,087,368
Accounts receivable	2,662,798
Inventories	555,273
Prepaid expenses and other current assets	772,512
	5,077,951
Non-current assets	
Property, plant and equipment	11,561,690
Intangible assets	1,305,158
Total assets	$ 17,944,799
LIABILITIES AND SHAREHOLDERS EQUITY	
Current liabilities	
Accounts payable and accrued liabilities	$ 1,470,003
Unearned income	1,306,702
	2,776,705
Non-current liabilities	
Loans from related parties	6,856,370
Total liabilities	9,633,075
EQUITY	
Equity attributable to owners of the parent	
Share capital	1,012,000
Contributed surplus	7,842,453
Retained earnings	(542,729)
Total equity	8,311,724
Total liabilities and equity	$ 17,944,799

The cash flows of the discontinued operations are as follows:

	Period ended May 2, 2011	Year ended March 31, 2011
Cash flows from operating activities from discontinued operations	$ 1,443,062	$ 1,666

5. Segmented information

Reportable segments correspond to the Company's internal organizational structure. The Company operates the following reportable segments, which are managed as separate business units, as they operate in different industries and require different market strategies and technologies. The Company evaluates each segment's performance based on its contribution to consolidated net income. The accounting policies of the reportable segments are the same as those described in Note 2.

BTC – provides a wide range of wireline voice and data services, data center services, and customer premise equipment sales and rentals.

Logic – provides a wide range of Internet products and services, long distance voice services, consulting services and hardware and software sales.

Logic – Cayman – provides fixed wireless and wireline voice and data services in the Cayman Islands.

BYP – provides printed and on-line directory and digital marketing services.

Cable Co. – provides international data services on its submarine cable system between Bermuda and the United States.

The investments in associates have been aggregated under a single segment called 'Investment in Associates' and its related disclosures are included in Note 10 of these financial statements.

Segment information

	BTC	Logic	Logic Cayman	BYP	Cable Co.	Total
Year ended March 31, 2012						
Revenues from external customers	$ 48,976,028	$ 18,575,086	$ 5,616,154	$ 5,622,808	$ 1,460,092	$ 80,250,168
Revenues from internal customers	4,027,019	4,319,245	88,741	242,339	1,753,737	10,431,081
Depreciation and amortization	13,046,562	1,690,431	2,225,643	51,283	1,799,592	18,813,511
Operating expenses	39,191,013	18,318,745	7,850,959	4,086,512	3,400,994	72,848,223
Interest expense	168,179	-	-	-	-	168,179
Segment income (loss)	597,293	2,885,155	(4,371,707)	1,727,352	(1,986,757)	(1,148,664)
Segment assets	$ 77,058,423	$ 13,394,832	$ 5,251,105	$ 5,308,855	$ 23,522,053	$ 124,535,268

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

	BTC	Logic	Logic Cayman	BYP	Cable Co.	Total
Year ended March 31, 2011						
Revenues from external customers	$ 50,886,450	$ 22,280,343	$ 6,213,778	$ 5,753,553	$ 1,096,266	$ 86,230,390
Revenues from internal customers	5,701,396	1,457,470	88,742	311,579	1,436,937	8,996,124
Depreciation and amortization	9,609,636	1,587,720	1,110,300	54,568	1,789,531	14,151,755
Operating expenses	42,777,592	19,072,084	7,653,114	3,668,563	3,220,741	76,392,094
Interest expense	289,982	-	-	-	-	289,982
Segment income (loss)	3,910,636	3,078,009	(2,460,894)	2,342,001	(2,477,069)	4,392,683
Segment assets	$ 82,414,446	$ 14,240,247	$ 6,822,616	$ 5,547,076	$ 23,480,919	$ 132,505,304

Reconciliations

	2012	2011
Revenues from external customers		
Total segment revenues from external customers	$ 80,250,168	$ 86,230,390
Non-segment other revenue	396,297	124,064
Revenues from internal customers from discontinued operations	-	(554,385)
	$ 80,646,465	$ 85,800,069

	2012	2011
Depreciation and amortization		
Total segment amortization	$ 18,813,511	$ 14,151,755
Non-segment amortization	148,614	132,873
Elimination of inter-company amounts	(260,503)	(257,152)
	$ 18,701,622	$ 14,027,476

	2012	2011
Operating expenses		
Total segment operating expenses	$ 72,848,223	$ 76,392,094
Non-segment operating expenses	3,346,515	2,784,176
Elimination of inter-company amounts	(10,081,072)	(9,672,661)
	$ 66,113,666	$ 69,503,609

	2012	2011
Interest expense		
Total segment interest expense	$ 168,179	$ 289,982
Elimination of inter-company amounts	(168,179)	(289,982)
	$ -	$ -

Profit for the year	2012	2011
Total (loss) income for reportable segments	$ (1,148,664)	$ 4,392,683
(Loss) Income from discontinued operations	(27,411)	1,681,263
Net interest income on pension plan	712,502	916,646
Net interest cost on post-retirement medical benefits plan	(151,367)	(160,165)
Gain on amalgamation	10,516,501	-
Share of income of associates	3,241,356	1,892,748
Non-segment other income	599,701	875,715
Non-controlling interest	-	87,548
Impairment of goodwill and intangible assets	(2,953,641)	-
Non-segment administrative expenses	(3,346,515)	(2,784,174)
Non-segment amortization	(148,614)	(132,873)
Elimination of inter-company amounts	(117,882)	(152,606)
	$ 7,175,966	$ 6,616,785

Total assets	2012	2011
Total assets for reportable segments	$ 124,535,268	$ 132,505,304
Goodwill	991,411	3,701,460
Non-segment assets	64,185,131	52,163,326
Total assets of discontinued operations	-	18,347,623
Elimination of inter-company amounts	(24,616,563)	(37,881,722)
	$ 165,095,247	$ 168,835,991

Entity-wide information

The breakdown of revenue from all services is disclosed on the face of the consolidated statement of comprehensive income.

The Company is domiciled in Bermuda and revenue from external customers in Bermuda is $74,634,014 (2011: $80,016,612). Total revenue from other countries is $5,616,154 (2011: $6,213,778) which is derived from the Logic Cayman operations domiciled in the Cayman Islands.

The total of non-current assets located in Bermuda is $129,050,679 (2011: $135,184,781) and the total of such non-current assets in other countries is $4,202,741 (2011: $5,378,651).

6. Salaries and employee benefit expenses and staff termination costs

	2012	2011
Gross salaries	$ 24,782,252	$ 27,982,556
Staff termination costs - gross salaries	2,203,197	3,192,299
Employer pension contributions	1,349,272	1,558,743
Incentive compensation, other benefits and allowances	5,043,093	5,625,377
	$ 33,377,814	$ 38,358,975

7. Other operating expenses

	2012	2011
Bad debt expense (Note 18)	$ 2,007,568	$ 1,167,101
Marketing and selling	1,947,849	1,800,682
Consultants and professional fees	1,891,469	2,459,352
Administrative	1,623,741	355,697
Insurance	971,952	938,920
	$ 8,442,579	$ 6,721,752

8. Government license fee

Certain subsidiaries of the Company are required to pay a license fee to the Governments of Bermuda or the Cayman Islands. The Government of Bermuda is paid a license fee based on 6% or 3% of certain revenues, and the Government of the Cayman Islands is paid a license fee based on 6% of revenues less certain allowable deductions specified in its license. The license fees for the year ended March 31, 2012 were approximately $2,227,121 (2011 - $2,286,656), which is included within government taxes, fees and levies in the consolidated statement of comprehensive income. The license fees attributable to discontinued operations for the year ended March 31, 2012 were approximately $54,000 (2011 - $647,709).

Cable Co. is required to pay annual regulatory fees to the Federal Communications Commission ("FCC") in the United States for the submarine cable. Fees are calculated on a calendar year. In the current year, the Company incurred $205,225 (2011 - $395,611) in FCC fees.

9. Disclosure of related party transactions

The following transactions were carried out with related parties:

(a) *Key management compensation*

The compensation paid or payable to key management for employee services is shown below:

	2012	2011
Salaries and other short-term employee benefits	$ 2,690,231	$ 3,517,561
Termination benefits	-	692,186
	$ 2,690,231	$ 4,209,747

(b) *Year-end balances arising from sales / purchases of goods / services*

	2012	2011
Receivables from related parties:		
- Associates	$ 557,877	$ 83,715
Sales to related parties:		
- Associates	$ 3,166,332	$ 493,843
Purchases from related parties:		
- Associates	$ 474,052	$ 10,762

The receivables from related parties arise mainly from sale transactions and are due one month after the date of sale. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2011: Nil; 2010: Nil).

Goods are sold based on the price lists in force and terms that would be available to third parties.

(c) *Loans to related parties*

	2012	2011
Loans to associates:		
At April 1	$ 8,696,610	$ 9,922,010
Loan on amalgamation	7,012,489	-
Loan repayments received	(4,066,875)	(1,674,400)
Interest charged	832,704	449,000
At March 31	$ 12,474,928	$ 8,696,610

Included within the balance of $12,474,928 at March 31, 2012 is a balance due from BDC of $5,332,489 as described in Note 4, which is disclosed on the face of the consolidated balance sheet. The other loans of $7,142,439 were considered capital contributions to the associates and are included as 'investments in associates' on the face of the balance sheet.

The promissory note to Bermuda CableVision Limited is unsecured, has no set terms of repayment and bears interest at 9% per annum. Advances under the loan facility to QuoVadis Holdings Limited bear interest at 5% and are secured on the fixed and floating assets of QuoVadis. The loan to BDC is unsecured, is due in full March 31, 2015 and bears interest at 7% per annum. Interest relating to all associates loans is included as a component of equity earnings in associates in the consolidated statement of comprehensive income.

No provision was required in 2012 (2011: nil) for the loans made to associates.

10. Investments in associates

	2012	2011
At April 1	$ 12,873,441	$ 12,319,538
Share of operating profit	3,132,928	1,848,996
Interest charged	832,704	449,000
Amortization of intangibles	(724,276)	(405,248)
Net share of income of associates	3,241,356	1,892,748
Loan repayments and interest received	(2,386,875)	(1,674,400)
Other equity movements	17,386,904*	335,555
At March 31	$ 31,114,826	$ 12,873,441

* Relates to the amalgamation of M3 and BDC as disclosed below and in Note 4.

The results of all three principal associates, and the aggregated assets (including goodwill) and liabilities are as follows:

	Countries of incorporation	Assets $	Liabilities $	Revenues $	Net Profit $
April 1, 2010	Bermuda	59,158,503	31,960,842	N/A	N/A
March 31, 2011	Bermuda	65,407,853	35,907,727	38,740,274	4,173,685
March 31, 2012	Bermuda	114,306,369	59,740,129	87,141,381	8,010,441

CellOne

On May 2, 2011, M3 amalgamated with Bermuda Digital Communications, Ltd. ("BDC") and continued operations under the brand name "CellOne". Upon amalgamation, the 1,012,000 common shares of $1.00 par value in the capital of M3 in issue on the date of the amalgamation were converted into 2,671,548 issued and fully paid common shares, $0.05 par value per share, in the capital of the amalgamated company.

Immediately after amalgamation, the Company held 42% of the common shares of the amalgamated company. Effective May 2, 2011 the Company accounts for its investment in the amalgamated company as an investment in associate, whereby the investment is recorded at cost, adjusted to recognize the Company's share of earnings or losses of the amalgamated company and reduced by dividends received.

Bermuda CableVision Limited

During the year ended March 31, 2000, the Company entered into a corporate restructuring agreement with a minority shareholder of Bermuda CableVision Limited ("BCL"). This restructuring agreement resulted in the Company gaining significant influence over BCL and exchanging its shares of BCL for 40% of the outstanding shares of a new holding company, CableVision Holdings Ltd. ("CHL"), $7,000,000 in cash and a $4,000,000 promissory note. The promissory note is unsecured, has no set terms of repayment and bears interest at 9% per annum. During the year ended March 31, 2012 BCL paid the Company total accrued interest of $1,980,000.

QuoVadis Holdings Limited

During the year ended March 31, 2005, the Company purchased a 20% equity interest in QuoVadis Holdings Limited ("QuoVadis"), a company registered in Bermuda, for $1,009,513. QuoVadis is a provider of managed security services. The Company amortized 78% of the intangible assets acquired on purchase of this equity interest over a period of five years and is amortizing 22% over a period of sixteen years. The intangible assets acquired include customer contracts, root certificates, security process methodology, accreditations, and trademarks. Immediately subsequent to the purchase of the equity interest in QuoVadis, the Company subscribed $3,028,538 for additional shares. The Company's proportionate equity interest after the issuance of these additional shares increased to 30%. The Company has also provided a loan to QuoVadis. Advances under the loan facility bear interest at 5% and are secured on the assets of QuoVadis. During the year ended March 31, 2008 a private equity firm based in the United States invested $7,500,000 in preference shares and common share warrants issued by QuoVadis. Repayment of the remaining loan balance is subordinated to repayment of the convertible preference shares.

During the year ended March 31, 2010 the Company committed to contribute $1,000,000 to purchase preference shares and common share warrants. As at March 31, 2011 the full contribution of $1,000,000 was made. At the same time as the Company's additional investment, the existing private equity firm investor contributed an additional $4,000,000 to purchase preference shares and common share warrants. Should all outstanding common share warrants be exercised, the Company's proportionate equity interest in Quo Vadis will reduce to 22%.

11. Property, plant and equipment

	Land	Land Leased Under Capital Lease	Buildings and Fixtures	Buildings Leased Under Capital Lease	Plant and Facilities	Submarine Cable System	Machinery and Equipment	Plant under construction	Total
Cost:									
April 1, 2010	$ 3,752,442	$ 1,000,000	$ 54,928,768	$ 831,398	$ 240,448,560	$ 26,677,227	$ 30,538,640	$ 3,287,797	$ 361,464,832
Additions	-	-	2,049,349	-	8,146,076	8,384	956,964	1,423,927	12,584,700
Transfers	-	-	22,983	-	35,290	-	(158,443)	100,170	-
Disposals / retirements	-	-	(488,432)	-	(14,293,535)	-	(905,955)	(12,075)	(15,699,997)
March 31, 2011	$ 3,752,442	$ 1,000,000	$ 56,512,668	$ 831,398	$ 234,336,391	$ 26,685,611	$ 30,431,206	$ 4,799,819	$ 358,349,535
Additions	-	-	1,861,491	-	3,828,121	389,085	2,515,730	2,805,237	11,399,664
Disposals / retirements	-	-	(8,193,636)	-	(24,900,694)	-	(11,171,642)	(252,046)	(44,518,018)
Disposal of M3	-	-	(2,389,502)	-	(38,718,603)	-	(196,447)	(1,110,323)	(42,414,875)
March 31, 2012	$ 3,752,442	$ 1,000,000	$ 47,791,021	$ 831,398	$ 174,545,215	$ 27,074,696	$ 21,578,847	$ 6,242,687	$ 282,816,306
Depreciation / Impairment:									
March 31, 2010	$ -	$ -	$ 29,354,526	$ 108,105	$ 190,501,985	$ 2,312,919	$ 26,378,454	$ -	$248,655,989
Charge for the year	-	-	2,866,357	16,632	9,195,240	1,789,531	1,742,348	-	15,610,108
Eliminated on disposals / retirements	-	-	(407,353)	-	(14,293,537)	-	(999,736)	-	(15,700,626)
March 31, 2011	$ -	$ -	$ 31,813,530	$ 124,737	$ 185,403,688	$ 4,102,450	$ 27,121,066	$ -	$ 248,565,471
Charge for the year	-	-	2,963,605	16,632	10,596,699	1,799,592	2,156,000	-	17,532,528
Eliminated on disposals / retirements	-	-	(8,045,232)	-	(24,821,346)	-	(11,341,687)	-	(44,208,265)
Disposal of M3	-	-	(1,592,377)	-	(28,872,547)	-	(196,449)	-	(30,661,373)
March 31, 2012	$ -	$ -	$ 25,139,526	$ 141,369	$ 142,306,494	$ 5,902,042	$ 17,738,930	$ -	$ 191,228,361
Net book values:									
March 31, 2012	$ 3,752,442	$ 1,000,000	$ 22,651,495	$ 690,029	$ 32,238,721	$ 21,172,654	$ 3,839,917	$ 6,242,687	$ 91,587,945
March 31, 2011	$ 3,752,442	$ 1,000,000	$ 24,699,138	$ 706,661	$ 48,932,703	$ 22,583,161	$ 3,310,140	$ 4,799,819	$109,784,064
April 1, 2010	$ 3,752,442	$ 1,000,000	$ 25,574,242	$ 723,293	$ 49,946,575	$ 24,364,308	$ 4,160,186	$ 3,287,797	$112,808,843

During the year ended March 31, 2012, an impairment charge of $3,306,930 arose in the carrying value of BTC's rental CPE equipment, following a review of estimated future cash flows generated by the asset. The impairment charge is included in depreciation and amortization within the consolidated statement of comprehensive income. The review also resulted in a write-down of the carrying value of the related CPE inventory of $792,000. The write-down charge is included in operations and maintenance expenses within the consolidated statement of comprehensive income.

During the year ended March 31, 2012, an impairment charge of $1,119,079 arose in wireless data cost generating unit ("CGU") "wireless assets" which is the Company's property, plant and equipment in Logic Cayman relating to the Company's wireless data. This was the result of the continued reduction in wireless data customers. The Company reassessed the depreciation policies in the CGU and concluded that the useful life of property, plant and equipment will be affected following this decision. The depreciation will be accelerated and the useful life reduced such that the wireless assets will be fully depreciated within 18 months. The impairment charge is included in depreciation expense.

Refer to Note 13 for the reconciliation of depreciation expense to the consolidated statement of comprehensive income.

12. Intangible assets

	Leased telecommunications capacity	Computer software and other intangible assets	Goodwill	Total
Cost:				
April 1, 2010	$ 11,282,521	$ 15,864,025	$ 3,701,460	$ 30,848,006
Additions	-	1,514,652	-	1,514,652
March 31, 2011	$ 11,282,521	$ 17,378,677	$ 3,701,460	$ 32,362,658
Additions	-	256,533	-	256,533
Impairments	-	(3,120,937)	(2,710,049)	(5,830,986)
Amalgamation	-	(3,902,854)	-	(3,902,854)
March 31, 2012	$ 11,282,521	$ 10,611,419	$ 991,411	$ 22,885,351
Amortization:				
April 1, 2010	$ 8,654,006	$ 10,370,195	$ -	$ 19,024,201
Charge for the year	721,944	864,126	-	1,586,070
March 31, 2011	$ 9,375,950	$ 11,234,321	$ -	$ 20,610,271
Charge for the year	721,945	734,318	-	1,456,263
Impairments	-	(2,854,646)	-	(2,854,646)
Amalgamation	-	(2,595,678)	-	(2,595,678)
March 31, 2012	$ 10,097,895	$ 6,518,315	$ -	$ 16,616,210
Net book values:				
March 31, 2012	$ 1,184,626	$ 4,093,104	$ 991,411	$ 6,269,141
March 31, 2011	$ 1,906,571	$ 6,144,356	$ 3,701,460	$ 11,752,387
April 1, 2010	$ 2,628,515	$ 5,493,830	$ 3,701,460	$ 11,823,805

Leased telecommunications capacity

Leased telecommunications capacity includes capacity provisioned over optical undersea cable systems. The capacity is provided between Bermuda and New York, NY, USA. The lease terms expire on September 1, 2021 and June 17, 2023 and are amortized over a period of 15 years. Recurring operations and maintenance fees paid by the Company on a monthly basis total $14,375.

Computer software and other intangible assets

As at March 31, 2012, it was determined that the intangible assets arising on the acquisition of a controlling interest in Logic Cayman were impaired. The carrying amount of computer software and other intangible assets at March 31, 2012 of $4,093,104 (2011: $6,144,356), reflects the write-off of the net book value of the intangible assets attributable to Logic Cayman of $243,592 at September 30, 2011.

Goodwill

The goodwill arising on the Logic acquisition in 1998 and the acquisition of a majority interest in Logic Cayman is evaluated for potential impairment at the end of each reporting period using estimates of future discounted net cash flows. As at March 31, 2012, it was determined that the goodwill attributable to Logic Cayman was fully impaired. The unamortized goodwill of $991,411 (2011 - $3,701,460), reflects the impairment of the goodwill attributable to Logic Cayman of $2,710,049 at September 30, 2011. This unamortized goodwill attributable to Logic did not require an impairment adjustment in the fiscal years ended March 31, 2012 and 2011.

Refer to Note 13 for the reconciliation of amortization to the consolidated statement of comprehensive income.

13. Depreciation reconciliation to consolidated statement of comprehensive income

	2012	2011
Charge for the year:		
Depreciation	$ 17,532,528	$ 15,610,108
Amortization	1,456,263	1,586,070
Discontinued operations:		
Depreciation	(266,704)	(3,047,060)
Amortization	(20,465)	(121,642)
	$ 18,701,622	$ 14,027,476

14. Pensions and post-retirement medical benefits

During the year ended March 31, 2000, with the coming into force of the National Pension Scheme (Occupational Pension) Act 1998 (the “Act”), the Company initiated a new defined contribution pension plan for the benefit of employees of certain subsidiaries in order to provide benefits for current and future service in compliance with the Act.

As a result of the initiation of the defined contribution plan above, the Company’s non-contributory defined benefit plan (the “former plan”) was amended in the year ended March 31, 2000 to substantially cease accruing benefits for future service as such service now accrues benefits under the new defined contribution plan (the “current plan”). In addition, certain other amendments were made to the former plan in order to make the provisions more consistent with similar provisions in the current plan. Employees were permitted to elect to surrender the benefits due under the former plan and transfer an amount of cash to their account in the current plan based on an actuarial estimate of the benefits surrendered. The former plan remains on a run-off basis to provide benefits to existing retirees and benefits earned to date and payable on retirement to those employees who so elected. All contributions to the former plan were made by the Company and the Company is the residual beneficiary of the plan after all benefits are paid. The Company’s right as residual beneficiary to refund on surplus funds (fair value of plan assets less present value of the defined benefit obligation) prior to the end of the life of the former plan life is restricted to amounts approved by the Trustees who consider the effects of adverse changes in the actuarial assumptions and any other factors considered relevant in their sole discretion. As such, the Company has determined that it does not have an unconditional right to any plan surpluses and accordingly has not recognized a net defined benefit asset on its balance sheet. Any such surplus is reduced to the estimated realization amount by way of a valuation allowance to comply with the requirements of IFRIC 14.

The Company recognizes a liability in full, any deficit of funds (present value of the defined benefit obligation less fair value of plan assets), as the Company is the sponsor of the defined benefit plan and has an obligation to fund any such deficit. The Company transfers additional funding to the former plan to amortize the deficit over five years from the date of the actuarial valuation. On each fiscal year end reporting date, the Company’s actuaries prepare an actuarial valuation of the plan which identifies if the former plan has a surplus or deficit of funds. The Company classifies any deficit of funds in the former plan as a liability in the consolidated balance sheet. For the fiscal year ended March 31, 2012 the defined benefit plan experienced a deficit of funds and the Company has recognized a liability of $2,194,876. For the fiscal years ended March 31, 2011 and 2010, the defined benefit plan did not experience a deficit of funds.

Effective March 31, 2010, the Company determined to continue to provide post-retirement medical benefits only to existing retiree recipients and to those employees aged 60 at April 1, 2009. These benefits are fully vested and accrued at March 31. 2009 and therefore no benefits for future service will be accrued in future periods. From April 1, 2009, post-retirement medical benefits are a fixed monthly financial contribution to assist the retiree with medical costs.

The following table provides summaries of the post-retirement medical benefits and the defined benefit pension plans' estimated financial position as of March 31:

	Pension Plan		Post-retirement Medical Benefit Plan	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Change in Benefit Obligation				
Present value of obligations at beginning of year	$ 48,449,302	$ 48,464,165	$ 3,021,772	$ 3,027,477
Interest cost	2,440,704	2,555,954	151,367	160,165
Re-measurement	2,919,214	1,413,748	450,715	64,903
Benefit paid	(3,919,387)	(3,984,565)	(277,174)	(230,773)
Present value of obligations at end of year	$ 49,889,833	$ 48,449,302	$ 3,346,680	$ 3,021,772
Change in Plan Assets				
Fair value of plan assets at beginning of year	$ 62,020,766	$ 65,130,459	$ -	$ -
Interest income	3,153,206	3,472,600	-	-
Re-measurement	(13,559,628)	(2,597,728)	-	-
Employer contributions	-	-	277,174	230,773
Benefits paid	(3,919,387)	(3,984,565)	(277,174)	(230,773)
Fair value of plan assets at end of year	$ 47,694,957	$ 62,020,766	$ -	$ -
Funded Status				
Present value of obligation at end of year	$ (49,889,833)	$ (48,449,302)	$ (3,345,680)	$ (3,021,772)
Fair value or plan assets at end of year	47,694,957	62,020,766	-	-
(Liability) asset end of year before asset ceiling	$ (2,194,876)	$ 13,571,464	$ (3,345,680)	$ (3,021,772)
Adjustment for asset ceiling	-	(13,571,464)	N/A	N/A
(Liability) asset end of year after asset ceiling	$ (2,194,876)	$ -	$ (3,345,680)	$ (3,021,772)

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

	Pension Plan		Post-retirement Medical Benefit Plan	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Expense				
Net interest (income) cost	$ (712,502)	$ (916,646)	$ 151,367	$ 160,165
Re-measurement (gain) loss	2,907,378	916,646	450,715	64,903
Balance Sheet				
Opening asset (liability)	$ -	$ 16,666,294	$ (3,021,772)	$ (3,027,477)
Net interest income (expense)	712,502	916,646	(151,367)	(160,165)
Expense before asset ceiling	(2,907,378)	(4,011,476)	(450,715)	(64,903)
Employer's contributions	-	-	277,174	230,773
Closing asset (liability) before asset ceiling	$ (2,194,876)	$ 13,571,464	$ (3,346,680)	$ 3,021,772)
Adjustment for asset ceiling	-	(13,571,464)	N/A	N/A
Closing asset (liability) after asset ceiling	$ (2,194,876)	$ -	$ (3,346,680)	$ (3,021,772)
Actuarial Assumptions:				
Weighted-average assumptions at End of Year:				
Discount rate	4.50%	5.25%	4.50%	5.25%
Rate of compensation increase	2.75%	2.75%	N/A	N/A
Rate of inflation	2.75%	2.75%	2.75%	2.75%
Cost of living adjustments	2.0625%	2.0625%	2.0625%	2.0625%
Weighted-average assumptions for Current Year Expense:				
Discount rate	5.25%	5.50%	5.25%	5.50%
Long-term rate of return on plan assets	5.25%	5.50%	N/A	N/A
Rate of compensation increase	2.75%	3.00%	N/A	N/A
Rate of inflation	2.75%	3.00%	N/A	N/A
Cost of living adjustments	2.0625%	2.0625%	2.0625%	2.0625%
Estimated Future Benefit Payments and Duration:				
2012/2011	3,937,586	4,012,085	257,454	249,583
2013/2012	3,943,672	4,085,788	265,634	252,133
2014/2013	3,926,662	4,049,087	273,451	256,718
2015/2014	3,886,451	4,020,021	269,174	263,337
2016/2015	3,837,168	3,974,246	270,209	258,542
2017 - 2021/ 2016 - 2020	18,154,421	18,966,064	1,256,209	1,223,498
Estimated duration	9.0	8.6	8.4	8.2
Breakdown of Re-measurement from (Gain) Loss:				
Effect of change in financial/ economic assumptions	$ 3,131,817	$ 865,350	$ 201,582	$ 59,804
Effect of change in demographic assumptions	1,256,699	132,524	83,139	13,120
Effect of asset loss	13,559,628	2,597,728	-	-
Other experience	(1,469,302)	415,874	165,994	(8,021)
Total re-measurement from loss before effect of asset ceiling adjustment	$ 16,478,842	$ 4,011,476	$ 450,715	$ 64,903

	Pension Plan		Post-retirement Medical Benefit Plan	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Sensitivity Analysis, Postretirement Benefits:				
Effect on benefit obligations as of end of year of change in discount rate:				
+1%	$ (4,185,690)		$ (273,783)	
-1%	$ 4,894,467		$ 317,244	
Effect on benefit obligations as of end of year of change in cost of living adjustment (COLA):				
+1%	$ 4,511,999		$ 294,785	
-1%	$ (3,936,112)		$ (259,398)	

The Company classifies the expense relating to the defined contribution pension plan and the post-retirement medical benefits plan as part of other operating expenses in the consolidated statement of comprehensive income. Income and expense relating to the defined benefit pension plan are included in comprehensive income in the consolidated statement of comprehensive income, other than net interest income on the defined benefit pension plan which is shown on the face of the consolidated statement of comprehensive income.

Fiscal Year	2012	2011	2010	2009	2008
Beginning of Year:					
Defined benefit obligation	$ 48,449,302	$ 48,464,165	$ 49,324,033	$ 50,447,167	$ 51,622,029
Fair value of plan assets	$ 62,020,766	$ 65,130,459	$ 64,648,534	$ 94,996,329	$ 99,837,105
Deficit	$ -	$ -	$ -	$ -	$ -
Discount rate	5.25%	5.50%	6.50%	6.00%	6.00%
End of year:					
Defined benefit obligation	$ 49,889,833	$ 48,449,302	$ 48,464,165	$ 49,324,033	$ 50,447,167
Fair value of plan assets	$ 47,694,957	$ 62,020,766	$ 65,130,459	$ 64,648,534	$ 94,996,329
Deficit	$ 2,194,876	$ -	$ -	$ -	$ -
Discount rate	4.50%	5.25%	5.50%	6.50%	6.00%
Actuarial (gain)/loss on the defined benefit obligation:					
From changes in assumptions	$ 4,388,516	$ 997,874	$ 1,913,854	$ 139,831	$ -
Experience adjustments (Gain)/Loss	(1,469,302)	415,874	(1,764,375)	108,758	$ -
Total	$ 2,919,214	$ 1,413,748	$ 149,479	$ 248,589	$ -
Actuarial (gain)/loss from assets:					
Return based on discount rate	$ 3,153,206	$ 3,472,600	$ 4,069,466	$ 5,571,667	$ 5,865,794
Actual return	(10,406,422)	874,872	4,564,646	(26,077,355)	(693,025)
Total	$ 13,559,628	$ 2,597,728	$ (495,180)	$ 31,649,022	$ 6,558,819
Rate of return for fiscal year	5.25%	5.50%	6.50%	6.00%	6.00%

The plan assets are segregated as follows:

	2012	2011
Debt instruments	$ 10,015,955	$ 20,769,009
Equity instruments	20,499,798	19,110,552
Mutual funds	16,130,785	21,222,469
Cash	1,048,419	918,736
	$ 47,694,957	$ 62,020,766

Debt instruments mainly comprise high quality corporate or government bonds with a credit rating of "A-" or higher. Debt instruments include subordinated debt, subsequently converted to preferred shares, relating to the hospitality sector, which do not carry a credit rating 2012: Nil (2011: $7,500,000).

Equity instruments comprise Level 1 listed shares of companies in Bermuda and North America which are engaged in retail, information technology, oil and gas, utilities and banking.
The plan assets exposure to currency and its relative geographical segments is as follows:

	2012	2011
Bermuda Dollars	$ 10,561,214	$ 21,645,000
US Dollars	32,951,414	38,425,766
Japanese Yen	1,820,159	-
Euro	2,362,170	1,950,000
	$ 47,694,957	$ 62,020,766

Asset / Liability Matching Strategy

The Company seeks to manage the funded status volatility using a growth portfolio and a liability hedging portfolio. 30% of the plan assets are in a liability hedging portfolio invested in intermediate term bonds.

Plan assets decreased during the fiscal year as a result of the overall impact of the challenging economy on quoted market investments and the impairment of an unquoted investment in the hospitality sector being valued at nil. A change in the fiscal year of discount rates used to calculate the present value of plan liabilities increased the present value of plan liabilities.

15. Available-for-sale financial assets

	2012	2011
Balance at beginning of year	$ 774,889	$ 575,295
Additions	-	347,074
Disposals	(37,979)	(105,117)
Fair value movements	(107,891)	(42,363)
	$ 629,019	$ 774,889

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

16. Non-controlling interests

In 2010, the Company acquired the remaining 33% minority interest in WestTel Limited and the rebrand to Logic was completed in late 2010.

Non-controlling interests of Nil at March 31, 2012 (2011 – Nil; 2010 – ($986,559)) in the consolidated balance sheet are classified as equity but are presented separately from the parent shareholder's equity. The movement in non-controlling interests is as follows:

	2011
Balance as at April 1, 2010	$ (986,559)
Fair value of consideration paid	1,103,869
Share of earnings for the year	(87,548)
Book value of non-controlling interests	(29,762)
Balance as at March 31, 2011	$ -

17. Cash and cash equivalents

	March 31, 2012	**March 31, 2011**	**April 1, 2010**
Cash at bank	$ 10,634,310	$ 6,739,391	$ 7,029,522
Short term deposits	116,805	108,914	110,184
	$ 10,751,115	$ 6,848,305	$ 7,139,706

18. Receivables

	March 31, 2012	**March 31, 2011**	**April 1, 2010**
Trade receivables	$ 13,340,927	$ 21,486,402	$ 20,030,699
Allowance for doubtful debts	(2,787,042)	(4,906,129)	(4,699,952)
	10,553,885	16,580,273	15,330,747
Other receivables	780,769	1,147,203	1,892,863
	$ 11,334,654	$ 17,727,476	$ 17,223,610
Loan receivable (Note 4)	1,680,000	-	-
	$ 13,014,654	$ 17,727,476	$ 17,223,610

All receivables are due within 12 months from the financial year end. There was no impairment attributable to the loan receivable and other receivables. The comparatives for the fiscal years ended March 31, 2011 and April 1, 2010 included balances for M3 of $2,697,201 and $2,735,478, respectively.

The aging of trade receivables at the reporting date was:

	March 31, 2012		March 31, 2011		April 1, 2010	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	$ 7,508,064	$ 75,081	$ 9,810,286	$ 98,103	$ 9,101,719	$ 91,017
Past due 31 – 60 days	1,506,551	150,655	2,981,865	298,187	2,946,117	294,612
Past due 61 – 90 days	446,126	155,698	968,884	338,141	826,797	288,552
More than 90 days	3,880,186	2,405,608	7,725,367	4,171,698	7,156,066	4,025,771
	$ 13,340,927	$ 2,787,042	$ 21,486,402	$ 4,906,129	$20,030,699	$4,699,952

The movement in allowance for doubtful debts in respect of trade receivables during the year was as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Balance at beginning of year	$ 4,906,129	$ 4,699,952	$ 3,745,277
Impairment loss (not used) recognized	(220,033)	206,177	954,675
Release of allowances (Note 4)	(1,899,054)	-	-
Balance at end of year	$ 2,787,042	$ 4,906,129	$ 4,699,952

Allowance for doubtful debts relate to impaired trade receivable balances where customers have defaulted on their contractual payment terms and may not settle amounts due. Based on past experience, trade receivables not past due and those past due for which no allowance is made, relate to customers where historical experience and knowledge of the customer indicates collection will be made.

During the year, net bad debt expense aggregating $2,007,568 (2011: $1,167,101) has been recognized in the consolidated statement of comprehensive income.

19. Inventories

	March 31, 2012	March 31, 2011	April 1, 2010
Voice equipment and accessories	$ 2,605,430	$ 2,960,257	$ 4,022,323
Mobile handsets *	-	528,670	997,200
Cable and other plant spares	382,360	396,731	477,012
Computer equipment	102,440	142,558	204,983
	3,090,230	4,028,216	5,701,518
Allowance	(899,654)	(236,189)	(652,458)
	$ 2,190,576	$ 3,792,027	$ 5,049,060

During the year, inventory write-off aggregating $840,247 (2011: $500,253) has been recognized in the consolidated statement of comprehensive income within operations and maintenance expenses.

During the year, the amount of inventory recognized as an expense was $3,136,473 (2011: $8,110,608).

* Relates to M3, which was disposed during the fiscal year ended March 31, 2012.

20. Prepaid expenses and other current assets

	March 31, 2012	March 31, 2011	April 1, 2010
Maintenance	$ 3,027,196	$ 1,390,035	$ 1,327,446
Deferred production costs	1,629,309	1,632,159	1,670,740
Government taxes	274,016	255,132	270,767
Insurance	155,650	341,453	167,556
Handset subsidization *	-	566,866	704,993
Equipment down payments	-	534,817	1,331,820
Other prepaid expenses and current assets	799,311	562,940	495,576
	$ 5,885,482	$ 5,283,402	$ 5,968,898

* Relates to M3, which was disposed during the fiscal year ended March 31, 2012.

21. Accounts payable and accrued liabilities

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	$ 2,387,620	$ 2,333,321	$ 2,603,244
Accrued liabilities	4,819,775	5,553,018	5,865,127
Accrued payroll liabilities	3,097,423	4,719,665	5,645,581
	$ 10,304,818	$ 12,606,004	$ 14,113,952

22. Long term debt redemption amounts unclaimed

The Company exercised its right to redeem the 7¾% notes effective 15th December 2002. As at March 31, 2012 and 2011, not all notes redeemed had been presented to the Company in exchange for cash. The notes remaining outstanding valued at $540,139 (2011 - $541,579; 2010 - $552,004) are included in current debt redemption amounts unclaimed on the consolidated balance sheet and do not accrue interest beyond the redemption date.

23. Bank overdraft

The fair value of the bank overdraft facility approximates its carrying value, as it is short-term in nature and can be repaid at any time without incurring penalties. The bank overdraft is subject to a $5,000,000 limit, incurs interest expense at the Bermuda Dollar Rate plus 1% on amounts drawn and is unsecured. Total interest expense in relation to the overdraft facilities was $25,136 for the year ended March 31, 2012 (2011 – $85,414) and is included in other operating expenses in the consolidated statement of comprehensive income. The bank overdraft facility expires in October 2012. The Company had no outstanding overdraft balances as at March 31, 2012 (2011: Nil; 2010: $59,750).

24. Share capital

	March 31, 2012	March 31, 2011	April 1, 2010
Authorized – 21,546,220 (2011 - 21,546,220; 2010 – 21,546,220) common shares of par value $0.25 each			
Authorized – 2,615,445 (2011 - 2,615,445; 2010 – 2,615,445) preferred shares of par value $1 each			
Issued and outstanding 14,563,633 (2011 - 14,563,633; 2010 – 14,563,633) common shares	$ 3,640,908	$ 3,640,908	$ 3,640,908

The Company exercised its right to redeem the preferred shares effective November 15, 2003. As a result no preferred shares are now in issue. As at March 31, 2012, not all preferred shares had been presented to the Company in exchange for cash. The preferred shares remaining outstanding valued at $725,954 (2011 - $873,061; 2010 - $945,132) are included in preferred share redemption amounts unclaimed on the consolidated balance sheet and do not accrue dividends beyond the redemption date.

25. Earnings per share

The following sets forth the computation of basic and diluted earnings for continuing and discontinuing operations per share for the years ended March 31, 2012 and 2011.

	2012			2011		
	Income (numerator)	Average weighted shares (denominator)	Per share amount	Income (numerator)	Average weighted shares (denominator)	Per share amount
Basic and diluted earnings per share						
Profit attributable to equity holders of the company (discontinued and continuing operations)	$ 7,175,966	14,563,633	$ 0.493	$ 6,616,785	14,563,633	$ 0.454
Profit attributable to equity holders of the company (continuing operations)	$ 7,203,377	14,563,633	$ 0.495	$ 4,935,522	14,563,633	$ 0.339
(Loss) Profit attributable to equity holders of the company (discontinued operations)	$ (27,411)	14,563,633	$ (0.002)	$ 1,681,263	14,563,633	$ 0.115

26. Financial risk management

Financial instruments risks:

The Company has exposure to credit risk, market risk and liquidity risk from the use of financial instruments. Senior management has responsibility for managing the Company's risk and reports to the Board of Directors any significant issues.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises primarily from credit given to customers, including related companies, and deposits with financial institutions. Balances arising from those activities are accounts receivable, loan receivable amounts due from related companies cash and cash equivalents. The maximum credit exposure is represented by the carrying amount of financial assets in the consolidated balance sheet.

Maximum exposure to credit risk at the reporting date was:

	March 31, 2012	**March 31, 2011**	**April 1, 2010**
Accounts receivable	$ 11,334,654	$ 17,727,476	$ 17,223,610
Loan receivable – long term portion	3,652,489	-	-
Loan receivable – short term portion	1,680,000	-	-
Cash and cash equivalents	10,751,115	6,848,305	7,139,706
	$ 27,418,258	$ 24,575,781	$ 24,363,316

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analyzed for creditworthiness prior to being offered credit. There are also comprehensive procedures for the disconnection of services to, and recovery of amounts owed by, defaulting customers. Management has procedures in place to restrict customer service if the customers have not cleared outstanding debts within the credit period. Customers that fail to meet the Company's benchmark creditworthiness may transact business with the Company on a prepayment basis.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, industry, aging profile and previous financial difficulties. Trade and other receivables relate mainly to the Company's interconnect, mobile and fixed line customers, and wireline customers.

The Company's normal terms of credit on the sale of services is 30 days. Impairment for trade and other receivables are recognized based on an estimate of irrecoverable amounts, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Due from related companies

Related party transactions are pre-authorized and approved by management during the budgetary process.

Loan receivable

The loan receivable is due from the Company's associate, BDC and is unsecured. Management deems the credit risk associated with this loan to be minimal and does not expect any losses from nonperformance by this counterparty.

Cash and cash equivalents

Cash and cash equivalents are placed with counterparties who have minimal risk of credit default and are rated by Standard & Poor's with credit ratings of between A- and A.

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on assets.

(a) 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 Company's policy requires management to manage the maturities of interest bearing financial assets.

Financial liabilities on which no interest is paid comprise accounts payable and accrued liabilities arising in the normal course of business.

The maturity profile of the Company's floating rate financial liabilities is disclosed below in the 'Liquidity risk' section of this note.

There are no long-term floating rate financial assets.

Interest rate sensitivity

The Company does not account for any floating rate financial assets and liabilities at fair value. Therefore a change in the interest rates at the reporting date would not affect the reported loss or equity for the year.

(b) Foreign currency risk:

The Company incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Bermuda and Cayman dollars. However, foreign currency risk is minimal, due to the fact that the Bermuda dollar is pegged to the US Dollar at a 1:1 rate and the Cayman dollar is pegged to the US Dollar at an exchange rate of 1 to 1.227.

Marketable securities

The fair value of marketable securities is determined by reference to their quoted market prices. It is the Company's opinion that there are no unusual interest rate or credit risks associated with marketable securities. The marketable securities are subject to market risk and general economic conditions which can affect the fair value of these financial assets. During the year ended March 31, 2011, the Company exercised a Rights Share issue, resulting in 286,838 rights exercised at an offer price of $1.21 for a total cost of $347,074. The Company intends to hold these investments for short to medium term gains. To identify market risk the Company reviews individual investment holdings for existence of evidence of impairment. Total interest income from marketable securities was $715 for the year ended March 31, 2012 (2011 - $1,332). Total fee expense relating to the management of marketable securities was $4,174 for the year ended March 31, 2012 (2011 - $3,235). Interest income, dividend income and realized gains and losses on marketable securities, net of related management fees are included in investment income in the consolidated statement of comprehensive income.

The Company has reviewed all marketable securities held at March 31, 2012 and 2011 for evidence of impairment. The Company has determined that the marketable securities held at March 31, 2012 and 2011 and April 1, 2010 are not impaired and there are no indicators of significant or prolonged decline in the value of the assets.

Assessment by the Company of evidence of impairment involves the use of estimates as disclosed in Note 2(e). If impairment is determined, the amount of such impairment is removed from accumulated other comprehensive income and recorded in net income for the reporting period.

A 10% movement in fair values of the available-for-sale investments would impact other comprehensive income as follows:

	2012	**2011**
10% increase in fair values	$ 60,622	$ 75,294
10% decrease in fair values	$ (60,622)	$ (75,294)

10% was estimated by management as an appropriate threshold for sensitivity testing based on average price movements on the Bermuda Stock Exchange over a 12 month period.

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed credit facilities. The Company aims at maintaining flexibility in funding by keeping lines of funding available with relevant suppliers, bankers and related parties, sourcing appropriate currency holdings to match liabilities and pursuing prompt payment policies.

As at March 31, 2012 and 2011 the carrying amount of the bank overdraft facility, accounts payable, accrued liabilities, foreign tax liabilities and amounts due to related companies are equal to the contractual cash flows of the same. All are short-term in nature and due within a period of 12 months.

The following are the contractual maturities of financial liabilities, including interest payments as at March 31, 2012:

	Carrying Amount	**Contractual Cash Flows**	**0 – 12 Months**	**1 – 2 Years**	**2 – 5 Years**	**More than 5 years**
Trade and other payables	10,304,818	10,304,818	10,304,818	-	-	-
	10,304,818	10,304,818	10,304,818	-	-	-

The following are the contractual maturities of financial liabilities, including interest payments as at March 31, 2011:

	Carrying Amount	Contractual Cash Flows	0 – 12 Months	1 – 2 Years	2 – 5 Years	More than 5 years
Trade and other payables	12,606,004	12,606,004	12,606,004	-	-	-
	12,606,004	$12,606,004	12,606,004	-	-	-

The Company does not expect to encounter significant difficulties in meeting its financial liabilities.

(iv) Capital management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders. The Board of Directors together with responsible senior management of the Company monitor the return on capital. The objective is to maintain a strong capital base so as to sustain the solvency and future development of the business. There were no changes in the Company's approach to capital management during the year. Also, the Company is not exposed to any externally imposed capital requirements.

27. Fair value of financial instruments

The carrying value reflected in the financial statements for cash and cash equivalents, accounts receivable, other current financial assets and other financial liabilities are assumed to approximate to their fair values due to their short-term nature. Marketable securities are carried at fair value. The cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realization or discounts on settlement.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Company's financial assets and liabilities as of March 31, 2012 are classified as follows:

	Level 1	Level 2	Level 3
Available for sale financial assets	$ 629,019	-	-

The Company's financial assets and liabilities as of March 31, 2011 were classified as follows:

	Level 1	Level 2	Level 3
Available for sale financial assets	$ 774,889	-	-

28. Financial instruments by category

	March 31, 2012	
	Loans and receivables	Available-for-sale
Available-for-sale financial assets	$ -	$ 629,019
Loan receivable (short term and long term)	5,332,489	-
Trade and other receivables	11,334,654	-
Cash and cash equivalents	10,751,115	-
	$ 27,418,258	$ 629,019

	Other financial liabilities at amortized cost
Preferred share redemption amounts unclaimed	$ 725,954
Long-term debt redemption amounts unclaimed	540,139
Trade and other payables	10,304,818
	$ 11,570,911

	March 31, 2011	
	Loans and receivables	Available-for-sale
Available-for-sale financial assets	$ -	$ 774,889
Trade and other receivables	17,727,476	-
Cash and cash equivalents	6,848,305	-
	$ 24,575,781	$ 774,889

	Other financial liabilities at amortized cost
Preferred share redemption amounts unclaimed	$ 873,061
Long-term debt redemption amounts unclaimed	541,579
Trade and other payables	12,606,004
	$ 14,020,644

29. Commitments and contingencies

a) Capital commitments:

There are no commitments for capital expenditure, for which no provision has been made in these financial statements, for the fiscal years ended March 31, 2012 and 2011.

b) Lease commitments:

Unexpired commitments under operating lease agreements for the Company's premises, telecommunications capacity and equipment are payable as follows:

	2012	2011
Within 1 year	$ 5,144,462	$ 5,428,113
From 1 – 2 years	3,936,737	4,705,192
From 2 – 3 years	3,689,375	3,217,506
From 3 – 4 years	1,705,063	2,858,838
From 4 – 5 years	1,374,023	1,453,627
Over 5 years	6,233,169	8,617,941
	$ 22,082,829	$ 26,281,217

Lease payments under these operating leases recognized within operations and maintenance expenses in the consolidated statement of comprehensive income for the year aggregated approximately $5,428,113 (2011: $5,883,872).

c) Contingent Liabilities:

There are no contingent liabilities to disclose relating to the fiscal years ended March 31, 2012 and 2011.

30. Rate regulated entities

BTC, a principal operating subsidiary of the Company, and BCL, an associate of the Company, are subject to rate regulation. Changes to BTC's rates for telecommunications services and BCL's rates for services, require the approval of the Bermuda Telecommunications Commission.

Officers and Executives

Company Officers
Mrs. Lorianne Gilbert
Acting General Counsel
Secretary

KeyTech Group Executives
Ms. Sheila A. Lines
Chief Executive Officer

Ms. Leslie Rans
Chief Financial Officer

Mr. Philip S. Harris
Chief Administrative Officer

Mr. Richard Lau
Vice President Technical Operations
and Management

As at March 31, 2012
Common shares held by Directors - 685,492.
Common shares held by KeyTech Executive Management - 9,098.

No rights to subscribe to shares or debt securities in the Company have been granted to, or exercised by, any Director, Officer or member of KeyTech Executive Management.

There are no contracts of significance subsisting during or at the end of the financial year in which a Director was materially interested either directly or indirectly.

PRINCIPAL SUBSIDIARIES

The Bermuda Telephone Company Limited
30 Victoria Street,
Hamilton HM 12,
Bermuda
www.btc.bm

Logic Communications Ltd.
30 Victoria Street,
Hamilton HM 12,
Bermuda
www.logic.bm

Bermuda Yellow Pages Limited
Swan Building,
26 Victoria Street,
Hamilton HM 12,
Bermuda
www.bermudayp.com

WestTel Limited
(trading as Logic Communications Ltd. Cayman)
2nd Floor, Block 2, Governors Square,
23 LimeTree Bay Road, Grand Cayman,
Cayman Islands
www.logic.ky

Cable Co. Ltd.
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