

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

**Annual report for the financial year ended  
December 31, 2018**

**Amsterdam, the Netherlands**

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

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

## ***Annual report for the financial year ended December 31, 2018***

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

## ***Annual report for the financial year ended December 31, 2018***

### **1.1 Management report**

#### **General**

Management hereby presents to the shareholder the annual report of Cable and Wireless International Finance B.V. (the "Company") for the year ended December 31, 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 were listed on the London, Hong Kong and Frankfurt stock exchanges and were redeemed on the due date of March 25, 2019 (the "2019 Bonds"). The 2019 Bonds were 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. On December 29, 2017 Liberty Global plc 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 plc 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 October 15, 2018 the Company launched a tender offer to repurchase, for cash, any and all of the outstanding 2019 Bonds (the "Tender Offer"). The price of the Tender Offer was 103% of the principal amount of the bonds, plus accrued and unpaid interest up to, but not including, the payment date. Pursuant to the Tender Offer, which was completed on October 31, 2018, the Company paid a total consideration of GBP 68,243,307 (USD 86,972,683 at the transaction date), including accrued interest of GBP 3,250,307 (USD 4,142,354 at the transaction date), for 43.0% of the outstanding 2019 Bonds. The tendered 2019 Bonds were cancelled. The premium paid of USD 2,414,522 has been included in the Statement of Income as Loss on extinguishment of debt for the year ended December 31, 2018.

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 270,489,586) (the "GBP Shareholder Loan"). The Company irrevocably renounced its right to receive these interest payments.

During the year under review, the Company realized a positive net result of USD 568,851 (2017: USD 610,239) and the equity of the Company as at December 31, 2018 amounts to USD 12,112,626 (2017: USD 11,543,775). The decrease in the net result compared to the year 2017 mainly stems from the foreign exchange losses incurred and the increase in operating expenses. The foreign exchange loss during 2018 amounted to USD 96,127 compared to a foreign exchange gain in 2017 of USD 82,081.

#### **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. Apart from this no other changes in management have taken place.

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### **Financial risks**

The risks the Company runs in relation to financial instruments are limited to interest rate risk, credit risk and foreign exchange 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.

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 December 31, 2018, management has no reason to believe that the Parent Company will not be able to meet its obligations in the foreseeable future. Following the year end, the Parent Company met its obligations under the GBP Shareholder loan and the 2019 Bonds were redeemed on their maturity date of March 25, 2019.

The Company has agreements in Pound Sterling 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 (CDS) 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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## ***Annual report for the financial year ended December 31, 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 as at December 31, 2018 was that the 2019 Bonds and GBP Shareholder Loan would settle within 12 months and both are presented as current in the balance sheet as at December 31, 2018. Following the year end, the Parent Company met its obligations under the GBP Shareholder loan and the 2019 Bonds were redeemed on their maturity date of March 25, 2019. In April 2019 the intent of the Parent Company was made known to progress with the liquidation of the entity. Therefore, the remaining Vanilla loan is also presented as current in the balance sheet as at December 31, 2018.

### *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 December 31, 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 not expected that Brexit will have a significant impact on the financial position of the Company.

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

### **Going concern**

Following the settlement of the GBP Shareholder Loan and the redemption of the 2019 Bonds on 25 March 2019 it is the intent of the Parent Company and management to commence with the process of liquidation of the Company. This will start shortly after the 2018 financial statements have been adopted and filed. The financial statements are prepared on a going concern basis, because there are no remaining liabilities which should have been settled. Therefore the going concern principle is still valid.

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## ***Annual report for the financial year ended December 31, 2018***

### **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 B.V. as directors.

All members of the board of directors are male. Therefore, Cable and Wireless Finance International B.V. does not meet the guidance provided by the Dutch Act on Management and Supervision that stated 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. The Company has no supervisory 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 December 31, 2018.

### **Future outlook**

The 2019 Bonds were due to mature March 25, 2019 and the GBP Shareholder loan was due to mature in June 2019. Following the year end, the Parent Company settled the GBP Shareholder loan to fund the redemption of the 2019 Bonds on their maturity date. As there was no committed plan as at December 31, 2018 to extend the maturity of either the 2019 Bonds or the GBP Shareholder loan, these were presented as current liabilities and current assets, respectively, as at December 31, 2018.

Furthermore, post maturity it is the intent of the Parent Company and of management to liquidate the Company.

Following the settlement of the GBP Shareholder Loan and the redemption of the 2019 Bonds on 25 March 2019 the process of liquidation of the Company will commence after the 2018 financial statements have been filed and adopted.

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### **Subsequent events**

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

Since the balance sheet date the GBP Shareholder Loan was settled to fund the repayment of the 2019 Bonds on their March 25th, 2019 maturity. On this date the Parent Company settled the GBP Shareholder Loan through (i) an intercompany netting agreement with regard to the GBP 53,300,000 of 2019 Bonds held by the Parent Company itself and (ii) repayment of the remaining balance of the GBP Shareholder Loan.

In April 2019 it is the intent of the Parent Company and management to progress with the liquidation of the Company. 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 financial statements presented.

The 2019 Bond's listings in Frankfurt, Hong Kong and London were automatically removed as a result of the maturity in late March.

Due to full repayments and the maturity in March 2019 the entity no longer has the status of Public Interest Entity as from fiscal year 2019. As such, there is no requirement to publish audited financial statements for 2019.

To our knowledge,

1. the 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 December 31, 2018 and the developments during the financial period ended December 31, 2018 of the Company and the Directors' report describes the material risks that the Company is facing.

Amsterdam, 30 April, 2019

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.**

## **Annual report for the financial year ended December 31, 2018**

### **2.1 Balance sheet as at December 31, 2018**

(Before result appropriation)

<b>ASSETS</b>	Note	December 31, 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		-		10,304,494	
			-		280,794,080
<b>Current assets</b>					
<i>Receivables</i>	[2]				
Loan due from shareholder		174,492,709			
Due from shareholder		12,953,956		19,285,257	
Due from shareholder (vanilla loan)		10,851,729		-	
Prepayments and other receivables		11,280		11,492	
			198,309,674		19,296,749
Cash and cash equivalents	[3]		14,260		20,227
<b>Total assets</b>			198,323,934		300,111,056
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>					
	Note	December 31, 2018		December 31, 2017	
		USD	USD	USD	USD
<b>Shareholder's equity</b>					
	[4]				
Share capital		834,190		864,530	
Share premium		23,747,102		23,747,102	
Other reserves		130,601		100,261	
Accumulated result		(13,168,118)		(13,778,357)	
Unappropriated result		568,851		610,239	
			12,112,626		11,543,775
<b>Long-term liabilities</b>					
	[5]				
Bonds		-		270,489,586	
			-		270,489,586
<b>Current liabilities</b>					
	[6]				
Bonds		174,492,709		-	
Interest payable		11,538,330		17,886,124	
Income tax payable		134,096		141,269	
Accrued expenses and other liabilities		46,173		50,302	
			186,211,308		18,077,695
<b>Total Liabilities &amp; Shareholder's equity</b>			198,323,934		300,111,056

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**2.2 Statement of income for the financial year ended December 31, 2018**

	Note	December 31, 2018		December 31, 2017	
		USD	USD	USD	USD
<b>Income</b>					
Interest income	[7]		22,918,218		23,959,369
Recharge of tender offer premium	[8]		2,449,515		-
<b>Expense</b>					
Interest expense	[9]	(22,003,705)		(23,128,361)	
Gain/Loss on Extinguishment of Debt	[10]	(2,414,522)		-	
Foreign currency transaction gains / (losses)	[11]	(96,127)		82,081	
			<u>(24,514,354)</u>	<u>82,081</u>	<u>(23,046,280)</u>
<b>Net operating result</b>			853,379		913,089
Management and administration fee		(45,960)		(49,769)	
Tax advisory fee		(20,858)		(15,586)	
Audit fees	[13]	(34,819)		(33,415)	
Bank charges		(843)		(996)	
Other operating expenses		(10,430)		(15,883)	
Recharge of expenses		321,158		-	
Tender offer fees		(318,066)		-	
			<u>(109,818)</u>	<u>(115,649)</u>	
<b>Result before income taxes</b>			743,561		797,440
Income tax expense	[12]		(174,710)		(187,201)
<b>Net result</b>			<u><u>568,851</u></u>		<u><u>610,239</u></u>

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### **2.3 Cash flow statement for the financial year ended December 31, 2018**

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

	December 31, 2018		December 31, 2017	
	USD	USD	USD	USD
<b>Net result</b>		568,851		610,239
Adjusted for changes in:				
Income tax expense	174,710		187,201	
Prepaid expense and other receivables	212		(1,524)	
Interest payable	(6,382,787)		1,461,633	
Accrued expenses and other liabilities	(4,129)		12,418	
Amounts due from shareholder	8,268,575		(2,266,234)	
Recharge of tender offer premium	(2,449,515)		-	
		<u>(392,934)</u>		<u>(606,506)</u>
		175,917		3,733
Income taxes paid		(181,884)		(13,927)
<b>Cash flow from operating activities</b>		<u>(5,967)</u>		<u>(10,194)</u>
<b>Cash flow from investing activities</b>				
Repayment loan due from shareholder		80,484,078		-
Repayment vanilla loan		2,414,522		-
		<u>82,898,600</u>		
<b>Cash flow from financing activities</b>				
Repayment of bonds		(80,484,078)		-
Premium paid on redemption of bonds		(2,414,522)		-
		<u>(82,898,600)</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		<u>(5,967)</u>		<u>(10,194)</u>
Cash and cash equivalent at December 31		<u>14,260</u>		<u>20,227</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 Communications Limited ("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 December 31, 2018.

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

#### **Group structure**

The Company is a subsidiary of Cable & Wireless Limited (the "Parent Company"), London, United Kingdom, which owns 100% of the Company's shares. In turn, Cable & Wireless Limited 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 is 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.

#### **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.

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### **Basis of preparation**

The financial 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 dollars (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**

Following the settlement of the GBP Shareholder Loan and the redemption of the 2019 Bonds on 25 March 2019 it is the intent of the Parent Company and of management to commence with the process of liquidation of the Company. This will start shortly after the 2018 financial statements have been adopted and filed. The financial statements are prepared on a going concern basis, because there are no remaining liabilities which should have been settled. Therefore the going concern principle is still valid.

### **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.

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### **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.

### **Currency**

Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates (GBP: 0.78456; EUR: 1.1451 (2017: GBP: 0.7394; EUR 1.1868)). 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 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 (CDS) 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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### *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 as at December 31, 2018 was that the 2019 Bonds and GBP Shareholder Loan would settle within 12 months and both are presented as current in the balance sheet as at December 31, 2018. Following the year end, the Parent Company met its obligations under the GBP Shareholder loan and the 2019 Bonds were redeemed on their maturity date of March 25, 2019.

### *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 Cable & Wireless Limited 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 December 31, 2018, management has no reason to believe that Cable & Wireless Limited will not be able to meet its obligations in the foreseeable future.

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

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 twelve 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.

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### **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.

### **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 financial year 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.***

## ***Annual report for the financial year ended December 31, 2018***

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

#### **ASSETS**

##### **Fixed assets**

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

	<u>December 31, 2018</u>	<u>December 31, 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	(265,840,000)	-
Closing balance	<u>-</u>	<u>270,489,586</u>

CWC confirmed that there is no current committed plan as at 31 December 2018 to extend the maturity of the GBP Shareholder Loan. As such, the GBP Shareholder Loan (as defined and described below) has been presented and reclassified under current assets within the balance sheet.

The loan due from shareholder relates to a GBP 200,000,000 (USD 270,489,586) 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>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	10,304,494	9,883,205
Premium redemption	(2,414,522)	-
Recharge of tender offer premium	2,449,515	-
Accrued interest	512,242	421,289
Reclassification to current assets	(10,851,729)	-
Closing balance	<u>-</u>	<u>10,304,494</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 December 31, 2018 the interest rate on this loan is the USD three-month LIBOR, plus a margin of 3%. The average interest rate during the year ended December 31, 2018 was 5.398% (2017: 4.196%). Unpaid interest is generally transferred to the loan balance at March 31 each year.

The Vanilla Loan is generally callable on demand, with a term of three months. The Vanilla Loan is reclassified under current assets as the Parent Company has the intent to liquidate the Company following the maturity of the 2019 Bonds and GBP Shareholder Loan. This will lead to the settlement of the Vanilla Loan being expected within twelve months. 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.***

## ***Annual report for the financial year ended December 31, 2018***

### **Current assets**

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

#### **Receivables [2]**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
<b>Loan due from shareholder</b>		
Opening balance	-	-
Reclassification to current assets	265,840,000	-
Repayment	(80,484,000)	-
Foreign currency translation adjustment	(10,863,291)	-
Closing balance	<u>174,492,709</u>	<u>-</u>

#### **Due from shareholder**

The amount due from shareholder is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Accrued interest	12,674,700	19,073,311
Other amounts due	279,256	211,946
Closing balance	<u>12,953,956</u>	<u>19,285,257</u>

It is expected that the amounts due from the Shareholder will be repaid within one year from the balance sheet date.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
<b>Due from shareholder (vanilla loan)</b>		
Opening balance	-	-
Reclassification to current assets	10,851,729	-
Closing balance	<u>10,851,729</u>	<u>-</u>

#### **Other prepayments and accrued income**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Prepaid expenses	11,280	11,492
	<u>11,280</u>	<u>11,492</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<b>Cash</b>		
Bank account USD	10,764	16,184
Bank account GBP	3,496	4,043
	<u>14,260</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.***

## ***Annual report for the financial year ended December 31, 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 year-end spot rate of 1 EUR = 1.1451 USD (2017: 1.1868). Gains or losses resulting from this translation are charged to other reserves. The exchange rate used are those sourced from Bloomberg.

Details of share capital are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	864,530	760,789
Movement during the year	(30,340)	103,741
Closing balance	<u>834,190</u>	<u>864,530</u>

##### **Share premium**

Details of share premium are as follows:

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

##### **Other reserves**

Details of other reserves are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	100,261	204,002
Movement during the year	30,340	(103,741)
Closing balance	<u>130,601</u>	<u>100,261</u>

##### **Accumulated result**

Details of accumulated result are as follows:

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

The board of directors proposes to the General Meeting that the result for the financial year ended December 31, 2018, amounting to USD 568,851 (2017: USD 610,239), should be transferred to other reserves.

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

## ***Annual report for the financial year ended December 31, 2018***

### **Unappropriated result**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	610,239	110,005
Result for the year	568,851	610,239
Prior year result allocated to other reserves	<u>(610,239)</u>	<u>(110,005)</u>
Closing balance	<u><u>568,851</u></u>	<u><u>610,239</u></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>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	270,489,586	248,385,494
Foreign currency translation adjustment	10,190,414	-
Reclassification to current liabilities	<u>(280,680,000)</u>	<u>22,104,092</u>
Closing balance	<u><u>-</u></u>	<u><u>270,489,586</u></u>

The following table summarises the movement in the principal balance of the 2019 Bonds from the original issue date to December 31, 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
Repurchased in 2018	<u>(63,100,000)</u>
	<u><u>136,900,000</u></u>

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

At December 31, 2018, the market value of the 2019 Bonds was USD 175,946,256 (GBP 138,040,377) (2017: USD 289,437,382 (GBP 214,010,000)). This is based on a value of 100.833 as published by Reuters as at December 31, 2018.

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

## ***Annual report for the financial year ended December 31, 2018***

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

<b>Bonds</b>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Opening balance	-	-
Reclassification to current liabilities	280,680,000	-
Repayment	(80,484,078)	-
Foreign currency translation adjustment	<u>(25,703,213)</u>	-
Closing balance	<u><u>174,492,709</u></u>	<u><u>-</u></u>

On October 15, 2018 the Company launched a tender offer to repurchase, for cash, any and all of our outstanding 2019 Bonds (the "Tender Offer"). The price of the Tender Offer was 103% of the principal amount of the bonds, plus accrued and unpaid interest up to, but not including, the payment date. Pursuant to the Tender Offer, which was completed on October 31, 2018, we paid total consideration of GBP 68,243,307 (USD 86,972,683 at the transaction date), including accrued interest of GBP 3,250,307 (USD 4,142,354 at the transaction date), for 43.0% of the outstanding 2019 Bonds. The tendered 2019 Bonds were cancelled. The premium paid of USD 2,414,522 has been included in the Statement of Income as Loss on extinguishment of debt for the year ended December 31, 2018.

In connection with the Tender Offer, fees of USD 318,066 were incurred. Such fees, together with the premium paid upon redemption, have been recharged to the Parent with a mark-up of 12.5 basis points.

### **Interest payable**

Interest payable includes amounts due to (i) holders of the 2019 Bonds of USD 7,046,051 equal to GBP 5,528,050 (2017: USD 13,119,472 equal to GBP 9,700,538), which is due and payable on March 26, 2019, and (ii) shareholder of USD 4,492,279 equal to GBP 3,524,463 (2017: USD 4,766,652 equal to GBP 3,524,463).

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Management and administration fees	-	1,644
Tax advisory fees	11,818	14,241
Audit fees	<u>34,354</u>	<u>34,417</u>
	<u><u>46,172</u></u>	<u><u>50,302</u></u>

### **Income tax payable**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Corporate Income Tax	<u>134,096</u>	<u>141,269</u>
	<u><u>134,096</u></u>	<u><u>141,269</u></u>

As at December 31, 2018 the Company had a tax liability of USD 134,096. As at December 31, 2017 the Company had a tax liability of USD 141,269.

**Cable and Wireless International Finance B.V.**  
**Annual report for the financial year ended December 31, 2018**

**2.6 Notes to the statement of income**

**Interest income [7]**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Interest income from the Parent Company	22,918,218	23,959,369
	<u>22,918,218</u>	<u>23,959,369</u>

**Recharge of tender offer premium [8]**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Recharge of tender offer premium	2,449,515	-
	<u>2,449,515</u>	<u>-</u>

**Interest expense [9]**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Interest expense 2019 Bonds	22,003,705	23,128,361
	<u>22,003,705</u>	<u>23,128,361</u>

**Gain/Loss on Extinguishment of debt [10]**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Gain/loss on Extinguishment of Debt	2,414,522	-
	<u>2,414,522</u>	<u>-</u>

The amount on Gain/Loss on Extinguishment of Debt concerns the redemption premium paid with respect to the Tender Offer.

**Currency exchange results [11]**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Foreign currency transaction gain/(loss):		
GBP Shareholder loan	(15,512,799)	22,104,092
2019 Bonds	15,512,799	(22,104,092)
Other	(96,127)	82,081
	<u>(96,127)</u>	<u>82,081</u>

**Cable and Wireless International Finance B.V.**  
**Annual report for the financial year ended December 31, 2018**

**2.6 Notes to the statement of income**

**Income tax expense [12]**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	USD	USD
Charge for the year	174,092	193,010
Amendments to prior year tax position	618	(5,809)
	<u>174,710</u>	<u>187,201</u>

The effective tax rate for 2018 is 23.43% (2017: 23.48%).

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.

**Audit fee disclosure [13]**

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:

	<u>December 31,</u>	<u>December 31,</u>
	2018	2017
	USD	USD
Statutory audit of annual accounts	<u>34,819</u>	<u>33,415</u>
	<u>34,819</u>	<u>33,415</u>

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

## ***Annual report for the financial year ended December 31, 2018***

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

#### **Employees and directors [12]**

During the financial year ended on December 31, 2018, the Company did not employ any personnel (2017: nil). On the 5th of February 2018 Mextrust B.V. and R.G. McNeil were appointed as statutory directors of the Company. The Company therefore had three statutory directors during the financial period under review. One director received a total remuneration of USD 4,783 for services provided as a director of the Company during the financial period under review (2017: USD 9,303). Two directors did not receive any remuneration during the financial period under review (2017: nil).

No other loans, advances, guarantees 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 year is estimated to be USD 174,710 (2017: USD 187,201).

#### **Subsequent events**

Since the balance sheet date the GBP Shareholder Loan was settled to fund the repayment of the 2019 Bonds on their March 25th, 2019 maturity. On this date the Parent Company settled the GBP Shareholder Loan through (i) an intercompany netting agreement with regard to the GBP 53,300,000 of 2019 Bonds held by the Parent Company itself and (ii) repayment of the remaining balance of the GBP Shareholder Loan.

In April 2019 it is the intent of the Parent Company and management to progress with the liquidation of the Company. No other events have occurred since the balance sheet date, that would change the financial position of the Company and which would require adjustment of or disclosure in the financial statements presented.

The 2019 Bond's listings in Frankfurt, Hong Kong and London were automatically removed as a result of the maturity in late March.

Due to full repayments and the maturity in March 2019 the entity no longer has the status of Public Interest Entity as from fiscal year 2019. As such, there is no requirement to publish audited financial statements for 2019.

#### **Appropriation of result for the year ended December 31, 2017**

The annual accounts for the year ended December 31, 2017 were adopted at the General Meeting held on April 19, 2018. The general meeting determined the appropriation of the result in accordance with the motion tabled for that purpose.

Amsterdam, 30 April, 2019

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.***

## ***Annual report for the financial year ended December 31, 2018***

### **3. Other information**

#### **3.1 Audit of the financial statements**

The Company qualifies as a middle sized company, however due to new legislation for OOB, the Company prepares the annual report based on a large sized company; therefore, based on Part 9 of Book 2 of the Dutch Civil Code, the Company is required to have its financial statements audited.

#### **Statutory provisions concerning appropriation of result**

In accordance with article 17 of the Articles of Association of the Company, the result of the period is at the disposal of the General Meeting.

Book 2 of the Dutch Civil Code prescribes that the General Meeting may resolve on any profit distribution to the extent that the shareholder's equity exceeds the amount of the reserves to be maintained by law and the articles of association of the Company.

The Company may only follow a resolution of the General Meeting to distribute the result of the period after the management board has given its approval to do this. The management board withholds approval, at the moment of distribution, only if it knows or reasonably should be able to foresee that the Company cannot continue to pay its due debts after the distribution.

***Cable and Wireless International Finance B.V.***  
***Annual report for the financial year ended December 31, 2018***

**3.2 Auditors' report**