Unlocking a World of Connections

KeyTech Limited

Annual Report 2013

BTC
The Bermuda Telephone Company Limited

Logic

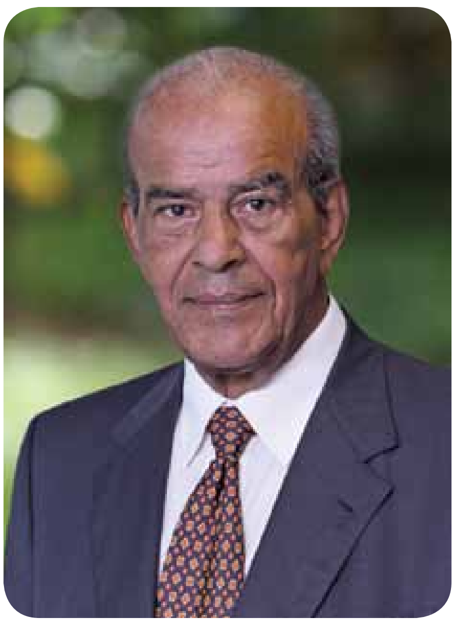
Bermuda Yellow Pages
Print • Online • Mobile

Cable Co. Ltd.

Contents

Chairman's Report

I am pleased to report that the KeyTech Group of Companies concluded fiscal year 2012/13 with a net income of $8.3 million. Total cash dividend payments for the year were $0.48 per common share.



The increase in Net Income is attributed to the ongoing efforts of management to improve efficiencies and reduce operating expenses throughout our subsidiaries.

In 2012/13 several milestones in our multi-year strategy were achieved. Logic Cayman launched IPTV in November 2012, and they continue to build out the residential network. In March of this year, Logic Cayman acquired TeleCayman. This acquisition solidifies our position in the residential and corporate space. The benefits of this acquisition will be realized in fiscal 2013/14 and beyond.

BTC introduced VDSL2 technology to offer customers higher speeds and improved reliability. This project will continue into 2013/14.

The current economic climate continues to be challenging for both corporate and residential sectors across our operating subsidiaries in Bermuda. Management saw little opportunity for organic growth in this market and as such the decision was made to amalgamate Logic Communications Ltd. with North Rock Communications Ltd. in April 2013. After substantive market research, it has been decided that Logic Communications Ltd. will be the surviving brand and consumers can look forward to exciting new products to be offered before the end of 2013/14.

Regulatory Reform is presenting many challenges for KeyTech. We will continue to work with the Regulatory Authority to ensure that our subsidiaries will be able to compete and leverage the new Integrated Class Operating Licenses (ICOLS) as well as ensuring that our shareholders' interests are protected.

I announced my intention to retire as Chairman from the KeyTech Board last year, making the 2013 annual general meeting (AGM) my last AGM for KeyTech. The Board has identified Gary L. Phillips, OBE, J.P., CIArb, to be my successor along with Ms. Fiona E. Beck, as Deputy Chairman. They are to be confirmed in their posts at a Director's meeting immediately following the AGM.

I would like to thank the management and staff for their hard work in achieving our results. I would also like to take this opportunity to thank my fellow Directors for their time and attention to the affairs of your 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

During my first year as CEO for the group, there has been much work performed that positions us well for the future.

Our Results

We saw diminishing growth in Bermuda's market, while at the same time growth opportunities continue to be had in Cayman. This, coupled with the new Regulatory reform, compelled management to invest and amalgamate Logic Communications Ltd. and North Rock Communications Ltd. In Cayman, we acquired TeleCayman which solidified our position in the corporate data market while we continue to expand our fiber footprint and triple-play services.

Net income for the year was $8.3 million versus $7.2 million for the prior year.

In total, operating revenues in 2012/13 declined $6.7 million versus the prior year. KeyTech experienced losses across all revenue lines as the Company continues to experience the impact of the challenged economy as well as the anticipated decline in voice revenues. Voice services have increasingly become a commodity as they are replaced by free voice services over the internet as well as the impact cellular substitution has had on wire line services. BTC continues to work towards building a financial model that is less reliant on voice revenues and more focused on access revenues for both residential and corporate customers. Hardware and software revenues declined in line with the Company's move away from this low margin sales model in BTC to focus more on recurring revenues. This decline was offset by correlating reductions in the cost of goods.

Data revenues declined $1.3 million over the prior year as many corporate customers and other telecoms carriers have sought to reduce their operating expenses. Despite this trend, BTC, Logic and Logic Cayman will continue to invest in and develop these product offerings to ensure that our products are robust, diversified, reliable and moreover cost efficient. During 2012/13, Cable Co. upgraded and converted a leased capacity customer to an IRU (indefeasible right of use). Directory revenues declined as advertisers looked to reduce their advertising spend during these economic times. Bermuda Yellow Pages has seen increased sales activity for their new service offering of digital advertising. New digital search directories are the way of the future, and improve the overall customer experience. BYP launched its mobile search application this year and continues to develop many new cutting edge digital services that will meet the varying needs of its diverse customer base.

KeyTech's share of income of associates, which includes its investments in Quo Vadis, CableVision Holding Limited and CellOne increased $3.6 million year over year. The majority of this increase is the impact a full year of the synergies that were gained from the merger of M3 Wireless with CellularOne, in addition to the success of CableVision's launch of higher speed internet access.

Despite the revenue challenges KeyTech's subsidiaries faced during the fiscal year, the multi-year strategy of reducing operating expenses across all subsidiaries resulted in an expense decline of $12.4 million.

Cash generated from operating activities, loan repayments and dividends from associates, less the purchase of marketable securities in 2012/13 totaled $21.8 million, of which $21.6 million was invested in our plant and networks and the acquisition of TeleCayman. $7.0 million was paid in dividends and overall cash declined by $6.8 million.

Total capital expenditure in the current year was $21.6 million compared to $11.7 million in the prior year. $4.0 million was spent to purchase TeleCayman with the remainder of the funds primarily being used to build out infrastructure to grow DSL speeds in BTC, and continue our fiber build and IPTV rollout in the Cayman Islands.

Regulatory

On April 29, 2013 the Regulatory Authority (RA) issued the Integrated Class Operating Licenses (ICOLS) to three of our subsidiaries, BTC, Logic and Cable Co. These licenses are intended to give telecoms companies the ability to offer any and all telecommunications services rather than being restricted as has been the norm. During 2012/13 much time was spent responding to RA consultations for our telecoms subsidiaries. As a result of these consultations, BTC was deemed to have significant market power (SMP) which means it will be subject to "remedies" before it is able to use the ICOL it was issued. While at the time of this report the remedies have not been finalized, it is expected that BTC's remedy will require BTC to wholesale its access to other telecoms providers. This wholesale remedy is not a surprise and BTC has been working towards developing a wholesale product to meet the needs of other carriers as well as the requirements of reform when the final determinations on remedies are made. The RA has raised additional concerns of cross-ownership over ICOL holders at the KeyTech Limited level and we are working with our legal team to address and respond to accordingly.

Associates

Bermuda CableVision Holding Limited

KeyTech Limited owns 40% of Bermuda CableVision Holding Limited, which owns 83% of Bermuda CableVision Ltd. This results in a 33.2% ownership of Bermuda CableVision Ltd. which provides entertainment and high speed data services in the Bermuda market.

CellOne

In May 2011 KeyTech's subsidiary, M3 Wireless merged with Cellular One resulting in a 42% stake for KeyTech in the new entity CellOne. This merger allowed KeyTech to remain invested in the cellular market in Bermuda as management realized that Bermuda's limited market size cannot support a three player market. Now, more than two years into the merger, the operating synergies have been achieved and we are very pleased with the results.

QuoVadis

QuoVadis continues to grow its certificate sales throughout Europe, finding success in Switzerland. In Bermuda, QuoVadis operates a state-of-the art data center which continues to expand its facility as the business grows.

Last year, BTC completed the rebuild of its Hamilton network to a Metro Ethernet network and also completed the fiber core of its island-wide network, now known as PRISM.

Eric Dobson
CHIEF EXECUTIVE OFFICER

EXECUTIVE TEAM

Christopher Wright
Vice President Networks

Gina Coddington
Vice President Customer Service

With the Metro and island-wide fiber networks complete, this year, BTC focused its efforts on increasing the capability of its access network across the island by installing fiber-to-the-node ("FTTN") and a new DSL technology called VDSL2. This multi-million-dollar network upgrade project began in late 2012 and by the end of June 2013 offered approximately 75% coverage across the island. Work will continue on this project through to the end of this year to expand that coverage.

The VDSL2 project will allow BTC to deliver broadband access download speeds of up to 25 megabits per second to homes and businesses for Internet and video streaming. It also allows for the potential of even faster speeds should the market demand them. Coinciding with the network upgrade project, BTC has been investing in training and process improvements to ensure that the delivery and repair of these new services are done swiftly and accurately to help improve the customer experience.

BTC continues to feel the negative impact of a sluggish economy and the trend toward using landline phone services less, as can be seen in the decline in revenue. Growth in the new broadband access and PRISM data services will partially off-set that decline, but the downward trend of voice revenue will continue.

In January 2013, the RA assumed responsibility for regulating the telecommunications market in Bermuda and in April, all of the existing class licenses were replaced with new ICOLs. The new licenses remove the previous service restrictions and allow the holders to sell any and all telecom services with the exception of those providers that have SMP. BTC was one of the companies deemed to have SMP and will therefore be ordered to comply with certain "remedies" in order to take advantage of the new license. The most significant remedy will require BTC to allow other license holders to buy access services at a wholesale price. This would allow those holders which don't have their own access networks to provide a bundle of services that includes access to their own customers on one bill.

With regulatory reform, declines in voice revenue and rapid advancements in technology, BTC faces significant changes in its market; however, the Company also has tremendous infrastructure assets, a skilled and dedicated group of experienced employees and a strong brand and reputation that have been a part of Bermuda for over 125 years. BTC's strategy is not just to adjust to these changes, but to help to drive them so that it can thrive in the new market.

Logic®

Although revenues declined in 2012/13 due to challenging economic conditions and continued downward pricing pressure on long distance voice, Logic's Net Income grew $500K, as Management aggressively managed expenses.

Vicki Coelho
CHIEF EXECUTIVE OFFICER

Logic continued to focus on its strategy to expand its international footprint for multi-protocol label switching (MPLS) and completed the implementation of its point of presence in the Toronto area. This strategy has allowed Logic to compete or partner with international carriers for data connectivity. MPLS and other corporate data services present the largest growth opportunity for Logic.

The Residential ISP market is saturated, however Logic was able to retain and grow its customer base through creative promotions and excellent customer service levels. With the realization that there is no organic growth in the residential market, Management made the decision to amalgamate Logic with North Rock in April of 2013. We are very pleased that along with this amalgamation we were able to retain Vicki Coelho as CEO of the combined entity. Ms. Coelho brings with her a wealth of experience in the Bermuda telecoms market and will be able to position Logic as Bermuda's premier IP provider.

EXECUTIVE TEAM

Jimmy Lim
Vice President, Network Services

William Chan
Vice President, Network Operations

Logic

Cayman
(formerly WestTel Limited)

Mike Edenholm
CHIEF EXECUTIVE OFFICER

In the Cayman Islands we launched IPTV in November 2012 over our fiber network.

The addition of IPTV to our service offering allows us to provide triple-play packages. While these services are not yet island-wide, customer take up has been positive and we continue to aggressively build the network to reach more customers. In 2012/13 Logic Cayman was awarded the only available right to a pole attachment agreement with the local power company. This agreement will allow Logic to accelerate its fiber build that is currently dependent on underground trenching with the addition of aerial plant.

Leveraging Logic in Bermuda's customer and carrier relationships, we have been able to build a significant presence in the MPLS market in Cayman. This, coupled with the acquisition of TeleCayman in March 2013, has proven that Logic Cayman is a formidable service provider in the Cayman corporate market.

KeyTech continues to view Cayman as a growth opportunity. Their population continues to expand and their Government policies are very favourable for international business. In addition, they have a robust tourism industry.

EXECUTIVE TEAM - CAYMAN

Lewie Hydes
Chief Operating Officer

Shannon Oberprillar
Financial Accountant

BERMUDA YELLOW PAGES®
PRINT • ONLINE • MOBILE

Advertising revenues for Bermuda Yellow Pages (BYP) have been significantly impacted with the downturn in the economy.

Gary Taylor
MANAGEMENT CONSULTANT

Many local businesses have either cut their marketing budgets, decided not to advertise or have simply gone out of business. This has been a trend for the past two years and is anticipated to carry on into the next fiscal year.

Despite these challenges, BYP has been working diligently towards implementing digital product offerings that will merge advertisers' print marketing strategy with an online strategy. BYP launched its mobile search directory in February 2013 placing advertisers' services in the palm of consumers' hands. Additional digital services being offered include: website building, website hosting, website management, search engine optimization, and Facebook campaigns.

EXECUTIVE TEAM

Anthony Richardson
Operations Manager

Wendy Morris
Office Manager

Antoinette Richardson
Sales Team Leader

Cable Co. Ltd.

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

Ray Charlton
Vice President Cable Station Operations

Challenger cable system 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.

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

In 2012/13 Cable Co. sold an additional IRU which replaced a lease arrangement with a local carrier. Capacity requirements of the local carriers continue to grow, and Cable Co. is well positioned to meet these needs in the future.

Our Outlook for 2013/14

In 2013/14, our subsidiaries will continue to focus on delivering new and improved products for both local and international customers. The group remains committed to realize the need to improve services for customers and to pursue the optimal return for shareholders. Our investments will continue to focus on implementing improved network infrastructures locally and internationally, including the maintaining of Cable Co.'s impeccable track record for providing offshore capacity.

Regulatory reform, although in its infancy stages, is causing us some challenges. We anticipated this happening and we will continue to work with the Regulatory Authority to ensure our group remains competitive for the times ahead.

I personally would like to thank Dr. King for his invaluable contributions and support over the years as Chairman. Dr. King announced his intention to retire at the last AGM, and on behalf of the group of companies we hope that his retirement brings much deserved relaxation to him. I would also like to extend congratulations to Mr. Gary Phillips as being identified to be the successor of Dr. King, and Ms. Fiona Beck as Deputy Chair. Both Mr. Phillips and Ms. Beck bring a wealth of experience and knowledge to our industry. I look forward to working with them to continue to move the group forward.

Lloyd Fray
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., M.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., M.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.

Charles Jilling *(not shown)*
Fund Manager
ICM Group

Five Year Financial and Statistical Summary

As at March 31, 2013

	2013	2012	2011	2010	2009
Revenue & Expense Items ($000's)					
Operating revenues	73,959	80,646	85,800	92,214	91,955
Total expenses excluding depreciation and amortization	59,138	66,114	65,130	73,504	69,029
Depreciation and amortization	13,288	18,702	14,027	15,332	13,821
Profit for the year from continuing operations	8,324	7,203	4,936	3,493	10,316
(Loss) Profit for the year from discontinued operations	-	(27)	1,681	2,821	235
Profit for the year	8,324	7,176	6,617	6,314	10,551
Cash dividends declared on Common shares	6,991	6,991	6,991	8,738	8,547
Balance Sheet ($000's)					
Total assets	166,917	165,095	168,836	172,909	178,954
Shareholders' equity	137,626	136,711	139,995	141,518	143,765
Number of common shares	14,564	14,564	14,564	14,564	14,564
Per Common Share ($'s)					
Basic and diluted (discontinued and continuing operations)	0.572	0.493	0.454	0.434	0.724
Basic and diluted (continuing operations)	0.572	0.495	0.339	0.240	0.708
Basic and diluted (discontinued operations)	-	(0.002)	0.115	0.194	0.016
Cash dividend	0.480	0.480	0.480	0.600	0.600
Net assets - basic	9.45	9.39	9.61	9.72	9.87
Items of Interest					
Capital expenditures ($000's)	21,571	11,656	14,100	11,316	46,324
Number of employees (full-time)	236	260	307	360	432

Auditors' Report

pwc

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 sheet as at March 31, 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended March 31, 2013, 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, 2013 and of its financial performance and its cash flows for the year ended March 31, 2013 in accordance with International Financial Reporting Standards.

[redacted]
June 27, 2013

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T: +1 (441) 295 2000, F: +1 (441) 295 1242, www.pwc.com/bermuda*

Consolidated Balance Sheet

As at March 31, 2013

	Notes	March 31, 2013	March 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents (excluding bank overdraft)	11	$ 4,152,102	$ 10,751,115
Accounts receivable	12	11,155,358	11,334,654
Loan receivable – short term portion	9, 30	1,750,697	1,680,000
Inventories	13	1,650,331	2,052,709
Prepaid expenses and other current assets	14	5,808,981	6,023,349
		24,517,469	31,841,827
Non-current assets			
Marketable securities	3, 16	1,142,090	629,019
Loan receivable	9, 30	2,392,489	3,652,489
Property, plant and equipment	17	95,163,440	91,587,945
Investments in associates	9	32,725,155	31,114,826
Intangible assets	18	10,976,735	6,269,141
Total assets		$ 166,917,378	$ 165,095,247
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	20	$ 11,412,529	$ 10,304,818
Bank overdraft	21	209,891	-
Foreign tax liabilities		172,503	81,016
Dividends payable	22	1,747,631	1,747,631
Unearned income		7,859,580	9,442,744
Preferred share redemption amounts unclaimed	25	700,833	725,954
Long-term debt redemption amounts unclaimed	23	536,179	540,139
Pension plan	24	684,149	438,975
		23,323,295	23,281,277
Non-current liabilities			
Post-retirement medical plan	24	3,231,810	3,346,680
Pension plan	24	2,736,596	1,755,901
Total liabilities		29,291,701	28,383,858
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	3,640,908	3,640,908
Share premium		83,413,733	83,413,733
Contributed surplus		20,920,454	20,920,454
Other comprehensive loss		(5,390,215)	(4,451,999)
Retained earnings		34,521,366	33,188,293
		137,106,246	136,711,389
Non-controlling interests	26	519,431	-
Total equity		137,625,677	136,711,389
Total liabilities and equity		$ 166,917,378	$ 165,095,247

Approved by the Board of Directors Director Director

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

Consolidated Statement of Comprehensive Income

As at March 31, 2013

	Notes	2013	2012
OPERATING REVENUES			
Data revenues		$ 43,849,473	$ 45,173,877
Voice revenues		19,112,448	21,066,273
Directory revenues		4,999,269	5,620,308
Hardware and software revenues		1,588,201	2,769,316
Other revenues		4,409,928	6,016,691
		73,959,319	80,646,465
OPERATING EXPENSES			
Salaries and employee benefit expenses	6	26,663,446	30,359,434
Staff termination costs	6	587,913	3,018,380
Operations and maintenance expenses		19,441,261	20,003,383
Depreciation and amortization	19	13,288,144	18,701,622
Government taxes, fees and levies	7	2,790,472	3,266,169
Other operating expenses	8	9,655,285	9,466,300
		72,426,521	84,815,288
Operating profit (loss)		1,532,798	(4,168,823)
Share of income of associates	9	6,877,322	3,241,356
Investment income	3	160,009	6,849
Net interest (cost) income on pension plan	24	(98,768)	712,502
Net interest cost on post-retirement medical benefits plan	24	(147,766)	(151,367)
Gain on amalgamation	9	-	10,516,501
Impairment of goodwill and intangible assets	18	-	(2,953,641)
Profit for the year from continuing operations		8,323,595	7,203,377
(Loss) Profit for the year from discontinued operations	30	-	(27,411)
Profit for the year		$ 8,323,595	7,175,966
Profit attributable to:			
Equity holders of the company		8,323,595	7,175,966
Non-controlling interests		-	-
		$ 8,323,595	7,175,966

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

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2013

	Notes		2013		2012
Profit for the year		$	8,323,595	$	7,175,966
Other comprehensive income (loss) for the year:					
Realized gains on disposal of available-for-sale investments			-		(3,378)
Changes in fair value of available-for-sale investments	16		154,519		(107,891)
Changes in defined benefit pension plan	24		(1,127,101)		(2,907,378)
Actuarial gains and losses on post-retirement medical plan	24		34,366		(450,715)
			(938,216)		(3,469,362)
Total comprehensive income for the year		$	7,385,379	$	3,706,604
Total comprehensive income attributable to equity shareholders arises from:					
Continuing operations			7,385,379		3,734,015
Discontinued operations	30		-		(27,411)
		$	7,385,379	$	3,706,604
Earnings per share:					
Basic and diluted (discontinued and continuing operations)	10	$	0.572	$	0.493
Basic and diluted (continuing operations)	10	$	0.572	$	0.495
Basic and diluted (discontinued operations)	10	$	-	$	(0.002)

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

Consolidated Statement of Changes in Equity

For the year ended March 31, 2013

	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	16	-	-	-	(3,378)	-	(3,378)	-	(3,378)
Changes in fair value of available-for-sale investments	16	-	-	-	(107,891)	-	(107,891)	-	(107,891)
Re-measurement of defined benefit pension plan	24	-	-	-	(2,907,378)	-	(2,907,378)	-	(2,907,378)
Re-measurement of post-retirement medical plan	24	-	-	-	(450,715)	-	(450,715)	-	(450,715)
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, 2012		$3,640,908	$83,413,733	$20,920,454	$(4,451,999)	$33,188,293	$136,711,389	-	$136,711,389
Profit for the period		-	-	-	-	8,323,595	8,323,595	-	8,323,595
Other comprehensive income:									
Realized gains	16	-	-	-	-	-		-	-
Changes in fair value of available-for-sale investments	16	-	-	-	154,519	-	154,519	-	154,519
Re-measurement of defined benefit pension plan	24	-	-	-	(1,127,101)	-	(1,127,101)	-	(1,127,101)
Re-measurement of post-retirement medical plan	24	-	-	-	34,366	-	34,366	-	34,366
Comprehensive income (loss) for the period		-	-	-	(938,216)	-	(938,216)		(938,216)
Non-controlling interest arising on business combination	26	-	-	-	-	-	-	519,431	519,431
Dividends		-	-	-	-	(6,990,522)	(6,990,522)	-	(6,990,522)
Balance - March 31, 2013		$3,640,908	$83,413,733	$20,920,454	$(5,390,215)	$34,521,366	$137,106,246	519,431	$137,625,677

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

Consolidated Statement of Cash Flows

For the year ended March 31, 2013

	Notes	2013	2012
CASH FLOW PROVIDED BY (USED IN)			
Operating activities			
Profit for the period		8,323,595	7,175,966
Adjustments for:			
Depreciation and amortization	19	13,288,144	18,988,791
Bad debt expenses and impairment allowances	12	980,902	2,007,568
Share of income of associates	9	(6,877,322)	(3,241,356)
Net realized gain on marketable securities		-	(6,849)
Net interest cost (income) on pension plan	24	98,768	(712,502)
Net interest cost on post-retirement medical plan	24	147,766	151,367
Gain on amalgamation	9	-	(10,516,501)
Impairment of goodwill and intangible assets	9	-	2,953,641
Changes in items of working capital:			
Accounts receivable		(267,296)	1,688,054
Loan receivable – short term portion		(70,697)	(1,680,000)
Inventories		402,379	937,620
Prepaid expenses and other current assets		733,798	(1,399,677)
Accounts payable and accrued liabilities		950,136	32,106
Foreign tax liabilities		91,486	(22,691)
Unearned income		(1,583,163)	793,706
Discontinued operations	30	-	1,443,062
Net cash generated from operating activities		16,218,496	18,592,305
Investing activities			
Repayments received on loans to associates		5,120,523	4,066,875
Dividends received from associates		801,464	-
Purchase of marketable securities		(358,552)	-
Sale of marketable securities		-	38,897
Purchase of property, plant and equipment	17	(21,571,232)	(11,656,198)
Net cash used for investing activities		(16,007,797)	(7,550,426)
Financing activities			
Redemption of notes payable	23	(3,960)	(1,440)
Redemption of preferred shares	25	(25,121)	(147,107)
Dividends paid on common shares	22	(6,990,522)	(6,990,522)
Net cash used for financing activities		(7,019,603)	(7,139,069)
(Decrease) Increase in cash and cash equivalents		(6,808,904)	3,902,810
Cash and cash equivalents and bank overdraft - Beginning of year		10,751,115	6,848,305
Cash and cash equivalents and bank overdraft - End of year	11	3,942,211	10,751,115

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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 19, 2013.

2. Summary of significant accounting policies

(a) Basis of preparation:

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including pension plan liabilities) at fair value through profit or loss. The financial statements are presented in Bermuda dollars ($), which is the functional currency of the Company.

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

(b) Changes in accounting policy and disclosures:

(i) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning April 1, 2012 that would be expected to have a material impact on the Company.

(ii) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 13, 'Fair value measurement', 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.

IFRS 9, 'Financial instruments', 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.

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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 consolidated statement of comprehensive income, 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 or after January 1, 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, 'Consolidated financial statements', 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 for the period beginning April 1, 2013.

IFRS 12, 'Disclosures of interests in other entities', 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 for the period beginning April 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(c) *Basis of consolidation*

(i) Subsidiaries:

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50% of the 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 shareholders, give the Company the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

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 acquire 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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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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.

Intercompany transactions, balances, income and expenses on transactions between subsidiaries are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries: The Bermuda Telephone Company Limited ("BTC"), Logic Communications Ltd. ("Logic"), WestTel Limited (trading as Logic Communications Ltd.) ("Logic Cayman"), Bermuda Yellow Pages Limited ("BYP"), Key Management Services Limited ("KMS"), Cable Co. Ltd. and Cedar Cable Ltd. (jointly "Cable Co.") and TeleCayman Limited ("TeleCayman"), whereby TeleCayman is 100% owned by WestTel Limited. 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 30.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(iv) 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 of accounting. Under 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 acquisition. The Company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the consolidated 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 its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of income of associates' in the consolidated statement of comprehensive income.

Notes to Consolidated Financial Statements

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Profits and losses resulting from upstream and downstream transactions between the Company and its associate 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 an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of comprehensive income.

(d) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as 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.

(e) Foreign currencies:

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bermuda dollars (BMD), which is the Company's presentation currency.

(ii) Transactions and balances

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 BMD 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 BMD at foreign exchange rates ruling at the dates the values were determined.

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.

(f) Property, plant and equipment:

Land and buildings comprise mainly network facilities. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, 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%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2 (h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses) / gains – net' in the consolidated statement of comprehensive income, which is Nil for the fiscal year ended 2013 (2012 – Nil).

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

(g) *Intangible assets:*

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over KeyTech Limited's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) Leased telecommunications capacity

Leased telecommunications capacity is initially recorded at cost and amortized over the useful economic life to the estimated residual value 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. Leased telecommunications capacity has finite useful lives and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of leased telecommunications capacity over their estimated useful lives of 7.5 to 15 years.

(iii) Computer software

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;

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- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

(h) Impairment of non-financial assets:

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

(i) Non-current assets (or disposal groups) held for sale:

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(j) 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 (notes 2(o) and (p)).

(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

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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.

(k) Offsetting financial instruments:

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

(l) 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 or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (l)(i) 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 equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of comprehensive

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income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt 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.

(m) *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 $1,428,303 (2012 - $1,629,309) are included in prepaid expenses and other current assets in the consolidated balance sheet.

(n) *Inventories:*

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

(o) *Accounts receivable:*

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

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

(p) *Cash and cash equivalents:*

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown on the face of the consolidated balance sheet in current liabilities.

(q) *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.

Where any Company subsidiary purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

(r) *Accounts payable:*

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

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.

(s) *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.

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(i) Pension arrangements:

As described in note 24, 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.

(t) Provisions:

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(u) 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.

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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.

(v) *Interest income:*

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

(w) *Dividend income:*

Dividend income is recognized when the right to receive payment is established.

(x) *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 are depreciated over the shorter of the useful life of the asset and the lease term.

(y) *Dividend distribution:*

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Director's.

(z) *Exceptional items:*

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

3. Financial risk management

(a) *Financial risk factors:*

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

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Senior management has responsibility for managing the Company's risk and reports to the Board of Directors any significant issues.

(i) 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) 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.

(b) 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 income or equity for the year.

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 dividend and interest income from marketable securities was $163,212 for the year ended March 31, 2013 (2012 - $2,199). Total fee expense relating to the management of marketable securities was $3,425 for the year ended March 31, 2013 (2012 - $4,174). 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, 2013 and 2012 for evidence of impairment. The Company has determined that the marketable securities held at March 31, 2013 and 2012 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 4. 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.

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

		2013		2012
10% increase in fair values	$	76,074	$	60,622
10% decrease in fair values	$	(76,074)	$	(60,622)

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.

(ii) Credit risk:

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions, as well as loans receivable from associates. Management deems the credit risk associated with the loan to be minimal. For banks and financial institutions, counterparties who have minimal risk of credit default and are rated by Standard & Poor's with credit ratings of between A- and A are used. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, senior management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Management does not expect any losses from non-performance by these counterparties.

(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, 2013 and 2012 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 the reporting date:

2013

	Carrying Amount	Contractual Cash Flows	0 – 12 Months	1 – 2 Years	2 – 5 Years	More than 5 years
Trade and other payables	$11,388,738	$11,388,738	$11,388,738	-	-	-
Due to related companies	23,791	23,791	23,791	-	-	-
	$11,412,529	$11,412,529	$11,412,529	-	-	-

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2012

	Carrying Amount	Contractual Cash Flows	0 – 12 Months	1 – 2 Years	2 – 5 Years	More than 5 years
Trade and other payables	$10,284,643	$10,284,643	$10,284,643	-	-	-
Due to related companies	20,175	20,175	20,175	-	-	-
	$10,304,818	$10,304,818	$10,304,818	-	-	-

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

(b) 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.

(c) Fair value estimation:

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been identified as follows:

- 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 following table presents the Company's financial assets and liabilities that are measured at fair value at March 31, 2013.

	Level 1	Level 2	Level 3
Available for sale financial assets	$800,034	-	$342,056

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	$629,019	-	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4. Critical accounting estimates and assumptions

(a) *Critical estimates and judgements:*

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

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

The amounts recognized in the consolidated balance sheet, consolidated statement of comprehensive income 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 24 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.

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(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 impairment on goodwill or intangible assets.

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 rentals.

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

Logic Cayman – provides fixed wireless and wireline voice, data and television 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.

Yabsta (BVI) Limited – provides on-line search capabilities, specializing in digital advertising.

The investments in associates have been aggregated under a single segment called 'Investment in Associates' and its related disclosures are included in note 9 of these financial statements.

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Segment information

	BTC	Logic	Logic Cayman	BYP	Cable Co.	Yabsta	Total
Year ended March 31, 2013							
Revenues from external customers	$ 44,850,540	$ 17,362,033	$ 5,558,534	$4,999,806	$ 1,104,660	-	$ 73,875,573
Revenues from internal customers	2,819,305	1,383,573	68,195	293,385	1,933,333	-	6,497,791
Depreciation and amortization	9,320,066	1,489,498	982,118	30,296	1,815,656	-	13,637,634
Operating expenses	33,041,813	13,874,642	8,566,591	3,690,806	3,454,876	-	62,628,728
Interest expense	41,696	-	-	-	-	-	41,696
Segment income (loss)	5,266,270	3,381,466	(3,921,980)	1,572,089	(2,232,539)	-	4,065,306
Segment assets	$75,690,100	$12,708,576	$11,279,738	$3,437,357	$19,890,088	$1,095,765	$124,101,624

	BTC	Logic	Logic Cayman	BYP	Cable Co.	Yabsta	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

Reconciliations

	2013	2012
Revenues from external customers		
Total segment revenues from external customers	$ 73,875,573	$ 80,250,168
Non-segment other revenue	83,746	396,297
	$ 73,959,319	$ 80,646,465

	2013	2012
Depreciation and amortization		
Total segment depreciation and amortization	$ 13,637,634	$ 18,813,511
Non-segment depreciation and amortization	18,800	148,614
Elimination of inter-company amounts	(368,290)	(260,503)
	$ 13,288,144	$ 18,701,622

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	2013	2012
Operating expenses		
Total segment operating expenses	$ 62,628,728	$ 72,848,223
Non-segment operating expenses	2,587,048	3,346,515
Elimination of inter-company amounts	(6,077,399)	(10,081,072)
	$ 59,138,377	$ 66,113,666

	2013	2012
Interest expense		
Total segment interest expense	$ 41,696	$ 168,179
Elimination of inter-company amounts	(41,696)	(168,179)
	$ -	$ -

	2013	2012
Profit for the year		
Total income (loss) for reportable segments	$ 4,065,306	$ (1,148,664)
(Loss) Income from discontinued operations	-	(27,411)
Share of income of associates	6,877,322	3,241,356
Non-segment other income	285,450	599,701
Net interest (cost) income on pension plan	(98,768)	712,502
Net interest cost on post-retirement medical benefits plan	(147,766)	(151,367)
Gain on amalgamation	-	10,516,501
Impairment of goodwill and intangible assets	-	(2,953,641)
Non-segment administrative expenses	(2,587,048)	(3,346,515)
Non-segment amortization	(18,800)	(148,614)
Elimination of inter-company amounts	(52,101)	(117,882)
	$ 8,323,595	$ 7,175,966

	2013	2012
Total assets		
Total assets for reportable segments	$ 124,101,624	$ 124,535,268
Goodwill	4,234,279	991,411
Non-segment assets	69,175,291	64,185,131
Elimination of inter-company amounts	(30,593,816)	(24,616,563)
	$ 166,917,378	$ 165,095,247

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 $68,317,039 (2012: $74,634,014). Total revenue from other countries is $5,558,534 (2012: $5,616,154) which is derived from the Logic Cayman operations domiciled in the Cayman Islands.

The total of non-current assets located in Bermuda is $133,423,897 (2012: $129,050,679) and the total of such non-current assets in other countries is $8,976,012 (2012: $4,202,741).

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6. Salaries and employee benefit expenses and staff termination costs

	2013	2012
Gross salaries	$ 22,013,096	$ 24,782,252
Gross staff termination costs	472,398	2,203,197
Employer pension contributions	1,124,275	1,349,272
Incentive compensation, other benefits and allowances	3,641,590	5,043,093
	$ 27,251,359	$ 33,377,814

7. 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 telecommunications 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, 2013 were approximately $2,081,433 (2012 - $2,227,121), 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, 2013 were Nil (2012 - $54,000).

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 $212,750 (2012 - $205,225) in FCC fees.

8. Other operating expenses

	2013	2012
Administrative	$ 2,862,367	$ 2,431,055
Consultants and professional fees	2,669,687	2,026,021
Marketing and selling	2,312,048	2,029,704
Bad debt expense (Note 12)	980,902	2,007,568
Insurance	830,281	971,952
	$ 9,655,285	$ 9,466,300

9. Investments in associates

	2013	2012
At April 1	$ 31,114,826	$ 12,873,441
Share of operating profit	6,532,201	3,132,928
Interest charged	710,896	832,704
Amortization of intangibles	(365,775)	(724,276)
Net share of income of associates	6,877,322	3,241,356
Loan repayments and interest received	(3,931,220)	(2,386,875)
Dividends received	(1,335,773)	-
Other equity movements	-	17,386,904*
At March 31	$ 32,725,155	$ 31,114,826

* Relates to the amalgamation of M3 and BDC as disclosed below and in note 30.

Notes to Consolidated Financial Statements

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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 $
March 31, 2012					
	Bermuda	114,306,369	59,740,129	87,141,381	8,010,441
March 31, 2013					
	Bermuda	123,214,584	54,536,379	92,940,606	16,054,554

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.

Cablevision Holding 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 exchanging its shares of BCL for 40% of the outstanding shares of Cablevision Holding Limited ("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, 2013 CHL paid the Company total principal of $869,368 (2012: Nil) and total accrued interest of $2,730,632 (2012: $1,980,000). The 40% holding in CHL results in a 33.2% interest in BCL.

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%.

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10. Earnings per share

	2013			2012		
	Income (numerator)	Average weighted shares (denominator)	Per share amount	Income (numerator)	Average weighted shares (denominator)	Per share amount
Total profit for the year	**$8,323,595**			**$ 7,175,966**		
Basic and diluted earnings per share						
Profit attributable to equity holders of the company (discontinued and continuing operations)	$ 8,323,595	14,563,633	$ 0.572	$ 7,175,966	14,563,633	$ 0.493
Profit attributable to equity holders of the company (continuing operations)	$ 8,323,595	14,563,633	$ 0.572	$ 7,203,377	14,563,633	$ 0.495
(Loss) Profit attributable to equity holders of the company (discontinued operations)	$ -	14,563,633	$ -	$ (27,411)	14,563,633	$ (0.002)

11. Cash and cash equivalents

	March 31, 2013	April 1, 2012
Cash at bank and in hand (excluding bank overdraft)	$ 4,036,753	$10,634,310
Short term deposits	115,349	116,805
	$ 4,152,102	$10,751,115

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	March 31, 2013	April 1, 2012
Cash and cash equivalents	$ 4,152,102	$10,751,115
Bank overdraft (note 21)	(209,891)	-
	$ 3,942,211	$10,751,115

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12. Accounts receivable

	March 31, 2013	March 31, 2012
Trade receivables	$12,258,008	$13,340,927
Allowance for doubtful debts	(2,742,026)	(2,787,042)
	9,515,982	10,553,885
Other receivables	1,639,376	780,769
	$11,155,358	$11,334,654
Loan receivable (Note 30)	1,750,697	1,680,000
	$12,906,055	$13,014,654

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 aging of trade receivables at the reporting date was:

	March 31, 2013		March 31, 2012	
	Gross	Impairment	Gross	Impairment
Not past due	$ 6,576,836	$ 65,768	$ 7,508,064	$ 75,081
Past due 31 – 60 days	1,641,552	164,155	1,506,551	150,655
Past due 61 – 90 days	692,286	241,608	446,126	155,698
More than 90 days	3,347,334	2,270,495	3,880,186	2,405,608
	$ 12,258,008	$ 2,742,026	$13,340,927	$ 2,787,042

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

	March 31, 2013	March 31, 2012
Balance at beginning of year	$ 2,787,042	$ 4,906,129
Impairment loss not used	(45,016)	(220,033)
Release of allowances (Note 30)	-	(1,899,054)
	$ 2,742,026	$ 2,787,042

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 $980,902 (2012: $2,007,568) has been recognized in the consolidated statement of comprehensive income.

Notes to Consolidated Financial Statements

March 31, 2013

13. Inventories

	March 31, 2013	March 31, 2012
Voice equipment and accessories	$ 2,293,504	$ 2,467,563
Cable and other plant spares	445,544	382,361
Computer equipment	15,567	102,440
	2,754,615	2,952,364
Allowance	(1,104,284)	(899,655)
	$ 1,650,331	$ 2,052,709

During the year, inventory write-off aggregating $234,928 (2012: $840,247) 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 and included in operations and maintenance expenses was $220,307 (2012: $914,353).

14. Prepaid expenses and other current assets

	March 31, 2013	March 31, 2012
Maintenance	$ 2,704,666	$ 3,027,196
Deferred production costs	1,428,303	1,629,309
Deposits for capital projects	863,698	-
Government taxes	247,760	274,016
Insurance	265,673	155,650
Other prepaid expenses and current assets	298,881	937,178
	$ 5,808,981	$ 6,023,349

Notes to Consolidated Financial Statements

March 31, 2013

15. Financial instruments by category

	2013	
	Loans and receivables	Available-for-sale
Available for sale financial assets	-	1,142,090
Loan receivable (short term and long term)	4,143,186	-
Trade and other receivables (excluding pre-payments)1	11,155,358	-
Cash and cash equivalents	4,152,102	-
	$ 19,450,646	$ 1,142,090

	Other financial liabilities at amortized cost
Preferred share redemption amounts unclaimed	700,833
Long-term debt redemption amounts unclaimed	536,179
Trade and other payables	11,412,529
	$ 12,649,541

	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 (excluding pre-payments)[1]	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

[1] Pre-payments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.

16. Available-for-sale financial assets

	2013	2012
Balance at beginning of year	$ 629,019	$ 774,889
Additions	358,552	-
Disposals	-	(37,979)
Fair value movements	154,519	(107,891)
	$ 1,142,090	$ 629,019

Notes to Consolidated Financial Statements

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Available-for-sale financial assets include equity securities of companies in Bermuda which are engaged in telecommunications and banking and are denominated in Bermuda dollars.

None of these financial assets is either past due or impaired.

17. 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:									
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
Additions	-	-	2,435,471	-	3,932,170	-	8,239,880	389,534	14,997,055
Disposals / retirements	-	-	(476,800)	-	(28,012,464)	-	(1,349,514)	(400,587)	(30,239,365)
Business combinations	-	-	294,450	-	-	-	6,356,662	7,380	6,658,492
March 31, 2013	$ 3,752,442	$ 1,000,000	$ 50,044,142	$ 831,398	$ 150,464,921	$ 27,074,696	$34,825,875	$ 6,239,014	$274,232,488
Depreciation / Impairment:									
March 31, 2012	$ -	$ -	$ 25,139,526	$ 141,369	$ 142,306,494	$ 5,902,042	$17,738,930	$ -	$191,228,361
Charge for the year	-	-	2,715,923	16,632	5,796,511	1,815,656	1,462,764	-	11,807,486
Eliminated on disposals / retirements	-	-	(455,455)	-	(28,012,464)	-	(1,343,968)	-	(29,811,887)
Business combinations	-	-	258,247	-	-	-	5,586,841	-	5,845,088
March 31, 2013	$ -	$ -	$ 27,658,241	$ 158,001	$ 120,090,541	$ 7,717,698	$23,444,567	$ -	$179,069,048
Net book values:									
March 31, 2013	$ 3,752,442	$ 1,000,000	$ 22,385,901	$ 673,397	$ 30,374,380	$ 19,356,998	$11,381,308	$ 6,239,014	$ 95,163,440
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

During the year ended March 31, 2013 management has determined that no impairment charges against property, plant and equipment are required.

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 19 for the reconciliation of depreciation expense to the consolidated statement of comprehensive income.

Notes to Consolidated Financial Statements

March 31, 2013

18. Intangible assets

	Leased telecommunications capacity	Computer software and other intangible assets	Goodwill	Total
Cost:				
March 31, 2012	$ 11,282,521	$ 10,611,419	$ 991,411	$ 22,885,351
Additions	-	2,945,385	3,242,867	6,188,252
Impairments	-	(88,285)	-	(88,285)
March 31, 2013	$ 11,282,521	$ 13,468,519	$ 4,234,278	$ 28,985,318
Amortization:				
March 31, 2012	$ 10,097,895	$ 6,518,315	$ -	$ 16,616,210
Charge for the year	721,945	758,713	-	1,480,658
Impairments	-	(88,285)	-	(88,285)
March 31, 2013	$ 10,819,840	$ 7,188,743	$ -	$ 18,008,583
Net book values:				
March 31, 2013	$ 462,681	$ 6,279,776	$ 4,234,278	$ 10,976,735
March 31, 2012	$ 1,184,626	$ 4,093,104	$ 991,411	$ 6,269,141

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 $13,998.

Computer software and other intangible assets

During the year $1,095,765 of development costs relating to Yabsta were re-classed to computer software and other intangible assets, previously recorded in prepaid expenses and other current assets on the consolidated balance sheet. During the previous year ended 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 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 addition in the current year of $3,242,867 reflects the goodwill associated with the TeleCayman transaction, as disclosed in note 28. 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 (2012 - $991,411), 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 for the fiscal year ended March 31, 2013.

Refer to note 19 for the reconciliation of amortization to the consolidated statement of comprehensive income.

Notes to Consolidated Financial Statements

March 31, 2013

19. Depreciation reconciliation to consolidated statement of comprehensive income

	2013	2012
Charge for the year:		
Depreciation	$ 11,807,486	$ 17,532,528
Amortization	1,480,658	1,456,263
Discontinued operations:		
Depreciation	-	(266,704)
Amortization	-	(20,465)
	$ 13,288,144	$ 18,701,622

20. Accounts payable and accrued liabilities

	March 31, 2013	March 31, 2012
Trade payables	$ 2,445,641	$ 2,387,620
Accrued liabilities	5,627,642	4,819,775
Accrued payroll liabilities	3,339,246	3,097,423
	$ 11,412,529	$ 10,304,818

21. 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 a rate equal to three month Libor plus 3% on amounts drawn and is unsecured. Total interest expense in relation to the overdraft facilities was $40,778 for the year ended March 31, 2013 (2012 – $25,136) and is included in other operating expenses in the consolidated statement of comprehensive income. The bank overdraft facility expires December 3, 2013. The bank overdraft balance outstanding as at March 31, 2013 was $209,891 (2012: Nil).

22. Dividends per share

The dividends paid in 2013 and 2012 were $6,990,522 (0.48 per share) in each year.

23. Long term debt redemption amounts unclaimed

The Company exercised its right to redeem the 7.75% notes effective December 15, 2002. As at March 31, 2013 and 2012, not all notes redeemed had been presented to the Company in exchange for cash. The notes remaining outstanding valued at $536,179 (2012 - $540,139) are included in current debt redemption amounts unclaimed on the consolidated balance sheet and do not accrue interest beyond the redemption date.

Notes to Consolidated Financial Statements

March 31, 2013

24. 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, 2013 the defined benefit plan experienced a deficit of funds and the Company has increased the liability to $3,420,745 (2012: $2,194,876).

Effective March 31, 2010, the Company determined to provide a post-retirement medical stipend 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, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Change in Benefit Obligation				
Present value of obligations at beginning of year	$ 49,889,833	$ 48,449,302	$ 3,346,680	$ 3,021,772
Interest cost	2,201,868	2,440,704	147,766	151,367
Re-measurement	395,768	2,919,214	(34,366)	450,715
Benefit paid	(3,867,237)	(3,919,387)	(228,270)	(277,174)
Present value of obligations at end of year	$ 48,620,232	$ 49,889,833	$ 3,231,810	$ 3,346,680

Notes to Consolidated Financial Statements

March 31, 2013

	Pension Plan		Post-retirement Medical Benefit Plan	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Change in Plan Assets				
Fair value of plan assets at beginning of year	$ 47,694,957	$ 62,020,766	$ -	$ -
Interest income	2,103,100	3,153,206	-	-
Re-measurement	(731,333)	(13,559,628)	-	-
Employer contributions	-	-	228,270	277,174
Benefits paid	(3,867,237)	(3,919,387)	(228,270)	(277,174)
Fair value of plan assets at end of year	$ 45,199,487	$ 47,694,957	$ -	$ -
Funded Status				
Present value of obligation at end of year	$ (48,620,232)	$ (49,889,833)	$ (3,231,810)	$ (3,345,680)
Fair value or plan assets at end of year	45,199,487	47,694,957	-	-
(Liability) asset end of year before asset ceiling	$ (3,420,745)	$ (2,194,876)	$ (3,231,810)	$ (3,345,680)
Adjustment for asset ceiling	-	-	N/A	N/A
(Liability) asset end of year after asset ceiling	$ (3,420,745)	$ (2,194,876)	$ (3,231,810)	$ (3,345,680)
Expense				
Net interest (income) cost	$ 98,768	$ (712,502)	$ 147,766	$ 151,367
Re-measurement (gain) loss	1,127,101	2,907,378	(34,366)	450,715
Balance Sheet				
Opening asset (liability)	$ (2,194,876)	$ -	$ (3,346,680)	$ (3,021,772)
Net interest income (expense)	(98,768)	712,502	(147,766)	(151,367)
Expense before asset ceiling	(1,127,101)	(2,907,378)	34,366	(450,715)
Employer's contributions	-	-	228,270	277,174
Closing asset (liability) before asset ceiling	$ (3,420,745)	(2,194,876)	$ (3,231,810)	$ (3,346,680)
Adjustment for asset ceiling	$ -	$ -	$ N/A	$ N/A
Closing asset (liability) after asset ceiling	$ (3,420,745)	$ (2,194,876)	$ (3,231,810)	$ (3,346,680)

Notes to Consolidated Financial Statements

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	Pension Plan		Post-retirement Medical Benefit Plan	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Actuarial Assumptions:				
Weighted-average assumptions at End of Year:				
Discount rate	4.00%	4.50%	4.00%	4.50%
Rate of compensation increase	2.50%	2.75%	N/A	N/A
Rate of inflation	2.50%	2.75%	2.50%	2.75%
Cost of living adjustments	1.8750%	2.0625%	1.8750%	2.0625%
Weighted-average assumptions for Current Year Expense:				
Discount rate	4.50%	5.25%	4.50%	5.25%
Long-term rate of return on plan assets	4.50%	5.25%	N/A	N/A
Rate of compensation increase	2.75%	2.75%	N/A	N/A
Rate of inflation	2.75%	2.75%	2.75%	N/A
Cost of living adjustments	2.0625%	2.0625%	2.0625%	2.0625%
Estimated Future Benefit Payments and Duration:				
2014/2013	3,843,798	3,937,586	268,454	257,454
2015/2014	3,810,069	3,943,672	271,812	265,634
2016/2015	3,766,765	3,926,662	266,825	273,451
2017/2016	3,711,994	3,886,451	261,224	269,174
2018/2017	3,829,784	3,837,168	255,015	270,209
2019/2018 – 2023/2022	16,914,849	18,154,421	1,161,491	1,256,209
Estimated duration	8.9	9.0	8.3	8.4
Breakdown of Re-measurement from (Gain) Loss				
Effect of change in financial/ economic assumptions	1,298,901	3,131,817	79,861	201,582
Effect of change in demographic assumptions	350	1,256,699	-	83,139
Effect of asset loss	731,333	13,559,628	-	-
Other experience	(903,483)	(1,469,302)	(114,227)	165,994
Total re-measurement from loss before effect of asset ceiling adjustment	1,127,101	16,478,842	(34,366)	450,715

Notes to Consolidated Financial Statements

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	Pension Plan		Post-retirement Medical Benefit Plan	
	March 31, 2013	**March 31, 2012**	**March 31, 2013**	**March 31, 2012**
Sensitivity Analysis, Postretirement Benefits (in million)				
Effect on benefit obligations as of end of year of change in discount rate:				
+1%	(3,979,232)	(4,185,690)	(247,870)	(273,783)
-1%	4,644,679	4,894,467	285,929	317,244
Effect on benefit obligations as of end of year of change in cost of living adjustment (COLA):				
+1%	4,442,095	4,511,999	274,450	294,785
-1%	(3,876,706)	(3,936,112)	(242,323)	(259,398)

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	2013	2012	2011	2010	2009
Beginning 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	-	-	-	-	-
Discount rate	4.50%	5.25%	5.50%	6.50%	6.00%
End of year:					
Defined benefit obligation	48,620,232	49,889,833	48,449,302	48,464,165	49,324,033
Fair value of plan assets	45,199,487	47,694,957	62,020,766	65,130,459	64,648,534
Deficit	3,420,745	2,194,876	-	-	-
Discount rate	4.00%	4.50%	5.25%	5.50%	6.50%
Actuarial (gain)/loss on the defined benefit obligation:					
From changes in assumptions	1,299,251	4,388,516	997,874	1,913,854	139,831
Experience adjustments (Gain)/ Loss	(903,483)	(1,469,302)	415,874	(1,764,375)	108,758
Total	395,768	2,919,214	1,413,748	149,479	248,589
Actuarial (gain)/loss from assets:					
Return based on discount rate	2,103,100	3,153,206	3,472,600	4,069,466	5,571,667
Actual return	1,371,767	(10,406,422)	874,872	4,564,646	(26,077,355)
Total	731,333	13,559,628	2,597,728	(495,180)	31,649,022
Rate of return for fiscal year	4.5%	5.25%	5.50%	6.50%	6.00%

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The plan assets are segregated as follows:

	2013	2012
Debt instruments	$ 7,689,105	$10,015,955
Equity instruments	10,617,434	20,499,798
Mutual funds	16,094,533	16,130,785
Cash	10,798,415	1,048,419
	$45,199,487	$47,694,957

Debt instruments mainly comprise high quality corporate or government bonds with a credit rating of “A-“ or higher.

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:

	2013	2012
Bermuda Dollars	$10,165,718	$10,561,214
US Dollars	35,033,769	32,951,414
Japanese Yen	-	1,820,159
Euro	-	2,362,170
	$45,199,487	$47,694,957

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.

25. Share capital

	March 31, 2013	March 31, 2012
Authorized – 21,546,220 (2012 - 21,546,220) common shares of par value $0.25 each		
Authorized – 2,615,445 (2012 - 2,615,445) preferred shares of par value $1 each		
Issued and outstanding 14,563,633 (2012 - 14,563,633) common shares	$ 3,640,908	$ 3,640,908

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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, 2013, not all preferred shares had been presented to the Company in exchange for cash. The preferred shares remaining outstanding valued at $700,833 (2012 - $725,954;) are included in preferred share redemption amounts unclaimed on the consolidated balance sheet and do not accrue dividends beyond the redemption date.

26. Non-controlling interests

On February 21, 2007 Yabsta (BVI) Limited was incorporated, which is an on-line search platform, specializing in digital advertising. Yabsta was incorporated with the Company owning a 51% controlling interest. Since this date, Yabsta has been in development and during the year ended March 31, 2013, Yabsta transitioned from a development company to a company now in beta testing.

Non-controlling interests of $519,431 at March 31, 2013 (2012 – Nil) 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:

	2013
Balance as at April 1, 2012	$ -
Fair value of consideration paid by minority shareholder	519,431
Balance as at March 31, 2013	$ 519,431

27. 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, 2013 and 2012.

b) Lease commitments:

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

	2013	**2012**
Within 1 year	$ 6,547,220	$ 5,010,507
From 1 – 2 years	4,142,933	3,484,874
From 2 – 3 years	2,877,499	2,877,570
From 3 – 4 years	1,779,424	1,133,594
From 4 – 5 years	1,340,734	826,497
Over 5 years	1,837,704	1,789,523
	$18,525,514	$15,122,565

Lease payments under these operating leases recognized within operations and maintenance expenses in the consolidated statement of comprehensive income for the year aggregated approximately $5,010,507 (2012: $5,428,113).

c) Contingent Liabilities:

There are no contingent liabilities to disclose relating to the fiscal years ended March 31, 2013 and 2012.

Notes to Consolidated Financial Statements

March 31, 2013

28. Business combinations

On March 8, 2013 the Company acquired 100% of the share capital of TeleCayman Limited through the Company's wholly owned subsidiary WestTel Limited, for $4,009,656. TeleCayman Limited is a telecommunications company providing voice and data services to businesses and residents of the Cayman Islands.

As a result of the acquisition, the Company is expected to increase its presence in the Cayman Islands and leverage operational synergies. The goodwill and intangible assets of $3,242,867 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of Logic Cayman and TeleCayman Limited.

Due to the timing of the acquisition, management has allocated the excess of the fair value of consideration over identifiable net assets to goodwill and intangible assets on a provisional basis, as allowed under IFRS 3.

The following table summarizes the consideration paid for TeleCayman Limited, the fair value of assets acquired and liabilities assumed.

Total cash consideration at March 8, 2013	**$ 4,009,656**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	$ 207,809
Property, plant and equipment	813,404
Trade and other receivables	228,975
Prepaid expenses	57,804
Trade and other payables	(541,203)
Total identifiable net assets	**766,789**
Goodwill and intangible assets	3,242,867
Total	**$ 4,009,656**

Acquisition-related costs of $52,007 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended March 31, 2013.

The fair value of trade and other receivables is $228,975 and includes trade receivables with a fair value of $182,891 and customer deposits with a fair value of $46,084. The gross contractual amount for trade receivables due and customer deposits is $182,891 and $46,084, respectively, of which is deemed to be collectible.

The revenue included in the consolidated statement of comprehensive income since March 8, 2013 contributed by TeleCayman Limited was $192,858. TeleCayman also contributed a net loss of $6,339 over the same period.

29. Disclosure of related party transactions

The following transactions were carried out with related parties:

(a) Key management compensation

Notes to Consolidated Financial Statements

March 31, 2013

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

	2013	2012
Salaries and other short-term employee benefits	$ 2,908,019	$ 2,690,231

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

	2013	2012
Receivables from related parties:		
- Associates	$ 948,540	$ 557,877
Payables to related parties:		
- Associates	$ 23,791	$ 20,175
Sales to related parties:		
- Associates	$ 2,738,761	$ 3,166,332
Purchases from related parties:		
- Associates	$ 587,223	$ 474,052

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 (2012: 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

	2013	2012
Loans to associates:		
At April 1	$ 12,474,928	$ 8,696,610
Loan on amalgamation	-	7,012,489
Loan repayments received	(5,120,523)	(4,066,875)
Interest charged	710,896	832,704
At March 31	$ 8,065,301	$ 12,474,928

Included within the balance of $8,065,301 at March 31, 2013 (2012: $12,474,928) is a balance due from BDC of $4,042,820 (2012: $5,332,489) as described in note 30, which is disclosed on the face of the consolidated balance sheet. The other loans of $4,022,481 (2012: $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 2013 (2012: Nil) for the loans made to associates.

30. 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.

Notes to Consolidated Financial Statements

March 31, 2013

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.

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 operation's results for the financial years presented in the statement of comprehensive income are as follows:

	2013	2012
OPERATING REVENUES		
Wireless revenues	$ -	$ 1,493,593
Other revenues	-	6,000
	-	1,499,593
OPERATING EXPENSES		
Salaries and employee benefit expenses	-	154,057
Operations and maintenance expenses	-	582,292
Depreciation and amortization	-	287,169
Government taxes, fees and levies	-	65,492
Other operating expenses	-	437,994
	-	1,527,004
Net loss for the period	-	$ (27,411)

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, 2013

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
Cash flows from operating activities	$ 1,443,062
Net cash flow from discontinued operations	$ 1,443,062

Notes to Consolidated Financial Statements

March 31, 2013

31. Events after the reporting period

On April 25, 2013 through an amalgamation, the Company acquired 100% of the share capital of North Rock Communications, a telecommunications provider in Bermuda, for a cash consideration of $26,595,743.

On the same day the Company entered into a term loan facility agreement with a local bank for payment of the amalgamation consideration and to acquire increased capacity for operations. The term loan facility agreement is secured by the assets of BTC, Logic, Cable Co. and Cedar Cable, has set terms of repayment and bears interest at the Libor rate plus 3.25% per annum. During the first year of the term, repayments will be interest only and there will be no required payments of principal. During the second through fifth year of the term, the Company shall make annual principal repayments of $7,750,000 per year, payable quarterly in equal amounts of $1,937,500 commencing July 31, 2014.

As a result of the amalgamation, the Company is expected to leverage operational synergies. Management has not yet completed the provisional analysis to determine an allocation of the purchase price to goodwill and intangible assets.

Executives and Officers

KeyTech Group Executives

Mr. Lloyd Fray
Chief Executive Officer

Ms. Leslie Rans, CPA
Chief Financial Officer

Mr. Philip S. Harris
Chief Administrative Officer

Mr. Richard Lau
Vice President Technical Operations and Management

Company Officers

Mr. Michael Tanglao
General Counsel
Secretary

Common shares held by Directors - 711,469.

Commons shares held by KeyTech Executive Management - 9,424

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.

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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.
30 Victoria Street,
Hamilton HM 12,
Bermuda

www.KeyTech.bm