

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

**Interim Financial Statements September 30, 2014**

**Amsterdam, the Netherlands**

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

***Cable and Wireless International Finance B.V.  
Interim Financial Statements September 30, 2014***

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# ***Cable and Wireless International Finance B.V. Interim Financial Statements September 30, 2014***

## **1.1 Directors' report**

Management hereby presents to the shareholder the unaudited interim financial statements of Cable and Wireless International Finance B.V. ("the Company") for the period April 1, 2014 up to and including September 30, 2014 as required under the Transparency Directive Implementation Act (Transparency Directive).

### **General**

The Company was incorporated on September 28, 1989. The objective of the Company is to act as a finance company.

### **Activities and results**

During the period under review the Company continued its activities with respect to the bonds. These bonds are listed on the London, Hong Kong and Frankfurt stock exchanges and are due for redemption in 2019. The bonds are secured by a guarantee given by the shareholder of the Company, Cable & Wireless Limited. In turn, Cable & Wireless Limited is fully owned by Cable & Wireless Communications Plc, one of the world's leading telecommunications companies.

During the period under review, the Company realized a net profit of USD 160,786 (previous period USD 147,014) and the equity ratio remained the same at 3%. The activities of the Company developed in line with expectations.

### **Personnel related information**

The Company employed no personnel during the period.

### **Research and development costs**

The Company does not perform any research and development.

### **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. Furthermore, management has no current plans which would have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability.

### **Financial risks**

Financial risks arising from the ordinary business activities of the Company consist mainly of default and liquidity risks if Cable & Wireless Limited would not be able to meet its obligations in respect of the loan and the secured bond loan. Management is of the opinion that there is no reason to believe that Cable & Wireless Limited will not be able to meet its obligations in the foreseeable future.

The Company concluded agreements in Pound Sterling ("GBP") for both the loans due from shareholder and the bond loan, each in the principal amount of GBP 200,000,000. The loan due from shareholder carries a fixed interest rate of 8,75% per annum whilst the bond loan carries a fixed interest rate of 8,625% per annum. The Company therefore deems the foreign currency and interest risk not significant.

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

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**1.1 Directors' report**

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

To our knowledge,

1. the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company;
2. the directors' report gives a true and fair view of the position as per September 30, 2014 and the developments during the half-year ended September 30, 2014 of the Company; and
3. the directors' report describes the material risks that the Company is facing.

Amsterdam, November 28, 2014

Managing directors,

B.H.Y. Bradberry

Rokin Corporate Services B.V.

Intertrust Management B.V.

**Cable and Wireless International Finance B.V.**  
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**2.1 Balance sheet as at September 30, 2014**

(Before result appropriation)

	<u>Note</u>	<u>September 30, 2014</u>		<u>March 31, 2014</u>	
		USD	USD	USD	USD
<b>ASSETS</b>					
<b>Fixed assets</b>					
<i>Financial fixed assets</i>	[1]				
Loans due from shareholder		326,957,659		330,087,473	
Due from shareholder		9,760,816		9,749,579	
			336,718,475		339,837,052
<b>Current assets</b>					
<i>Receivables</i>	[2]				
Due from shareholder		15,192,770		896,877	
Corporate income tax receivable		25,525		-	
			15,218,295		896,877
<i>Cash and cash equivalents</i>	[3]		213,037		261,748
			<u>352,149,807</u>		<u>340,995,677</u>

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**2.1 Balance sheet as at September 30, 2014**

(Before result appropriation)

	<u>Note</u>	<u>September 30, 2014</u>		<u>March 31, 2014</u>	
		USD	USD	USD	USD
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>					
<b>Shareholder's equity</b>	[4]				
Share capital		932,363		1,003,658	
Share premium		23,747,102		23,747,102	
Other reserve		32,428		(38,867)	
Accumulated deficit		(14,321,406)		(14,588,255)	
Unappropriated result		160,786		266,850	
			10,551,273		10,390,488
<b>Long term liabilities</b>	[5]				
Bond and subordinated loans		326,957,659		330,087,473	
			326,957,659		330,087,473
<b>Current liabilities</b>	[6]				
Interest payable to bondholders		10,687,132		348,046	
Interest payable to shareholder		3,882,919		126,455	
Corporate income tax		-		1,991	
Accrued expense and other liabilities		70,824		41,224	
			14,640,875		517,716
			<u>352,149,807</u>		<u>340,995,677</u>

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**2.2 Statement of income for the period April 1, 2014 up to and including September 30, 2014**

	<i>Note</i>	01/04/2014 - 30/09/2014		01/04/2013 - 30/09/2013	
		USD	USD	USD	USD
<b>Income</b>	[7]				
Interest income		14,315,635		14,008,372	
Currency exchange results		-		13,280	
Other financial income		-		907	
			14,315,635		14,022,559
<b>Expense</b>	[8]				
Interest expense		(14,100,049)		(13,786,765)	
Currency exchange results		(3,443)		-	
			(14,103,492)		(13,786,765)
<b>Net operating result</b>			212,143		235,794
Management and administration fee		(25,410)		(40,567)	
Tax advisory fee		(8,501)		(9,135)	
Audit fees		-		-	
Bank charges		(417)		(531)	
Other operating expenses		(374)		(614)	
			(34,702)		(50,847)
<b>Income before taxation</b>			177,441		184,947
Corporate income tax	[9]		(16,655)		(37,933)
<b>Net result</b>			160,786		147,014

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**2.3 Cash flow statement for the period April 1, 2014 up to and including September 30, 2014**

The cash flow statement is prepared according to the indirect method.

	<u>01/04/2014 - 30/09/2014</u>		<u>01/04/2013 - 30/09/2013</u>	
	USD	USD	USD	USD
Net result		160,786		147,014
Adjusted for changes in:				
· Corporate income tax receivable	16,655		37,933	
· Interest payable	14,095,550		13,808,195	
· Accrued expenses and other liabilities	<u>29,599</u>		<u>(32,861)</u>	
		14,141,804		13,813,267
<b>Corporate income tax paid</b>		<u>(44,171)</u>		<u>(24,815)</u>
<b>Cash flow from operating activities</b>		14,258,419		13,935,466
<b>Cash flow from investing activities</b>		-		-
<b>Cash flow from financing activities</b>				
Amounts due from shareholders		<u>(14,307,130)</u>		<u>(13,649,262)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(48,711)		286,204
Cash and cash equivalents at April 1		<u>261,748</u>		<u>13,601</u>
Cash and cash equivalents at September 30		<u>213,037</u>		<u>299,805</u>



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

### **General information**

Cable and Wireless International Finance B.V. ("the Company") was incorporated with limited liability under the laws of the Netherlands on September 28, 1989. The registered office of the Company is in Amsterdam, the Netherlands.

The objective of the Company is to act as a finance company.

Based on Article 1, par 1, sub I "Wet toezicht accountantsorganisaties" the Company is considered as an "Organisatie van Openbaar Belang" 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 exemption 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 (Cable & Wireless Communications Plc) has instituted an Audit Committee, which is the case.

### **Group structure**

The Company is a subsidiary of Cable & Wireless Limited, London, United Kingdom, which owns 100% of the Company's shares. The Company's figures are taken up in the consolidated accounts of Cable & Wireless Communications Plc, London, United Kingdom. The consolidated accounts of Cable & Wireless Communications Plc can be obtained from their website: [www.cwc.com](http://www.cwc.com).

### **Related parties**

The Company is engaged in the financing of its shareholder out of bond loans secured by its shareholder. The conditions of these loans are all at arm's length. Please refer to the Notes to the balance sheet items for further details.

### **Solvency**

The Company acts as a group financing company. As such, the Company is economically and organizationally linked to the ultimate parent company, Cable & Wireless Communications Plc. Therefore the solvency of the parent company and that of the group should be considered when assessing the Company's solvency.

### **Going concern**

These financial statements have been prepared on the basis of the going concern assumption.

### **Comparison previous year**

The accounting principles remained unchanged to the previous year.

### **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 ultimate parent company, Cable & Wireless Communications Plc, and the majority of trading and financing companies of the Group, of which the Company is a member, is the US 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. The Company's presentation currency is also the USD.

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

### **Basis of preparation**

The Company qualifies as a middle sized company and the financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The financial statements are prepared under the historical cost convention and presented in USD. Assets and liabilities are stated at nominal value, unless otherwise stated. If deemed necessary, a provision is deducted from the nominal amount of accounts receivable.

### **Payables and receivables**

Payables are included at face value. Receivables are included at face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables. Short term payables and receivables are reclassified to long term if it is expected that the amounts will not be repaid or recovered within twelve months after the balance sheet date.

### **Revenue recognition**

Interest income and expense are recognized in the income statement based on accrued amounts. Operating expenses are accounted for in the period in which these are incurred. Losses are accounted for in the year in which they are identified.

### **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at period-end exchange rates. 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 income statement. 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.

The Company concluded agreements in GBP for both the loans due from shareholder and the bond loan, each in the principal amount of GBP 200,000,000. The loan due from shareholder carries a fixed interest rate at 8,75% per annum whilst the bond loan carries a fixed interest rate at 8,625% per annum. The Company therefore deems the foreign currency risk not significant.

### **Bond and subordinated loans**

Loans are recorded as the proceeds received, net of direct costs incurred in obtaining the loans, and are amortised to the settlement amount using the effective interest method.

Current bank debt represents amounts that are due within 12 months. Non-current bank debt represents amounts that will settle after more than 12 months.

### **Financial risk management**

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

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

#### **Currency risk**

The Company is exposed to movements in exchange rates in relation to non-dollar currency income and expenses. Where appropriate, the Company manages its exposure to movements in exchange rates on a net basis.

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### **Credit risk**

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. The carrying amount of the financial assets of the Company represents the maximum credit exposure of the Company. Management seeks to reduce this credit risk by ensuring the counterparties to all but a small proportion of the Company's financial instruments are the core relationship banks. These banks are awarded a maximum credit limit based on ratings by Standard & Poor's and Moody's, the level of 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 limited due to its sound financial position. Furthermore, the Company's shareholder has signed a letter of support to the Company.

### **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.

### **Interest 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. 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 fixed assets**

Financial fixed assets are valued at nominal value.

### **Equity**

#### **Share capital**

Ordinary shares are classified as share capital.

#### **Share premium**

An amount of USD 23,747,102 is classified within equity as share premium.

#### **Other reserves**

Gains and losses resulting from the translation of the issued and paid-up capital from EUR into USD is recorded in the other reserves.

### **Corporate income tax**

Permanent and temporary differences may exist between the result before taxation as presented in these financial statements and the fiscal result for corporate income tax purposes. Temporary differences between the reporting for tax purposes and the financial statements are recognized as deferred taxes based on the statutory tax rate expected to exist in the future. Deferred tax assets and liabilities are netted. Net deferred tax assets will be included in the balance sheet if actual recovery is assumed possible by the Company's management.

### **Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

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**2.4 Notes to the financial statements**

**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 can be considered highly liquid investments. Cash flows in foreign currencies are translated at the exchange rates prevailing at the date of the transactions.

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**2.5 Notes to the balance sheet**

**ASSETS**

**Fixed assets**

**Financial fixed assets [1]**

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
	<b>USD</b>	<b>USD</b>
<b>Loans due from shareholders</b>		
Opening balance	330,087,473	304,785,126
Foreign exchange	(3,129,814)	25,302,347
Closing balance	326,957,659	330,087,473

The loans due from shareholder relates to a loan due from Cable & Wireless Limited, London, United Kingdom in the amount of GBP 200,000,000 (USD 326,957,659). The loan is fully repayable on June 1, 2019 and carries a fixed interest at 8,75% per annum.

Financial risks arising from the ordinary business activities of the Company consist mainly of default and liquidity risks if Cable & Wireless Limited would not be able to meet its obligations in respect of the loan and the secured bond loan. Management is of the opinion that there is no reason to believe that Cable & Wireless Limited is not able to meet its obligations in the foreseeable future.

The Company concluded agreements in GBP for both the loans due from shareholder and the bond loan, each in the principal amount of GBP 200,000,000. The loan due from shareholder carries a fixed interest rate of 8,75% per annum while the bond loan carries a fixed interest rate of 8,625% per annum. The Company therefore deems the foreign currency and interest risk not significant.

**Due from shareholder**

The amount due from shareholder can be detailed as follows:

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
	<b>USD</b>	<b>USD</b>
Opening balance	9,749,579	9,724,122
Interest for the period	11,237	25,457
Closing balance	9,760,816	9,749,579

The amount due from shareholder relates to a loan due from Cable & Wireless Limited, London, UK, which is unsecured and subject to 3m LIBOR USD. The average interest rate during the period was 0.23%. Unpaid interest is added to the principal sum.

The loan is lent for a definite period of time, being three months. The loan is classified under Financial fixed assets since it is expected that the loan will not be repaid within one year after the balance sheet date.

The fair value of the loans due from shareholder cannot be determined with sufficient certainty.

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**2.5 Notes to the balance sheet**

**Current assets**

**Receivables [2]**

**Due from shareholder**

The amount due from shareholder can be detailed as follows:

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
	<b>USD</b>	<b>USD</b>
Accrued interest due from Cable & Wireless Limited, London, UK	15,189,908	481,378
Other amounts due from Cable & Wireless Limited, London, UK	2,862	415,499
	<u>15,192,770</u>	<u>896,877</u>

It is expected that the amounts due from Cable & Wireless Limited, London, UK will be repaid within one year after the balance sheet date.

**Corporate income tax receivable**

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
	<b>USD</b>	<b>USD</b>
Dutch CIT receivable	25,525	-
	<u>25,525</u>	<u>-</u>

**Cash and cash equivalents [3]**

The cash relates to bank balances and are available on demand.

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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 consisting of 8,000 ordinary shares of EUR 455 each, of which 1,601 shares are issued and paid-up.

In accordance with article 373, section 5, Book 2 of the Dutch Civil Code, the issued and paid-up capital is translated at the period-end rate of EUR 1 = USD 1.2799 (prior year; EUR 1 = USD 1.3778). Gains or losses resulting from this translation are recorded in the Other reserve.

Details of shareholder's equity are as follows:

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
	<b>USD</b>	<b>USD</b>
<b>Share capital</b>		
Opening balance	1,003,658	946,783
Other reserve movement	(71,295)	56,875
Closing balance	<u>932,363</u>	<u>1,003,658</u>
<b>Share premium</b>		
Opening balance	23,747,102	23,747,102
Movement during the year	-	-
Closing balance	<u>23,747,102</u>	<u>23,747,102</u>
<b>Other reserve</b>		
Opening balance	(38,867)	18,008
Movement during the year	71,295	(56,875)
Closing balance	<u>32,428</u>	<u>(38,867)</u>
<b>Accumulated deficit</b>		
Opening balance	(14,588,255)	(14,798,113)
Appropriation of result	266,849	209,858
Closing balance	<u>(14,321,406)</u>	<u>(14,588,255)</u>
<b>Unappropriated result</b>		
Opening balance	266,850	209,858
Proposal profit appropriation	160,786	266,850
Appropriation result prior year	(266,850)	(209,858)
Closing balance	<u>160,786</u>	<u>266,850</u>

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**2.5 Notes to the balance sheet**

**Long-term liabilities [5]**

**Bond and subordinated loans**

In June 1994 the Company issued GBP 200,000,000 8,625% bonds due in 2019 secured by a guarantee given by Cable & Wireless Limited, which has Cable & Wireless Communications Plc as its ultimate parent company. The proceeds of the bonds were lent to Cable & Wireless Limited. The bonds are listed on the London, Hong Kong and Frankfurt stock exchanges.

The movements in the long-term liabilities can be detailed as follows:

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
	<b>USD</b>	<b>USD</b>
Opening Balance	330,087,473	304,785,126
Foreign exchange	(3,129,814)	25,302,347
Closing Balance	<u>326,957,659</u>	<u>330,087,473</u>

As at September 30, 2014 Cable & Wireless Limited is one of the bond holders for a face amount of GBP 53,300,000.

Movement summary from the date of issuing till September 30, 2014 is as follows:

	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity date</b>	<b>GBP</b>
Issued in 1994	GBP	8,625%	25-3-2019	200,000,000
Repurchased in 2005	GBP	8,625%	25-3-2019	(19,900,000)
Repurchased in 2007	GBP	8,625%	25-3-2019	(1,500,000)
Repurchased in 2008	GBP	8,625%	25-3-2019	(31,900,000)
Sold during 2008/2009	GBP	8,625%	25-3-2019	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 were expensed by Cable & Wireless Limited.

The market value of the bonds at the balance sheet date amounts to USD 377,243,747 (GBP 230,760,000). As at March 31, 2014 the market value of the bonds amounted to USD 384,948,011 (GBP 233,240,000).



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**2.5 Notes to the balance sheet**

**Current liabilities [6]**

**Interest payable to bond holders**

The interest payable to bond holders of USD 10,687,132 (GBP 6,537,319) relates to interest due to the holders of the bond loan, which is payable at March 25, 2015 (March 31, 2014: USD 348,046 (GBP 210,881)).

**Interest payable to shareholder**

The interest payable to shareholder of USD 3,882,919 (GBP 2,375,181) relates to interest due to the holders of the bond loan, which is payable at March 25, 2015 (March 31, 2014: USD 126,455 (GBP 76,619)).

**Corporate income tax**

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
	<b>USD</b>	<b>USD</b>
Corporate income tax	-	1,991
	-	1,991

**Accrued expenses and other liabilities**

The accrued expenses and other liabilities can be detailed as follows:

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
	<b>USD</b>	<b>USD</b>
Management fee payable	25,834	1,859
Tax advisory fee payable	15,834	8,342
Audit fee payable	28,798	31,023
Other expenses payable	358	-
	70,824	41,224

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**2.6 Notes to the statement of income**

**Financial income and expense**

**Income [7]**

**Interest income**

	<b>01/04/2014 - 30/09/2014</b>	<b>01/04/2013 - 30/09/2013</b>
	<b>USD</b>	<b>USD</b>
Interest income group companies	14,315,635	14,008,372

**Currency exchange results**

	<b>01/04/2014 - 30/09/2014</b>	<b>01/04/2013 - 30/09/2013</b>
	<b>USD</b>	<b>USD</b>
Exchange gain on amounts due from group companies	-	14,932,708
Exchange loss others	-	(14,919,428)
Net exchange gain	-	13,280

**Expense [8]**

**Interest expense**

	<b>01/04/2014 - 30/09/2014</b>	<b>01/04/2013 - 30/09/2013</b>
	<b>USD</b>	<b>USD</b>
Interest expense - bonds	(14,100,049)	(13,786,765)
Interest expense - banks	-	-
	(14,100,049)	(13,786,765)

**Currency exchange results**

	<b>01/04/2014 - 30/09/2014</b>	<b>01/04/2013 - 30/09/2013</b>
	<b>USD</b>	<b>USD</b>
Exchange loss on amounts due from group companies	(3,138,318)	-
Exchange gain others	3,134,875	-
Net exchange loss	(3,443)	-

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**2.6 Notes to the statement of income**

**Corporate income tax [9]**

	01/04/2014 - 30/09/2014	01/04/2013 - 30/09/2013
	USD	USD
Charge for the period	(16,655)	(37,933)
	<u>(16,655)</u>	<u>(37,933)</u>

The Company concluded a tax ruling with the Dutch tax authorities on January 28, 2011 wherewith the method of the determination of the taxable result was agreed. This tax ruling will expire on December 31, 2014.

The Company has filed its corporate income tax returns for all calender years except for 2013/2014, which is not yet due as of the date of this report. The Company has received its latest final Dutch Corporate Income Tax (CIT) assessment on May 31, 2014 for the 2012/2013 tax year which was in line with the originally filed return.

**Audit fee disclosure**

The following fees for 2014/2015 have been or will be charged by KPMG to the Company:

	KPMG Accountants 2014/2014	KPMG Network 2014/2014	Total KPMG
	USD	USD	USD
Tax advisory services	-	8,501	8,501
	<u>-</u>	<u>8,501</u>	<u>8,501</u>

**Employees and directors**

During the period under review the Company did not employ any personnel (previous period: nil). The Company has three statutory directors. The three directors did not receive remuneration during the period under review (previous year: nil).

**3.1 Other information**

**Post-balance sheet events**

Management is not aware of events that took place after balance sheet date that could have a material effect on the financial position of the Company.

Amsterdam, November 28, 2014

Managing directors,

B.H.Y. Bradberry

Rokin Corporate Services B.V.

Intertrust Management B.V.