

**Cable and Wireless International Finance B.V.**

**Interim financial statements  
June 30, 2018**

**Amsterdam, the Netherlands**

Cable and Wireless International Finance B.V.  
Prins Bernhardplein 200  
1097 JB Amsterdam  
The Netherlands  
Chamber of Commerce: 33.214.341

# ***Cable and Wireless International Finance B.V.***

## ***Interim financial statements June 30, 2018***

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# ***Cable and Wireless International Finance B.V.***

## ***Interim financial statements June 30, 2018***

### **1.1 Management report**

#### **General**

Management hereby presents to the shareholder the unaudited interim financial statements of Cable and Wireless International Finance B.V. (the "Company") for the financial period ended June 30, 2018.

The Company was incorporated as a private company with limited liability on September 28, 1989 under the laws of the Netherlands. The objective of the Company is to act as a finance company. The group structure is further detailed in note 2.4 of the financial statements.

#### **Activities and results**

During the period under review, the Company continued its activities with respect to the bonds. These bonds are listed on the London, Hong Kong and Frankfurt stock exchanges and are due for redemption March 2019 (the "2019 Bonds"). The 2019 Bonds are guaranteed by the shareholder of the Company, Cable & Wireless Limited ("the Parent Company"). In turn, Cable & Wireless Limited is a wholly owned subsidiary of Cable & Wireless Communications Limited (hereinafter "CWC"), a leading telecommunications company with operations in the Caribbean and Latin America.

On May 16, 2016, CWC was acquired by a subsidiary of Liberty Global plc ("Liberty Global"). On December 29, 2017, Liberty Global split off its Latin American and Caribbean operations as Liberty Latin America Ltd. ("Liberty Latin America"). Following the split off, Liberty Latin America replaced Liberty Global as the ultimate parent.

On March 26, 2018, the Parent Company was entitled to receive interest of 4,597,125 Pound Sterling ("GBP") associated with the 2019 Bonds. The Parent Company has irrevocably renounced its right to receive these interest payments.

On March 26, 2018, the Company was entitled to receive interest of GBP 4,597,125 from the Parent Company on the loan to the shareholder of GBP 200,000,000 (USD 264,140,079) (the "GBP Shareholder Loan"). The Company irrevocably renounced its right to receive these interest payments.

During the period under review, the Company realized a net result of USD 315,258 (2017: USD 170,626) and the equity of the Company as at June 30, 2018 amounts to USD 11,859,033 (December 31, 2017: USD 11,543,775). The increase in the net result is mainly due to an increase of the interest charged on the Vanilla Loan (as defined in Note 2.5) to USD 259,444 (2017: USD 202,360). The equity ratio increased to 4.20% (H1 2018) from 3.85% (2017). The activities of the Company developed in line with expectations.

#### **Changes in management**

On February 5, 2018 both Mextrust B.V. ("Mextrust") as well as Mr. Roderick Gregor McNeil were appointed directors of the Company.

#### **Financial risks**

The risks the Company runs in relation to financial instruments are limited to interest rate risk and credit risk. The interest rate risk is addressed and mitigated by a fixed positive margin between rates on borrowings and lendings. The credit risk is limited due to the guarantee given by the Parent Company with respect to the 2019 Bonds receivable and the GBP Shareholder Loan payable.

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Financial risks arising from the ordinary business activities of the Company consist mainly of default and liquidity risks if the Parent Company were not able to meet its obligations in respect of the GBP Shareholder Loan and the 2019 Bonds. At June 30, 2018, management has no reason to believe that the Parent Company will not be able to meet its obligations in the foreseeable future.

The Company has agreements in GBP for the GBP Shareholder Loan and the 2019 Bonds, each in the principal amount of GBP 200,000,000. The GBP Shareholder Loan carries a fixed interest rate at 8.75% per annum, whilst the 2019 Bonds carry a fixed interest rate at 8.625% per annum. As a result, the Company does not consider the foreign currency and interest risks to be significant.

The Company does not enter into derivative financial instruments to hedge against changes in exchange rates or interest rates. Risks in connection with anticipated significant classes of transactions are not hedged.

### **Financial risk management**

The Company has exposure to the following risks from its financial instruments:

- currency risk
- credit risk
- liquidity risk
- interest rate risk

#### *Currency risk*

The Company is exposed to movements in exchange rates in relation to non-USD currency denominated assets, liabilities, income and expenses. Where appropriate, the Company manages its exposure to movements in exchange rates on a net basis. Affiliates of the Company use forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created when currencies do not naturally offset in the short term. Affiliates of the Company will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Company where appropriate.

#### *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 core relationship banks. These banks are awarded a maximum credit limit based on ratings by Standard & Poor's and Moody's, the level of the banks' Credit Default Swap and its associated level of tier one capital. The credit limit assigned to counterparties is monitored on a continuing basis. The credit risk on the loan receivable from the Company's shareholder is considered low due to the shareholder's financial position.

#### *Liquidity risk*

The Company manages its own liquidity to meet its financial obligations of servicing and repaying external debt. Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised 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. CWC has confirmed that there are currently no committed plans to extend the maturity of either the 2019 Bonds or the GBP Shareholder Loan. As such, management's expectation is that the 2019 Bonds and GBP Shareholder Loan will settle within 12 months and both are presented as current.

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### *Interest rate risk*

The Company is exposed to movements in interest rates on its surplus cash balances and variable rate loans although there is a degree of offset between the two. Accordingly, the Company does not consider interest rate risk to be significant. The Company 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 does not use derivative financial instruments.

Financial risks arising from the ordinary business activities of the Company consist mainly of default and liquidity risks if the Parent Company were not to meet its obligations in respect of the GBP Shareholder Loan and the 2019 Bonds, as further described in note 2.5 [1] and [5], respectively. At June 30, 2018, management has no reason to believe that the Parent Company will not be able to meet its obligations in the foreseeable future.

It is expected that the Brexit will not have a significant impact on the financial position of the Company.

During the financial period under review the risk management processes remained unchanged.

### **Personnel related information**

The Company employed no personnel during the financial period under review (2017: nil). During the period under review the Company appointed Mr. McNeil and Mextrust as directors. Therefore, the Company does not meet the guidance provided by the Dutch Act on Management and Supervision that states that at least 30% of the members should be female. In the future the company will consider the 30% target when appointing new Board members for vacant positions on its Board of Directors.

### **Research and development costs**

The Company does not perform any research and development.

### **Corporate governance**

The Board of Managing Directors is responsible for the establishment and adequate functioning of internal control in the Company. Consequently, the Board of Managing Directors has implemented a range of processes designed to provide control by the Board of Managing Directors over the Company's operations.

These processes and procedures include measures regarding the general control environment as well as specific internal control measures. All these processes and procedures are aimed to ensuring a reasonable level of assurance that the Company has identified and managed its significant risks and that it meets the operational and financial objectives in compliance with applicable laws and regulations.

While the Board of Managing Directors routinely works towards continuous improvement of the processes and procedures regarding financial reporting, the Board of Managing Directors is of the opinion that, regarding financial reporting risks, the internal risk management and control systems:

- provide a reasonable level of assurance that the financial reporting in this annual report does not contain any errors of material importance; and
- have worked properly in the period January 1 up to and including June 30, 2018.

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### **Future outlook**

The GBP Shareholder Loan granted is due to mature in June 2019 and the 2019 Bonds issued are due to mature in March 2019. There is no current committed plan to extend the maturity of the GBP Shareholder Loan and the 2019 Bonds. As such the GBP Shareholder Loan and 2019 Bonds are now presented as current assets and current liabilities, respectively.

No further material change in activities is contemplated for the remainder of 2018. It is expected that the result will be in line with that of the reporting period. The main factors for this being the spread between the interest on the GBP Shareholder Loan and the 2019 Bonds and due to the interest income from the Vanilla Loan. Furthermore, management has no current plans which would have a significant influence on expectations concerning future activities, investments, financing, staffing or profitability.

### **Subsequent events**

No other events have occurred since the balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the interim statements presented. Management is of the opinion that the present level of activities will be maintained during the next financial period.

### **Statement ex Article 5:25c Paragraph 2 sub c Financial Markets Supervision Act ("Wet op het Financieel Toezicht")**

To our knowledge,

1. the interim financial statements give a true and fair view of the assets, liabilities, financial position and result of the Company;
2. the Directors' report gives a true and fair view of the position as at June 30, 2018 and the developments during the financial period ended June 30, 2018 of the Company and the Directors' report describes the material risks that the Company is facing.

Amsterdam, August 31, 2018

Managing Directors

Intertrust Management B.V.

Mextrust B.V.  
(appointed as per  
February 5, 2018)

R.G. McNeil  
(appointed as per  
February 5, 2018)

# **Cable and Wireless International Finance B.V.**

## **Interim financial statements June 30, 2018**

### **2.1 Balance sheet as at June 30, 2018**

(Before result appropriation)

<b>ASSETS</b>	Note	June 30, 2018		December 31, 2017	
		USD	USD	USD	USD
<b>Fixed assets</b>					
<i>Financial fixed assets</i>	[1]				
Loan due from shareholder		-		270,489,586	
Due from shareholder		10,563,938		10,304,494	
			10,563,938		280,794,080
<b>Current assets</b>					
<i>Receivables</i>	[2]				
Loan due from shareholder		264,140,079		-	
Due from shareholder (loan)		-		-	
Due from shareholder (interest)		7,415,554		19,285,257	
Prepayments and other receivables		19,143		11,492	
			271,574,776		19,296,749
Cash and cash equivalents	[3]		12,454		20,227
<b>Total assets</b>			<b>282,151,168</b>		<b>300,111,056</b>

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## **Interim financial statements June 30, 2018**

### **2.1 Balance sheet as at June 30, 2018**

(Before result appropriation)

	Note	June 30, 2018		December 31, 2017	
		USD	USD	USD	USD
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>					
<b>Shareholder's equity</b>	[4]				
Share capital		849,232		864,530	
Share premium		23,747,102		23,747,102	
Other reserves		115,558		100,261	
Accumulated result		(13,168,118)		(13,778,357)	
Unappropriated result		315,258		610,239	
			11,859,032		11,543,775
<b>Long-term liabilities</b>	[5]				
Bonds		-		270,489,586	
			-		270,489,586
<b>Current liabilities</b>	[6]				
Bonds		264,140,079		-	
Interest payable		6,075,222		17,886,124	
Income tax payable		41,067		141,269	
Accrued expenses and other liabilities		35,768		50,302	
			270,292,136		18,077,695
<b>Total liabilities</b>			<b>282,151,168</b>		<b>300,111,056</b>



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**2.2 Statement of income for the financial period ended June 30, 2018**

	Note	January 1, through June 30, 2018		January 1, through June 30, 2017	
		USD	USD	USD	USD
<b>Income</b>	[7]				
Interest income			12,908,806		11,342,993
Foreign currency translation gain			-		17,938
<b>Expense</b>	[8]				
Interest expense		(12,397,756)		(11,094,654)	
Foreign currency transaction losses		(45,598)		-	
			<u>(12,443,354)</u>		<u>(11,094,654)</u>
<b>Net operating result</b>			465,452		266,277
Management and administration fee		(25,307)		(22,646)	
Tax advisory fee		(16,244)		(7,980)	
Audit fees		(17,075)		(16,223)	
Bank charges		(421)		(687)	
Other operating expenses		(5,499)		(4,277)	
Legal fees		-		(2,996)	
Renunciation of bond interest		6,451,607		5,775,283	
Waiver of loan interest receivable		(6,451,607)		(5,775,283)	
			<u>(64,546)</u>		<u>(54,809)</u>
<b>Result before income taxes</b>			400,906		211,468
Income tax expense	[11]		(85,648)		(40,842)
<b>Net result</b>			<u><u>315,258</u></u>		<u><u>170,626</u></u>

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### **2.3 Cash flow statement for the financial period ended June 30, 2018**

The cash flow statement has been prepared according to the indirect method.

	January 1, through June 30, 2018		January 1, through June 30, 2017	
	USD	USD	USD	USD
<b>Net result</b>		315,258		170,626
Adjusted for changes in:				
Income tax expense	85,648		40,842	
Prepaid expense and other receivables	(7,651)		(2,509)	
Interest payable	(11,810,902)		(10,572,074)	
Accrued expenses and other liabilities	(14,533)		(10,081)	
Amounts due from shareholder	11,610,258	(137,180)	10,416,205	(127,617)
		178,078		43,009
Income taxes paid		(185,851)		(23,787)
<b>Cash flow from operating activities</b>		<u>(7,773)</u>		<u>19,222</u>
<b>Cash flow from investing activities</b>		<u>-</u>		<u>-</u>
<b>Cash flow from financing activities</b>		<u>-</u>		<u>-</u>
<b>Notes to the cash resources</b>				
Cash and cash equivalents at beginning of period		20,227		30,420
Movements in cash		(7,773)		19,222
Cash and cash equivalent at June 30		<u>12,454</u>		<u>49,642</u>

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### **2.4 Notes to the financial statements**

#### **General**

Cable and Wireless International Finance B.V. (the "Company"), a private company with limited liability, was incorporated under the laws of the Netherlands on September 28, 1989. The statutory seat of the Company is in Amsterdam, the Netherlands, and the registered office address of the Company is at Prins Bernhardplein 200, Amsterdam, the Netherlands. The objectives of the Company are to act as a finance company.

The Company is a wholly-owned subsidiary of Cable & Wireless Limited (the "Parent Company"), London, United Kingdom. In turn, the Parent Company is a wholly owned subsidiary of Cable & Wireless Communications Limited (hereinafter "CWC"), London, United Kingdom. On May 16, 2016, CWC was acquired by Liberty Global plc ("Liberty Global"), London, United Kingdom. On December 29, 2017, Liberty Global split-off its Latin America and Caribbean operations as Liberty Latin America Ltd. ("Liberty Latin America"), Hamilton, Bermuda, which is our ultimate parent company.

The Company qualifies as a public interest entity (Organisatie van Openbaar Belang) within the meaning of Article 1, par 1, sub I "Wet toezicht accountantsorganisaties" and following the Royal Decree of July 26, 2008, concerning the implementation of Article 41 of EC directive 2006/43 the Company is required to have an Audit Committee. The Company uses the exception granted in Article 3 of this Royal Decree, which stipulates that the Royal Decree is not applicable for consolidated companies in cases where the ultimate parent company has instituted an Audit Committee, which is the case as at June 30, 2018.

The Company is registered in the Chamber of Commerce register under number 33.214.341.

#### **Group structure**

The Company is a subsidiary of the Parent Company, which owns 100% of the Company's shares. In turn, the Parent Company is a wholly owned subsidiary of CWC. The Company's figures are taken up in the consolidated accounts of CWC. The consolidated accounts of CWC can be obtained from the Investor Relations Fixed Income Filings section of Liberty Latin America's website: [www.lla.com](http://www.lla.com). Effective December 29, 2017, the Company became ultimately owned by Liberty Latin America and the consolidated accounts of Liberty Latin America can be obtained from their website: [www.lla.com](http://www.lla.com).

#### **Related parties**

The Company is engaged in the financing of its shareholder by issuing unsecured bonds secured by its shareholder. The conditions of these loans are all at arm's length. Please refer to Note 2.5 for further details.

#### **Solvency**

The Company acts as a group financing company. As such, the Company is economically and organizationally linked to CWC. Therefore, the solvency of the parent company and that of the CWC group should be included when assessing the Company's solvency.

#### **Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

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### **Functional and presentation currency**

The functional currency of the Parent Company, CWC, Liberty Latin America and the majority of trading and financing companies of the CWC group, of which the Company is a member, is the United States Dollar ("USD"). In respect of the Company, the Directors consider the USD to be the functional currency reflecting the economic effects of the underlying transactions, events and conditions for the Company. The Company therefore presents its financial statements in USD.

### **Basis of preparation**

The interim statements are prepared in accordance with accounting principles generally accepted in the Netherlands ("Dutch GAAP") and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The financial statements are prepared under the historical cost convention and presented in USD.

Assets and liabilities are stated at nominal value, unless otherwise stated. If deemed necessary, a provision is deducted from the nominal amount of accounts receivable.

### **Payables and receivables**

Payables are initially valued at its fair value and are subsequently measured at amortised cost, which is similar to the face value. Short term payables and receivables are reclassified to long term if it is expected that the amounts will not be repaid or recovered within 12 months after the balance sheet date.

The receivables due from shareholder and other receivables are initially valued at fair value, and subsequently valued at amortised cost, which is similar to the nominal value, after deduction of any provisions, if necessary.

### **Going concern**

These financial statements have been prepared on a going concern basis, which basis for valuation and determination of results assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The equity of the Company amounts to USD 11,859,032 positive (2017: USD 11,543,775 positive). Management has assessed this situation and has a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future.

### **Impairment of fixed assets**

The Company reviews its assets at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount is the higher of net realizable value and value in use. An impairment charge is recognized if the carrying amount of the asset is greater than its recoverable amount.

### **Estimates**

The preparation of the financial statements in accordance with Dutch GAAP 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 the other sources. Actual results may differ from these estimates.

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### **Currency**

Assets and liabilities denominated in foreign currencies are translated at period-end exchange rates (GBP: 0.7572; EUR: 0.8578 (2017: GBP: 0.7394; EUR 0.8426)). Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of income. Non-monetary balance sheet items, which are valued at cost and resulting from transactions in foreign currencies, are translated at the rate prevailing on the date of the transaction. These balance sheet items are valued at cost.

### **Bonds**

The 2019 Bonds (as defined in Note 5) are recognised initially at fair value, net of directly attributable transaction costs, and are subsequently measured at amortised cost. The 2019 Bonds are amortised to the settlement amount using the effective interest method.

Current debt represents amounts that are due within 12 months. Non-current debt represents amounts that are expected to be settled after more than 12 months from the reporting date.

### **Financial risk management**

The Company has exposure to the following risks from its financial instruments:

- currency risk
- credit risk
- liquidity risk
- interest rate risk

#### *Currency risk*

The Company is exposed to movements in exchange rates in relation to non-USD currency denominated assets, liabilities, income and expenses. Where appropriate, the Company manages its exposure to movements in exchange rates on a net basis. Affiliates of the Company use forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created when currencies do not naturally offset in the short term. Affiliates of the Company will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Company where appropriate.

#### *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 core relationship banks. These banks are awarded a maximum credit limit based on ratings by Standard & Poor's and Moody's, the level of the banks' Credit Default Swap and its associated level of tier one capital. The credit limit assigned to counterparties is monitored on a continuing basis. The credit risk on the loan receivable from the Company's shareholder is considered low due to the shareholder's financial position.

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## ***Interim financial statements June 30, 2018***

### *Liquidity risk*

The Company manages its own liquidity to meet its financial obligations of servicing and repaying external debt. Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised 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. CWC has confirmed that there are currently no committed plans to extend the maturity of either the 2019 Bonds or the GBP Shareholder Loan (as defined in Note 1). As such, management's expectation is that the 2019 Bonds and GBP Shareholder Loan will settle within 12 months and both are presented as current.

### *Interest rate risk*

The Company is exposed to movements in interest rates on its surplus cash balances and variable rate loans although there is a degree of offset between the two. Accordingly, the Company does not consider interest rate risk to be significant. The Company 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 does not use derivative financial instruments.

Financial risks arising from the ordinary business activities of the Company consist mainly of default and liquidity risks if the Parent Company were not to meet its obligations in respect of the GBP Shareholder Loan and the 2019 Bonds, as further described in note 2.5 [1] and [5], respectively. At June 30, 2018, management has no reason to believe that the Parent Company will not be able to meet its obligations in the foreseeable future.

During the year under review the risk management processes remained unchanged.

### **Financial fixed assets**

Financial fixed assets are measured at amortised costs.

### **Receivables**

Receivables are initially measured at fair value and subsequently reported at amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

### **Cash and cash equivalents**

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than 12 months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is valued at nominal value.

### **Shareholder's equity**

#### *Share capital*

Ordinary shares are classified as share capital.

#### *Share premium*

The share premium concerns the part of issued and paid-up capital that exceeds the nominal value of issued shares.

#### *Other reserves*

Gains and losses resulting from the translation of the issued and paid-up capital from Euro ("EUR") into USD are recorded in other reserves.

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## ***Interim financial statements June 30, 2018***

### **Long-term liabilities**

Long-term liabilities concern loans with a term of longer than one year. The portion of the loans to be repaid during the coming 12 months is included under short-term liabilities. Loans and liabilities are initially measured at fair value and subsequently reported at amortized cost, which is similar to nominal value.

### **Current liabilities**

Current liabilities concern debts due within one year of the balance sheet date. Current liabilities are initially measured at fair value and subsequently reported at amortized cost, which is similar to nominal value.

### **Income and expense recognition**

Interest income and expense are recognized in the income statement based on accrual accounting. Dividend income is recognized in the income statement during the year in which the Company's legal right to receive payment is established. Operating expenses are accounted for in the period in which they are incurred. Losses are accounted for in the period in which they are identified.

### **Income taxes**

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated in accordance with Dutch GAAP and profit calculated for taxation purposes. Temporary differences are the differences between the tax base and the Dutch GAAP base. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets and liabilities are netted. Net deferred tax assets will be included in the balance sheet if actual realization is assumed probable by the Company's management.

Corporate income tax expense comprises of current tax. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of prior periods. Corporate income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity.

### **Principles for preparation of the cash flow statement**

The cash flow statement is prepared according to the indirect method. The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents are considered to be highly liquid investments. Cash flows in foreign currencies are generally translated at the exchange rates prevailing at the date of transactions.

# **Cable and Wireless International Finance B.V.**

## **Interim financial statements June 30, 2018**

### **2.5 Notes to the balance sheet**

#### **ASSETS**

##### **Fixed assets**

##### **Financial fixed assets [1]**

	<u>June 30, 2018</u>	<u>31 December 2017</u>
	USD	USD
<b>Loan due from shareholder</b>		
Opening balance	270,489,586	248,385,494
Foreign currency translation adjustment	(4,649,586)	22,104,092
Reclassification to current assets	<u>(265,840,000)</u>	<u>-</u>
Closing balance	<u><u>-</u></u>	<u><u>270,489,586</u></u>

CWC confirmed that there is no current committed plan as at 30 June 2018 to extend the maturity of the GBP Shareholder Loan. As such, the GBP Shareholder Loan (as defined and described below) has been presented under current assets within the balance sheet.

The loan due from shareholder relates to a GBP 200,000,000 (USD 264,140,079) loan due from the Parent Company ("the GBP Shareholder Loan"). The GBP Shareholder Loan is fully repayable on June 1, 2019 and carries a fixed interest rate at 8.75% per annum.

The fair value of the GBP Shareholder Loan approximates the amortised cost.

##### **Due from shareholder**

Details of the amount due from shareholder are as follows:

	<u>June 30, 2018</u>	<u>31 December 2017</u>
	USD	USD
Opening balance	10,304,494	9,883,205
Accrued interest	259,444	421,289
Closing balance	<u><u>10,563,938</u></u>	<u><u>10,304,494</u></u>

The amount due from shareholder relates to an USD 8,000,000 loan ("Vanilla Loan") due from the Parent Company, which is unsecured. At June 30, 2018, the interest rate on this loan is the USD three-month LIBOR, plus a margin of 3%. The average interest rate during the period ended June 30, 2018 was 5.004% (2017: 4.196%). Unpaid interest is transferred to the loan balance at March 31 each year.

The Vanilla Loan has a three month term, extendable on a rolling basis at the option of either party to the loan. The Vanilla Loan is classified under financial fixed assets as the Parent Company is a related company, has the same management as the Company and there is no current intent to settle the Vanilla Loan. The fair value of this loan was not subject to reasonable estimation due to the related-party nature of the Vanilla Loan.



# **Cable and Wireless International Finance B.V.**

## **Interim financial statements June 30, 2018**

### **[2] Current assets**

#### **Loan due from shareholder**

	<u>June 30, 2018</u>	<u>31 December 2017</u>
	USD	USD
Opening balance	-	-
Reclassification to current assets	265,840,000	-
Foreign currency translation adjustment	(1,699,921)	-
Closing balance	<u>264,140,079</u>	<u>-</u>

#### **Due from shareholder (interest)**

	<u>June 30, 2018</u>	<u>31 December 2017</u>
	USD	USD
Accrued interest	7,138,330	19,073,311
Other amounts due	277,224	211,946
Closing balance	<u>7,415,554</u>	<u>19,285,257</u>

It is expected that the amounts due from the shareholder (being CWC) will be repaid within one year from the balance sheet date.

#### **Other prepayments and other receivables**

	<u>June 30, 2018</u>	<u>31 December 2017</u>
	USD	USD
Prepaid expenses	19,143	11,492
	<u>19,143</u>	<u>11,492</u>

#### **Cash and cash equivalents [3]**

	<u>June 30, 2018</u>	<u>31 December 2017</u>
<b>Cash</b>		
Bank account USD	9,847	16,184
Bank account GBP	2,607	4,043
	<u>12,454</u>	<u>20,227</u>

Cash and cash equivalents comprise cash in hand and at bank, short-term deposits and money market funds with a maturity of three months or less. 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 is considered to approximate fair value.

# ***Cable and Wireless International Finance B.V.***

## ***Interim financial statements June 30, 2018***

### **2.5 Notes to the balance sheet**

#### **SHAREHOLDER'S EQUITY AND LIABILITIES**

#### **SHAREHOLDER'S EQUITY [4]**

##### **Share capital**

The authorized capital amounts to EUR 3,640,000, divided into 8,000 ordinary shares of EUR 455 each, of which 1,601 shares are issued and paid-up.

In accordance with article 373, section 5, Book 2 of the Dutch Civil Code, the issued and paid-up capital is translated at the period-end spot rate of 1 EUR = 1.1658 USD (2017: 1.1868). Gains or losses resulting from this translation are charged to other reserves.

Details of share capital are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	864,530	760,789
Movement during the period	(15,298)	103,741
Closing balance	<u>849,232</u>	<u>864,530</u>

##### **Share premium**

Details of share premium are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	23,747,102	23,747,102
Movement during the period	-	-
Closing balance	<u>23,747,102</u>	<u>23,747,102</u>

##### **Other reserves**

Details of other reserves are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	100,261	204,002
Movement during the period	15,297	(103,741)
Closing balance	<u>115,558</u>	<u>100,261</u>

# **Cable and Wireless International Finance B.V.**

## **Interim financial statements June 30, 2018**

### **Accumulated result**

Details of accumulated result are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	(13,778,357)	(13,888,362)
Movement during the period	610,239	110,005
Closing balance	<u>(13,168,118)</u>	<u>(13,778,357)</u>

### **Unappropriated result**

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Balance at period-end	<u>315,258</u>	<u>610,239</u>

### **Long-term liabilities [5]**

#### **Bonds**

In June 1994, the Company issued GBP 200,000,000, 8.625% bonds due in 2019 (the "2019 Bonds"), which are secured by a guarantee given by the Parent Company. The proceeds of the 2019 Bonds were loaned to the Parent Company. The 2019 Bonds are listed on the London, Hong Kong and Frankfurt stock exchanges.

The movement in the carrying value of the 2019 Bonds is detailed as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	270,489,586	248,385,494
Foreign currency translation adjustment	10,190,414	22,104,092
Reclassification to current liabilities	<u>(280,680,000)</u>	-
Closing balance	<u>-</u>	<u>270,489,586</u>

CWC has confirmed that there are currently no committed plans to extend the maturity of the 2019 Bonds. As such, management's expectation is that the 2019 Bonds will settle within 12 months and therefore the 2019 Bonds have been presented under current liabilities within the balance sheet.

The following table summarises the movement in the principal balance of the 2019 Bonds from the original issue date to June 30, 2018:

	<u>GBP</u>
Issued in 1994	200,000,000
Repurchased in 2005	(19,900,000)
Repurchased in 2007	(1,500,000)
Repurchased in 2008	(31,900,000)
Sold during 2008/2009	53,300,000
	<u>200,000,000</u>

The amounts presented as repurchased in the relevant years are stated at par value. Any differences between the par value and market price on the date of repurchase were expensed by the Parent Company.

At June 30, 2018, the market value of the 2019 Bonds was USD 274,111,285 (GBP 208,800,000) (2017: USD 289,437,382 (GBP 214,010,000)). This is based on a value of 103.800 as published by Reuters as at June 29, 2018.

# **Cable and Wireless International Finance B.V.**

## **Interim financial statements June 30, 2018**

### **Current liabilities [6]**

#### **Bonds**

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	-	-
Reclassification to current liabilities	280,680,000	
Foreign currency translation adjustment	(16,539,921)	-
Closing balance	<u>264,140,079</u>	<u>-</u>

#### **Interest payable**

Interest payable includes amounts due to (i) holders of the 2019 Bonds of USD 4,456,175 equal to GBP 3,374,100 (2017: USD 13,119,472 equal to GBP 9,700,538), which is due and payable on March 26, 2019, and (ii) the Parent Company of USD 1,619,047 equal to GBP 1,225,000 (2017: USD 4,766,652 equal to GBP 3,524,462).

#### **Accrued expenses and other liabilities**

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Management and administration fees	-	1,644
Tax advisory fees	18,694	14,241
Audit fees	17,074	34,417
	<u>35,768</u>	<u>50,302</u>

#### **Income tax payable**

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Corporate income tax	41,067	141,269
	<u>41,067</u>	<u>141,269</u>

# ***Cable and Wireless International Finance B.V.***

## ***Interim financial statements June 30, 2018***

### **2.6 Notes to the statement of income**

#### **Financial income and expense**

##### **Interest income [7]**

	January 1, 2018 - June 30, 2018	January 1, 2017 - June 30, 2017
	USD	USD
Interest income from the Parent Company	12,908,806	11,342,993
	<u>12,908,806</u>	<u>11,342,993</u>

##### **Interest expense [8]**

	January 1, 2018 - June 30, 2018	January 1, 2017 - June 30, 2017
	USD	USD
Interest expense 2019 Bonds	12,397,756	11,094,654
	<u>12,397,756</u>	<u>11,094,654</u>

The interest expense related to the 2019 Bonds is settled by the Parent Company.

##### **Foreign currency transaction results**

	January 1, 2018 - June 30, 2018	January 1, 2017 - June 30, 2017
	USD	USD
Foreign currency transaction gain/(loss):		
GBP Shareholder loan	(6,349,507)	350,989
2019 Bonds	6,349,507	(329,984)
Other	(45,598)	(3,067)
	<u>(45,598)</u>	<u>17,938</u>

##### **Waiver of loan interest receivable [9]**

The waiver of the loan interest receivable relates to the interest due from the Parent Company on the GBP Shareholder Loan. The Company was entitled to receive interest of USD 6,451,607 (GBP 4,597,125) on March 26, 2018 (2017: USD 5,775,283 / GBP 4,597,125). The Company waived its right to receive these interest payments and recognized a loss for each of the waived amounts during the respective periods. The waiver of the loan interest receivable for the current year has been effectuated in March 2018.

##### **Waiver of loan interest payable [10]**

On March 26, 2018, the Parent Company was entitled to receive interest of GBP 4,597,125 (USD 6,451,607) associated with the 2019 Bonds. Cable & Wireless Limited has irrevocably renounced its right to receive these interest payments.

##### **Income tax expense [11]**

	January 1, 2018 - June 30, 2018	January 1, 2017 - June 30, 2017
	USD	USD
Charge for the period	85,030	40,842
Amendments to prior year tax position	618	-
	<u>85,648</u>	<u>40,842</u>

The effective tax rate for the period January 1 through June 30 is 21.36% (2017: 19.31%).

# **Cable and Wireless International Finance B.V.**

## **Interim financial statements June 30, 2018**

### **2.6 Notes to the statement of income**

The Company concluded a new tax ruling with the Dutch tax authorities on August 14, 2015 wherewith the method of the determination of the taxable result was agreed. This tax ruling will expire on December 31, 2019.

The Company has filed its corporate income tax returns for all fiscal periods including for the year ended December 31, 2017. Initially the Company requested a preliminary tax assessment for the year ended December 31, 2017. Subsequently on July 30, 2018 the Company filed its 2017 Corporate Income Tax Return. The Company received its latest final Dutch Corporate Income Tax ("CIT") assessment on May 19, 2018 for the twelve months ended December 31, 2017. This CIT assessment was consistent with the request for a preliminary CIT assessment 2017.

#### **Audit fee disclosure [12]**

The following fees for 2018 have been or will be charged by Grant Thornton Accountants en Adviseurs B.V. to the Company for the book year 2018:

	January 1, 2018 June 30, 2018	January 1, 2017 June 30, 2017
	USD	USD
Statutory audit of annual accounts	17,075	16,223
	<u>17,075</u>	<u>16,223</u>

#### **Employees and directors [13]**

During the financial period ended on June 30, 2018, the Company did not employ any personnel (2017: nil). The Company had three statutory directors during the financial period under review. One director received a total remuneration of USD 2,406 for services provided as a director of the Company during the financial period under review (2017: USD 8,340). Two directors did not receive any remuneration during the financial period under review (2017: nil).

No other loans, advances, guarentees or share based payments were issued to the Directors.

The Company has no supervisory board.

#### **Corporate income tax**

The corporate income tax charge for the period is estimated to be USD 85,648 (2017: USD 40,842).

#### **Subsequent events**

No other events have occurred since the balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the interim statements presented. Management is of the opinion that the present level of activities will be maintained during the next financial period.

Amsterdam, August 31, 2018

Managing directors,

Intertrust Management B.V.

Mextrust B.V.  
(appointed as per  
February 5, 2018)

R.G. McNeil  
(appointed as per  
February 5, 2018)