

Financial Statements of

# Cable & Wireless (St. Kitts and Nevis) Limited

31 December 2019

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# Cable & Wireless (St. Kitts and Nevis) Limited

## Directors, Senior Management, Officers and Advisors

### Directors

Garfield Sinclair	Director
Christine Morris-Gillespie	Director
David Lake	Director
Alex Bremner	Director
Osbert Liburd	Director
Lyra Richards	Director

### Senior Management and Officers

David Lake	General Manager
Michael Davis	Finance Manager
Clyde Richardson	Network Operations Manager
Anthony Morton	Consumer Sales Manager
Rhodell Whittaker	Customer Experience Manager
Kevin Edwards	Marketing & Corporate
Karen Blackett	Communications Human Resources

### Advisors

KPMG	Auditors
FCIB	Principal Bankers
Kelsick, Wilkin & Ferdinand	Attorneys-at-Law

### Registered Office

Cayon Street,  
Basseterre  
P.O. Box 86  
St. Kitts



## **KPMG**

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**CABLE & WIRELESS ST. KITTS AND NEVIS LIMITED**

## **Opinion**

We have audited the financial statements of Cable & Wireless St. Kitts and Nevis Limited (the "Company"), which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## INDEPENDENT AUDITORS' REPORT, Continued

To the Shareholders of  
**CABLE & WIRELESS ST. KITTS AND NEVIS LIMITED, continued**

### Key Audit Matters, continued

#### Valuation of trade receivables, net \$10 million

(See notes 2.6, 3.2 and 11 to the financial statements)

Valuation of trade receivables	How the matter was addressed in our audit.
<p>The Company has significant trade receivables with business and residential customers across St. Kitts and Nevis.</p> <p>Given the ageing profile, changes in the external environment and the level of judgement required in determining the provision levels on these balances, this is considered a significant risk.</p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"><li>• Testing of controls over the Company's collection procedures;</li><li>• Testing the receipt of cash after the year end across all customer categories on a sample basis;</li><li>• Critically assessing the Company's provision levels by considering the historical cash collection trends and the local economic environment; and</li><li>• On all receivables, considering the adequacy of the Company's disclosures about its exposure to credit risk.</li></ul>



# INDEPENDENT AUDITORS' REPORT, Continued

To the Shareholders of  
**CABLE & WIRELESS ST. KITTS AND NEVIS LIMITED, continued**

## Key Audit Matters, continued

### Recognition of revenue, \$77.3 million

(See notes 2.14, 3.3 and 4 to the financial statements)

Recognition of revenue	How the matter was addressed in our audit.
<p>The Company's revenue is derived from Mobile, Broadband and TV, Fixed Voice, Data and Other products and services.</p> <p>A significant risk exists in respect of manual journal entries and adjustments to revenue, and a key audit area is the appropriate application of revenue recognition policies.</p>	<p>Our audit procedures over revenue included, among others:</p> <ul style="list-style-type: none"><li>• Evaluating revenue recognition policies.</li><li>• Performing a trend analysis to analyse trends in revenue, disaggregated by stream</li><li>• Testing of journal entries and adjustments throughout the financial year, primarily focussed on unusual entries recorded.</li><li>• Assessing the adequacy of the Company's disclosures in respect of the accounting policies on revenue recognition.</li></ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



# INDEPENDENT AUDITORS' REPORT, Continued

To the Shareholders of  
**CABLE & WIRELESS ST. KITTS AND NEVIS LIMITED, continued**

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism through the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



## INDEPENDENT AUDITORS' REPORT, Continued

To the Shareholders of  
**CABLE & WIRELESS ST. KITTS AND NEVIS LIMITED**

### **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Michael Edghill.

Chartered Accountants  
Antigua and Barbuda  
October 6, 2020



# Cable & Wireless (St. Kitts and Nevis) Limited

## Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Revenue	4	77,328	80,957
Operating costs before depreciation and amortisation	5a	(49,845)	(45,900)
Depreciation	5a	(8,919)	(9,140)
Amortisation	5a	(660)	(67)
Impairment	5a	-	(181)
<b>Operating profit before exceptional items</b>		<b>17,904</b>	<b>25,669</b>
Operating exceptional items	5b	(188)	220
<b>Operating profit after exceptional items</b>		<b>17,716</b>	<b>25,889</b>
Finance income	6	1,939	510
Finance expense	6	(125)	(303)
<b>Profit before income tax</b>		<b>19,530</b>	<b>26,096</b>
Income tax expense	7	(10,273)	(8,536)
<b>Profit for the year being total comprehensive income for the year</b>		<b>9,257</b>	<b>17,560</b>

The notes on pages 13 to 39 are an integral part of these financial statements.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Statement of Financial Position

As at 31 December 2019

(With comparatives as at 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

	Note	31 December 2019	31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	744	137
Property, plant and equipment	10	79,703	79,014
Right of use assets	24	1,666	-
Other non-current assets		520	665
		<b>82,633</b>	<b>79,816</b>
<b>Current assets</b>			
Trade and other receivables	11	17,470	13,807
Inventories	12	230	486
Cash and cash equivalents	13	4,057	3,699
Due from related parties	21b	89,721	68,222
		<b>111,478</b>	<b>86,214</b>
<b>Total assets</b>		<b>194,111</b>	<b>166,030</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	19,912	15,600
Current lease liability	24	407	-
Due to related parties	21c	23,904	12,641
Bank overdraft	13	135	97
Tax liability		-	182
Contract liability		1,018	455
Provisions	17	-	717
		<b>45,376</b>	<b>29,692</b>
<b>Non-current liabilities</b>			
Deferred tax liability	16	5,573	5,582
Tax liability	25	3,011	-
Contract liability		368	405
Long term lease liability	24	1,307	-
Provisions	17	2,099	2,099
		<b>12,358</b>	<b>8,086</b>
<b>Net assets</b>		<b>136,377</b>	<b>128,252</b>

# Cable & Wireless (St. Kitts and Nevis) Limited

## Statement of Financial Position As at 31 December 2019 (continued)

(With comparatives as at 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

	Note	31 December 2019	31 December 2018
<b>Net assets</b>		<b>136,377</b>	<b>128,252</b>
<b>Equity</b>			
Share capital	18	33,130	33,130
Share premium		3,009	3,009
Share based payment reserve		102	102
Retained earnings		100,136	92,011
<b>Total equity</b>		<b>136,377</b>	<b>128,252</b>

The notes on pages 13 to 39 are an integral part of these financial statements

These financial statements on pages 7 to 12 were approved by the Board of Directors on October 06, 2020 and signed on its behalf by:



Alex Bremner  
Director



David Lake  
Director

# Cable & Wireless (St. Kitts and Nevis) Limited

## Statement of Changes in Equity For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
<b>Balance at 31 December 2017</b>	<b>33,130</b>	<b>3,009</b>	102	<b>74,451</b>	<b>110,692</b>
Total comprehensive income for the year	-	-	-	17,560	17,560
<b>Balance at 31 December 2018</b>	<b>33,130</b>	<b>3,009</b>	102	<b>92,011</b>	<b>128,252</b>
Total comprehensive income for the year	-	-	-	9,257	9,257
Dividend paid	-	-	-	(1,132)	(1,132)
<b>Balance at 31 December 2019</b>	<b>33,130</b>	<b>3,009</b>	<b>102</b>	<b>100,136</b>	<b>136,377</b>

The notes on pages 13 to 39 are an integral part of these financial statements.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Statement of Cash Flows

For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
<b>Cash flows from operating activities:</b>			
<b>Profit before income tax</b>		<b>19,530</b>	<b>26,096</b>
Adjustments for:			
Depreciation	5a, 10	8,919	9,140
Amortisation	5a, 9	660	67
Impairment	5a, 10	-	181
Finance income	6	(1,939)	(510)
Finance expense	6	125	303
<b>Operating cash flows before working capital changes</b>		<b>27,295</b>	<b>35,277</b>
<b>Changes in working capital:</b>			
Decrease in inventories		730	258
Increase in trade and other receivables		(3,014)	(1,445)
Increase in due from related parties, net		(21,499)	(26,989)
Decrease in other non-current assets		145	205
Increase in due to related parties, net		11,263	6,253
Increase/(decrease) in contract liability		526	(40)
(Decrease)/increase in provisions		(717)	717
Increase in trade and other payables		4,312	4,308
<b>Cash generated from operations</b>		<b>19,041</b>	<b>18,544</b>
Interest paid		(14)	(303)
Interest received		1,939	510
Income tax paid		(8,102)	(12,537)
<b>Net cash provided by operating activities</b>		<b>12,864</b>	<b>6,214</b>

Cable & Wireless (St. Kitts and Nevis) Limited  
Statement of Cash Flows  
For the year ended 31 December 2019 (continued)  
(With comparatives for the year ended 31 December 2018)  
(Expressed in thousands of Eastern Caribbean Dollars)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
<b>Net cash provided by operating activities</b>		<b>12,864</b>	<b>6,214</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	10	(10,912)	(5,520)
<b>Net cash used in investing activities</b>		<b>(10,912)</b>	<b>(5,520)</b>
<b>Cash flows from financing activities:</b>			
Payments of lease liabilities	24	(500)	-
Dividends paid		(1,132)	-
<b>Net cash used in financing activities</b>		<b>(1,632)</b>	<b>-</b>
Net increase in cash and cash equivalents		320	694
Cash and cash equivalents at the beginning of year		3,602	2,908
<b>Cash and cash equivalents at the end of year</b>	13	<b>3,922</b>	<b>3,602</b>
<b>Supplementary disclosure of non-cash transactions:</b>			
Inventory transfer to/(from) equipment held for use	12	474	(159)
Right of use assets acquired in exchange for lease liabilities		2,103	-

The notes on pages 13 to 39 are an integral part of these financial statements.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements

### For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

#### 1 General company and regulatory information

Cable and Wireless St. Kitts and Nevis Limited (the "Company") is registered under the laws of the Federation of St. Kitts and Nevis. The Company is a subsidiary of Cable and Wireless (West Indies) Limited which owns 77% (77% - December 2018) of the issued and outstanding shares. The Company's registered office is Basseterre, St. Kitts. Cable and Wireless (West Indies) Limited is a wholly owned subsidiary of Cable & Wireless Communications Ltd, the parent company of the Cable & Wireless Communications Group ("CWC Group").

On January 31, 2008, the Company was listed in the Eastern Caribbean Securities Exchange.

Cable & Wireless St. Kitts and Nevis Limited supplies telecommunications services and facilities to the federation of St. Kitts and Nevis. The Company's main business is the provision and operation of public telecommunication services in the Federation of St. Kitts and Nevis under a 15 year agreement dated 7 April 2001, which replaced a 25 year franchise granted by Government that would have expired on 30 November 2015. The 15 year agreement, which granted the Company non-exclusive licenses, expired in October 2016. The Company is currently negotiating a new contract.

The Company has 49 employees as at 31 December 2019 (December 2018: 56).

The ultimate parent up to 29 December 2017 was Liberty Global Plc ("Liberty Global"), a publicly listed company incorporated in the United Kingdom. 29 December 2017 was the effective date that Liberty Global split off its Latin American and Caribbean operations, including the CWC Group, as Liberty Latin America Ltd. ("Liberty Latin America"). Following the split off, Liberty Latin America, a publicly listed company incorporated in Bermuda, replaced Liberty Global Plc as the ultimate parent undertaking (the "Ultimate Parent").

#### 2 Summary of significant accounting policies

##### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as they apply to the financial statements of the Company for the year ended 31 December 2019, and interpretations adopted by the International Accounting Standards Board (IASB).

These financial statements are presented in Eastern Caribbean dollars (\$XCD) and rounded to the nearest thousands. They have been prepared on the historical cost basis.

The Directors have prepared the accounts on a going concern basis.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accounting policies have been applied consistently by the Company.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)  
(Expressed in thousands of Eastern Caribbean Dollars)

## 2 Summary of significant accounting policies (continued)

### 2.2 Application of recently issued accounting standards and amendments to accounting standards

#### First-time Application of Accounting Standards

In January 2016, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard No. 16, Leases (IFRS 16). IFRS 16, for most leases, results in lessees recognizing right-of-use assets and lease liabilities on the statement of financial position and additional disclosures. The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated. A number of optional practical expedients were applied in transition, as further described below.

The main impact of the adoption of this standard was the recognition of right-of-use assets and lease liabilities in our statement of financial position as of 1 January 2019. We did not recognize right-of-use assets or lease liabilities for leases with a term of 12 months or less, as permitted by the short-term lease practical expedient in the standard. In transition, we applied the practical expedients that permit us not to reassess (i) whether expired or existing contracts are or contain a lease under the new standard and (ii) whether existing or expired land easements that were not previously accounted for as leases are or contain a lease. We also applied the practical expedient that permits us to account for customer service revenue contracts that include both non-lease and lease components as a single component in all instances where the non-lease component is the predominant component of the arrangement and the other applicable criteria are met. In addition, we did not use hindsight during the transition.

The adoption of IFRS 16 did not have a material impact on our financial statements. For information regarding changes to accounting policies following the adoption of IFRS 16, see Note 2.10.

The application of the following accounting standards effective 1 January 2019 did not have a material impact on our financial statements:

- Prepayment Features with Negative Compensation – Amendments to IFRS 9;
- Interpretation 23 – Uncertainty over Income Tax Treatments; and
- Annual improvement 2015-2017 cycle.

#### New Accounting Standards, Not Yet Effective

The following accounting standards effective 1 January 2020 are not expected to have an impact on the Company's financial statements:

- Amendments to references to conceptual framework in IFRS
- Definition of a business – IFRS 3
- Definition of material – IAS 1

### 2.3 Foreign currencies

#### a) Functional currency

Amounts included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The Company's functional currency is the Eastern Caribbean dollar (XCD).

#### b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised through profit or loss.



# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

#### 2 Summary of significant accounting policies (continued)

##### 2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment. Plant and equipment represent the Company's network infrastructure assets.

The estimated costs of dismantling and removing assets, typically cell sites and network equipment, and restoring land on which they are located are included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits will flow to the Company and the cost can be measured reliably. All other subsequent costs (primarily repairs and maintenance) are charged to profit or loss as incurred.

Depreciation is not recognised on freehold land or assets under construction. Depreciation is provided to expense the cost of property, plant and equipment, on a straight-line basis over the estimated useful lives of the assets as follows:

	Estimated Useful Lives
Cables and transmission equipment	up to 20 years
Network equipment	3 to 25 years
Office equipment and computers	4 to 10 years
Plant and machinery	5 to 40 years
Computer equipment	4 years
Ducting	40 years
Freehold buildings	40 years
Leasehold buildings	up to 40 years or term of lease if less

Asset useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount through sale or use. Assets are reviewed for indicators of impairment on an ongoing basis (see note 2.7).

##### 2.5 Intangible assets

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Company are recognised as intangible assets. Expenditures that enhance and extend the benefits of computer software programs beyond their original specifications and lives are recognised as a capital improvement and added to the original cost of the software.

Intangible assets relating to customer contracts, customer relationships and licences obtained as part of the Company's business combinations are recorded initially at their fair values.

The Company's intangible assets do not have indefinite useful lives and are amortised on a straight line basis over their respective lives which are usually based on contractual terms. Intangible assets are stated at cost less amortisation.

	Estimated Useful Lives
Software	3 to 5 years
Licences and operating agreements	Up to 25 years or the licence term if less

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

## 2 Summary of significant accounting policies (continued)

### 2.6 Financial instruments

#### **Financial assets**

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss; financial assets at fair value through other comprehensive income and financial assets at amortized cost. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through profit or loss.

Financial assets and liabilities are offset and the net amount reported when the Company has the legally enforceable right to set off the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Cash and cash equivalents**

Cash comprises cash in hand and at bank and short-term deposits, and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents in the statement of financial position is considered to approximate fair value. Bank overdrafts are included within borrowings and classified in current liabilities on the statement of financial position.

#### **Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a third party with no intention of trading the receivable. Trade and other receivables are presented in current assets in the statement of financial position, except for those with maturities greater than one year after the reporting date.

These financial assets are recognised initially at fair value and subsequently at the amounts considered recoverable (amortised cost).

#### **Financial liabilities**

The Company classifies its financial liabilities as other financial liabilities. The classification is consistent with IFRS 9.

Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at every reporting date for financial liabilities other than those held at fair value through profit or loss. Subsequent to initial recognition financial liabilities other than those at fair value are measured at amortised costs using the effective interest method.

#### **Interconnection receivables and liabilities**

Interconnection agreements with major carriers result in both receivable and payable balances with the same counterparty. Industry practise is that receivable and payable amounts relating to interconnection revenue and costs for a defined period are agreed between counterparties and settled on a net basis.

#### **Fair Value**

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements. Each level is based on the following:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)

(Expressed in thousands of Eastern Caribbean Dollars)

## 2 Summary of significant accounting policies (continued)

### 2.7 Impairment of assets

#### Financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset not carried at fair value through profit or loss or a group of those financial assets is impaired.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the credit losses that result from all possible default events over the expected life of the financial asset.

#### Non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. All other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The Company determines any impairment by comparing the carrying values of each of the Company's assets (or the cash-generating unit to which it belongs) to their recoverable amounts, which is the higher of the asset's fair value less costs to sell and its value in use. Fair value represents market value in an active market. Value in use is determined by discounting future cash flows arising from the asset. Future cash flows are determined with reference to the Company's own projections using pre-tax discount rates.

Impairment reviews involve management making assumptions and estimates, which are highly judgemental and susceptible to change.

### 2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. Cost is based on the first-in, first-out (FIFO) principle. For inventories held for resale, net realisable value is determined as the estimated selling price in the ordinary course of business less costs to sell. Provision is made for obsolete and slow-moving inventories as required.

### 2.9 Share capital

Incremental costs directly attributable to the issue of new shares or the repurchase of shares are recognised in equity.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2019

(With comparatives for the year ended 31 December 2018)

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## 2 Summary of significant accounting policies (continued)

### 2.10 Leases

Our leases primarily consist of (i) property leases for mobile tower locations that generally have initial terms of five to ten years with one or more renewal options and (ii) lease commitments for (a) retail stores, offices and facilities, (b) other network assets and (c) other equipment. It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by similar leases.

We classify arrangements with a term of greater than 12 months where substantially all risks and rewards incidental to ownership are retained by the third-party lessors as leases. We record a right-of-use asset and lease liability at inception of the lease at the present value of the lease payments plus certain other payments, including variable lease payments and amounts probable of being owed by us under residual value guarantees. Payments made under our leasing arrangements, net of any incentives received from the lessors, are recognized to expense on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging our leases are recognized to expense when incurred. Contingent rental payments are recognized to expense when incurred.

We use a credit-adjusted discount rate to measure our lease liabilities. We derive the discount rates starting with a risk-free rate, generally the U.S. Treasury Bill rate. To determine credit risk, we create an industry benchmark credit default swap (CDS) curve from an observable high-yield debt index using comparable telecommunication companies as a proxy. We then determine the maximum curve shift against this CDS curve derived from tradable debt of the C&W group, and make adjustments to correct for the collateralized interest rate spread by comparing unsecured debt to asset-backed securities (secured debt) trades, which is based on the spread between the BB- and B+ industrial curves. We determine the discount factor from this adjusted curve.

### 2.11 Employee benefits

#### Defined contribution pensions

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a third party. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as operating costs as they are incurred through profit or loss.

#### Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits within other provisions when it is demonstrably committed to the action leading to the employee's termination.

#### Bonus plans

The Company recognises a liability in relation to bonuses payable to employees when contractually obliged or when there is a past practice that has created a constructive obligation.

### 2.12 Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised through profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except where the difference arises from:

- The initial recognition of goodwill; or
- The initial recognition of an asset or liability in a transaction other than a business combination, affecting neither accounting nor taxable profit.

Deferred tax is calculated using tax rates that are expected to apply to the period when the temporary differences reverse, based on rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2019

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## 2 Summary of significant accounting policies (continued)

### 2.12 Tax (continued)

Deferred tax is provided on temporary differences arising on investments in subsidiaries and interests in joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

### 2.13 Provisions

Provisions are liabilities of uncertain timing or amount. They are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the statement of financial position at the present value of the estimated future outflows expected to be required to settle the obligation. Provision charges and reversals are recognised through profit or loss. Discount unwinding is recognised as a finance expense.

### 2.14 Revenue recognition

In general, most of the Company's fixed and mobile residential contracts are not enforceable or do not contain substantive early termination penalties. Accordingly, revenue relating to these customers is recognized on a basis consistent with customers that are not subject to contracts.

Revenues are presented net of discounts in the statement of profit and loss and other comprehensive income.

**Subscription Services – Fixed Networks:** The Company recognizes revenue from TV, broadband and fixed voice over our fixed networks to customers in the period the related subscription services are provided. Installation or other upfront fees related to services provided over our fixed networks are generally deferred and recognized as subscription revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

The Company may also sell TV, broadband and fixed voice to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Arrangement consideration from bundled packages generally is allocated proportionally to the individual service based on the relative standalone price for each respective product or service.

**Mobile:** In general, the consideration from mobile contracts is allocated to airtime services and handset sales based on the relative standalone prices of each performance obligation.

The mobile airtime service revenue is recognized in the period the related services are provided. Payments received from prepay customers are recorded as deferred revenue prior to the commencement of services and are recognized as revenue as the services are rendered or usage rights expire.

Mobile handset sales are recognized as revenue when the goods have been transferred to the customer.

**B2B Revenue – Installation Revenue:** The Company defers upfront installation and certain nonrecurring fees received on enterprise business contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis over the term of the arrangement or the expected period of performance. The Company records this revenue stream under Enterprise, data and other.

**Sub-sea Network Revenue – Long-term Capacity Contracts:** The Company may enter into certain long-term capacity contracts with customers where the customer either pays a fixed fee over time or prepays for the capacity upfront and pays a portion related to operating and maintenance of the network over time. The Company assesses whether prepaid capacity contracts contain a significant financing component. If the financing component is significant, interest expense is accreted over the life of the contract using the effective interest method. The revenue associated with prepaid capacity contracts is deferred and recognised on a straight-line basis over the life of the contract. The Company records this revenue under Enterprise, data and other.

### 2.15 Exceptional items

Exceptional items are material items within comprehensive income that derive from individual events that do not fall within the ordinary activities of the Company that are identified as exceptional items by virtue of their size, nature or incidence.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2019

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#### 3 Critical accounting estimates and judgements

Several estimates and assumptions have been made relating to the reporting of results of operations and the financial condition of the Company. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Company's most critical accounting estimates. These particular policies require subjective and complex assessments, often as a result of the need to make estimates about the effect of matters that are uncertain.

##### 3.1 Impairment of property, plant and equipment

The Directors assess property, plant and equipment and intangible assets (excluding goodwill) for impairment whenever events or changes in circumstances indicate that the carrying value is less than its recoverable amount. Factors that are considered important and that could trigger an impairment review include the following:

- Obsolescence or physical damage;
- Significant changes in technology and regulatory environments;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the use of the assets or the strategy of the overall business;
- Significant negative industry or economic trends; and
- Significant decline in the market capitalisation relative to net book value for a sustained period.

In addition, the Directors test goodwill and other intangible assets with an indefinite life at least annually for impairment.

The identification of impairment triggers is a key judgement. When an impairment review is required, the Group generally determines recoverable amounts based on value in use. The key estimates used in calculating value in use are the discount rate, revenue growth, operating cost margin and capital expenditure. Estimates are based on extrapolated approved three-year business plans.

##### 3.2 Impairment of financial assets

###### Trade and other receivables

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Impairment allowances are determined upon origination of the trade accounts receivable based on a model that calculates the lifetime expected credit loss ("ECL") of the trade accounts receivable.

Under this ECL model, the Company segments its accounts receivable in a matrix by days past due and determines for each age bracket an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the trade accounts receivable. ECLs are a probability-weighted estimate of credit losses.

The average ECL rates increase in each segment of days past due until the rate is 100% for the segment of 360 days or more past due. The use of assumptions make uncertainty inherent in such estimates.

###### Loans due from related party

IFRS 9 outlines a three-stage model for impairment based on the extent of changes in credit quality since initial recognition as summarised below:

- Stage 1: A financial instrument that is not credit-impaired on initial recognition and has its credit risk continuously monitored by the Company.
- Stage 2: A financial instrument whose credit risk has increased significantly since the time of initial recognition but is not yet deemed to be credit-impaired.
- Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit losses measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis.

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

### For the year ended 31 December 2019

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#### 3 Critical accounting estimates and judgements (continued)

##### 3.2 Impairment of financial assets (continued)

###### Loans due from related party (continued)

Loans due from related party are at Stage 1 and the Company calculates expected credit losses based on the following credit risk parameters:

- Probability of default
- Loss given default
- Exposure at default

The assumptions underlying the expected credit loss calculations are monitored and reviewed on an annual basis.

The recoverability of the loans due from related party is ultimately dependent on the performance as a whole of the CWC Group headed by Cable & Wireless Communications Limited. The CWC Group operates as a separate borrowing sub-group within the LLA Group. The Company has determined the estimated credit loss allowance for non-current loans due from related party through a detailed market comparability analysis using observable credit default swap (CDS) rates. The Company based its analysis on the spread of credit default swaps for comparable entities, adjusting the result to take into consideration the historical performance of the ultimate parent and intermediate parent in order to determine a probability of default, which is used to develop the estimated credit loss allowances.

The Company has determined the estimated credit loss allowance for the current loans due from related parties, as the effect of discounting using the loan's effective interest rate for a period of one year. Refer to Note 21 for further details.

##### 3.3 Revenue recognition

Judgement is required in assessing the application of revenue recognition principles and the specific guidance in respect of Company revenue. This includes the allocation of revenue between performance obligations, such as the sale value of telecommunications equipment and ongoing services, where such items are sold as part of a bundled package. See note 2.14.

##### 3.4 Exceptional items

Judgement is required in assessing the classification of items as exceptional and assessing the timing of recognising exceptional provisions. The Company has established criteria for assessing the classification and a consistent approach is applied each period.

##### 3.5 Tax

The calculation of the Company's total tax charge involves a degree of estimation in respect of certain items where the tax treatment cannot be finally determined until a resolution has been reached with the relevant tax authority or, if necessary, through a formal legal process. The final resolution of some of these items may give rise to material income statement and/or cash flow variances.

The resolution of issues is not always within the control of the Company and is often dependent on the efficiency of the administrative and legal processes in the relevant tax jurisdictions in which the Company operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge through profit or loss and tax payments made.

#### 4 Revenue

##### Accounting policy detailed in note 2.14.

The Company is an integrated telecommunications service provider. It offers mobile, broadband, data, TV and domestic and international fixed line services to residential and business customers. Mobile services include prepaid and post-paid services and sale of handsets including LIME 3G/4G. Broadband includes Dial-up and ADSL internet services. Domestic voice includes local fixed line services and related rental and installation charges. International voice includes all international calls and related interconnect services. Enterprise, data and other includes leased circuit, MPLS, frame relay, CPE sales and directory services.

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**4 Revenue (continued)**

Revenue from external customers analysed by product/lines of business below:

	Year ended 31 December 2019	Year ended 31 December 2018
Mobile	37,881	41,881
Broadband and TV	14,935	13,049
Fixed voice	12,574	14,733
Enterprise, data and other	11,938	11,294
<b>Revenue</b>	<b>77,328</b>	<b>80,957</b>
<b>Timing of revenue recognition</b>		
Products/services transferred at a point of time	1,177	2,063
Products/services transferred over time	76,151	78,894
<b>Total</b>	<b>77,328</b>	<b>80,957</b>

The Company recognises mobile equipment revenue at a point in time and all other revenue streams as disclosed above are recognised over time when the performance obligations are satisfied.

**5 Operating costs and other operating income and expenses**

**5a Operating costs**

Detailed below are the key expense items charged in arriving at our operating profit. Outpayments amounts paid to other operators when our customers call parties connected to a different network. Operating costs are stated net of credits or charges arising from the release or establishment of accruals.

An analysis of the operating costs incurred by the Company is presented below, classified by the nature of the cost:

	Year ended 31 December 2019	Year ended 31 December 2018
Outpayments and direct costs	6,975	10,525
Employee and other staff expenses (see note 5c)	5,090	5,280
Other administrative expenses	21,671	15,608
Network costs	13,884	11,996
Property and utility costs	2,225	2,491
<b>Operating costs before depreciation, amortisation and impairment</b>	<b>49,845</b>	<b>45,900</b>
Depreciation of property, plant and equipment	8,919	9,140
Amortisation of intangible assets	223	67
Amortisation of right of use assets	437	-
Impairment	-	181
<b>Operating costs</b>	<b>59,424</b>	<b>55,288</b>



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**5 Operating costs and other operating income and expenses (continued)**

**5b Exceptional items**

Accounting policy detailed in note 2.15.

	Year ended 31 December 2019	Year ended 31 December 2018
Insurance recoveries (see note 23)	-	937
Employee approved restructuring expenses (see note 17)	(188)	(717)
<b>Operating exceptional items</b>	<b>(188)</b>	<b>220</b>

Exceptional items include the benefit of insurance recoveries related to losses and business interruption incurred as a result of Hurricane Irma.

There were no exceptional items within operating costs before depreciation and amortisation.

**5c Employee and other staff expenses**

	Year ended 31 December 2019	Year ended 31 December 2018
Wages and salaries	3,299	3,929
Social security costs	336	361
Other benefits and allowances	1,413	962
Pension costs:		
– defined contribution plans	253	258
	5,301	5,510
Less: Staff costs capitalised	(211)	(230)
<b>Total employee and other staff expenses</b>	<b>5,090</b>	<b>5,280</b>

**Directors' and key management remuneration**

Key management are represented by key management personnel having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any external director of the Company.

Included within employee costs is key management remuneration as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Directors' emoluments	58	58
Other key management personnel – short-term employment benefits	1,370	1,241
Post-employment benefits	89	75
<b>Total key management remuneration</b>	<b>1,517</b>	<b>1,374</b>

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**6 Finance income and expense**

Finance income is mainly comprised of interest received from external bank deposits. Financing costs mainly arise from interest due on external bank loans, related party loans, related party notes receivable and transactional foreign exchange losses. The finance income and expense are set out below.

	Year ended 31 December 2019	Year ended 31 December 2018
<b>Finance income</b>		
Interest income	1,939	510
<b>Total finance income</b>	<b>1,939</b>	<b>510</b>
<b>Finance expense</b>		
Interest expense	(14)	(303)
Interest expense on lease obligations	(111)	-
<b>Total finance expense</b>	<b>(125)</b>	<b>(303)</b>

**7 Income tax expense**

This section explains how our Company tax charge arises. The current and deferred tax charges or credits in the year together make up the total tax charge in the statement of profit & loss and comprehensive income. The deferred tax section also provides information on our expected future tax charges. A reconciliation of profit or loss before tax to the tax charge is also provided.

Accounting policy detailed in note 2.12.

	Year ended 31 December 2019	Year ended 31 December 2018
<b>Current tax charge</b>		
Corporation tax at 33% (December 2018 – 33%)	7,165	9,087
Adjustments relating to prior year tax	86	15
<b>Total current tax charge</b>	<b>7,251</b>	<b>9,102</b>
<b>Withholding tax</b>	<b>19</b>	<b>46</b>
<b>Other long term tax liability</b>	<b>3,011</b>	<b>-</b>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(367)	44
Adjustments relating to prior years	359	(656)
<b>Total deferred tax credit</b>	<b>(8)</b>	<b>(612)</b>
<b>Total income tax charge</b>	<b>10,273</b>	<b>8,536</b>

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**7 Income tax expense (continued)**

**Reconciliation of actual tax expense:**

	Year ended 31 December 2019	Year ended 31 December 2018
<b>Profit before income tax</b>	<b>19,530</b>	<b>26,096</b>
Income tax charge at tax rate: 33% (December 2018 – 33%)	6,445	8,612
Effect of permanent differences	353	519
Other long-term tax liability	3,011	-
Withholding tax	19	46
Adjustments relating to prior year tax	445	(641)
<b>Total income tax charge</b>	<b>10,273</b>	<b>8,536</b>
<b>Income tax charge on exceptional items</b>	<b>(62)</b>	<b>(23)</b>
<b>Pre-exceptional income tax charge</b>	<b>10,335</b>	<b>8,559</b>
<b>Pre-exceptional effective tax rate on profit</b>	<b>52.9%</b>	<b>32.8%</b>
<b>Effective tax rate on profit</b>	<b>52.6%</b>	<b>32.7%</b>

For an analysis of the Company's deferred tax liability as at the reporting date, including factors affecting the future tax rates see note 16.

**8 Impairment review**

**Accounting policy detailed in note 2.7.**

**Property, plant and equipment**

An impairment charge of \$Nil was considered necessary at 31 December 2019 (December 2018: \$181).

**Other fixed assets and intangibles**

There were no events or changes in circumstances during the year to indicate that the carrying value of the other fixed assets and other intangible assets had been impaired.

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**9 Intangible assets**

The following section shows the non-physical assets used by the Company to generate revenues and profits.

These assets include software and licenses and operating agreements. Within license and operating agreements we include the cost of any acquired spectrum we use for our mobile services. The cost of intangible assets is the amount that the Company has paid.

The value of other intangible assets reduces over the number of years the Company expects to use the asset via an annual amortisation charge. Should an asset's value fall below its carrying value an additional one-off impairment charge is made against profit.

**Accounting policy detailed in note 2.5.**

	Intangibles
<b>Cost</b>	
<b>At 31 December 2017</b>	<b>3,287</b>
Transfers from Projects under construction/WIP	-
<b>At 31 December 2018</b>	<b>3,287</b>
Transfers from Projects under construction/WIP	830
<b>At 31 December 2019</b>	<b>4,117</b>
<b>Amortisation and impairment</b>	
<b>At 31 December 2017</b>	<b>3,083</b>
Charge for the year	67
<b>At 31 December 2018</b>	<b>3,150</b>
Charge for the year	223
<b>At 31 December 2019</b>	<b>3,373</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>744</b>
<b>At 31 December 2018</b>	<b>137</b>

# Cable & Wireless (St. Kitts and Nevis) Limited

## Notes to the financial statements (continued)

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#### 10 Property, plant and equipment

The following section shows the physical assets used by the Company to generate revenues and profits. We make significant investments in network plant and equipment and infrastructure – the technology and base stations required to operate our networks – that form the majority of our tangible assets.

Depreciation is calculated by estimating the number of years the Company expects the asset to be used (useful economic life). If there has been a technological change or decline in business performance the Directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value an additional one-off impairment charge is made against profit.

Accounting policy detailed in note 2.4.

	Freehold land and buildings	Plant and Machinery	Motor Vehicles	Equipment Held for Use	Projects Under Construction	Total
<b>Cost</b>						
<b>At 31 December 2017</b>	<b>54,825</b>	<b>165,770</b>	<b>10,149</b>	<b>2,573</b>	<b>1,900</b>	<b>235,217</b>
Additions	-	-	-	-	5,520	5,520
Transfers from Projects under construction	746	4,861	488	-	(6,095)	-
Transfers from inventory	-	-	-	159	-	159
<b>At 31 December 2018</b>	<b>55,571</b>	<b>170,631</b>	<b>10,637</b>	<b>2,732</b>	<b>1,325</b>	<b>240,896</b>
Additions	-	-	-	-	10,912	10,912
Transfers from Projects under construction	626	5,594	114	-	(6,334)	-
Transfers to intangible assets	-	-	-	-	(830)	(830)
Transfers to inventory	-	-	-	(474)	-	(474)
<b>At 31 December 2019</b>	<b>56,197</b>	<b>176,225</b>	<b>10,751</b>	<b>2,258</b>	<b>5,073</b>	<b>250,504</b>
<b>Depreciation</b>						
<b>At 31 December 2017</b>	<b>39,010</b>	<b>103,768</b>	<b>9,783</b>	-	-	<b>152,561</b>
Charge for the year	1,385	7,525	230	-	-	9,140
Impairment	-	-	-	181	-	181
<b>At 31 December 2018</b>	<b>40,395</b>	<b>111,293</b>	<b>10,013</b>	<b>181</b>	-	<b>161,882</b>
Charge for the year	1,464	7,225	230	-	-	8,919
<b>At 31 December 2019</b>	<b>41,859</b>	<b>118,518</b>	<b>10,243</b>	<b>181</b>	-	<b>170,801</b>
<b>Net book value at 31 December 2019</b>	<b>14,338</b>	<b>57,707</b>	<b>508</b>	<b>2,077</b>	<b>5,073</b>	<b>79,703</b>
<b>Net book value at 31 December 2018</b>	<b>15,176</b>	<b>59,338</b>	<b>624</b>	<b>2,551</b>	<b>1,325</b>	<b>79,014</b>

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**11 Trade and other receivables**

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Trade receivables are shown net of allowance for bad or doubtful debts.

**Accounting policy detailed in note 2.6.**

	31 December 2019	31 December 2018
Gross trade receivables	10,264	8,648
Impairment allowance	(239)	(679)
<b>Net trade receivables</b>	<b>10,025</b>	<b>7,969</b>
Other receivables	5,277	2,959
Prepayments and accrued income	2,168	2,879
<b>Trade and other receivables – current</b>	<b>17,470</b>	<b>13,807</b>

The maximum exposure to credit risk for receivables is equal to their carrying value. There is no material difference between the carrying value and fair value of trade and other receivables presented.

Concentrations of credit risks with respect to trade receivables are small as the Company customer base is large and unrelated. Receivables predominantly relate to retail customers, governments and corporate entities as well as other telecommunications operators.

Credit risk procedures vary depending on the size or type of customer. These procedures include such activities as credit checks, payment history analysis and credit approval limits. Based on these procedures, management assessed the credit quality of those receivables that are neither past due nor impaired as low risk. There have been no significant changes to the composition of receivables counterparties within the Company that indicate this would change in the future. During the periods presented there was a continued economic weakness in the market in which the Company operate. This would indicate an increased credit risk on receivables that are neither past due nor impaired. However, management assessed this risk as of 31 December 2019, and, after providing valuation allowance where necessary, continued to support the assessment of credit quality as low risk (see Note 22).

An ageing analysis of the gross trade receivables (excludes other receivables, prepayments and accrued income):

	31 December 2019	31 December 2018
Not yet due	-	4
Overdue 30 days or less	1,899	5,009
Overdue 31 to 60 days	1,617	1,442
Overdue 61 to 90 days	897	740
Overdue 91 days or more	5,851	1,453
	<b>10,264</b>	<b>8,648</b>

The impairment allowances are determined upon origination of the trade accounts receivable based on a model that calculates the ECL of the trade accounts receivable. Due to the nature of the telecommunications industry, balances relating to interconnection with other carriers often have lengthy settlement periods.

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**11 Trade and other receivables (continued)**

An analysis of movements in the trade receivables impairment allowance during the year is as follows:

	31 December 2019	31 December 2018
At beginning of period	(679)	(1,050)
Bad debts written off - net	16	333
Decrease in allowance	424	38
	<b>(239)</b>	<b>(679)</b>

In the Company's operations it is customary and practice to collect security deposits from customers as collateral. These are recorded as liabilities within other payables.

**12 Inventories**

Our inventory primarily consists of mobile handsets, equipment and consumables and is presented net of allowance for obsolete products.

**Accounting policy detailed in note 2.8.**

Inventories of \$230 are presented net, after recording an allowance of \$153 made against slow moving or obsolete items. Amount of inventory recovery through other administrative expenses during the year was (\$69).

In the period ended 31 December 2019, \$474 was transferred from Equipment Held for Use to Inventory (note 10). The corresponding figures for the year ended 31 December 2018 shows a transfer of \$159 from Inventory to Equipment Held for Use.

Inventories of the Company are not pledged as security or collateral against any of the Company's borrowings.

**13 Cash and cash equivalents**

The majority of the Company's cash is held in financial institutions.

**Accounting policy detailed in note 2.6.**

	31 December 2019	31 December 2018
Cash at bank and in hand	4,057	3,699
Bank overdraft	(135)	(97)
<b>Cash and cash equivalents, net of overdraft, represented in statement of cash flows</b>	<b>3,922</b>	<b>3,602</b>

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value of those financial instruments.

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**14 Trade and other payables**

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or are accrued. Taxes and social security amounts are due in relation to our role as an employer.

	31 December 2019	31 December 2018
Trade payables	2,547	1,820
Accruals	8,253	7,441
Other payables	9,112	6,339
<b>Trade and other payables</b>	<b>19,912</b>	<b>15,600</b>

There is no material difference between the carrying value and fair value of trade and other payables presented. For liquidity risk exposure analysis purposes, the carrying amount of trade and other payables is the same as the contractual cash flows, with the contractual maturities of these financial liabilities all due in less than one year.

**15 Contract assets**

The following table provides information about contract assets from contracts with customers. Balances are reported within trade and other receivables on the statement of financial position.

	31 December 2019	31 December 2018
Accrued income	1,377	2,310

The contract assets primarily relate to unbilled sales of mobile handsets and unbilled telephone usage at the reporting date. The contract assets are transferred to trade receivables when billed to the customer accounts.

Significant changes in the contract assets during the period are as follows:

	31 December 2019	31 December 2018
Transfers from contract assets recognized at the beginning of period to trade receivables	2,310	1,579



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**16 Deferred tax**

**Accounting policy detailed in note 2.12.**

The movements in deferred tax assets and liabilities during the year are as follows:

	Capital allowances on non-current assets	Financial position offset	Revenue Recognition	Total
Deferred tax asset	-	52	-	52
Deferred tax liability	(6,132)	-	-	(6,132)
<b>At 1 January 2018</b>	<b>(6,132)</b>	<b>52</b>	<b>-</b>	<b>(6,080)</b>
Revenue recognition	-	-	25	25
Adjustment to balance	(139)	-	-	(139)
Credit to profit or loss	396	216	-	612
<b>At 31 December 2018</b>	<b>(5,875)</b>	<b>268</b>	<b>25</b>	<b>(5,582)</b>
Deferred tax asset	-	268	25	293
Deferred tax liability	(5,875)	-	-	(5,875)
<b>At 1 January 2019</b>	<b>(5,875)</b>	<b>268</b>	<b>25</b>	<b>(5,582)</b>
Adjustment to balance	-	1	-	1
Credit/(debit) to profit or loss	167	(162)	3	8
<b>At 31 December 2019</b>	<b>(5,708)</b>	<b>107</b>	<b>28</b>	<b>(5,573)</b>
Deferred tax asset	-	107	28	135
Deferred tax liability	(5,708)	-	-	(5,708)

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**17 Provisions**

Accounting policy detailed in note 2.13.

	Redundancy costs	Asset retirement obligations	Total
<b>At 1 January 2018</b>	-	2,099	2,099
Provisions during the year	717	-	717
<b>At 31 December 2018</b>	<b>717</b>	<b>2,099</b>	<b>2,816</b>
Provisions – current	717	-	717
Provisions – non-current	-	2,099	2,099
<b>At 1 January 2019</b>	<b>717</b>	<b>2,099</b>	<b>2,816</b>
Provisions used during the year	(717)	-	(717)
<b>At 31 December 2019</b>	<b>-</b>	<b>2,099</b>	<b>2,099</b>
<b>Provisions – current</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions – non-current</b>	<b>-</b>	<b>2,099</b>	<b>2,099</b>

**Redundancy**

Provision has been made for the total employee related costs of redundancies announced within the Cable & Wireless Caribbean restructuring programme. Amounts provided for (2018) and spent (2019) during the periods presented primarily relate to transformation activities.

**Asset retirement obligations**

Provision has been made for the best estimate of the asset retirement obligation associated with office sites, technical sites, mobile cell sites, domestic and sub-sea cabling. This provision is expected to be used at the end of the life of the related asset on which the obligation arises.

**18 Equity**

**Share capital**

	31 December 2019	31 December 2018
<b>Authorised:</b>		
<b>50,000,000 Ordinary shares of \$1</b>	<b>50,000</b>	<b>50,000</b>
<b>Issued, called up and fully paid shares:</b>		
<b>33,130,418 Ordinary shares</b>	<b>33,130</b>	<b>33,130</b>

The Company defines capital as share capital, share premium, and retained earnings. The management of capital is achieved through a combination of the requirements of the Company and CWC Group strategy, which has remained unchanged from the prior year.

Included within the number of shares disclosed above are treasury shares. No treasury shares of the Company were cancelled during the periods presented.

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**19 Commitments and contingent liabilities**

**Commitments**

A commitment is a contractual obligation to make a payment in the future. These amounts are not recorded in the statement of financial position since we have not yet received the goods or services from the supplier. We have a number of commitments, mainly in relation to leases and agreements to buy fixed assets. The amounts below are the minimum we are committed to pay.

Capital commitments at the end of the financial year for the Company relating to the purchase of plant and equipment was \$Nil (December 2018 – \$Nil).

**Contingent liabilities**

Contingent liabilities are potential future cash outflows where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably. As at the reporting date, the Company has no other significant contingent liabilities, except for the legal cases mentioned in note 20.

**20 Legal proceedings**

In the ordinary course of business, the Company is involved in litigation proceedings, regulatory claims, investigations and reviews. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Accordingly, significant management judgement relating to provisions and contingent liabilities is required since the outcome of litigation is difficult to predict. The Company does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Company.

**21 Related party transactions**

The related parties identified by the Directors include associated undertakings, investments and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Company we disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

**Transactions with key management personnel**

Remuneration paid to key management personnel for services rendered during the year.

Key management remuneration is disclosed in note 5c.

**Transactions with other related parties**

**(a) Related party profit or loss statement transactions**

The Company, together with other CWC Group and LLA Group companies, owns and operates international cable and microwave systems. International telecommunications traffic to and from St. Kitts is transmitted and received via such systems and in respect of this traffic payments are made and revenues received.

Inter-group revenue for the year with regard to international telecommunications traffic was \$1,829 (December 2018: \$2,369). Other related party transactions for the year are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Cost of sales	857	1,064
Head office support costs <sup>1</sup>	951	1,089
Net recharges into the company <sup>2</sup>	9,997	7,554
Interest income	1,950	(75)
	<b>13,755</b>	<b>9,632</b>

1 – Transactions include the provision of technical, financial and administrative support by the Company's head office.

2 – Recharges are the inter-business unit cost of services consumed by the Company when performing its business processes.

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**21 Related party transactions (continued)**

**Transactions with other related parties (continued)**

**(b) Due from related companies**

	31 December 2019	31 December 2018
Cable & Wireless (CWI Caribbean) Limited	86,882	61,353
Cable & Wireless Jamaica (Cayman) Finance	-	3,354
Cable & Wireless (Barbados) Limited	83	943
The Bahamas Telecommunications Company Limited	166	166
Columbus Communications Jamaica Limited	1,524	1,496
Other	1,066	910
	<b>89,721</b>	<b>68,222</b>

At 31 December 2019 all intercompany loans within the Company's portfolio were performing with none past due or credit impaired. In calculating Expected Credit Losses ("ECL"), the Company has assessed that no intercompany loans have experienced a significant increase in credit risk and therefore are all classified as Stage 1.

A reconciliation of the movements in loss allowances is provided as follows against the loans due from related party:

	31 December 2019	31 December 2018
Opening balance	-	-
Write off	-	-
Increase in allowance from current related party loans	1,472	-
<b>Closing allowance</b>	<b>1,472</b>	<b>-</b>

The loan receivable due from CWIC is classified as a current loan receivable within the Statement of Financial Position, net of the ECL allowance of \$1,472 at December 31, 2019.

The amounts due from Cable & Wireless (CWI Caribbean) Ltd ("CWIC") and Cable & Wireless Jamaica (Cayman) Finance ("CWJCF") represent revolving treasury service facility agreements entered into during prior periods. The agreement enables the Company to make short term deposits or obtain short term loans at competitive rates for cash management purposes. On the CWIC facility, interest is earned at minimum savings rate on the daily net balance for Eastern Caribbean dollar deposits and 1-month LIBOR for US dollar deposits. On the CWJFC facility interest is earned at 3-month LIBOR on the daily net balance and interest is capitalized to the balance. There are no limits of the amount the Company can deposit with CWJCF.

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## Notes to the financial statements (continued)

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### 21 Related party transactions (continued)

#### Transactions with other related parties (continued)

##### (c) Due to related companies

	31 December 2019	31 December 2018
Cable & Wireless Jamaica Limited	-	29
Cable & Wireless Jamaica Finance (Cayman) Limited	14,973	-
Cable & Wireless (EWC) Limited (BVI)	2,585	2,589
Columbus Networks Limited	4,839	1,789
CWC WS Holdings Cayman Limited	600	600
CWC Communications Limited	244	1,626
CW Communications Inc.	-	4,350
Other	663	1,658
<b>Total</b>	<b>23,904</b>	<b>12,641</b>

These represent balances with other CWC Group companies, principally for telecommunications traffic and services provided under a General Support Services Agreement.

#### General Support Services Agreement

The Company entered into a General Services Agreement effective 1 January 2018 with LLA affiliated companies. The purpose of the agreement is to enable LLA affiliates, including other members of the CWC Group, to provide and or receive services in consideration for payment of applicable fees in line with transfer pricing guidelines. These services include but are not limited to Strategic Management Support, Operational Support, Business Analysis, Legal Support, Financial Support, Procurement, and Human Resources Support Services as required.

All related party transactions were entered into in the ordinary course of business.

### 22 Financial risk management

This note details our treasury management and financial risk management objectives and policies. We discuss the exposure and sensitivity of the Company to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Treasury policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments.

#### Treasury policy

The Company's activities exposes it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company falls under the CWC Group's overall risk management programme which seek to minimise potential adverse effects on the Company's financial performance.

To the extent that the Company undertakes treasury transactions, these are governed by group policies and delegated authorities. Material positions are monitored by Group Treasury.

Where appropriate, transactions are reported to the Board. The Company is required to report details of their cash and debt positions to Group Treasury on a monthly basis.

The key responsibilities of Group Treasury include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Company's cash resources (including facilities) and borrowings are managed centrally by the Group.

#### Exchange rate risk

The Company is exposed to foreign currency risk on the majority of intercompany transactions and settlement of trade and other receivables and payables which are not denominated in Eastern Caribbean dollars. The risk is minimised as the majority of these transactions occur in US dollar which is fixed to the Eastern Caribbean dollar. The Company does not use foreign exchange contracts and other derivatives and financial instruments to minimise the exposure to these transactions.

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## Notes to the financial statements (continued)

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#### 22 Financial risk management (continued)

##### Interest rate risk

The Company is not significantly exposed to interest rate risk on its surplus cash as it is remitted to Group Treasury, and short term financing is also supplied by Group Treasury. However, the Company is exposed to movements in interest rates on its variable rate "Revolver" loans. Treasury may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. The Company has no borrowings.

Financial liabilities on which no interest is paid comprise accounts payable, current portion of provisions and amounts owed to related companies in the normal course of business.

##### Credit risk

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. The carrying amount of the financial assets of the Company represents the maximum credit exposure of the Company. Management seeks to reduce this credit risk by ensuring the counterparties to all but a small proportion of the Company's financial instruments are the core relationship banks.

The Group Treasury's policy approved by the Board contains limits on exposure and prescribes the types of instrument used for investment of funds.

Credit risk in respect of trade and other receivables is documented in note 11.

##### Liquidity risk

The Company manages operational liquidity supported by Group Treasury to manage liquidity in-order to meet its financial obligations of servicing and repaying external debt and strategic initiatives.

At 31 December 2019, the Company had cash and cash equivalents, net of overdraft, of \$3,922 (December 2018: \$3,602). These amounts are highly liquid and are a significant component of the Company's overall liquidity and capital resources. Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also regularly assess the balance of capital and debt funding of the Company.

#### 23 Insurance Recoveries

In September 2018, Hurricane Irma impacted St. Kitts, resulting in varying degrees of damage to homes, businesses and infrastructure in the country.

In December 2018, the company settled its insurance claims for Hurricane Irma for \$937. The following table summarizes the impact of the insurance settlements to the Company's statement of profit or loss and comprehensive income.

	Year ended 31 December 2019	Year ended 31 December 2018
Fixed asset loss recovery	-	937
<b>Total</b>	<b>-</b>	<b>937</b>

The \$937 received is presented as a cash inflow from operations net of other cash flow movements in our statement of cash flows for the year ended 31 December 2018.

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**24 Leases**

Supplemental balance sheet information as of 31 December 2019 is set forth below:

	31 December 2019
<b>Right-of-use assets</b>	<b>1,666</b>
Lease obligations:	
Current	407
Noncurrent	1,307
<b>Total lease obligations</b>	<b>1,714</b>

Weighted-average remaining lease term (in years)	4.6 years
Weighted-average discount rate	6.0%

The following table provides details of our lease expense:

	31 December 2019	31 December 2018 (a)
Included in operating costs:		
Operating lease costs	-	163
Amortization of right-of-use assets	437	-
Short-term lease expense	419	-
	856	163
Included in finance expense – interest expense on lease obligations	111	-
<b>Total lease expense</b>	<b>967</b>	<b>-</b>

(a) Amounts reflect operating and finance lease expense recorded under IAS 17, *Leases*, prior to adoption of IFRS 16 on 1 January 2019. Accordingly, amounts are not necessarily comparable.

The following table provides supplemental cash flow information related to our leases:

	31 December 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	-
Operating cash outflows from finance leases	111
Financing cash outflows from finance leases	389
<b>Total cash outflows from leases</b>	<b>500</b>

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**24 Leases (continued)**

*Maturities of Leases*

Maturities of our lease liabilities on an undiscounted basis as of 31 December 2019 are presented below along with the current and noncurrent lease liabilities on a discounted basis (in millions).

	Year ending 31 December
2020	496
2021	420
2022	397
2023	292
2024	258
Thereafter	99
Total future payments on an undiscounted basis	1,962
Less: Present value discount	(248)
<b>Present value of lease liabilities</b>	<b>1,714</b>
Current portion	407
Noncurrent portion	1,307

The following table sets forth our operating lease obligations under IAS 17 as of 31 December 2018.

Year ending December 31:	
2019	536
2020	462
2021	367
2022	321
2023	325
Thereafter	551
<b>Total operating leases</b>	<b>2,562</b>

**25 Other long-term tax liability**

The Company has calculated and established an uncertain tax position reserve on the basis that ongoing reviews by the tax authorities indicate that it is more likely than not that certain charges are subject to management fee restriction in relation to tax filings done in earlier years. This can lead to additional taxes required to be paid and hence a reserve was created. The total uncertain tax liability as at 31 December 2019 is \$3,011 (2018: nil) as reported in the statement of financial position.



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## Notes to the financial statements (continued)

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#### **26 Events after the reporting period**

When the Company receives information in the period between 31 December 2019 and the date of this report about conditions related to certain events that existed at the year end, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 December 2019. If non-adjusting events after the year end are material, non-disclosure could influence the economic decisions that users make on the bases of the financial statements

Accordingly, for each material category of non-adjusting event after the reporting period we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

In December 2019, a novel strain of Coronavirus (COVID-19) was reported in Wuhan, China. On 11 March 2020, the World Health Organization declared the outbreak a “pandemic,” pointing to the sustained risk of further global spread. The extent of the impact of the novel Coronavirus on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on our customers and our sales cycles, including our ability to collect amounts due from customers, the impact on our employees, and the effect on our vendors, all of which are uncertain and cannot be predicted. For example, the novel Coronavirus here in St. Kitts and the countries where our contractors’ or vendors’ facilities may be located, could have an effect on our financial condition or operations through impacts on our customers’ ability to use our services, on the availability of our workforce, foreign currency fluctuations, or through adverse impacts to our supply chain. As a result of the evolving outbreak, certain of our product shipments may be delayed. If such a disruption were to extend over a prolonged period, it could have an impact on the continuity of our supply chain. Any disruption resulting from similar events on a larger scale or over a prolonged period could cause significant delays in shipments of products until we are able to resume such shipments or shift from the affected contractor or vendor to another third-party vendor, if needed. At this point, the extent to which the novel Coronavirus may impact our financial condition or results of operations is uncertain, but the heightened volatility of global markets expose us to these and related risks and uncertainties. In terms of the Company’s exposure to collections, of Trade Receivables net of impairment allowance of \$10,025 as at 31 December 2019, \$926 remained on the statement of financial position as at 31 May 2020. The Company has related party loans receivable from fellow 100% owned CWC subsidiaries, the recoverability of which is ultimately dependent on the performance as a whole of the CWC Group headed by Cable & Wireless Communications Limited. The CWC Group operates as a separate borrowing sub-group within the LLA Group. While the CWC Group’s credit ratings remain unchanged since December 31, 2019, observable credit default swap (CDS) rates for CWCL have increased. Application of those higher CDS rates would result in an increased ECL allowance on the loans due from related party.

In preparing these financial statements management has evaluated and disclosed all material subsequent events up to October 6, 2020, which is the date that the financial statements were available to be issued.