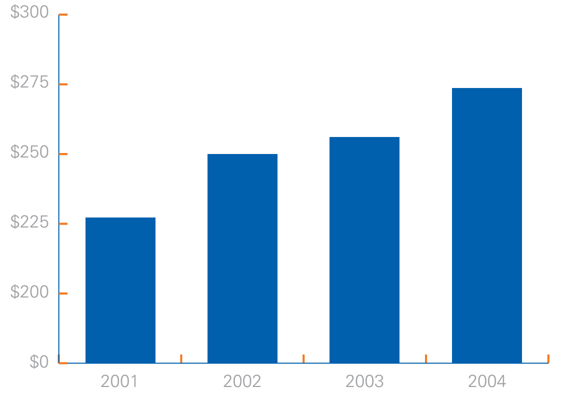
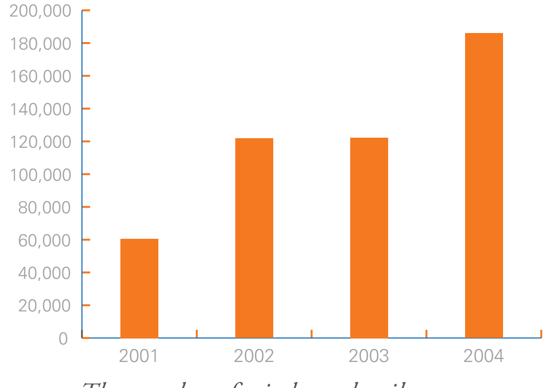
The Bahamas Telecommunications Company Limited
2004 Annual Report

Total Revenue (2001 – 2004) **(Millions)**



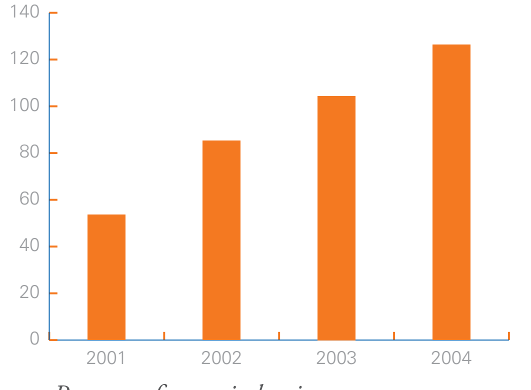
Total revenues for 2004 grew 7.1% over 2003 due to solid wireless and DSL Internet growth.

Wireless Subscribers (2001 – 2004)



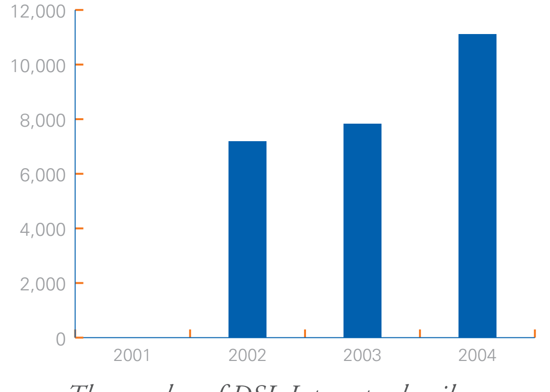
The number of wireless subscribers grew in 2004 by 52.2% over 2003.

Wireless Revenue (2001 – 2004) **(Millions)**



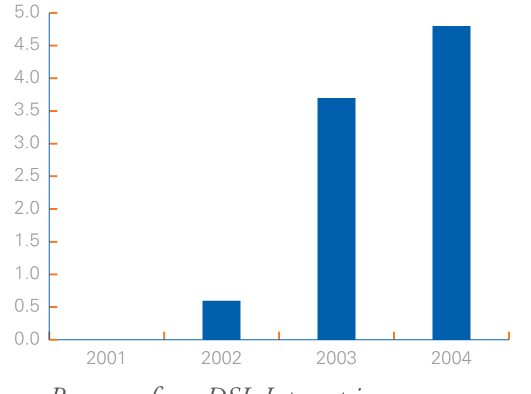
Revenues from wireless in 2004 grew 21.1% over 2003.

DSL Internet Subscribers (2001 – 2004)



The number of DSL Internet subscribers grew in 2004 by 41.7% over 2003.

DSL Internet Revenue (2001 – 2004) **(Millions)**



Revenues from DSL Internet in 2004 grew 29.7% over 2003.

Financial Statements of
The Bahamas Telecommunications Company Limited
Year ended 31 December 2004

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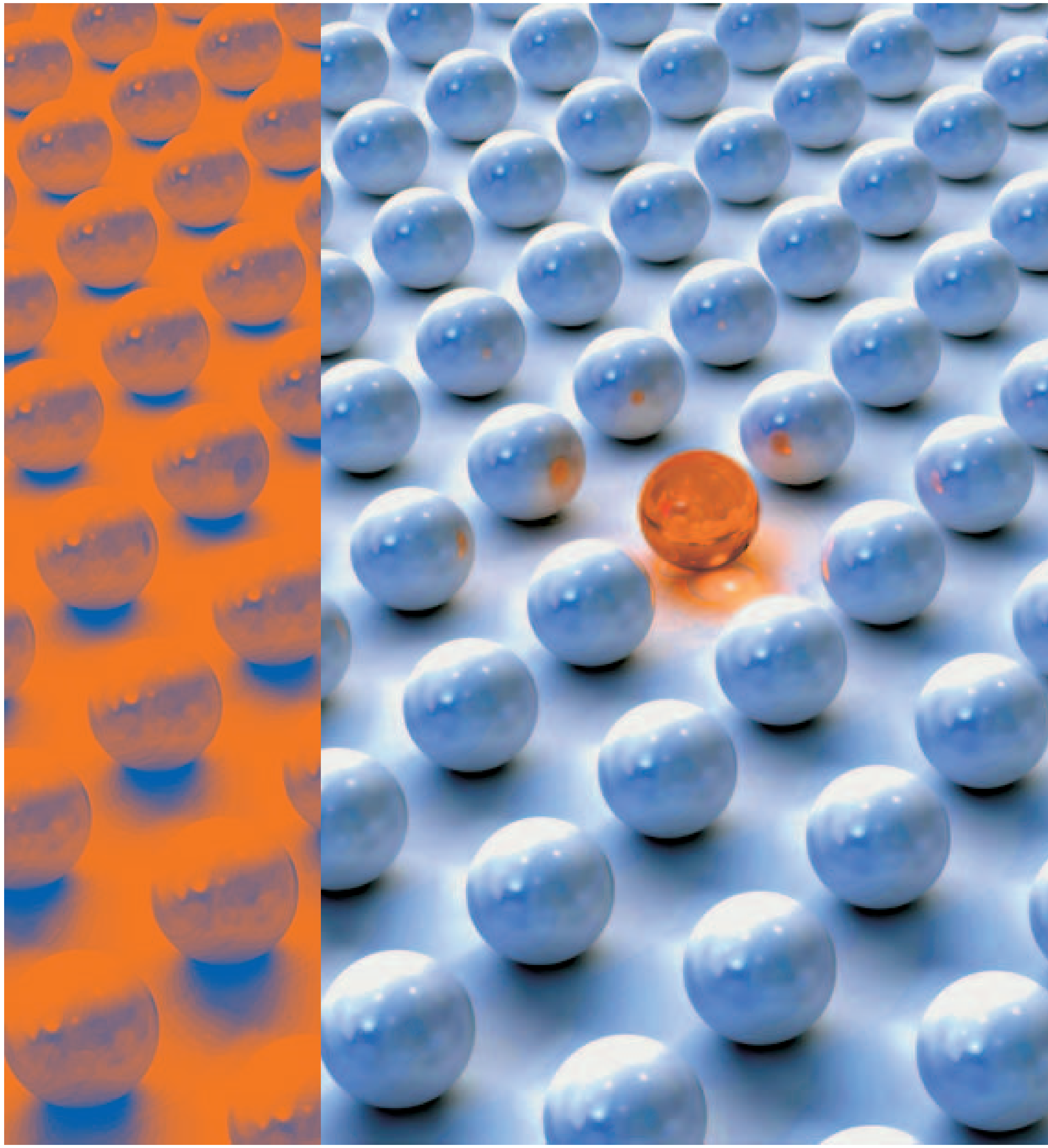

Chairman's Message

Reno J. Brown
Executive Chairman

This organization was founded over 100 years ago, and for the past two and a half years I have had the privilege of serving as its Chairman. In that time, I have witnessed a company reaffirming its legacy. BTC "wired" The Bahamas in the last century. Today, BTC is the company that is leading this nation into a new century of high-speed broadband connectivity. Your Board of Directors clearly recognizes the challenges we face, and that is why BTC must continue to keep pace with the ever-increasing changes in the industry to sustain its future growth.

As such, I have made it a priority for this organization to work closely with the Public Utilities Commission (PUC) in helping to shape a regulatory framework that is fair and just for all players. In this regard we continued to work closely with our regulators in 2004 to help bring about a level playing field for both BTC and its competitors.

We knew BTC needed to be more competitive in the face of increasing competition, and worked with the regulator to reduce long distance rates in 2004. This enabled customers to save as much as 70% on calls within The Bahamas and the rest of the world. We also worked with the PUC on initiatives that would bring basic service rates closer to the cost of providing those services. Both initiatives just made good business sense, and I am pleased to report that the regulator agreed.

Your Board also recognizes the importance for BTC to be financially strong, and provide reasonable rates of capital return for its shareholders. As such, we continue to invest strategically in areas that create the greatest returns, such as the expansion of our cellular network, as well as deployment of GSM and DSL services. During 2004, these investments contributed significantly in growing our revenue base by 7.1%, with total revenues exceeding $274 million. We consider this to be a significant achievement.

Finally, in these changing times for the industry and while much about BTC is changing, what will not change is our tradition of dedicated customer service, reliability, and commitment. An exciting future lies ahead for telecommunications in The Bahamas and we at BTC intend to help lead the way.

Reno J. Brown
Executive Chairman

President & Chief Executive Officer's Report

Michael J. Symonette
President and Chief Executive Officer

In wireless and wireline, the possibilities in voice, data and video is expanding, and with it, competition. This is not telecommunications as we once knew it. Barriers are disappearing; traditional industry lines are blurring. In this new age, the winners will be those who deliver one thing above all: excellence in service at competitive prices.

While 2004 was a year of steady progress for BTC, it was also a year filled with challenges. First our financial performance.

Total operating revenues increased by $18.2 million to a record $274.5 million, while net income declined to $8.3 million for the year. Growth in our wireless (cellular) services had one of the best performances ever in 2004. Wireless revenues grew by 21% in 2004 to $126.4 million, while the number of wireless customers increased by 63,779. We also had growth in our high-speed DSL Internet service, as the number of subscribers for this service grew by 42%.

As expected, we experienced weak revenues in two of our traditional lines of business. Revenues from our traditional fixed line services were relatively flat, with total lines in service increasing 1.7% over 2003. We also experienced a reduction in our long distance revenues in 2004 as a result of having to lower our long distance rates to remain completive.

Expenses increased by $47.7 million over 2003, due in large to:

- Cost of repairs associated with Hurricanes Frances and Jeanne,
- Depreciation expense,
- Write down of assets in anticipation of the Corporate Asset Verification exercise,
- Costs of sales and advertising expense as a result of the launch of the GSM service in New Providence and Grand Bahama,
- Re-engineering consultancy expenses.

Overall, BTC ended 2004 with cash reserves of $48.9 million representing a $30.7 million increase over 2003, and a healthy balance sheet – this gives us the flexibility we need to plan and invest for the future.

As for our operational performance, we launched what would be the first in a series of new and bold initiatives by the Company aimed at keeping long distance rates competitive while providing consumers with improved customer service and delivery.

Significant improvements were also made in 2004 to optimize the delivery of our GSM service, and we launched a major re-engineering initiative to improve many of our internal business processes, and introduce best telecom industry practices.

We also worked on improving our service delivery by streamlining our billing and customer interface processes and establishing a customer call center to better serve the needs of our valued clientele.

The capabilities of wireless and wired communication have merged. Broadband means higher speeds, and higher speeds mean instant access. The map of telecommunications is constantly being redrawn, transformed by technology and competition. Increasingly, Internet Protocol (IP) is becoming the network standard of the Internet age, and creating a new world of possibilities in the industry.

In conclusion, this is not telecom as usual. The new telecom landscape is changing the way people live — what they do, what they want, and what they expect. For BTC, this is our world of opportunity.

Michael J. Symonette
President & Chief Executive Officer

BTC 2004 Annual Report

Leon R. Williams
Senior Vice President & Chief Operations Officer

In 2004, we continued to focus on operational excellence by deploying innovative technologies, beginning with the delivery of the digital wireless launch of GSM (Global System for Mobile) service, including roaming. By the end of 2004 we had 186,007 cellular subscribers, generating revenue of $126.4 million.

We also continued to aggressively deploy high speed DSL Internet service to homes and businesses. In 2004, the number of DSL subscribers increased by 3,271 to a total of 11,109, generating revenue of $4.8 million, an increase of 30% over 2003.

Despite solid revenue performance in our wireless and DSL Internet service, our long distance and basic telephone service revenues remained weak, due to increased competition.

To remain competitive, we had to reduce our long distance rates in 2004. As a result, revenues from long distance operations declined 3.7% to $61.8 million, even though the total number of inbound and outbound long distance minutes increased by 4.1% to 198.6 million minutes.

Total lines in service at the end of 2004 increased by 1.7% to 133,936 compared with 131,682 at the end of 2003, continuing in a slowing trend for our traditional long distance and basic telephone service lines of business.

A major initiative taken to enhance revenue contribution in 2004 was the launch of our new GSM service for New Providence and Grand Bahama. This service enabled us to deploy next generation wireless services, with the encouraging prospects of generating future growth in our wireless line of business.

A key challenge in 2004 was the effort needed to repair and replace plant, facilities, and equipment damaged or destroyed in the wake of hurricanes Jeanne and Frances. The effects of these acts of nature affected every aspect of our operations and required enormous capital and human resources as part of our restoration program.

We are also excited about the launch in 2004 of our re-engineering initiative, in which BTC with the help of PJP Coursemark, a consulting firm, began work on introducing practices, benchmarks, and telecom industry best practices for the Corporation.

Finally, we invested a total of $20.4 million in equipment, facilities, and infrastructure for which $4.5 million or 22.1% was invested on developing infrastructure and services for The Family Islands.

In conclusion, we remain focused on our core operations while continuing to seek new growth opportunities. Our goal remains to build value for our stakeholders by providing innovative solutions for our customers, while creating a healthy and rewarding environment for our employees.

PRICEWATERHOUSECOOPERS

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To the Board of Directors of The Bahamas Telecommunications Company Limited

We have audited the accompanying balance sheet of The Bahamas Telecommunications Company Limited (the Company) as of 31 December 2004 and the related statements of operations, cash flows and changes in shareholder's equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 19c to the financial statements. The Company is currently involved in a dispute concerning charges for rental pole attachments. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

PricewaterhouseCoopers.

Chartered Accountants
30 November 2005

Balance Sheet

As at 31 December 2004
(Expressed in Bahamian dollars)

	Notes	31 December 2004 $000's	31 December 2003 $000's
ASSETS			
Current assets			
Cash and cash equivalents	3	50,327	19,431
Accounts receivable, net	4	51,986	80,778
Inventories, net	5	13,413	15,235
Other assets	6	3,306	4,748
Available-for-sale investments	7, 22	3,603	-
		122,635	**120,192**
Non-Current assets			
Available-for-sale investments	7	2,160	2,015
Fixed assets	8	333,660	374,298
Other assets	6	-	3,373
Pension asset	9	3,377	6,062
Total assets		**461,832**	**505,940**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	41,119	78,100
Security deposits from customers		37,352	35,117
Loans payable and bank overdrafts	12	15,708	27,385
Deferred income	13	7,011	8,696
		101,190	**149,298**
Long-Term liabilities			
Loans payable	12	19,875	22,469
Total liabilities		**121,065**	**171,767**
Shareholder's equity			
Share capital	15	254,664	254,664
Retained earnings		86,103	79,509
Total shareholder's equity		**340,767**	**334,173**
Total liabilities and shareholder's equity		**461,832**	**505,940**

Signed on behalf of the Board of Directors by:

Director

Director

30 November 2005

Date

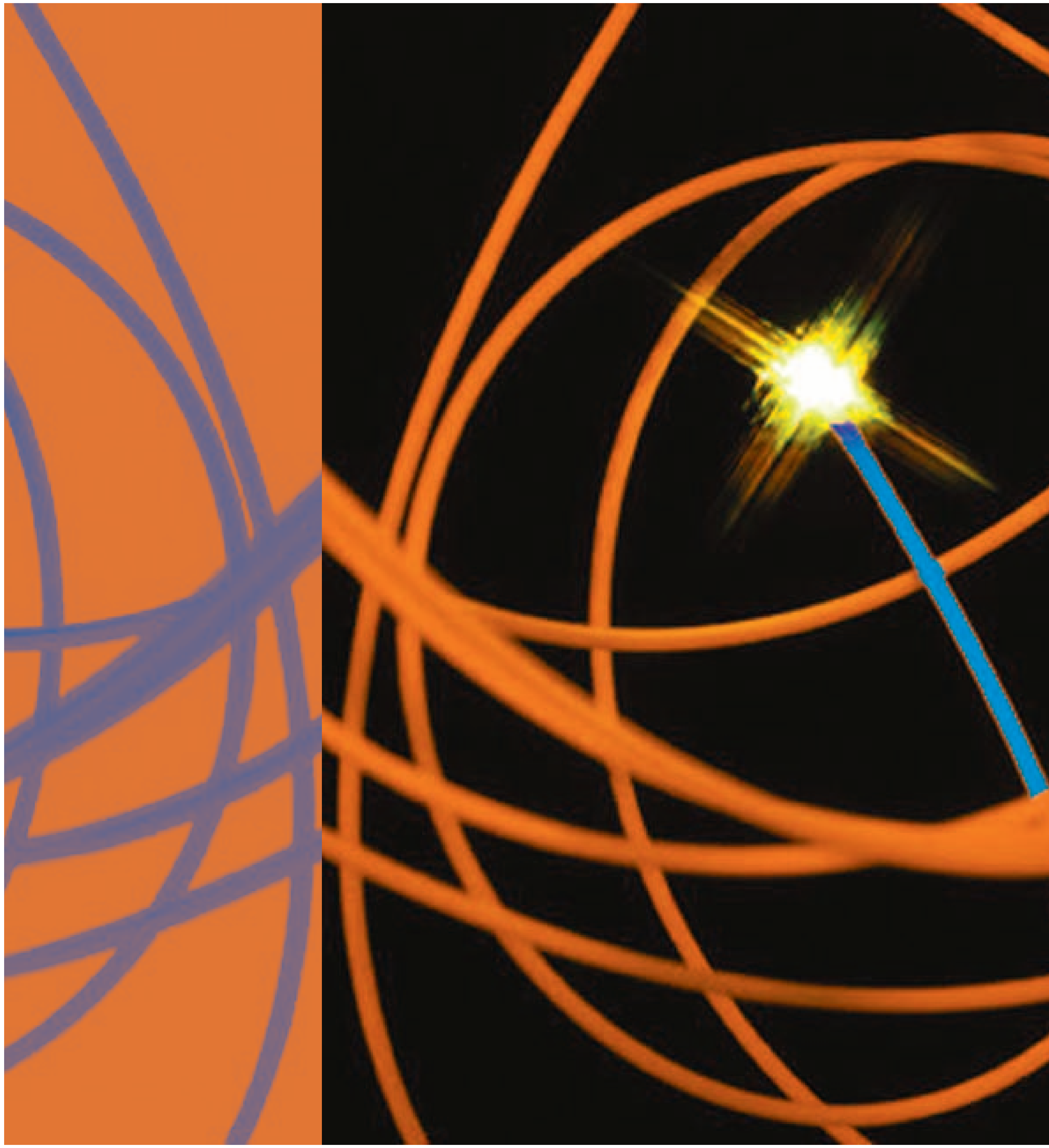
The accompanying notes are an integral part of these financial statements.

Statement of Operations

For the year ended 31 December 2004
(Expressed in Bahamian dollars)

	Notes	31 December 2004 $000's	31 December 2003 $000's (Note 23)
Operating revenues			
Fixed line and cellular rental		57,337	58,899
International Toll Service		63,979	65,018
Post Paid Cellular Toll and other		39,391	36,226
Prepaid Cellular Toll and other		65,792	53,944
Receipts from other operators		23,416	19,338
Directory advertising		8,102	7,969
Installation fees		1,598	1,961
Internet revenue		6,989	6,224
Pager revenue		919	910
Other		6,941	5,779
Total revenue		**274,464**	**256,268**
Operating expenses			
Payments to international toll carriers		11,713	13,801
Plant expense	16	90,186	69,481
Administrative expense		72,116	56,090
Depreciation expense	8	53,204	45,840
Amortisation of deferred income	13	(1,383)	(1,853)
Personnel and training		5,654	4,712
Bad debt expense	4	13,555	14,656
Government fees	14	6,405	5,816
Provision for litigation cost		322	723
Re-engineering consulting		2,718	-
Pension expense	9	10,217	7,791
Total operating expenses		**264,707**	**217,057**
Operating profit		**9,757**	**39,211**
Other income/(expense)			
Interest income		1,112	307
Interest expense		(2,529)	(1,949)
Realised gain from sale of investment		-	1,110
Net Profit		**8,340**	**38,679**

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

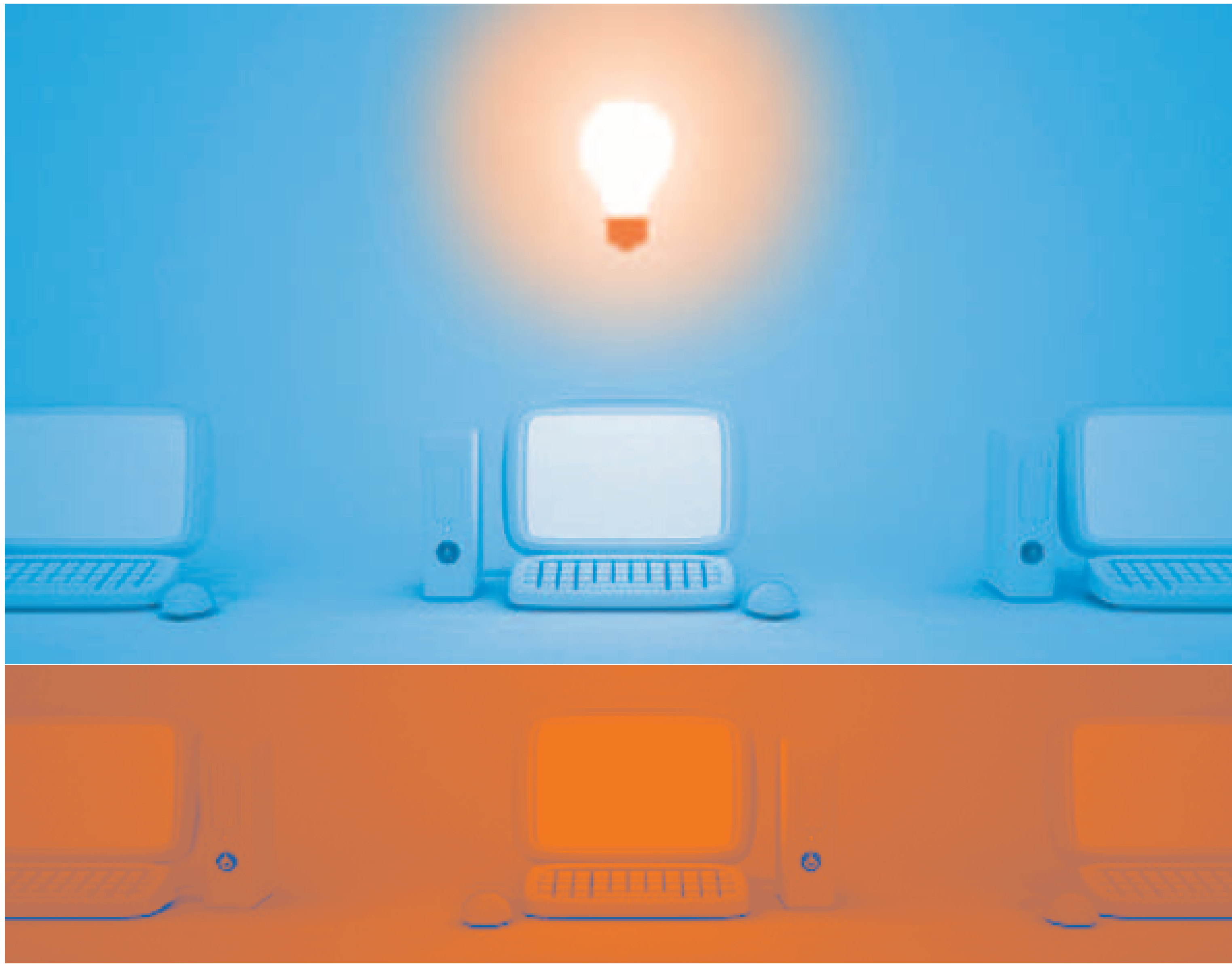


Statement of Cash Flows

For the year ended 31 December 2004
(Expressed in Bahamian dollars)

	Notes	31 December 2004 $000's	31 December 2003 $000's
Cash flows from operating activities			
Net Profit		8,340	38,679
Adjustments for:			
Depreciation expense	8	53,204	45,840
Amortisation of deferred income	13	(1,383)	(1,853)
Interest income		(1,112)	(307)
Interest expense		2,529	1,949
Verification provision	8	5,642	-
Bad debt expense	4	13,555	14,656
Write-off of fixed assets	8	2,198	4,252
Provision for inventory obsolescence	5	1,126	414
Realised gain on sale of investment		-	(1,110)
Cash generated from operations		84,099	102,520
Changes in working capital:			
Accounts receivable and other assets		16,723	827
Inventories		696	(2,101)
Accounts payable		(37,328)	(21,667)
Retirement benefit obligations		2,685	(192)
Net cash from operating activities		**66,875**	**79,387**
Cash flows from/(used in) investing activities			
Acquisition of fixed assets	8	(14,029)	(51,076)
Proceeds from sale of investment		-	2,219
Acquisition of Government Registered Stock	7	(1,994)	-
Interest received		941	294
Net cash used in investing activities		**(15,082)**	**(48,563)**
Cash flows from/(used in) financing activities			
Proceeds from the issuance of long-term debt	12	10,961	9,034
Repayment of long-term debt	12	(25,461)	(25,474)
Payment of dividend	20	(5,000)	-
Interest paid		(1,626)	(1,798)
Net cash used in financing activities		**(21,126)**	**(18,238)**
Net increase in cash and cash equivalents		**30,667**	**12,586**
Cash and cash equivalents, beginning of year		18,244	5,658
Cash and cash equivalents, end of year	3	**48,911**	**18,244**

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



Statement of Changes in Shareholder's Equity

For the year ended 31 December 2004
(Expressed in Bahamian dollars)

	Notes	Share Capital $000's	Retained Earnings $000's	Total $000's
Balance at 1 January 2003		254,664	50,830	305,494
Net Profit		-	38,679	38,679
Dividends	20	-	(10,000)	(10,000)
Balance at 31 December 2003		**254,664**	**79,509**	**334,173**
Balance at 1 January 2004		254,664	79,509	334,173
Net Profit		-	8,340	8,340
Dividends	20	-	(3,500)	(3,500)
Unrealised gain on investment	7	-	1,754	1,754
Balance at 31 December 2004		**254,664**	**86,103**	**340,767**

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

1 Operations and Activities

The Bahamas Telecommunications Company Limited (the 'Company'), incorporated under the Companies Act 1992, as amended, on 14 June 2001, provides telecommunications services throughout The Bahamas. On 1 January 2002, the Company assumed the operations of its predecessor, The Bahamas Telecommunications Corporation (the 'Corporation'). The Company is wholly owned by the Government of the Commonwealth of The Bahamas (the 'Government'). Under the Telecommunications Act of 1999 (the 'Act'), certain assets as well as the liabilities of the Corporation were transferred to and vested in the Company on 4 September 2002. Concomitant with this, certain buildings, parcels of land, and the investment in Cable Bahamas Limited were vested in the Treasurer of The Bahamas.

The Act, together with the Public Utilities Act 1993, provides for the establishment of an independent Public Utilities Commission ('PUC') that has assumed legal and economic regulatory responsibility for, inter alia, telecommunications in The Bahamas. The Act governs the regulation of telecommunication services within the Commonwealth of The Bahamas.

The principal office of the Company is located at John F. Kennedy Drive, P. O. Box N-3048, Nassau, The Bahamas.

These financial statements were approved by the Board of Directors on 30 November 2005.

Privatisation

In a communication dated 11 February 1998 to Parliament, the Government announced its intention to privatise the Company. As a result of the privatisation process, it was anticipated that a strategic investor would own a maximum of 49% of the Company and assume the responsibility for its management, thereby reducing the financial interest and the direct involvement of the Government. The Tenders Commission was appointed by the Government to evaluate the suitability of potential strategic investors. A number of potential strategic investors conducted their due diligence during 2003 and submitted bids to the Tenders Commission. On 12 December 2003, the Tenders Commission announced that it had not accepted any of the bids, and that alternate means of privatisation were being considered. It was expected that as a result of the privatisation, various segments of the telecommunications services would be liberalised in order to allow for competition.

2 Summary of Significant Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards. Amounts presented in these financial statements are in Bahamian dollars.

The Company's financial statements have been prepared under the historical cost convention, except where disclosed in the accounting policies below.

The preparation of financial statements in conformity with International Financial Reporting Standards ('IFRS') requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for income, provision for doubtful debts, provision for inventory obsolescence, payments to telecommunications carriers, deferred income, depreciation and employee pension schemes.

The following is a summary of the significant accounting policies:

(a) Foreign currency translation

Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar have been translated into Bahamian dollars at the applicable exchange rate prevailing at the balance sheet date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the transaction dates. Gains and losses arising from translation are taken directly to the statement of operations.

BTC 2004 Annual Report

(b) Accounts receivable

Accounts receivable are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the value of the carrying amount and the value of recoverable amount, the latter being the present value of expected cash flows, discounted at the market rate of interest. No provisions are made against receivables due from the Government, or entities which it controls and receivables for international settlements for GSM and TDMA cellular balances. The Company provides an allowance of 10% and 100% for doubtful accounts for trade accounts receivables balances that are more than 90 days and 120 days past due, respectively. The Company also provides an allowance for international settlements accounts receivable balances outstanding for more than 365 days past due. This provision is only applied to toll, lease and telex balances. Bad debts are written off as identified.

(c) Investments

The Company classifies its investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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 management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at cost plus transaction costs.

Investments are carried at fair value under International Accounting Standard (IAS) 39 or at cost, as appropriate. Fair value is determined by reference to a quoted market. Unrealised gains or losses arising from changes in the fair value of investments are recognised in equity in the period in which they arise.

When an investment is disposed of or the value impaired, the related accumulated fair value adjustment is included in the statement of operations. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

(d) Inventories

Inventories comprise items of equipment held-for-sale or rental, consumable items and engineering materials. Equipment and consumable items are stated at the lower of cost and estimated net realisable value, after provisions for obsolescence. Cost is determined using the first-in, first out (FIFO) method. Engineering materials are items used in the construction of new plant or for maintenance. When issued, these materials are charged to the cost of specific plant or to the statement of operations, as appropriate. They are stated at cost, less a provision for obsolescence.

(e) Fixed assets

Tangible fixed assets are recorded at cost. Assets constructed by the Company are included at cost in capital work in progress until the projects are completed, when they are transferred to the relevant fixed asset category. Cost includes raw materials, direct labour, other direct costs and related overheads.

The charge for depreciation is computed on the straight-line basis over the estimated useful lives of the assets, with a proportionate charge in the year in which the asset enters service, as follows:

Asset Classification	Annual Depreciation Rate
Freehold buildings	2.5%
Fixtures and office equipment	10 – 33%
Transmission and exchange facilities	4 – 10%
Cable plant	5 – 6%
Subscribers' apparatus	10 – 20%
Vehicles and mechanical equipment	25%

(e) Fixed assets (continued)
Capital work in progress is not depreciated until transferred to one of the above classes of fixed assets.

When an asset is retired or sold, the related cost and accumulated depreciation accounts are relieved, and any resulting profit or loss is reflected in the statement of operations.

The Company carries out an annual assessment of whether there are indicators that the value of its tangible fixed assets may have been impaired. In the event that impairment has occurred, the assets concerned are written down to their recoverable amounts, being the higher of their net selling price and their value in use. The resultant charge is reflected in the statement of operations.

Repairs and maintenance are charged to the statement of operations during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related assets.

(f) Security deposits from customers
Security deposits are obtained from customers prior to the commencement of service or rental of equipment. These amounts are refundable to the customer upon the cessation of the service or return of equipment and can be offset against any outstanding amount due to the Company at that date.

(g) Loans
Loans are stated at outstanding principal amounts. Interest expense related to the loans is recorded in the statement of operations on an accrual basis.

(h) Operating revenues
Revenues are recognised in the financial statements when earned and are recorded on the accrual basis. Receipts from unutilised airtime on customers' prepaid phones and on prepaid cards held at vendors are deferred and recognised as earned in future periods.

Revenues from International toll services are derived from outgoing calls made from The Bahamas and from payments by foreign network operators for calls and other traffic that originate outside The Bahamas, but which utilise the Company's network. The Company pays a proportion of the international traffic revenue it collects from its customers via hubbing, transit and destination network operators. These revenues and costs are stated gross in the financial statements. Amounts payable and receivable from the same foreign network operator are shown gross in the balance sheet although accounts are usually settled on a net basis.

(i) Contributions to capital projects
The Company requires contributions from subscribers to assist in defraying the capital cost of certain improvements and new services for the ultimate benefit of the subscribers. The total capital cost of such projects is included in fixed assets. Contributions in respect of incomplete projects are recorded as accounts payable. Contributions in respect of completed projects are credited to income over seven years, being the estimated average useful lives of the related fixed assets. The amount not yet credited to income is recorded as deferred income in the balance sheet.

(j) Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks with original contractual maturities of six months or less and bank overdrafts. Bank overdrafts are included within loans payable in current liabilities on the balance sheet.

(k) Taxation
The financial statements reflect no provision for income or corporate taxes as these taxes are not levied in The Bahamas. However, the Company is subject to an annual 'franchise' fee payable to the Treasurer of The Bahamas, and is further subject to an annual Business Licence fee and a PUC Business Licence fee; see Note 14 for additional details.

(l) Related parties
Related parties include all Ministries and Departments of The Bahamas Government, and Government Corporations. The Company has, in advance of the due date, adopted IAS 24 (revised), Related Party Disclosures, whose provisions are not effective until periods beginning on or after 1 January 2005 (refer to Note 18).

(m) Operating leases
Leases, where 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 are charged to the statement of operations over the period of the lease.

(n) Pensions and other post retirement obligations
The Company provides a non-contributory defined benefit retirement plan for regular, permanent and full-time employees. The assets of this plan are independently administered. The plan is regularly reviewed by actuaries to provide information on the plan's financial condition, the required level of contributions to the plan, and to advise of any gains or losses arising from actual plan experience differing from assumptions adopted for the valuation.

Actuarial gains and losses are recognised on a systematic basis, spreading those gains or losses over the average remaining working lives of the employees participating in the plan. In accordance with paragraph 92 of IAS 19 only actuarial gains/losses in excess of the greater of 10% of the assets or liabilities are amortised and credited/charged to the statement of operations in any accounting period.

3 Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	31 December 2004 $000's	31 December 2003 $000's
Cash at bank and in hand	10,358	10,249
Short-term bank deposits	39,969	9,182
	50,327	**19,431**
Bank overdrafts (Note 12 (vi))	(1,416)	(1,187)
	48,911	**18,244**

The effective interest rate on the short-term deposits was 4.5% (2003: 3.04%), and these deposits have an average maturity of 77 days (2003: 30 days).

4 Accounts Receivable

	31 December 2004 $000's	31 December 2003 $000's
Customers' accounts – gross		
Residential and business	80,530	78,082
Public corporations	6,684	8,462
Government ministries and departments	5,350	3,895
International settlement debtors	14,741	31,366
Miscellaneous receivables	384	2,675
	107,689	124,480
Less: Provision for doubtful accounts	(55,703)	(43,702)
	51,986	**80,778**

4 Accounts Receivable (continued)

	31 December 2004 $000's	31 December 2003 $000's
Provision for doubtful accounts is analysed as follows:		
Balance at beginning of the year	43,702	54,932
Bad debt expense	13,555	14,656
Ceased accounts/bad debts written off	(1,554)	(25,886)
Provision for doubtful accounts at end of the year	**55,703**	**43,702**

The Company performs an assessment of its accounts receivable balances monthly and establishes a provision for doubtful accounts as necessary. The Company's estimated potential impairment of accounts receivable at 31 December 2004 was $64.5 million (2003: $53.2 million) of which $55.7 million (2003: $43.7 million) has been provided by way of the provision for doubtful accounts. The remaining balance of $8.8 million (2003: $9.5 million) has not been provided for because the Company maintains security deposits from customers which can ultimately be used to offset outstanding receivables.

5 Inventories

	31 December 2004 $000's	31 December 2003 $000's
Engineering material	10,677	11,023
Equipment held for sale or rental	3,138	3,313
Other	1,618	1,793
	15,433	16,129
Less: Provision for obsolescence	(2,020)	(894)
	13,413	**15,235**
At cost		
Engineering material	7,453	
Equipment held for sale or rental	2,530	
Other	1,506	
	11,489	
At realizable value		
Engineering material	3,224	
Allowance for inventories obsolescence	(1,402)	
	1,822	
Equipment held for sale or rental	608	
Allowance for inventories obsolescence	(554)	
	54	
Other	112	
Allowance for inventories obsolescence	(64)	
	48	
Total	**13,413**	

5 Inventories (continued)

During 2004, the Company made a $1,126,008 (2003: $414,000) provision for write-downs relating to obsolete inventories.

Comparative information is not disclosed as management deems it is impractical to do so.

6 Other Assets

	31 December 2004 $000's	31 December 2003 $000's
Current		
Prepayments	3,040	4,403
Deferred costs	266	345
	3,306	**4,748**
Non-Current		
Prepayments	-	**3,373**

Prepayments primarily relate to the premium on the insurance policy entered into with Pender Insurance Limited of London, for the coverage of the Company's assets for three years, commencing on 31 July 2002 to 30 June 2005, at a cost of $13.5 million.

7 Available-for-sale investments

	31 December 2003 $000's	Addition	Reclassi-fication	Unrealised gain	31 December 2004 $000's
Current					
Joint venture – Intelsat (Note 22)	-	-	**1,849**	**1,754**	**3,603**
Non-current					
Joint venture – Intelsat (Note 22)	1,849	-	(1,849)	-	-
Joint venture – Columbus III	92	-	-	-	92
Joint venture – Antilles I	74	-	-	-	74
Bahamas Government Registered Stock-C Bonds	-	1,994	-	-	1,994
	2,015	**1,994**	**(1,849)**	-	**2,160**

The Company has several investments in Strategic Joint Ventures. These investments are accounted for under IAS 39, since the Company does not have significant influence over the joint ventures. Management has decided to carry these investments at cost, because of the absence of reliable fair value estimates except that Intelsat is fair valued based on the sales price in Note 22.

In November 2004, the Company acquired 1,993,900 shares of Bahamas Government Registered Stock (bonds) at $1 per share. These bonds carry interest at varying rates and mature between October 2017 and July 2023. These investments are classified as available-for-sale financial assets under IAS 39.

8 Fixed Assets

	31 December 2004			31 December 2003		
	Cost $000's	Accumulated Depreciation $000's	Total $000's	Cost $000's	Accumulated Depreciation $000's	Total $000's
Buildings, fixtures & office equipment	74,692	(31,103)	43,589	69,516	(24,888)	44,628
Transmission equipment						
- Switching equipment	68,451	(22,226)	46,225	67,018	(15,473)	51,545
- Other equipment	319,640	(184,425)	135,215	280,842	(159,349)	121,493
Cable Equipment						
- Fibre cable	63,063	(43,487)	19,576	63,063	(40,287)	22,776
- Other cable	101,689	(57,858)	43,831	101,743	(51,096)	50,647
Subscribers' apparatus	35,413	(27,254)	8,159	34,467	(23,647)	10,820
Vehicles & mechanical equipment	21,148	(16,760)	4,388	20,820	(15,169)	5,651
Land	12,194	-	12,194	12,082	-	12,082
Capital work in progress	20,483	-	20,483	54,656	-	54,656
	716,773	**(383,113)**	**333,660**	**704,207**	**(329,909)**	**374,298**

	Opening Net Book Value $000's	Additions $000's	Transfers $000's	Reclass-ification $000's	Write-Offs $000's	Verification Provision $000's	Depreciation Charge $000's	Closing Net Book Value $000's
Buildings, fixtures & office equipment	44,628	1,500	4,604	755	(1,049)	(634)	(6,215)	43,589
Transmission equipment								
- Switching equipment	51,545	-	1,293	140	-	-	(6,753)	46,225
- Other equipment	121,493	1,468	43,038	(1,132)	(288)	(4,288)	(25,076)	135,215
Cable Equipment								
- Fibre cable	22,776	-	615	(615)	-	-	(3,200)	19,576
- Other cable	50,647	485	308	(177)	-	(670)	(6,762)	43,831
Subscribers' apparatus	10,820	580	178	238	-	(50)	(3,607)	8,159
Vehicles & mechanical equipment	5,651	552	15	622	(861)	-	(1,591)	4,388
Land	12,082	112	-	-	-	-	-	12,194
Capital work in progress	54,656	15,709	(50,051)	169	-	-	-	20,483
	374,298	**20,406**	**-**	**-**	**(2,198)**	**(5,642)**	**(53,204)**	**333,660**

Fixed assets with costs totalling approximately $97 million (2003: $92 million), which are fully depreciated and remain in use at 31 December 2004, are included in the table above. The cash outflow relating to fixed asset acquisitions amounted to $14.0 million (2003: $51.1 million) and accounts payable and accrued liabilities in the balance sheet includes $6.4 million (2003: $15.4 million) relating to fixed asset acquisitions. In 2004, the Company commenced a corporate fixed asset verification exercise which was not completed as at year-end. Management has established a provision of $5,641,727 for the estimated write-down in respect of the total fixed assets verification as at 31 December 2004.

9 Pensions and Other Post Retirement Obligations

	31 December 2004 $000's	31 December 2003 $000's
Present value of funded obligations	219,385	195,550
Fair value of plan assets	(146,732)	(139,519)
Funded status – deficit	72,653	56,031
Present value of unfunded obligations:		
Unrecognised actuarial (losses)/gains	(76,030)	(62,093)
Asset in balance sheet under IAS 19	**(3,377)**	**(6,062)**

The amount to be recognised in the statement of operations under IAS 19 for the year ended 31 December 2004 is stated below:

	31 December 2004 $000's	31 December 2003 $000's
Current service cost	6,049	5,393
Interest cost	12,335	11,021
Expected return on plan assets	(11,158)	(10,715)
Net actuarial loss recognised in period	2,991	2,092
Total amount to be included in pension cost under IAS 19	**10,217**	**7,791**

The actual return on the assets underlying the pension obligations totalled $8.8 million (2003: $5.7 million) in the year.

The movements in the balance sheet asset/(liability) were as follows:

	31 December 2004 $000's	31 December 2003 $000's
At beginning of period	6,062	5,870
Total expense (as above)	(10,217)	(7,791)
Contributions paid	7,532	7,983
At end of period under IAS 19	**3,377**	**6,062**

The principal actuarial assumptions at the end of the period were:

	31 December 2004	31 December 2003
Discount rate	6.00%	6.00%
Expected return on plan assets	8.00%	8.00%
Future salary increases	4.50%	4.50%
Future pension increases	0.00%	0.00%

10 Accounts Payable and Accrued Liabilities

	31 December 2004 $000's	31 December 2003 $000's
Trade payables and accrued liabilities	31,542	45,048
International settlement creditors	6,859	24,620
Dividends payable	-	5,000
Subscribers' contributions to capital projects		
in progress (Note 13)	1,995	2,309
Provision for asserted claims (Note 11)	723	1,123
	41,119	**78,100**

11 Provision for Asserted Claims

In the normal course of business, the Company is exposed to asserted and unasserted claims. As of 31 December 2004, the Company had provisions for asserted claims of $723,000 (2003: $1,123,000). In the opinions of management and legal counsel, the ultimate resolution of these and other matters will not have a material adverse effect on the Company's financial position.

12 Loans Payable and Bank Overdrafts

	31 December 2004 $000's	31 December 2003 $000's
Current portion	15,708	27,385
Non-current portion	19,875	22,469
	35,583	**49,854**

	Principal at 1 January 2004 $000's	Advances $000's	Repayments $000's	Principal at 31 December 2004 $000's
Royal Bank of Canada/				
FirstCaribbean International				
Bank (Bahamas) Limited (i)	4,400	-	(4,400)	-
Citibank N.A. (ii)	9,748	-	(9,748)	-
FirstCaribbean International				
Bank (Bahamas) Limited/				
Royal Bank of Canada (iii)	21,134	803	(6,750)	15,187
Citibank N.A. (iv)	7,980	-	(4,563)	3,417
FirstCaribbean International				
Bank (Bahamas) Limited (v)	5,405	10,158	-	15,563
	48,667	**10,961**	**(25,461)**	**34,167**
Bank Overdrafts (vi)	1,187			1,416
	49,854			**35,583**

12 Loans Payable and Bank Overdrafts (continued)

The maturity of borrowings is as follows:

	6 months $000's	Between 6-12 Months $000's	Between 1-5 Years $000's	Over 5 Years $000's	Total $000's
At 31 December 2004	8,416	7,292	19,875	-	35,583
At 31 December 2003	15,015	12,289	22,550	-	49,854

The details of the Company's loans and bank overdrafts as at 31 December 2004 are outlined below:

(i) During 1999, a term loan in the amount of US$44 million was issued by The Royal Bank of Canada ('Royal Bank') and FirstCaribbean International Bank (Bahamas) Limited ('FCIB') ('the Joint Lenders'). The loan is supported by a Letter of Undertaking from the Company not to encumber the Company's assets without prior notice to the Joint Lenders. The loan, which was repayable in twenty equal quarterly instalments over five years and carried interest at the rate of 1% above the 90-day London Interbank Offered Rate (LIBOR), was fully repaid in 2004.

(ii) During 2000, a loan of $22 million was raised from Citibank N.A. for the purpose of funding capital developments. The facility was fully drawn down by 31 December 2001. The loan which was unsecured, repayable in twelve equal quarterly instalments over 3 years and carried interest at 0.85% above the Bahamian Prime Rate, was fully repaid in 2004.

(iii) During 2001, a loan for US$27 million was raised from FCIB to assist with funding the ATM/DSL Multi Service Network Project. The facility was fully drawn down by 31 December 2004. The loan is unsecured and repayable in sixteen equal quarterly instalments of US$1.687 million commencing 1 November 2002 after paying interest for a period of 1 year. Interest is accrued at 1% above the 90-day LIBOR rate, an effective rate of 2.642% as at 31 December 2004 (2003: 2.152%). During February 2004, FCIB entered into a deed of amendment and assignment agreement with Royal Bank whereby FCIB assigned US$7 million of the US$27 million loan to Royal Bank.

(iv) During August 2002, the Company obtained a US$13.5 million loan from Citibank N.A., to pay a 3-year all-risk insurance policy with Penders Insurance Limited of London. The loan is unsecured and is repayable in twelve equal quarterly instalments of principal plus interest over three years. Interest is accrued at a rate of 0.9% above the 90-day LIBOR, an effective rate of 2.542% as at 31 December 2004 (2003: 2.052%).

(v) During 2003, the Company obtained a US$22 million term loan from FCIB to assist with financing the expansion of the cellular network using GSM Technology. On 1 October 2004, the Company was granted an extension on the drawdown period of this loan. The loan is unsecured and repayable in sixteen equal quarterly instalments of US$1.375 million, beginning on or about 1 March 2005, after paying interest for a period of one year. Interest is accrued at 1% above the 90-day LIBOR rate an effective rate of 2.642% as at 31 December 2004 (2003: 2.152%).

(vi) The Company has two overdraft facilities as at 31 December 2004. The first overdraft facility is a US$2 million facility bearing interest at 1.5% above the 90-day LIBOR rate, an effective rate of 3.142% as at 31 December 2004 (2003: 2.652%). The second overdraft facility is in the amount of $2 million, bearing interest at 1.25% above the Bahamian Prime Rate, an effective rate of 7.25 % as at 31 December 2004 (2003: 7.25%).

13 Deferred Income

Deferred income comprises contributions received from customers for capital projects completed and revenue received in advance for both telephone rental and unused prepaid cellular as detailed below:

	31 December 2004 $000's	31 December 2003 $000's
Deferred revenue on prepaid cards	1,351	3,805
Contributions to capital projects	2,732	3,680
Revenue received in advance	2,928	1,211
	7,011	**8,696**

An analysis of the movement in contributions received on capital projects in progress and those completed is as follows:

	31 December 2004 $000's	31 December 2003 $000's
Capital projects in progress		
Liability at the beginning of the year	2,309	2,904
Contributions received from subscribers during the year	121	61
Contributions relating to projects completed during the year	(435)	(656)
Liability at the end of the year (Note 10)	**1,995**	**2,309**
Capital projects completed		
Deferred income at the beginning of the year	3,680	4,877
Contributions relating to projects completed		
during the year, as above	435	656
Amounts credited during the year	(1,383)	(1,853)
Deferred income at the end of the year	**2,732**	**3,680**

14 Government Fees

Under Section 19 of the Act, (as amended), an annual Company 'franchise' fee of $4 million is payable to the Treasurer of The Bahamas by the Company in respect of every financial year. The amount due but unpaid to the Government at 31 December 2004 was $1.0 million (2003: $nil), in respect of the annual 'franchise' fee.

In addition, during the year ended 31 December 2004, the Company recorded Business Licence fees of $0.6 million (2003: $0.5 million) and PUC Licence fees of $1.8 million (2003: $1.3 million).

15 Share Capital

The authorised capital of the Company at 31 December 2004 and 2003 is 254,644,000 shares of $1 each, all of which have been issued to the Government.

16 Plant Expense

Included in the plant expense for the year ended 31 December 2004 is the cost of $9 million related to Hurricane Jeanne and Hurricane Frances.

17 Staff Costs

	31 December 2004 $000's	31 December 2003 $000's (Note 23)
Salaries and benefits	56,280	50,931
National insurance	1,132	1,458
Pension costs (Note 9)	10,217	7,791
Total amount of staff costs capitalized into fixed assets	(218)	(2,648)
Total	**67,411**	**57,532**

The number of employees at 31 December 2004 was 1,177 (2003: 1,121). The average number of employees for the year ended 31 December 2004 was 1,149 (2003: 1,128).

18 Related Party Transactions

During the year ended 31 December 2004 the total remuneration of the Directors was $50,900 (2003: $33,500).

Total salaries and benefits expense relating to executive management was $1,337,305 (2003: $1,259,089).

	31 December 2004 $000's	31 December 2003 $000's
Transactions and balances with		
Government Ministries, Departments and Corporations:		
Revenues	12,349	11,434
Expenses	25,539	26,428
Amounts due from	12,034	12,357
Amounts due to	6,082	2,996
Available-for-sale investments	1,994	-
Provision for impairment in accounts receivable	1,622	1,416
Increase in provision for impairment of account receivables	206	1,416

19 Commitments and Contingencies

(a) Operating lease commitments

The future aggregate minimum lease payments under operating leases are as follows:

	31 December 2004 $000's	31 December 2003 $000's (Note 23)
Not later than 1 year	674	712
Later than 1 year and not later than 5 years	642	657
Total	**1,316**	**1,369**

The Company has expensed amounts in the statement of operations, totalling $813,059 (2003: $667,797), that relate to operating leases for the year.

19 Commitments and Contingencies (continued)

(a) Operating lease commitments (continued)

Included in the vested assets to the Government was an administrative office building in Freeport, which is the Company's principal administrative location in Freeport. At the time of issuance of these financial statements, the Company had not signed a lease agreement with the Government indicating the amounts payable and an appropriate lease term. Accordingly, no provision has been made in these financial statements in respect of any lease payment to the Government. It is management's opinion that any payments for the three years ended 31 December 2004 or future payments as a result of the lease agreement are not likely to have a material adverse effect on the Company's financial condition or results of operations in the future.

In constructing the Company's TDMA and GSM cell phone networks, the Company has erected towers on several sites (cell sites) which may be owned by the Government of The Bahamas or third parties. The Company is in the process of finalizing formal arrangements with all parties giving the terms and compensation related to these sites. It is management's opinion that any payments related to cell sites are not likely to have a material adverse effect on the Company's financial condition or results of operations in the future.

(b) Capital commitments

Capital expenditure on tangible fixed assets contracted for at the balance sheet date but not recognised in the financial statements amounted to approximately $35.2 million (2003: $3.4 million).

(c) Contingencies

The Company is currently involved in a dispute with the Bahamas Electricity Corporation (BEC) concerning charges for pole attachments. A pole count is being undertaken jointly by representatives of the Company and BEC. Accordingly, adjustments, if any, that might result from the resolution of this matter, have not been reflected in the financial statements.

During 2003, a letter of credit was issued on the Company's behalf to Nortel Networks Incorporated for US$15.7 million. As of 31 December 2004, the balance was US$1.9 million (2003: US$12.0 million).

20 Dividends

On 15 December 2003, the Board of Directors declared a $10 million dividend to the shareholder, of which $5 million was paid in cash in 2004 and the remaining $5 million was applied against amounts due from the Government Ministries as at 31 December 2003.

On 7 December 2004, the Board of Directors declared a $3.5 million dividend to the shareholder, which was applied against amounts due from the Government Corporations as at 31 December 2003.

On 28 January 2005, the Board of Directors declared a $3.5 million dividend to the shareholder, which was applied against amounts due from the Government Corporations as at 31 December 2003. The financial statements for the year ended 31 December 2004, do not reflect this dividend, which will be accounted for in the statement of shareholder's equity as an appropriation of retained earnings for the year ending 31 December 2005.

21 Financial Risk Management

Financial assets of the Company include cash and cash equivalents, accounts receivable and investments. Financial liabilities of the Company include loans payable and bank overdrafts, accounts payable and accrued liabilities and security deposits from customers.

(a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

(b) Interest risk

While the Company does have significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company manages its exposure to fluctuations in interest rates by linking its cost of borrowing at small premiums to prevailing domestic or international interest rates. The interest rates and terms of repayment of the Company's loans payable and bank overdrafts are disclosed in Note 12.

(c) Credit risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. Substantially all of the Company's cash and cash equivalents are deposited with highly rated reputable financial institutions. The credit risk of the Company is concentrated around its accounts receivable. The Company manages its exposure to this risk by:

i. requiring new customers to pay security deposits (refer to Note 2f);

ii. constantly monitoring the accounts receivable balances;

iii. maintaining contact with and/or disconnection of delinquent customers;

iv. full provision for doubtful accounts for any amounts outstanding for greater than 120 days (refer to Note 4).

22 Subsequent Events

In addition to the declaration of the $3.5 million dividend (see Note 20), the Company on 28 January 2005 agreed to sell all of its 192,202 shares in Intelsat at a price of $18.75 per share. This sale was completed on 19 April 2005.

A further dividend of $5 million was declared and paid in April 2005.

23 Corresponding Figures

Extraordinary items, salaries and benefits and operating lease commitments for 2003 have been reclassified to conform with the current year's presentation.

Minister Responsible For The Bahamas Telecommunications Company Limited

The Honorable Bradley B. Roberts, M.P.	*Minister of Works & Utilities*

Board of Directors

Mr. Reno J. Brown	*CBE, Executive Chairman*
Mr. Gregory Bethel	*Deputy Chairman*
Mr. Basil Albury	*Director*
Mrs. V. Teresa Burrows	*Director*
Ms. Constance McDonald	*Director*
Mr. Errol McKinney	*Director*
Mr. Alex Reckley	*Director*
Mr. Danny Strachan	*Director*
Mr. Gerald Stuart	*Director*
Ms. Felicity L. Johnson	*Company Secretary*

Executive Management

Mr. Michael J. Symonette	*President & Chief Executive Officer*
Mr. Leon R. Williams	*Senior Vice President & Chief Operations Officer*
Mr. Winston A. Millett	*Chief Financial Officer*
Mr. I. Kirk Griffin	*Senior Vice President, Northern Bahamas*
Mr. Alfred L. Phillips	*Vice President, Marketing, Sales & Customer Services*
Mr. Tellis L. Symonette	*Vice President, Central & Southern Bahamas*
Ms. Felicity L. Johnson	*Vice President, Legal & Regulatory Affairs*
Ms. Helene A. Ferguson	*Director, Human Resources & Administration*
Mr. Peter E. Misiewicz	*Chief Information Officer*
Mr. Paul McClean	*Deputy Chief Financial Officer*
Mr. Edward Miller	*Vice President, Construction, Operation & Maintenance*
Mr. Antonio S. Stubbs	*Vice President, Planning & Engineering*

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