

Financial Statements of

**Cable & Wireless (St Kitts and Nevis) Limited**

31 March 2016

# Cable & Wireless (St Kitts and Nevis) Limited

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# Cable & Wireless (St Kitts and Nevis) Limited

## Directors, Senior Management, Officers and Advisors

### Directors

Warren Harding	Director
Patricia Walters	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 Communications
Karen Blackett	Human Resources

### Advisors

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

### Registered Office

Cayon Street,  
Basseterre  
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St. Kitts



**KPMG Eastern Caribbean**  
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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of

### **CABLE & WIRELESS (ST. KITTS AND NEVIS) LIMITED**

We have audited the accompanying financial statements of Cable & Wireless (St. Kitts and Nevis) Limited ("the Company"), which comprise the statement of financial position as at March 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

#### **Auditors' Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants  
September 20, 2016

Antigua and Barbuda

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

### Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

	Note	2016	2015
Revenue	4	81,303	77,628
Operating costs before depreciation and amortisation	5a	(45,834)	(48,737)
Depreciation	5a	(8,910)	(8,795)
Amortisation	5a	(127)	(106)
<b>Operating profit before exceptional items</b>		<b>26,432</b>	19,990
Impairment	5a	-	(542)
Operating exceptional items <sup>1</sup>	5b	(1,811)	(1,479)
<b>Operating profit after exceptional items</b>		<b>24,621</b>	17,969
Finance income	6	65	310
Finance expense	6	(459)	(92)
<b>Profit before income tax</b>		<b>24,227</b>	18,187
Income tax expense	7	(15,401)	(6,218)
<b>Profit for the year, being total comprehensive income for the year</b>		<b>8,826</b>	11,969

<sup>1</sup> Further detail on exceptional items is set out in note 5b and in the relevant note for each item.

The notes on pages 9 to 27 are an integral part of these financial statements.

# Cable & Wireless (St Kitts and Nevis) Limited

## Statement of Financial Position

As at 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

	Note	2016	2015
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	414	389
Property, plant and equipment	10	82,821	67,738
Other – non-current assets		1,181	1,339
		<b>84,416</b>	<b>69,466</b>
<b>Current assets</b>			
Trade and other receivables	11	12,752	11,005
Inventories	12	2,846	1,569
Cash and cash equivalents	13	1,904	1,133
Due from related parties	21	15,353	18,615
Assets held for sale	23	-	4,255
		<b>32,855</b>	<b>36,577</b>
<b>Total assets</b>		<b>117,271</b>	<b>106,043</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	13,272	14,184
Due to related parties	21	6,905	5,573
Bank overdraft	13	37	58
Tax liability		1,730	173
Deferred income	15	768	849
Provisions	17	517	1,937
		<b>23,229</b>	<b>22,774</b>
<b>Non-current liabilities</b>			
Deferred tax liability	16	5,191	4,866
Deferred income	15	470	515
Provisions	17	3,777	2,110
		<b>9,438</b>	<b>7,491</b>
<b>Net assets</b>		<b>84,604</b>	<b>75,778</b>
<b>Equity</b>			
Share capital	18	33,130	33,130
Share premium		3,009	3,009
Retained earnings		48,465	39,639
<b>Total equity</b>		<b>84,604</b>	<b>75,778</b>

The notes on pages 9 to 27 are an integral part of these financial statements. These financial statements on pages 5 to 8 were approved by the Board of Directors on September 20, 2016 and signed on its behalf by:

Director



Director



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

### Statement of Changes in Equity For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

	Share capital	Share Premium	Retained Earnings	Total equity
<b>Balance at 1 April 2014</b>	<b>33,130</b>	<b>3,009</b>	29,184	<b>65,323</b>
Total comprehensive income for the year	-	-	11,969	11,969
Dividend declared for year	-	-	(1,514)	(1,514)
<b>Balance at 31 March 2015</b>	<b>33,130</b>	<b>3,009</b>	39,639	<b>75,778</b>
Total comprehensive income for the year	-	-	8,826	8,826
Dividend declared for year	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>33,130</b>	<b>3,009</b>	<b>48,465</b>	<b>84,604</b>

The notes on pages 9 to 27 are an integral part of these financial statements.

# Cable & Wireless (St Kitts and Nevis) Limited

## Statement of Cash Flows For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

	Note	2016	2015
<b>Cash flows from operating Activities</b>			
Profit before income tax		24,227	18,187
<b>Adjustments before working capital changes:</b>			
Depreciation & Impairment reversal	5a,10	8,910	9,337
Amortisation	5a,9	127	106
Loss on disposal of property, plant and equipment		-	27
Finance income	6a	(65)	(310)
Finance expense	6a	459	92
<b>Operating cash flows before working capital changes</b>		<b>33,658</b>	<b>27,439</b>
Movement in trade and other receivables		(231)	(4,084)
Movement in inventories		(1,277)	(131)
Movement in prepayments non-current		161	-
Movement in due from related party balances		3,262	-
Movement in due to related party balances		1,332	-
Movement in trade and other payables		(912)	6,239
Movement in deferred revenue		(126)	(128)
Movement in provisions		247	(759)
<b>Cash generated from operations</b>		<b>36,114</b>	<b>28,576</b>
Interest paid		(459)	(92)
Interest received		65	310
Income tax paid		(15,038)	(9,939)
<b>Net cash provided by operating activities</b>		<b>20,682</b>	<b>18,855</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment & AHS transfers	10	(19,890)	(17,413)
<b>Net cash used in investing activities</b>		<b>(19,890)</b>	<b>(17,413)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(1,514)
<b>Net cash from financing activities</b>		<b>-</b>	<b>(1,514)</b>
Net increase in cash and cash equivalents		792	(72)
Cash and cash equivalents at beginning of year		1,075	1,147
Cash and cash equivalents at end of year	13	1,867	1,075

The notes on pages 9 to 27 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 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 1 General information/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% - 2012) of the issued and outstanding shares. The Company's registered office is Basseterre, St. Kitts. The ultimate parent company is Cable & Wireless Communications Plc, a company incorporated in the United Kingdom. The annual report and accounts of Cable & Wireless Communications Plc are available at 3<sup>rd</sup> Floor, 26 Red Lion Square, London, WC1R 4HQ, United Kingdom.

On 19<sup>th</sup> March, 2010, the Cable & Wireless Group effected a group reorganization whereby Cable & Wireless Communications Plc was inserted as a new holding company for the Cable & Wireless Group via a Scheme of Agreement. Cable & Wireless Communications Plc therefore replaced Cable and Wireless Plc (now Cable & Wireless Limited) as the parent company of the Cable & Wireless Group at this date. On 22<sup>nd</sup> March 2010, the entire ordinary share capital of Cable and Wireless Plc was cancelled and shareholders were given one ordinary share and one B share of Cable & Wireless Communications Plc for every share of Cable and Wireless Plc held on that date. At this time, the Cable & Wireless Group was renamed the Cable & Wireless Communications Group. Cable & Wireless Communications group companies are referred to in these financial statements as "related companies".

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

Cable & Wireless St Kitts & 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 07 April 2001, which replaced a 25 year franchise granted by Government that would have expired on 30 November 2015. The new 15-year agreement, which grants the Company new non-exclusive licenses, will expire on October 2016.

The Company has 49 employees as at 31 March 2016 (2015: 46).

On 16 November 2015, the Board of Directors of Cable & Wireless Communications Plc entered into an agreement with Liberty Global plc to sell all issued and to be issued shares of Cable & Wireless Communications Plc pursuant to certain conditions, regulatory and other approvals (the "Transaction"). The Transaction was approved by the shareholders and Board of Directors of both Cable & Wireless Communications Plc and Liberty Global plc.

Effective 16 May 2016, Cable & Wireless Communications Plc was delisted from the London Stock Exchange and renamed Cable & Wireless Communications Limited and Liberty Global plc became the ultimate parent company.

### 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 March 2016, 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.

#### 2.2 Application of recently issued International Financial Reporting Standards (IFRS)

The Company considered the implications of the following amendments to IFRS during the year ended 31 March, 2016:

- Amendments to IAS 16 *Property, plant and equipment* – Provides clarifications on when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount;
- Amendments to IAS 38 *Intangible assets* – Provides clarification on when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount;

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 2 Summary of significant accounting policies (contd.)

#### 2.2 Application of recently issued International Financial Reporting Standards (IFRS) (contd.)

- Amendments to IAS 36 Recoverable amount disclosures for non-financial assets. Reverses the unintended requirement in IFRS 13 Fair Value Measurements to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed;
- Amendments to IFRS 2, Share-Based Payment. The amendments clarify the definition of “vesting conditions” by separately defining a “performance condition” and a “service condition”. This clarifies that any failure to complete a specified service period, even due to an entity’s termination of an employee, would be a failure to satisfy a service condition (applicable for grant dates on or after July 1, 2014.).

The above were first effective for the Company in the year beginning 1 April, 2015 and have been adopted by the Company for 2015/16. There was no material impact on the Company upon adoption of any amendments.

#### New and amended standards and interpretations, to be adopted by the Company in future periods:

Title	Effective date	Description and impact on the Company
IFRS 15 <i>Revenue from contracts with customers</i>	Annual periods beginning on or after 1 January 2018 with early adoption permitted	Establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 <i>Revenue</i> , IAS 11 <i>Construction Contracts</i> , IFRIC 13 <i>Customer Loyalty Programmes</i> and IFRIC 15 <i>Agreement for the Construction of Real Estate</i> . <i>The Company is yet to perform a full assessment of the impact on net results and net assets.</i>
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2018 with early adoption permitted.	Revises the existing accounting concerning classification and measurement, impairment (introducing an expected-loss method), hedge accounting, and on the treatment of gains arising from the impact of credit risk on the measurement of liabilities held at fair value. This is not expected to have a significant impact on the Company’s net results or net assets, although the full impact will be subject to further assessment.
IFRS 16 Leases	Annual periods beginning on or after 1 January 2019	Supersedes IAS 17 Leases, brings leases onto the statement of financial position, changes how to define leases and determines how lease liabilities are measured. The Company is yet to perform a full assessment of the impact on net results and net assets.
Clarification of Acceptance Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	Annual periods beginning on or after 1 January 2016	<p>The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. While this is not an outright ban, it creates a high hurdle for when these methods may be used for intangible assets.</p> <p>The amendments also ban the use of revenue-based amortisation for property, plant and equipment.</p> <p>This does not have an impact on the Group as the Group does not use revenue-based amortisation or depreciation.</p>

There are no other new or amended standards that are considered to have a material impact on the Company. There are no standards that are not yet effective that would be expected to have a material impact on the Company.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 2 Summary of significant accounting policies (contd.)

#### 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).

##### 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.

#### 2.4 Property, plant and equipment

Property, plant and equipment is 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 represents 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 write-off 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
Plant and machinery	5 to 40 years
Motor Vehicles	3 to 7 years
Furniture	10 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. Asset lives are tested for impairment on an annual basis (see note 2.7).

Assets under construction represents property, plant and equipment projects which are not yet completed at the year-end date. Upon completion, the assets under construction are transferred to the relevant category of property, plant and equipment. No depreciation is charged on assets under construction which are not in use.

#### 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.

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

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

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 2 Summary of significant accounting policies (contd.)

#### 2.6 Financial instruments

##### Financial assets

The Company classifies its financial assets into the following categories: cash and cash equivalents; trade and other receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments. The classification depends on the purpose for which the assets are held. The Company does not currently classify any assets as financial assets at fair value through profit or loss, available-for-sale or held-to-maturity investments.

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 and cash equivalents comprise cash in hand and at bank and short-term deposits. They are highly liquid monetary investments that are readily convertible to known amounts of cash and 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.

Receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost).

##### Financial liabilities

The Company classifies its financial liabilities into the following categories: trade and other payables; borrowings; and financial liabilities at fair value through profit or loss.

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.

#### 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.

An impairment allowance is established for trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

##### 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 determined on the weighted average basis. 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.

#### 2.10 Leases

All Company leases are operating leases. Payments made under operating leases, net of lease incentives or premiums received, are charged through profit or loss on a straight-line basis over the period of the lease.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 2 Summary of significant accounting policies (contd.)

#### 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.

#### 2.11 Employee benefits (contd.)

##### 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 the statement of financial position in relation to bonuses payable to employees where contractually obliged or where 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 and equity, in which case it is recognised in other comprehensive income or equity, respectively.

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.

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.

In accordance with the Group's policies, provisions for site restoration are recognised relating to future estimated costs to restore tower sites to their original condition upon decommissioning of those sites.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced. Estimated restructuring costs mainly include employee termination benefits and are based on a detailed plan agreed between management and employee representatives.

#### 2.14 Revenue recognition

Company revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services and goods provided to customers. It includes sales between group companies. Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided. In respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to other telecommunications operators are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Revenue generated through the provision of these services is accounted for gross of any amounts payable to other telecommunications operators for interconnect fees.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 2 Summary of significant accounting policies (contd.)

#### 2.14 Revenue recognition (contd.)

Revenue from mobile, broadband, and fixed line products comprises amounts charged to customers in respect of monthly access charges, airtime and usage, messaging and other telecommunications services. This includes data services and information provision and revenue from the sale of equipment, including handsets.

Monthly access charges from mobile, broadband, and fixed line products are invoiced and recorded as part of a periodic billing cycle. Airtime, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid credit, is recorded in the period in which the customer uses the service. Unbilled revenue resulting from services provided to contract customers from the billing cycle date to the end of each period is accrued. Unearned monthly access charges relating to periods after each accounting period are deferred.

#### 2.14 Revenue recognition (contd.)

The Company earns revenue from the transmission of content and traffic on its network originated by third-party providers. Third-party dealers and partners are also used to facilitate the sale and provision of some services and equipment sold by the Company. We assess whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following factors:

- Whether the Company holds itself out as an agent;
- Whether the Company has latitude for establishing the price, either directly or indirectly, for example by providing additional services;
- Provision of customer remedies;
- Whether the Company has the primary responsibility for providing the services to the customer or for fulfilling the order; and
- Assumption of credit risk.

Revenue from sales of telecommunications equipment is recognised upon delivery to the customer.

The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecoms equipment and ongoing service) is allocated to those components that are capable of operating independently, based on the estimated fair value of the components. The fair value of each component is determined by amounts charged when sold separately and by reference to sales of equivalent products and services by third parties.

Revenue arising from the provision of other services, including maintenance contracts, is recognised over the periods in which the service is provided.

Customer acquisition costs including dealer commissions and similar payments are expensed as incurred.

#### 2.15 Exceptional items

Exceptional items are material items within profit or loss that derive from individual events that fall within the ordinary activities of the Company that are identified as exceptional items by virtue of their size, nature or incidence.

### 3 Critical accounting estimates and judgements

A number of 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

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 other intangible assets with an indefinite life at least annually for impairment.

The identification of impairment triggers is a key judgement. Where an impairment review is required, the Company generally determines recoverable amount 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.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 3 Critical accounting estimates and judgements (contd.)

#### 3.2 Receivables allowance

The impairment allowance for trade receivables reflects the Company's estimates of losses arising from the failure or inability of the Company's customers to make required payments. The allowance is based on the ageing of customer accounts, customer creditworthiness and the Company's historical write-off experience. Changes to the allowance may be required if the financial condition of the Company's customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs. Historically, changes to the estimate of losses have not been material to the Company's financial position and results.

#### 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 multiple deliverables, such as the sale value of telecommunications equipment and ongoing service, where such items are sold as part of a bundled package. See note 2.16.

#### 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.

#### 3.6 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.

### 4 Revenue

#### Accounting policy detailed in note 2.14.

The Company is an integrated telecommunications service provider. It offers mobile, broadband, data, and domestic and international fixed line services to residential and business customers. Mobile includes prepaid and post-paid services and sale of handsets. 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.

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

	2016	2015
Mobile	41,787	37,476
Broadband	10,201	10,140
Fixed voice	17,023	19,100
Enterprise, data and other	12,292	10,912
<b>Total</b>	<b>81,303</b>	<b>77,628</b>

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 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 customers 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 from incurred by the Company is presented below, classified by the nature of the cost:

	2016	2015
Outpayments and direct costs	14,345	13,670
Employee and other staff expenses (see note 5c)	4,269	4,173
Other administrative expenses	18,360	19,989
Network costs	5,260	6,991
Property and utility costs	3,600	3,914
<b>Operating costs before depreciation, amortisation and impairment</b>	<b>45,834</b>	<b>48,737</b>
Depreciation of property, plant and equipment	8,910	8,795
Impairment	-	542
Amortisation of intangible assets	127	106
<b>Operating costs</b>	<b>54,871</b>	<b>58,180</b>

#### 5b Exceptional items

Exceptional items are material items within profit or loss that derive from individual events that fall within the ordinary activities of the Company. They are identified as exceptional items by virtue of their size, nature of incidence.

**Accounting policy detailed in note 2.15.**

During the financial year 2015/16, the Company further recorded \$1.811 million of exceptional charges pertaining to the approved restructuring programme. The exceptional loss recognized in the prior financial year 2014/15 comprised of restructuring costs for employee termination and other staff benefits and/or legal costs aggregating to \$1.5 million.

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

#### 5c Employee and other staff expenses

	2016	2015
Wages and salaries	2,964	3,147
Social security costs	323	268
Other benefits and allowances	951	681
Pension costs:		
– defined contribution plans	211	242
	<b>4,449</b>	<b>4,338</b>
Less: Staff costs capitalised	(180)	(165)
<b>Total Staff costs</b>	<b>4,269</b>	<b>4,173</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.



# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 5 Operating costs and other operating income and expenses (contd.)

Included within employee costs is key management remuneration as follows:

	2016	2015
Directors' emoluments	58	58
Other key management personnel – short-term employment benefits	1,149	1,187
Post-employment benefits	86	5
Termination benefits	-	-
<b>Total Key management remuneration</b>	<b>1,293</b>	<b>1,250</b>

### 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 and transactional foreign exchange losses.

The finance income and expense are set out below.

	2016	2015
<b>Finance income</b>		
Interest income	65	310
<b>Total finance income</b>	<b>65</b>	<b>310</b>
<b>Finance expense</b>		
Interest expense	459	92
Unwinding of discounts on provisions	-	-
<b>Total finance expense</b>	<b>459</b>	<b>92</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 and Loss. 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.

	2016	2015
<b>Current tax charge</b>		
Corporation tax at 33% (2014/15 – 33%)	8,049	6,557
Adjustments relating to prior year tax	6,982	459
<b>Total current tax charge</b>	<b>15,031</b>	<b>7,016</b>
<b>Withholding tax</b>	<b>45</b>	<b>42</b>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	1,649	(37)
Adjustments relating to prior years	(1,324)	(803)
<b>Total deferred tax credit</b>	<b>325</b>	<b>(840)</b>
<b>Total income tax charge</b>	<b>15,401</b>	<b>6,218</b>

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 7 Income tax expense (contd.)

#### Reconciliation of actual tax expense

	2016	2015
<b>Profit before income tax</b>	<b>24,227</b>	18,187
Income tax charge at tax rate: 33% (2014/15 – 33%)	7,995	6,002
Effect of permanent differences	1,134	459
Disallowed expenses and other capital adjustments	569	59
Withholding tax	45	42
Adjustments relating to prior year tax	5,658	(344)
<b>Total income tax charge</b>	<b>15,401</b>	6,218
<b>Income tax charge on exceptional items</b>	<b>598</b>	657
<b>Pre-exceptional income tax charge</b>	<b>14,804</b>	5,561
<b>Pre-exceptional effective tax rate on profit</b>	<b>66.0%</b>	30.6%
<b>Effective tax rate on profit</b>	<b>63.6%</b>	34.2%

For analysis of the Company's deferred tax liability as at the reporting date, including factors affecting the future tax rates see note 15.

### 8 Impairment review

Impairment occurs when the carrying value of an asset or group of assets is great than the present value of the cash they are expected to generate.

We consider the carrying value of other assets at least annually. If there are impairment triggers that indicate an impairment of other assets is possible, we then perform a full impairment review.

Accounting policy detailed in note 2.7.

#### Property, plant and equipment

The Company has identified that an impairment charge of \$Nil was considered necessary at 31 March 2016 (2014/15:\$542).

#### Other fixed assets and intangibles

There were no other 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.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 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 1 April 2014</b>	<b>3,090</b>
Transfers from Projects under construction/WIP	49
<b>At 31 March 2015</b>	<b>3,139</b>
Transfers from Projects under construction/WIP	152
<b>At 31 March 2016</b>	<b>3,291</b>
<b>Amortisation and impairment</b>	
<b>At 1 April 2014</b>	<b>2,644</b>
Charge for the year	106
Disposals	-
<b>At 31 March 2015</b>	<b>2,750</b>
Charge for the year	127
Disposals	-
<b>At 31 March 2016</b>	<b>2,877</b>
<b>Net book value</b>	
<b>At 31 March 2016</b>	<b>414</b>
<b>At 31 March 2015</b>	<b>389</b>

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 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	Projects Under Construction	Total
<b>Cost</b>					
<b>At 1 April 2014</b>	52,465	121,717	12,113	1,078	187,373
Additions	-	-	-	17,413	17,413
Adjustment	-	1,294	(101)	-	1,193
Transfers to intangible assets	-	-	-	(49)	(49)
Transfers from Project under construction	150	11,997	86	(12,233)	-
Transfers to assets held for sale	(1,288)	(6,594)	-	-	(7,882)
Disposals	-	-	(2,198)	-	(2,198)
<b>At 31 March 2015</b>	<b>51,327</b>	<b>128,414</b>	<b>9,900</b>	<b>6,209</b>	<b>195,850</b>
Additions	-	-	-	19,754	19,754
Adjustment	-	136	-	-	136
Transfers to intangible assets	-	-	-	(152)	(152)
Transfers from Projects under construction	2,090	22,034	-	(24,124)	-
EWC asset cost	1,192	3,063	-	-	4,255
Disposals	-	-	-	-	-
<b>At 31 March 2016</b>	<b>54,609</b>	<b>153,647</b>	<b>9,900</b>	<b>1,687</b>	<b>219,843</b>
<b>Depreciation</b>					
<b>At 1 April 2014</b>	32,596	79,791	10,993	-	123,380
Charge for the year	2,336	6,020	439	-	8,795
Adjustment	-	1,195	-	-	1,195
Impairment	-	542	-	-	542
Transfers to assets held for sale	(32)	(3,595)	-	-	(3,627)
Disposals	-	-	(2,173)	-	(2,173)
<b>At 31 March 2015</b>	<b>34,900</b>	<b>83,953</b>	<b>9,259</b>	<b>-</b>	<b>128,112</b>
Charge for the year	1,618	7,038	254	-	8,910
Disposals	-	-	-	-	-
<b>At 31 March 2016</b>	<b>36,518</b>	<b>90,991</b>	<b>9,513</b>	<b>-</b>	<b>137,022</b>
<b>Net book value at 31 March 2016</b>	<b>18,091</b>	<b>62,656</b>	<b>387</b>	<b>1,687</b>	<b>82,821</b>
<b>Net book value at 31 March 2015</b>	<b>16,427</b>	<b>44,461</b>	<b>641</b>	<b>6,209</b>	<b>67,738</b>

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 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.

	2016	2015
Gross trade receivables	6,785	7,396
Impairment allowance	(1,849)	(1,643)
<b>Net trade receivables</b>	<b>4,936</b>	5,753
Other receivables	5,751	2,951
Prepayments and accrued income	2,065	2,301
<b>Trade and other receivables – current</b>	<b>12,752</b>	11,005

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 and, after providing valuation allowance where necessary, continued to support the assessment of credit quality as low risk.

An ageing analysis of the current 'trade receivables' and current 'other receivables' that are not impaired is as follows (excludes prepayments and accrued income and taxation and social security):

	2016	2015
Not yet due	3,622	4,735
Overdue 30 days or less	742	717
Overdue 31 to 60 days	291	252
Overdue 61 to 90 days	320	200
Overdue 91 days to 180 days	226	193
Overdue 181 days or more	9,400	6,551
	<b>14,601</b>	12,648

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due by up to 30 days. Due to the nature of the telecommunications industry, balances relating to interconnection with other carriers often have lengthy settlement periods. Generally, interconnection agreements with major carriers result in both receivables and payables balances with the same counterparty. Industry practice 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.

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

	2016	2015
At 1 April	(1,643)	(2,640)
Bad debts written off - net	66	464
(Increase) / Decrease in allowance	(272)	533
<b>At 31 March</b>	<b>(1,849)</b>	(1,643)

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 11 Trade and other receivables (contd)

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 \$2.8 million (2014/15 – \$1.6 million) are presented net, after recording an allowance of \$1.1 million (2014/15 – \$0.9 million) made against slow moving or obsolete items. Amount of inventory written off through other administrative expenses during the year was \$0.2 million (2014/15: \$0.1 million).

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 bank.

**Accounting policy detailed in note 2.6.**

	2016	2015
Cash at bank and in hand	1,904	1,133
Bank overdraft	(37)	(58)
<b>Cash and cash equivalents represented in cashflow</b>	<b>1,867</b>	<b>1,075</b>

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

### 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.

	2016	2015
Trade payables	2,980	1,375
Accruals	6,579	9,182
Other payables	3,713	3,627
<b>Trade and other payables</b>	<b>13,272</b>	<b>14,184</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 Deferred Income

The amount represents unused prepaid mobile sales transactions deferred up to the date of use.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 16 Deferred tax

Accounting policy detailed in note 2.12.

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

	Capital allowances on non-current assets	Financial position offset	Total
Deferred tax asset	-	28	28
Deferred tax liability	(5,734)	-	(5,734)
<b>At 1 April 2014</b>	<b>(5,734)</b>	<b>28</b>	<b>(5,706)</b>
Credit / (Charge) to profit or loss	846	(6)	840
<b>At 31 March 2015</b>	<b>(4,888)</b>	<b>22</b>	<b>(4,866)</b>
Deferred tax asset	-	22	22
Deferred tax liability	(4,888)	-	(4,888)
<b>At 1 April 2015</b>	<b>(4,888)</b>	<b>22</b>	<b>(4,866)</b>
(Charge) / Credit to profit or loss	(345)	20	(325)
<b>At 31 March 2016</b>	<b>(5,233)</b>	<b>42</b>	<b>(5,191)</b>
Deferred tax asset	-	42	42
Deferred tax liability	(5,233)	-	(5,233)

### 17 Provisions

Accounting policy detailed in note 2.13.

	Property	Redundancy costs	Asset retirement obligations	Legal and other	Total
<b>At 1 April 2014</b>	324	760	1,765	41	2,890
Additional provisions	-	(462)	-	1,941	1,479
Cash payments	-	(297)	-	(25)	(322)
Effect of discounting	-	-	-	-	-
<b>At 31 March 2015</b>	324	1	1,765	1,957	4,047
Additional provisions	-	458	-	1,353	1,811
Cash payments	-	(458)	-	(1,440)	(1,898)
Effect of discounting	-	-	334	-	334
<b>At 31 March 2016</b>	<b>324</b>	<b>1</b>	<b>2,099</b>	<b>1,870</b>	<b>4,294</b>
<b>Provisions – current</b>	<b>324</b>	<b>1</b>	<b>-</b>	<b>192</b>	<b>517</b>
<b>Provisions – non-current</b>	<b>-</b>	<b>-</b>	<b>2,099</b>	<b>1,678</b>	<b>3,777</b>

#### Property

As a result of outsourcing and other redundancies associated with the structural reorganisation, seating capacity adjustment is required to accommodate all current staff in a central location.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 17 Provisions (contd)

#### Redundancy

Provision has been made for the total employee related costs of redundancies announced within the LIME Caribbean restructuring programme. Amounts provided for and spent during the period 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.

#### Legal and other

Legal and other provisions include amounts relating to specific legal claims against the Company together with amounts in respect of certain other staff costs, unbilled service charges and expatriate taxes. The timing of the utilisation of the provision is uncertain and is largely outside the Company's control, for example, where matters are contingent upon litigation.

### 18 Equity

#### Share capital

	2016	2015
<b>Authorised:</b> <b>50,000,000 Ordinary shares of \$1</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 Cable & Wireless 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.

### 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 company 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 of nil (2014/15 – \$2,456). No provision has been made for these commitments.

The Company leases land and buildings and networks under various operating lease agreements. The leases have varying terms, escalations, clauses and renewal rights. The aggregate future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
No later than one year	225	519
Later than one year but not later than five years	174	266
Later than five years	177	194
<b>Total minimum operating lease payments</b>	<b>576</b>	<b>979</b>

#### 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.



# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 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 & Loss Statement transactions

The Company, together with other Cable and Wireless 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 \$2,982 (2014/15: \$2,743). Other related party transactions for the year are:

	2016	2015
Cost of sales	1,299	1,362
Head Office support costs <sup>1</sup>	3,175	3,175
Net recharges into the company <sup>2</sup>	4,903	8,064
Interest income	(65)	(310)
<b>At 31 March</b>	<b>9,312</b>	<b>12,291</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.

##### (b) Due from related companies

	2016	2015
Cable & Wireless (CWI Caribbean) Ltd	5,420	6,549
Cable & Wireless Jamaica (Cayman) Finance	1,613	5,140
Cable & Wireless (BVI) Ltd	1,979	1,824
Cable & Wireless Anguilla Ltd	780	724
Cable & Wireless (Jamaica) Ltd.	-	559
Cable & Wireless (Barbados) Ltd	4,967	3,025
Bahamas Telecommunications Company Ltd	355	599
Other	239	195
<b>At 31 March</b>	<b>15,353</b>	<b>18,615</b>

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 plus 500 basis points on the daily net balance and interest is capitalized to the balance. On the CWJCF facility interest is earned at LIBOR + 300 basis points 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. The Company is limited to USD equivalent \$2 million in its deposits with CWIC.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 21 Related party transactions (contd.)

#### Transactions with other related parties (contd.)

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

	2016	2015
Cable & Wireless (CWI Caribbean) Ltd	2,165	912
Cable & Wireless Dominica Ltd	168	142
Cable & Wireless (EWC) Limited (BVI)	3,525	4,205
Other	1,047	314
<b>At 31 March</b>	<b>6,905</b>	<b>5,573</b>

These represent balances with other Cable & Wireless group companies, principally for telecommunications traffic and services provided under a Support Services Agreement.

#### Support Services Agreement

The Company entered into a Support Services Agreement effective 1 April 2009 with a related company to provide Management and Operational Support Services. These services include Finance Support delivered through a Finance Shared Service Centre located in Jamaica and Centres of Excellence that provide technical support on Tax, Treasury, Procurement and Supply Chain Management. The agreement also provides for Support for Sales and Marketing, Customer Operational Services, Technology and Property Services, Strategic and Business Advisory Services as well as Legal, Regulatory and Public Policy Services. Human Resources Support Services are provided through a Human Resource Shared Service Centre which is also located in Jamaica.

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 Cable & Wireless Communications Plc 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 undertake treasury transactions, these are governed by group policies and delegated authorities. Material positions are monitored by Group Treasury and the Jamaica Regional Treasury Centre. Where appropriate, transactions are reported to the Board. The Company is required to report details of their cash and debt positions to Group and Regional Treasury on a monthly basis.

The key responsibilities of Group and Regional 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 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 Dollars 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.

#### Interest rate risk

The Company is not significantly exposed to interest rate risk on its surplus cash as it is remitted to Regional Treasury, and short term financing is also supplied by Regional 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.

# Cable & Wireless (St Kitts and Nevis) Limited

## Notes to the financial statements

For the year ended 31 March 2016

(Expressed in thousands of Eastern Caribbean Dollars)

### 22 Financial risk management (contd)

#### 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.

#### Liquidity risk

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

At 31 March 2016, the Company had cash and cash equivalents of \$1,867. 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.

Approximately 100% of the Company's cash is invested in short-term bank deposits (2015 – 100%).

### 23 Non-current assets held for sale

During the year ended 31 March 2016, management has decided to forego the plan to transfer their International Wholesale Capacity assets to a related party due to restructuring within the Group. Accordingly, the carrying value of the International Wholesale Capacity assets of \$4,255 were transferred out of assets held for sale and back to property, plant and equipment and depreciated in accordance with company policy.

At 31 March 2016, the assets were stated at their carrying value, which equates to the transfer price and comprised of property, plant and equipment of \$Nil (2015 - \$4,255).

### 24 Events after the reporting period

When the Company receives information in the period between 31 March 2016 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 March 2016. 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.

Effective 16 May 2016, the Transaction completed, Cable & Wireless Communications Plc was delisted from the London Stock Exchange and renamed Cable & Wireless Communications Limited and Liberty Global plc became the ultimate parent company.

### Accounts approval

These accounts were approved by the Board of Directors on September 20, 2016 and authorised for issue.