Registered number: CD207737

SABLE INTERNATIONAL FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

SABLE INTERNATIONAL FINANCE LIMITED

COMPANY INFORMATION

Directors	M E Read L H Pegg
Company secretary	L H Pegg
Registered number	CD207737
Registered office	94 Solaris Avenue Camana Bay Grand Cayman Cayman Islands KY1-1108
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

SABLE INTERNATIONAL FINANCE LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the non-statutory financial statements of Sable International Finance Limited (the "company") for the year ended 31 December 2018.

Principal activities and business review

The company's principal activity is that of a financing company. It is the directors' intention to continue the business in line with current activities.

Results and dividends

The loss for the year, after tax, amounted to $39,367,000 (2017 - loss $30,087,000).

The directors have not recommended an ordinary dividend (2017 - £nil).

Directors

The directors who served during the year and thereafter were as follows:

M E Read
L H Pegg

All directors benefit from qualifying third party indemnity provisions in place during the year and at the date of this report.

Going concern

Notwithstanding net liabilities of $282,266,000 as at 31 December 2018 and a loss for the year then ended of $39,367,000, the non-statutory financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

After making suitable enquiries and obtaining the necessary assurances, including a letter of support from Cable & Wireless Communications Limited ("CWC"), the intermediate holding company, that sufficient resources will be made available to meet any liabilities as they fall due, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so, and continued operations are key to the wider group.

It is not CWC group's practice to prepare forecasts and projections for individual entities that are wholly owned by the group, as operational and financial management is undertaken at a group level. However forecasts and projections have been prepared for the CWC group as a whole and these showed that cash on hand, together with cash from operations and the undrawn revolving credit facility, are expected to be sufficient for the CWC group's and hence the company's cash requirements through to at least 12 months from the approval of these financial statements.

Taking into account these forecasts and projections and after making enquiries, the directors have a reasonable expectation the company has adequate support and resources to continue in operational existence for the foreseeable future. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the non-statutory financial statements and consequently have prepared the non-statutory financial statements on a going concern basis.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

This report was approved by the board on 17 December 2019 and signed on its behalf.

L H Pegg
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors of Sable International Finance Limited (the "directors") have accepted responsibility for the preparation of these non-statutory financial statements for the year ended 31 December 2018 which are intended by them to give a true and fair view of the state of affairs of the company and of the profit or loss for that period. They have decided to prepare the non-statutory financial statements in accordance with UK accounting standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

In preparing these audited non-statutory financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the non-statutory financial statements;
- assessed the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intended to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for such internal control as the determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SABLE INTERNATIONAL FINANCE LIMITED

1 Our opinion is unmodified

We have audited the non-statutory financial statements of Sable International Finance Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and loss account and statement of comprehensive income, Balance sheet, Statement of changes in equity and the related notes, including the accounting policies in note 2. These non-statutory financial statements have been prepared for the reasons set out in note 2.

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Recoverability of the Company's intercompany receivables
($3,576 million; 2017 $3,356 million)

Refer to page 12 and page 17

The risk – low risk/high value:

The carrying amount of the Company's intercompany receivables ($3,576 million) represents 98% of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement or estimation uncertainty. However, due to their materiality in the context of the financial statements, this is considered to be the area that had the greatest effect on our overall audit of the company.

Our response

Our procedures included:

- ***Tests of detail:** Assessing 100% (2017: 100%) of the total group debtors balance to identify, with reference to the relevant debtors' balance sheet as audited by KPMG, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making.*

Going Concern

The risk – disclosure quality:

The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the company.
That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

The risks most likely to adversely affect the Company's available financial resources over this period were:

- **The ability of the entity to continue to meet its liabilities as they fall due given its net liabilities position.**

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.

Our response

Our procedures included:

- ***Assessment of the ability of the entity to generate sufficient future funds to meet its liabilities as they fall due:*** *KPMG's assessment of the current and forecast position of the company concluded that the entity was reliant on group support to meet its liabilities as they fall due and to support its net liabilities position as noted in the basis of preparation in note 2.1.*

- ***Assessment of support provided by fellow group undertaking:*** *KPMG assessed whether the fellow group undertaking has (a) sufficient financial resources to provide the expressed level of support (ability); (b) has the intention and sound business reasons to continue to provide support to the company (intent).*

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements was set at $36.0 million (2017: $34.3 million), determined with reference to a benchmark of total assets of $3,646 million, of which it represents 1.0% (2017: 1.0%).

We agreed to report any corrected or uncorrected identified misstatements exceeding $1.80 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Non-Statutory Financial Statements

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report; and
- in our opinion the information given in those reports for the financial year is consistent with the financial statements.

6 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page [3], the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

7 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG LLP

KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

17 December 2019

PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $000	2017 $000
Other operating expenses		(12,356)	(227)
Operating loss		(12,356)	(227)
Finance income	5	264,692	119,837
Finance expense	6	(281,703)	(149,697)
Loss before tax		(39,367)	(30,087)
Tax on loss	7	-	-
Loss for the year		(39,367)	(30,087)

The notes on pages 10 to 28 form part of these non-statutory financial statements.

There was no other comprehensive income or expenditure for 2018 or 2017 other than that included in the profit and loss account.

SABLE INTERNATIONAL FINANCE LIMITED
REGISTERED NUMBER:CD207737

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 $000	2017 $000
Current assets			
Debtors due after one year	8	2,716,178	2,531,029
Debtors due within one year	8	928,246	898,174
Cash at bank and in hand		1,168	921
		3,645,592	3,430,124
Creditors: amounts falling due within one year	10	(386,164)	(355,876)
Net current assets		3,259,428	3,074,248
Creditors: amounts falling due after more than one year	11	(3,541,694)	(3,317,147)
Net liabilities		(282,266)	(242,899)
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account		(282,266)	(242,899)
		(282,266)	(242,899)

The non-statutory financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 December 2019.

M E Read
Director

The notes on pages 10 to 28 form part of these non-statutory financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Profit and loss account	Deficit
	$000	$000	$000
At 1 January 2018	-	(242,899)	(242,899)
Comprehensive income for the year			
Loss for the year	-	(39,367)	(39,367)
Total comprehensive income for the year	-	(39,367)	(39,367)
At 31 December 2018	-	(282,266)	(282,266)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Profit and loss account	Deficit
	$000	$000	$000
At 1 January 2017	-	(212,812)	(212,812)
Comprehensive income for the year			
Loss for the year	-	(30,087)	(30,087)
Total comprehensive income for the year	-	(30,087)	(30,087)
At 31 December 2017	-	(242,899)	(242,899)

The notes on pages 10 to 28 form part of these non-statutory financial statements.

1. **Company information**

Sable International Finance Limited is a company incorporated and domiciled in the Cayman Islands. The registered number is CD-207737 and the registered address is 94 Solaris Avenue, Camana Bay, Grand Cayman, KY1-1108, Cayman Islands.

2. **Accounting policies**

A summary of the principal accounting policies is set out below. All accounting policies have been applied consistently, unless noted below.

2.1 **Basis of preparation**

The non-statutory financial statements have been prepared for UK tax filing requirements. The directors consider the US dollar to be the functional currency reflecting the economic effects of the underlying transactions, events and conditions for the company. The financial statements are presented in US dollars ("$") and rounded to the nearest thousand.

These non-statutory financial statements have been prepared under the historical cost basis in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these non-statutory financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS") and has set out below where advantage of FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, Liberty Latin America Ltd ("LLA"), includes the company in its consolidated financial statements. The consolidated financial statements of LLA are prepared in accordance with accounting principles generally accepted in the United States of America and are available to the public and may be obtained from LLA's website at www.lla.com.

In these non-statutory financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of transactions with fellow group undertakings;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of CWC include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The company's intermediate parent undertaking at 31 December 2018, CWC, includes the company in its consolidated financial statements. The consolidated financial statements of CWC are prepared in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP") and are available to the public and may be obtained from www.cwc.com.

2. Accounting policies (continued)

2.2 Going concern

Notwithstanding net liabilities of $282,266,000 as at 31 December 2018 and a loss for the year then ended of $39,367,000, the non-statutory financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

After making suitable enquiries and obtaining the necessary assurances, including a letter of support from Cable & Wireless Communications Limited ("CWC"), the intermediate holding company, that sufficient resources will be made available to meet any liabilities as they fall due, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so, and continued operations are key to the wider group.

It is not CWC group's practice to prepare forecasts and projections for individual entities that are wholly owned by the group, as operational and financial management is undertaken at a group level. However forecasts and projections have been prepared for the CWC group as a whole and these showed that cash on hand, together with cash from operations and the undrawn revolving credit facility, are expected to be sufficient for the CWC group's and hence the company's cash requirements through to at least 12 months from the approval of these financial statements.

Taking into account these forecasts and projections and after making enquiries, the directors have a reasonable expectation the company has adequate support and resources to continue in operational existence for the foreseeable future. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the non-statutory financial statements and consequently have prepared the non-statutory financial statements on a going concern basis.

2.3 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2.4 Impairment

Financial assets (including trade and other receivables)

The introduction of IFRS 9, *Financial Instruments* ("IFRS 9"), replaces the model previously used by the company to calculate impairments of financial assets not carried at fair value under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), which was based primarily on incurred losses, with a model based on expected credit losses. The scope of the new model consistently includes all financial assets that are recognised at amortised cost.

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.

The company determined that the application of IFRS 9's impairment requirements resulted in an immaterial impairment loss related to loan receivable balance at 1 January 2018. Therefore, the company has not adjusted its opening assets or equity. The cumulative impact of the impairment losses as of 31 December 2018 has been recorded through profit and loss for the year ended 31 December 2018.

As a result, the company has not presented a reconciliation of previously reported financial statements to the comparative financial statements presented herein.

2. **Accounting policies (continued)**

2.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in group undertakings, trade and other receivables, cash and cash equivalents, interest-bearing borrowings, and trade and other payables.

Trade and other receivables
Trade and other debtors are stated at their recoverable amount. Provision is made when the amount receivable is not considered recoverable and the amount is fully written off when the probability for recovery of a balance is assessed as being remote.

The company adopted IFRS 9 on 1 January 2018. Applying IFRS 9 has resulted in changes to the measurement and disclosure of financial instruments and introduced a new expected loss impairment model, which measures expected credit losses using a lifetime expected loss allowance for all assets held at amortised cost.

We revised the methodologies we use to impair financial assets to reflect the forward-looking 'expected credit loss' model introduced by IFRS 9, in contrast to the backward-looking 'incurred credit loss' model used under IAS 39. In order to assess the impact of IFRS 9, the company reviewed the last 12 months of actual debtor impairment when calculating the impact of the expected credit loss. The company now recognises a loss allowance for all expected credit losses on initial recognition of trade and other receivables.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings
IFRS 9 specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The company did not change its approach to measuring and classifying interest-bearing borrowings.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the loans using the effective interest rate method.

2.6 Derivative financial instruments

The company uses derivative financial instruments to reduce its exposure to volatility in foreign exchange and interest rates. The company does not use derivative financial instruments for speculative trading purposes.

Following the adoption of IFRS 9, the company did not change its approach to measuring and classifying derivative financial instruments. Derivatives not specifically designated in a hedging relationship or those that do not qualify for hedge accounting are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value through profit and loss at each reporting date. Any direct transaction costs are recognised immediately in the profit and loss account.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contact is not held for trading or designated as fair value through profit or loss. Changes in fair value of such derivatives are recognised in the profit and loss account during the period in which they arise.

2.7 Interest income and expense

Interest income and expense is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable.

2. **Accounting policies (continued)**

2.8 Tax

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account. The directors periodically evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside of profit or loss.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies which are described above, management has not made any critical judgements that have a significant effect on the amounts recognised in the non-statutory financial statements, except for:

Carrying value of investments
Investments are held at cost less any necessary provision for impairment. Where the impairment assessment did not provide any indication of impairment, no provision is required. If any such indications exist, the carrying value of an investment is written down to its recoverable amount.

Recoverability of intercompany debtors
Intercompany debtors are stated at their recoverable amount less any necessary provision. Recoverability of intercompany debtors is assessed annually and a provision is recognised as indicated under the expected credit loss impairment model.

Fair value measurement of financial instruments
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 15).

4. Operating loss

The operating loss is stated after charging $12,322,000 (2017 - $nil) for bad debt provision for receivables, except for interest receivable, from group undertakings.

Auditor's remuneration for these non-statutory financial statements was $6,500 for the year (2017: $5,000). This has been borne by another group company.

No remuneration was paid to the directors for qualifying services to this company (2017: $nil).

5. Finance income

	2018 $000	2017 $000
Intercompany interest income	254,692	107,880
Fair value gain on financial assets	-	11,957
	254,692	119,837

Intercompany interest income is derived from two loans with group undertakings: $844.1 million with an interest rate of three month LIBOR + 4% and $2,676.5 million with an interest rate of 7.27%, respectively.

6. **Finance expense**

	2018 $000	2017 $000
Interest on amounts owed to group undertakings	172,922	78,690
Interest on bonds and bank loans	52,693	56,168
Unwinding of capitalised fees	6,004	5,504
Fair value loss on financial assets and liabilities	15,303	-
Loss on debt extinguishment	33,430	8,973
Other	1,351	362
	281,703	149,697

Intercompany interest expense relates to the loans with two separate group undertakings of $1,875 million with an interest rate of three month LIBOR + 3.625%, $700 million with an interest rate of 6.875% and $500 million with an interest rate of 7.50%.

Interest on bonds and bank loans relate to our 2022 $750 million 6.875% unsecured senior notes and revolving credit facility.

Loss on debt extinguishment for the year ended 31 December 2018 relates to the redemption of $275 million on the $750 million Senior Notes. The loss includes the write-off of $2.2 million of unamortized discounts, $4.4 million of unamortized finance costs, $14.2 of early redemption premium and $8.4 million of unamortized embedded derivative balance.

An additional $4.2 million of loss on debt extinguishment for the year ended 31 December 2018 relates to the write-off of financing cost associated with the partial repayment of the $1,875 million term loan by a group undertaking, the financing fees for which the company is contractually responsible.

Loss on debt extinguishment for the year ended 31 December 2017 relates to the redemption of the $1,100 million term loan by a group undertaking. The loss includes the write-off of $8.9 million of unamortized discounts and capitalized finance costs, net, for which the company is contractually responsible.

7. Taxation

	2018 $000	2017 $000
Current tax		
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Tax on loss	-	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 $000	2017 $000
Loss before tax	(39,367)	(30,088)
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(7,480)	(5,792)
Effects of:		
Non deductible expense	2,350	-
Group relief surrendered without payment	5,130	5,792
Total tax charge for the year	-	-

8. Debtors

	2018 $000	2017 $000
Due after more than one year		
Loans receivable from group undertakings	2,667,142	2,459,983
Financing prepayments	5,631	7,342
Financial instruments - Note 9	43,405	63,704
	2,716,178	2,531,029

	2018 $000	2017 $000
Due within one year		
Loans receivable from group undertakings	895,579	857,300
Interest receivable from group undertakings	13,752	38,222
Financial instruments - Note 9	18,915	2,652
	928,246	898,174

The components of our loans receivable from group undertakings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value December 2018 $'000	Carrying amount December 2018 $'000	Face value December 2017 $'000	Carrying amount December 2017 $'000
Receivable from group undertakings	USD	Three month LIBOR + 4%	31 March 2020	844,052	841,097	801,613	801,613
Receivable from group undertakings	USD	7.27%	31 December 2022	2,676,510	2,667,142	2,459,983	2,459,983
Amounts owed by group undertakings	USD	0%	On demand	54,482	54,482	55,687	55,687

At 31 December 2018 all loans with group undertakings 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 loans with group undertakings have experienced a significant increase in credit risk. Accordingly, the expected credit losses are measured based on default events possible within the next 12 months.

A reconciliation of the movements in loss allowances is provided as follows:

	1 January 2018	2018 ECL Loss Allowance	31 December 2018
	$'000	$'000	$'000
Expected credit loss allowances	0	12,370	12,370

The company has determined the ECL allowance through a detailed market comparability analysis. The company based their 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 ECL loss allowances noted above.

9. Financial assets at fair value through profit or loss

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on the group's variable-rate debt and (ii) foreign currency movements with respect to borrowings that are denominated in a currency other than the group's functional currency. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the U.S. dollar, the British pound sterling (£), the Colombian Pesos (COP) and the Jamaican dollar (JMD). Hedge accounting is not applied to the group's cross-currency and interest rate swaps. Accordingly, changes in the fair values of the group's derivative instruments are recorded within finance expense or finance income in the profit and loss account.

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	31 December 2018 $'000 Cross-currency and interest rate derivative contracts	31 December 2018 $'000 Embedded derivative	31 December 2018 $'000 Total
Amounts falling due within one year:			
At start of year	2,652	-	2,652
Cash payments	(72,165)	-	(72,165)
Movement in fair value of derivative financial assets	88,428	-	88,428
At end of year	18,915	-	18,915
Amounts falling due after more than one year:			
At start of year	37,671	26,033	63,704
Write off in connection with partial redemption of senior notes	-	(9,256)	(9,256)
Movement in fair value of derivative financial assets	(2,258)	(8,785)	(11,043)
At end of year	35,413	7,992	43,405

	31 December 2017 $'000 Cross-currency and interest rate derivative contracts	31 December 2017 $'000 Embedded derivative	31 December 2017 $'000 Total
Amounts falling due within one year:			
At start of year	3,325	-	3,325
Movement in fair value of derivative financial assets	(673)	-	(673)
At end of year	2,652	-	2,652
Amounts falling due after more than one year:			
At start of year	32,813	12,982	45,795
Movement in fair value of derivative financial assets	4,858	13,051	17,909
At end of year	37,671	26,033	63,704

The terms of our outstanding cross-currency swap contracts at 31 December 2018 are as follows:

Final maturity date	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	'000	'000		
Mar-19	GBP 83,600	$110,703	8.63%	9.79%
Dec-22	$108,348	JMD $13,817,500	0.00%	8.20%
Aug-26	$56,338	COP 180,000,000	0.00%	2.98%

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at 31 December 2018 are as follows:

Final maturity date	Notional amount	Interest rate due from counterparty	Interest rate due to counterparty
	US$'000		
Dec-22 & Jan-25	2,975,000	0.00%	2.21%
Dec-19	1,875,000	3.25%	3.14%

Embedded Derivatives
The redemption term pursuant to the US$750 million Senior Notes (each as defined and described in note 13) represents an embedded derivative instrument, which requires bifurcation from the debt instrument. The bifurcated amount is carried at fair value on the balance sheet. Any gain or loss associated with the recurring valuation of this embedded derivative is recorded in finance income or expense in the profit and loss account.

There were no transfers between levels within the fair value measurement hierarchy during the current or prior year.

10. Creditors: amounts falling due within one year

	2018 $000	2017 $000
Other group payables	**349,119**	311,920
Third party interest accrual	**15,189**	22,479
Accruals	**-**	42
Financial instruments - note 12	**21,856**	21,435
	386,164	355,876

11. Creditors: amounts falling due after more than one year

	2018 $000	2017 $000
Loans payable to group undertakings	3,061,815	2,515,020
Financial instruments - Note 12	29,107	20,977
Debentures loans - Note 13	450,772	731,150
Other loans - Note 13	-	50,000
	3,541,694	3,317,147

The components of our loans payable to Group undertakings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value December 2018 $'000	Carrying amount December 2018 $'000	Face value December 2017 $'000	Carrying amount December 2017 $'000
Amounts owed to group undertakings	USD	Three month EURIBOR + 4.875%	31 December 2022	-	-	-	-
Amounts owed to group undertakings	USD	Three month EURIBOR + 4.875%	31 December 2022	-	-	-	-
Amounts owed to group undertakings	USD	Three month EURIBOR + 4.875%	31 December 2022	-	-	-	-
Amounts owed to group undertakings	USD	Three month LIBOR + 3.375%	31 January 2026	1,861,815	1,861,815	1,825,000	1,815,020
Amounts owed to group undertakings	USD	6.875%	15 September 2027	700,000	700,000	700,000	700,000
Amounts owed to group undertakings	USD	7.500%	15 October 2026	500,000	500,000	-	-

In August 2017, the company issued a $1,825 million unsecured note payable to a group undertaking in connection with that entity's drawdown of a term loan from a third party. The note carries interest of three month LIBOR + 3.625% and is due December 2025. On 9 February 2018, the $1,825 million was refinanced with a $50 million upsize and one year extension making the new balance $1,875 million, due January 2026.

In addition, in 2017, the company issued a $700 million note payable to another group undertaking in connection with that entity's issuance of notes to third parties. The note with the group undertaking carries interest of 6.875% and is due September 2027.

On 11 October 2018, the company issued a $500 million note payable to another group undertaking in connection with that entity's issuance of notes to third parties. The note with the group undertaking carries interest of 7.500% and is due October 2026.

Loans payable to group undertakings includes unamortised deferred fees of debt issued by group entities.

12. Financial liabilities at fair value through profit or loss

	31 December 2018 $'000	31 December 2017 $'000
Amounts falling due within one year:		
At start of year	21,435	22,465
Cash payments	(84,135)	(15,914)
Movement in fair value of derivative financial liabilities	84,556	14,884
At end of year	21,856	21,435
Amounts falling due after more than one year:		
At start of year	20,977	30,582
Movement in fair value of derivative financial liabilities	8,130	(9,605)
At end of year	29,107	20,977

13. Borrowings

This note provides information about the contractual terms of the company's interest bearing loans and borrowings, which are measured at amortised cost.

	Interest rate %	31 December 2018 $'000	31 December 2017 $'000
Creditors: falling due after more than one year			
2023 US$625 million revolving credit facility	4.356	-	50,000
2022 US$750 million unsecured senior notes	6.875	472,825	745,751
Deferred financing cost net		(22,053)	(14,601)
		450,772	781,150

Revolving credit facilities

In May 2016, the company entered into a $570 million revolving credit facility, with a maturity date of 31 March 2020. In October 2016, the revolving credit facility was increased from $570 million to $625 million.

In May 2017, the company entered into a new $625 million revolving credit facility, extending the facility to 30 June 2023 and refinancing the revolving credit facility commitment on substantially the same terms and conditions as the facility being replaced.

The agreements for the facilities contain financial and other covenants which are standard to these types of arrangements. The $625 million revolving credit facility has a fee on unused commitments of 0.5% per year. $625 million was undrawn as of 31 December 2018.

Bonds
On 31 July 2015 the company issued $750 million of senior notes ("$750 million Senior Notes") with a coupon rate of 6.875% due in August 2022, drawn down on 5 August 2015. Interest payments of 6.875% are payable semi-annually on 1 February and 1 August of each year commencing on 1 February 2016. The $750 million Senior Notes are guaranteed by certain subsidiaries of CWC. The $750 million Senior Notes had an issue price of 98.644%.

On 3 November 2018, the company completed the redemption of $275m of aggregate principal amount on the 2022 Senior notes.

On 2 May 2019, the company completed the redemption of $150m of aggregate principal amount on the 2022 Senior notes.

On 29 July 2019, the company completed the redemption of $115m of aggregate principal amount on the 2022 Senior notes.

On 12 August 2019, the company completed the pay off of the outstanding $210m of aggregate principal amount on the 2022 Senior notes.

On 7 July 2019, the company issued $400 million of senior notes ("$400 million Senior Notes") with a coupon rate of 5.75% due in February 2027. Interest payments of 5.75% are payable semi-annually on 7 January and 7 July of each year commencing on 7 July 2019. The $750 million Senior Notes are guaranteed by certain subsidiaries of CWC. The $400 million Senior Notes had an issue price of 99.195%.

US$750 million Senior Notes redemption option

Subject to the circumstances described below, the US$750 million Senior Notes were non-callable until 1 August 2018. The company was able to redeem some or all of the applicable notes by paying a "make-whole" premium, which is generally based on the present value of all scheduled interest payments until 1 August 2018 using the discount rate as of the redemption date, plus 50 basis points, and is subject to a minimum 1% of the principal amount outstanding at any redemption date prior to 1 August 2018. The company was able to redeem some or all of the US$750 million Senior Notes, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, to the redemption date, as set forth below during each 12-month period commencing 1 August:

2018	105.156%
2019	103.438%
2020	101.719%
2021 and thereafter	100.000%

As described above, the company has redeemed the US$750 million Senior Notes in a series of redemptions in 2018 and 2019.

14. Share capital

	2018 $	2017 $
Allotted, called up and fully paid		
1 (2017 - 1) Ordinary share of $1.00	1	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

15. Fair Value Measurements

We measure our derivative instruments at fair value. The reported fair values of these derivative instruments as of 31 December 2018 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. With respect to our derivative instruments, we expect that the values realised generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

We disclose fair value measurements according to a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the year ended 31 December 2018, no such transfers were made.

All of our Level 2 inputs (interest rate futures, swap rates and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive market value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. The midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

In order to manage our interest rate and foreign currency exchange risk, we have entered into various derivative instruments, as further described in note 9. The recurring fair value measurements of these instruments are determined using discounted cash flow models. With the exception of the inputs for the US dollar to Jamaican dollar cross-currency swaps, most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these instruments. This observable data includes most interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own non-performance risk and the non-performance risk of our counterparties. Our and our counterparties' credit spreads represent our most significant Level 3 inputs and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these instruments, we have determined that these valuations (other than the currency swaps) fall under Level 2 of the fair value hierarchy. Due to the lack of Level 2 inputs for the currency swaps valuation, we believe this valuation falls under Level 3 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 9.

We have bifurcated an embedded derivative associated with certain redemption terms of the $750 million Senior Notes. The recurring fair value measurements of these embedded derivatives are determined using observable Level 2 data applying a binomial tree/lattice approach based on the Hull-White single factor interest rate term structure model. Under this approach, an interest rate lattice is constructed according to a given short-rate volatility and mean reversion constant as implied by the market at each valuation date.

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		31 December 2018		31 December 2017	
		Carrying amount $'000	Estimated fair value $'000	Carrying amount $'000	Estimated fair value $'000
Assets carried at fair value					
Derivative instruments (a)	2	54,328	54,328	40,323	40,323
Embedded derivatives (b)	3	7,992	7,992	26,033	26,033
Total assets carried at fair value		62,320	62,320	66,356	66,356
Assets carried at cost or amortised cost:					
Loans receivable from group undertakings		3,562,721	3,562,721	3,317,283	3,317,283
Liabilities carried at fair value					
Derivative instruments (a)	2	50,963	50,963	42,412	42,412
Liabilities carried at cost or amortised cost:					
Borrowings		450,772	450,772	795,751	795,751
Loans payable to group undertakings		3,061,815	3,061,815	2,472,543	2,472,543
Total liabilities carried at cost or amortised cost		3,512,587	3,512,587	3,268,294	3,268,294

(a) These amounts represent our cross-currency and interest rate swaps.
(b) These amounts represent embedded derivative instruments associated with the $750 million Senior Notes.

16. Guarantees

On 26 May 2017, the company, along with other Cable & Wireless Group ("group") companies, became a joint and several guarantor of Coral US Co-Borrower, LLC, in its capacity as issuer under $1,125 million of term loan facilities, which was subsequently increased to $1,825 million, due January 2025.

On 7 February 2018, the company, along with other group companies, became a joint and several guarantor of Coral US Co-Borrower, LLC, in its capacity as issuer under a $1,875 term loan facility, due January 2026. The net proceeds of the new term loan facility were used to repay in full the $1,825 million term loan due January 2025, which the company was a guarantor of as at 31 December 2017.

In April 2019, the company, along with other group companies, was a joint and several guarantor on the $400 million senior secured notes due 2026.

17. Parent undertaking and controlling party

The company's immediate parent undertaking is Sable Holding Limited.

The smallest and largest groups of which the company is a member and in to which the company's accounts were consolidated at 31 December 2018 are Cable & Wireless Communications Limited ("CWC group") and LLA, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2018 was LLA.

Copies of CWC group accounts referred to above which include the results of the company are available from the company secretary, Cable & Wireless Communications Limited, Griffin House, 161 Hammersmith Road, London W6 8BS or from CWC's website: www.cwc.com.

In addition copies of the consolidated LLA accounts are available on LLA's website at www.lla.com.

18. Post balance sheet events

The company has the following post balance sheet events in addition to those disclosed elsewhere within the financial statements:

On 2 May, 29 July and 12 August 2019, the company completed the redemption of $150m, $115m and $210m respectively, of aggregate principal on the $750 million Senior Notes. According to the redemption terms of de indenture, we paid 105.156% and 103.438% redemption price in addition to accrued and unpaid interest on the redeemed notes. The $750 million Senior Notes were fully repaid after these redemptions.

On 7 July 2019, the company issued $400 million of senior notes ("$400 million Senior Notes") with a coupon rate of 5.75% due in February 2027. Interest payments of 5.75% are payable semi-annually on 7 January and 7 July of each year commencing on 7 July 2019. The $750 million Senior Notes are guaranteed by certain subsidiaries of CWC. The $400 million Senior Notes had an issue price of 99.195%.