

Cable and Wireless International Finance B.V.

**Annual report for the financial year ended
December 31, 2017**

Amsterdam, the Netherlands

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

Cable and Wireless International Finance B.V.

Annual report for the financial year ended December 31, 2017

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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, 2017.

The Company was incorporated 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 year under review, the Company continued its activities with respect to the 2019 Bonds (as defined and described in note 2.5 [5] to the financial statements). These 2019 Bonds are listed on the London, Hong Kong and Frankfurt stock exchanges and are due for redemption on June 1, 2019. The Bonds are guaranteed by the shareholder of the Company, Cable & Wireless Limited. 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.

During the year under review, the Company realized a net result of USD 610,239 (2016: USD 110,005) and the equity of the Company as at December 31, 2017 amounts to USD 11,543,775 (December 31, 2016: USD 10,933,536). 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 421,289 (2016: USD 52,694). The equity ratio decreased to 3.85% (2017) from 3.96% (2016). The activities of the Company developed in line with expectations.

During 2016, the Company changed the book year end from March 31 to December 31 to align with the ultimate parent company's book year end. As such the comparative figures for 2016 relate to the financial period April 1, 2016 to December 31, 2016.

Changes in Management

On February 15, 2017 Ms. B.H.Y. Bradberry resigned as director of the Company. On July 25, 2017 Mr. King was appointed director of the Company. As per October 2, 2017 Mr. King resigned as director of the Company. On July 25, 2017 Roking Corporate Services B.V. resigned as director of the Company. On February 5, 2018 both Mextrust B.V. as well as 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 Cable & Wireless Limited with respect to the bonds receivable and the loans payable.

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 (as defined and described in note 2.5 [1] to the financial statements) and the 2019 Bonds. At December 31, 2017, management has no reason to believe that Cable & Wireless Limited will not be able to meet its obligations in the foreseeable future.

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The Company has agreements in Pound Sterling ("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 (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.

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 confirmed its present intention that the activities of Cable and Wireless International Finance B.V. will exist in the same structure for at least one year after April 19, 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.

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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, 2017, management has no reason to believe that Cable & Wireless Limited 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 year under review the risk management processes remained unchanged.

Personnel related information

The Company employed no personnel during the financial year under review (2016: nil). During the year 2017 the Company initially had a female Director (Ms. Bradberry). After her resignation on February 15, 2017 she was superceded by Mr. King as per July 25, 2017. Mr King in turn resigned as per October 2, 2017. Since that date the Company only had a corporate director by way of Intertrust Management B.V. 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.

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;
- have worked properly in 2017.

Future outlook

No material change in activities is contemplated for the coming year. It is expected that the result will be in line with that of the reporting period as interest on the Vanilla Loan is expected to remain unchanged. Furthermore, management has no current plans which would have a significant influence on expectations concerning future activities, investments, financing, staffing or profitability.

Subsequent events

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

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On March 26, 2018, the Company was entitled to receive interest of GBP 4,597,125 from Cable & Wireless Limited on the GBP Shareholder Loan. The Company irrevocably renounced its right to receive these interest payments.

As at February 5, 2018 both Mr. R.G. McNeil and Mextrust B.V. were appointed directors of the Company. Further, management is not aware of any significant events that have occurred since the balance sheet date that were not included in the financial statements.

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

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, 2017 and the developments during the financial period ended December 31, 2017 of the Company and the Directors' report describes the material risks that the Company is facing.

Amsterdam, April 19, 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)

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2.1 Balance sheet as at December 31, 2017

(Before result appropriation)

ASSETS	Note	December 31, 2017		December 31, 2016	
		USD	USD	USD	USD
Fixed assets					
<i>Financial fixed assets</i>	[1]				
Loan due from shareholder		270,489,586		248,385,494	
Due from shareholder		<u>10,304,494</u>		<u>9,883,205</u>	
			280,794,080		258,268,699
Current assets					
<i>Receivables</i>	[2]				
Due from shareholder		19,285,257		17,440,313	
Income taxes receivable		-		32,005	
Prepayments and other receivables		<u>11,492</u>		<u>9,968</u>	
			19,296,749		17,482,286
Cash and cash equivalents	[3]		20,227		30,420
Total assets			<u><u>300,111,056</u></u>		<u><u>275,781,405</u></u>

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2.1 Balance sheet as at December 31, 2017

(Before result appropriation)

	Note	December 31, 2017		December 31, 2016	
		USD	USD	USD	USD
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[4]				
Share capital		864,530		760,789	
Share premium		23,747,102		23,747,102	
Other reserves		100,261		204,002	
Accumulated result		(13,778,357)		(13,888,362)	
Unappropriated result		610,239		110,005	
			11,543,775		10,933,536
Long-term liabilities	[5]				
Bonds		270,489,586		248,385,494	
			270,489,586		248,385,494
Current liabilities	[6]				
Interest payable		17,886,124		16,424,491	
Income tax payable		141,269		-	
Accrued expenses and other liabilities		50,302		37,884	
			18,077,695		16,462,375
Total liabilities			<u>300,111,056</u>		<u>275,781,405</u>

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2.2 Statement of income for the financial year ended December 31, 2017

	Note	December 31, 2017		April 1, 2016 December 31, 2016	
		USD	USD	USD	USD
Income	[7]				
Interest income			23,959,369		16,564,692
Expense	[8]				
Interest expense		(23,128,361)		(16,229,648)	
Foreign currency transaction gains / (losses)		82,081		(98,831)	
			<u>(23,046,280)</u>		<u>(16,328,479)</u>
Net operating result			913,089		236,213
Management and administration fee		(49,769)		(37,717)	
Tax advisory fee		(15,586)		(14,767)	
Audit fees		(33,415)		(30,112)	
Bank charges		(996)		(636)	
Other operating expenses		<u>(15,883)</u>		<u>(11,722)</u>	
			<u>(115,649)</u>		<u>(94,954)</u>
Result before income taxes			797,440		141,259
Income tax expense	[10]		(187,201)		(31,254)
Net result			<u><u>610,239</u></u>		<u><u>110,005</u></u>

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2.3 Cash flow statement for the financial year ended December 31, 2017

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

	2017		April 1, 2016 till 31 December 2016	
	USD	USD	USD	USD
Net result		610,239		110,005
Adjusted for changes in:				
Income tax expense	187,201		31,254	
Prepaid expense and other receivables	(1,524)		(8,656)	
Interest payable	1,461,633		16,018,704	
Accrued expenses and other liabilities	12,418		91	
Amounts due from shareholder	(2,266,233)	(606,505)	(16,064,526)	(23,133)
		3,734		86,872
Income taxes paid		(13,927)		(60,966)
Cash flow from operating activities		<u>(10,193)</u>		<u>25,906</u>
Cash flow from investing activities		<u>-</u>		<u>-</u>
Cash flow from financing activities		<u>-</u>		<u>-</u>
Notes to the cash resources				
Cash and cash equivalents at beginning of period		30,420		4,514
Movements in cash		<u>(10,193)</u>		<u>25,906</u>
Cash and cash equivalent at December 31		<u>20,227</u>		<u>30,420</u>

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2.4 Notes to the financial statements

General

Cable and Wireless International Finance B.V. (the "Company"), a 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, 2017.

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. 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.

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

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 11,543,775 positive (2016: USD 10,933,536 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.

Comparison previous year

During 2016, the Company changed its book year end from March 31 to December 31 to align with the ultimate parent company's book year end. Accounting principles remained unchanged compared to the prior year.

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: 0.7394; EUR: 1.1868 (2016: GBP: 0.8052; EUR 1.0444)). 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 confirmed its present intention that the activities of Cable and Wireless International Finance B.V. will exist in the same structure for at least one year after April 19, 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 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, 2017, management has no reason to believe that Cable & Wireless Limited 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 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.

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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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.

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2.5 Notes to the balance sheet

ASSETS

Fixed assets

Financial fixed assets [1]

	<u>2017</u>	<u>2016</u>
	USD	USD
Loan due from shareholder		
Opening balance	248,385,494	282,286,521
Foreign currency translation adjustment	<u>22,104,092</u>	<u>(33,901,027)</u>
Closing balance	<u><u>270,489,586</u></u>	<u><u>248,385,494</u></u>

The loan due from shareholder relates to a GBP 200,000,000 (USD 270,489,586) loan due from Cable & Wireless Limited (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>2017</u>	<u>2016</u>
	USD	USD
Opening balance	9,883,205	9,830,511
Accrued interest	<u>421,289</u>	<u>52,694</u>
Closing balance	<u><u>10,304,494</u></u>	<u><u>9,883,205</u></u>

The amount due from shareholder relates to an USD 8,000,000 loan ("Vanilla Loan") due from Cable & Wireless Limited, which is unsecured. At December 31, 2017 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, 2017 was 4.196% (2016: 0.713%). 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 classified under financial fixed assets as Cable & Wireless Limited is a related company, has the same management as the Company, and the intent is to settle the Vanilla Loan in connection with the maturity of the 2019 Bonds and GBP Shareholder Loan. The fair value of this loan was not subject to reasonable estimation due to the related-party nature of the Vanilla Loan.

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Receivables [2]

Due from shareholder

The amount due from shareholder is as follows:

	<u>2017</u>	<u>2016</u>
	USD	USD
Accrued interest	19,073,311	16,662,527
Other amounts due	211,946	777,786
Closing balance	<u>19,285,257</u>	<u>17,440,313</u>

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

Corporate income tax receivable

	<u>2017</u>	<u>2016</u>
	USD	USD
Corporate income tax receivable - current	-	32,005
	<u>-</u>	<u>32,005</u>

Other prepayments and accrued income

	<u>2017</u>	<u>2016</u>
	USD	USD
Prepaid expenses	11,492	9,968
	<u>11,492</u>	<u>9,968</u>

Cash and cash equivalents [3]

	<u>2017</u>	<u>2016</u>
Cash		
Bank account USD	16,184	29,920
Bank account GBP	4,043	500
	<u>20,227</u>	<u>30,420</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.

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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 = 1.1868 USD (2016: 1.04439). Gains or losses resulting from this translation are charged to other reserves.

Details of share capital are as follows:

	<u>2017</u>	<u>2016</u>
	USD	USD
Opening balance	760,789	814,644
Movement during the year	103,741	(53,855)
Closing balance	<u><u>864,530</u></u>	<u><u>760,789</u></u>

Share premium

Details of share premium are as follows:

	<u>2017</u>	<u>2016</u>
	USD	USD
Opening balance	23,747,102	23,747,102
Movement during the year	-	-
Closing balance	<u><u>23,747,102</u></u>	<u><u>23,747,102</u></u>

Other reserves

Details of other reserves are as follows:

	<u>2017</u>	<u>2016</u>
	USD	USD
Opening balance	204,002	150,147
Movement during the year	(103,741)	53,855
Closing balance	<u><u>100,261</u></u>	<u><u>204,002</u></u>

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Accumulated result

Details of accumulated result are as follows:

	<u>2017</u>	<u>2016</u>
	USD	USD
Opening balance	(13,888,362)	(14,128,270)
Movement during the year	110,005	239,908
Closing balance	<u>(13,778,357)</u>	<u>(13,888,362)</u>

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

This proposal has not yet been incorporated in the financial statements.

Unappropriated result

	<u>2017</u>	<u>2016</u>
	USD	USD
Balance at year-end	<u>610,239</u>	<u>110,005</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 Cable & Wireless Limited. The proceeds of the 2019 Bonds were loaned to Cable & Wireless Limited. 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>2017</u>	<u>2016</u>
	USD	USD
Opening balance	248,385,494	282,286,521
Foreign currency translation adjustment	22,104,092	(33,901,027)
Closing balance	<u>270,489,586</u>	<u>248,385,494</u>

The following table summarises the movement in the principal balance of the 2019 Bonds from the original issue date to December 31, 2017:

	<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 Cable & Wireless Limited.

At December 31, 2017, the market value of the 2019 Bonds was USD 289,437,382 (GBP 214,010,000) (2016: USD 277,074,019 (GBP 223,100,000)). This is based on a value of 107.005 as published by Reuters as at December 29, 2017.

Cable and Wireless International Finance B.V.

Annual report for the financial year ended December 31, 2017

Current liabilities [6]

Interest payable

Interest payable includes amounts due to (i) holders of the 2019 Bonds of USD 13,119,472 equal to GBP 9,700,538 (2016: USD 12,047,364 equal to GBP 9,700,538), which is due and payable on March 26, 2019, and (ii) shareholder of USD 4,766,652 equal to GBP 3,524,462 (2016: USD 4,377,127 equal to GBP 3,524,463).

Accrued expenses and other liabilities

	<u>2017</u>	<u>2016</u>
	USD	USD
Management and administration fees	1,644	1,385
Tax advisory fees	14,241	6,660
Audit fees	34,417	29,065
Other accrued expenses	-	774
	<u>50,302</u>	<u>37,884</u>

Income tax payable

	<u>2017</u>	<u>2016</u>
	USD	USD
Corporate income tax	141,269	-
	<u>141,269</u>	<u>-</u>

As at December 31, 2017 the Company has a tax liability of USD 141,269. As at December 31, 2016 the Company had a tax receivable of USD 32,005. Please refer to Note 2 'Receivables'.

Cable and Wireless International Finance B.V.

Annual report for the financial year ended December 31, 2017

2.6 Notes to the statement of income

Financial income and expense

Interest income [7]

	<u>2017</u>	<u>2016</u>
	USD	USD
Interest income from Cable & Wireless Limited	23,959,369	16,564,692
	<u>23,959,369</u>	<u>16,564,692</u>

Interest expense [8]

	<u>2017</u>	<u>2016</u>
	USD	USD
Interest expense 2019 Bonds	23,128,361	16,229,648
	<u>23,128,361</u>	<u>16,229,648</u>

The interest expense related to the 2019 Bonds is settled by Cable & Wireless Limited.

Currency exchange results

	<u>2017</u>	<u>2016</u>
	USD	USD
Foreign currency transaction gain/(loss):		
GBP Shareholder loan	22,104,092	(34,035,389)
2019 Bonds	(22,104,092)	33,949,759
Other	82,081	(13,201)
	<u>82,081</u>	<u>(98,831)</u>

Waiver of loan interest receivable [9]

The waiver of the loan interest receivable relates to the interest due from Cable & Wireless Limited on the GBP Shareholder Loan. The Company was entitled to receive interest of USD 5,775,283 (GBP 4,597,125) on March 26, 2017 (2016: USD 6,488,532 / 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 years. The waiver of the loan interest receivable for the current year has been effectuated in March 2018.

Income tax expense [10]

	<u>2017</u>	<u>2016</u>
	USD	USD
Charge for the year	193,010	31,254
Amendments to prior year tax position	(5,809)	-
	<u>187,201</u>	<u>31,254</u>

The effective tax rate for 2017 is 23.48% (2016: 22.12%).

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 except for the nine months ended December 31, 2016 and the year ended December 31, 2017. The Company received its latest final Dutch Corporate Income Tax ("CIT") assessment on July 15, 2017 for the twelve months ended March 31, 2016, which was consistent with the originally filed return.

Cable and Wireless International Finance B.V.

Annual report for the financial year ended December 31, 2017

2.6 Notes to the statement of income

Audit fee disclosure [11]

The following fees for 2017 have been or will be charged by Grant Thornton Accountants en Adviseurs B.V. to the Company for the book year 2017:

	<u>2017</u>	<u>2016</u>
	USD	USD
Statutory audit of annual accounts	<u>33,415</u>	<u>29,065</u>
	<u>33,415</u>	<u>29,065</u>

Employees and directors [12]

During the financial period ended on December 31, 2017, the Company did not employ any personnel (2016: nil). The Company had two statutory directors during the financial period under review. One director received a total remuneration of USD 9,303 for services provided as a director of the Company during the financial period under review (2016: USD 8,340). One director did not receive any remuneration during the financial period under review (2016: nil). On February 15, 2017, one director resigned from the Company.

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 187,201 (2016: USD 31,254).

Subsequent events

On March 26, 2018, Cable & Wireless Limited was entitled to receive interest of GBP 4,597,125 associated with the 2019 Bonds. Cable & Wireless Limited 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 Cable & Wireless Limited on the GBP Shareholder Loan. The Company waived its right to receive these interest payments.

As per February 5, 2018 both Mr. R.G. McNeil and Mextrust B.V. were appointed directors of the Company. Further, management is not aware of any significant events that have occurred since the balance sheet date that were not included in the financial statements.

Appropriation of result for the nine months ended December 31, 2016

The annual accounts for the nine months ended December 31, 2016 were adopted at the General Meeting held on April 19, 2017. The general meeting determined the appropriation of the result in accordance with the motion tabled for that purpose.

Amsterdam, April 19, 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.

Annual report for the financial year ended December 31, 2017

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, 2017

3.2 Auditors' report

To: the Board of Directors and shareholder of
Cable and Wireless International Finance B.V.

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INDEPENDENT AUDITOR'S REPORT

A. Report on the Audit of the Financial Statements

Our opinion

We have audited the financial statements 2017 of Cable and Wireless International Finance B.V., based in Amsterdam, as set out on pages 6 to 22.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Cable and Wireless International Finance B.V. as at December 31, 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at December 31, 2017;
2. the profit and loss account for 2017;
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for Our Opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Cable and Wireless International Finance B.V. in accordance with the EU Regulations on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at USD 3,7 million. The materiality is based on our assessment of the balance sheet composition and profit and loss account for the year, where we specifically refer to the total assets (1,25%). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the those charged with governance that misstatements in excess of USD 185 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the those charged with governance. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was addressed in the context of our audit on the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on this matter.

Valuation of the loans issued

We consider the valuation of the loans issued to the parent company Cable and Wireless Communications Ltd, as disclosed in note 2.5(1) to the financial statements for a total amount of USD 270,490 thousand, as a key audit matter. This is due to the size of the loans and given that an impairment may have a material effect on the income statement.

Management did not identify any impairment triggers regarding the loans issued to the parent company, initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method.

We have performed detailed audit work addressing valuation as well as existence of the loans issued to the parent company, through inter-group confirmation procedures, audit of data input to calculate the amortized cost and reconciliation with the general ledger, testing the movements on the loans to the contracts and bank statements and analysis of the



financial position of the counterparty and assessed whether there were any impairment triggers.

We concur with the position taken by the Board of Managing Directors as set out in the financial statements with respect to the valuation of the loans issued to affiliated parties.

Valuation of bond liability and appropriateness of interest calculations

We consider the valuation of the bond liability issued on the London, Hong Kong and Frankfurt Stock Exchanges, as disclosed in note 2.5(5) to the financial statements for a total amount of USD 270,489 thousand, as a key audit matter. This is due to the size of the liability and given that a misstatement may have a material effect on the income statement.

Management did not identify any misstatements regarding the bond liability initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method.

We have performed detailed audit work addressing the valuation of the bond liability and appropriateness of interest calculations, through audit of data input to calculate the amortized cost and reconciliation with the general ledger, testing on a sample basis the movements on the bond liability and interest to supporting documentation and bank statements and assessed whether there were any misstatements.

We concur with the position taken by the Board of Managing Directors as set out in the financial statements with respect to the valuation of bond liability and appropriateness of interest calculations.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The report of the Board of Managing Directors;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.



Management is responsible for the preparation of the Management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were engaged by those charged with governance as auditor of Cable and Wireless International Finance B.V. on June 12, 2015 as of the audit for year 2015 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulations on specific requirements regarding statutory audit of public-interest entities.

D. Description of responsibilities regarding the financial statements

Responsibilities of management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report as set out on pages 2 to 4 in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern.

Our Responsibilities for the Audit of the Financial Statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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



From the matters communicated with those Charged with Governance, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, April 19, 2018

Grant Thornton Accountants en Adviseurs B.V.

drs. P.N. van Vuure RA