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OS AA01

Statement of details of parent law and other
information for an overseas company



Companies House

☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

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23/12/2019 #592
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ① AT&T Global Network Services (UK) B.V.

UK establishment number B R 4 9 9 3

→ **Filling in this form**

Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state.

**Part 2 Statement of details of parent law and other
information for an overseas company**

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ② Dutch law, including Dutch standards of auditing

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts.

A2 Accounting principles

Accounts Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☒ **Yes.** Please enter the name of the organisation or other
body which issued those principles below, and then go to **Section A3**.

Name of organisation or body ③ Dutch Civil Code

③ Please insert the name of the
appropriate accounting organisation
or body.

A3 Accounts

Accounts Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5**.

☒ **Yes.** Go to **Section A4**.

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Statement of details of parent law and other information for an overseas company

A4

Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐

No. Go to **Part 3 'Signature'**.

☒

Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.

❶ Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ❶

Dutch standards on auditing

A5

Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐

No.

☐

Yes.

Part 3

Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X



X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Michael Springham
Company name	AT&T Global Network Services (UK)
B.V.	
Address	Highfield House
	Headless Cross Drive
Post town	Redditch
County/Region	Worcestershire
Postcode	B 9 7 5 E Q
Country	UK
DX	
Telephone	



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



Important information

Please note that all this information will appear on the public record.



Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
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DX 33050 Cardiff.

Scotland:

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Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

Financial report for the year ended 31 December 2018

AT&T Global Network Services (UK) B.V.

The Hague

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Annual report of the directors

The directors submit their report and audited financial statements of AT&T Global Network Services (UK) B.V. ('the Company') for the year ended 31 December 2018. The Company was incorporated in the Netherlands on 30 March 1999. The Company is registered in Amsterdam and the office is Wilhelmina van Pruisenweg 104 (2595 AN) Den Haag (The Hague), the Netherlands.

Principal activities

The principal activity of the Company is the supply of telecommunication and related services. The Company has established a branch in the United Kingdom to serve its principal market, which is within the UK.

Review of business and future developments

The Company supplies management and support of data, voice and e-business solutions to local and global customers as well as to business partners on a country and regional basis.

During 2018, the Company employed an average of 761 employees (2017: 701).

The Company's management team continues to work closely with the UK Works Council to monitor and manage headcount within the framework of the group's objectives.

During the year, the Company continued to operate under the AT&T Global Intercompany Trading Agreement ('AGITA'). Under this agreement the Company provides network, sales and marketing and general administrative support to AT&T's global enterprise business, which is operated by the AT&T Inc. group. As a result, the Company bears limited risk in relation to its local business and receives income from another group undertaking as specified in the agreement.

Revenue increased by GBP 13.6 million from GBP 246.1 million to GBP 259.7 million; all revenue is derived from related parties in accordance with the AGITA.

The profit after tax and for the year is GBP 4.6 million (2017: GBP 5.3 million). The Company has a solvency ratio of 1.52 at 2018 year end (2017: 1.37) and current ratio of 1.53 (2017: 1.37).

During the year the Company continued to manage its costs effectively with the aim of reducing long term non-essential expenditure and increasing operating efficiency.

The Company expects the operating environment in 2019 to remain challenging as competition in the telecommunications market remains strong. This competition will continue to put pressure on pricing, margins and customer retention.

Annual report of the directors (continued)

Review of business and future developments continued

The Company will continue to develop its local business in line with AT&T Inc. group strategy

As the Company operates under the AGITA which results in stable operating profit margins the Company has a reasonable expectation that it will continue to trade profitably.

There are no significant future developments for the Company which are not currently disclosed.

Environmental impact

The Company does not carry out any activities that would have a negative impact on the environment.

Property, plant and equipment

The estimated useful lives of assets are between 1-15 years.

The Company periodically reassesses the expected useful lives of its property, plant and equipment in the light of experience.

The Company continues to invest in its AGN network (routers and nodes) during 2019.

Results and appropriation of reserves

The profit and loss account for the year is shown on page 8. The directors do not propose a dividend.

Principal risks and uncertainties

Financial risks

As noted above, during the year the Company continued to operate under the AGITA, under which the Company bears limited risk in relation to its local business and receives income from another group undertaking as specified in the agreement. The agreement includes a 3-month termination period; however, the directors do not have any intention to terminate this agreement within the next year from the date of these financial statements and to the best of their knowledge, are not aware of any intention of the ultimate parent company to terminate the agreement either. The financial statements have been prepared on a going-concern basis.

Annual report of the directors (continued)

Principal risks and uncertainties continued

Business risks

The telecommunication industry is highly dependent on the economic background of the country and the international markets it operates in. The operation of the AGITA limits the risks faced by the Company, however any potential decline in the commercial activities of the group would have an indirect negative influence on the Company.

Financial risks: disclosure and reporting

The AT&T Inc. group has established an internal reporting system, which applies to its European group companies including AT&T Global Network Services (UK) B.V. Local management reports at quarterly intervals on all determined possible risks and the possibilities to minimise or avoid these risks.

Financial instruments

Financial instruments recognised in the balance sheet consist of loans from group undertakings, receivables, cash at bank and in hand and current liabilities. The Company does not enter into transactions regarding financial instruments other than from its normal business operations. Except for the loans, the financial instruments are of a short-term nature (less than one year) and therefore the risks associated with these instruments are recognised in the profit and loss of the reporting year. Furthermore, the Company enters into short-term forward contracts with respect to material foreign currency exposures.

As at 31 December 2018 there were no outstanding forward contracts. In addition to the aforementioned risks resulting from the business operations, internal measures have been implemented as detailed in note 4 of the financial statements to effectively manage market risk, credit risk and liquidity risk.

Modern Slavery Act

AT&T has implemented, and has legally obligated its suppliers to comply with, the policies set forth at

http://www.about.att.com/content/dam/csr/FAQpdfs/Human_Rights_Communications_Policy.pdf

Research and Development Activities

The Company does not undertake research and development activities in its own right, being entitled, under the AGITA, to offer products and utilise infrastructure developed by the AT&T group.

Annual report of the directors (continued)

Directors

The directors who held office during the year ended 31 December 2018 are set out below, together with any changes subsequent to the year-end.

- Michael Springham
- Pascale Frossard
- Ian Crowther (appointed 28 February 2018)

The Company complies with article 2:166 and 2:276 of the 'Wet bestuur en toezicht 2012' as it has a well-balanced division of men and women within the Board of directors.

The Hague, 21 October 2019

Board of Directors,



Michael Springham



Pascale Frossard



Ian Crowther

Financial statements

Balance sheet as at 31 December 2018 (before appropriation of result)

		31 December 2018	31 December 2017
	Note	GBP (000)	GBP (000)
<i>Assets</i>			
Non-current assets			
Property, plant and equipment	5.1	49,450	51,024
Financial assets	5.2	48,838	47,917
Current assets			
Inventory	5.3	4,309	8,424
Receivables	5.4	74,971	65,420
Cash at bank and in hand		1,184	5,651
		178,752	178,436

Balance sheet as at 31 December 2018 (continued)

(before appropriation of result)

		31 December 2018	31 December 2017
	Note	GBP (000)	GBP (000)
<i>Equity and liabilities</i>			
Shareholder's equity			
Issued share capital	5.5	17	17
Share premium	5.5	104,965	104,965
Other reserves	5.5	(1,706)	(7,151)
Legal reserve	5.5	(4)	(4)
Profit/(loss) for the year	5.5	4,590	5,274
		<hr/>	<hr/>
		107,862	103,101
Provisions	5.6	16,063	15,473
Non-current liabilities	5.7	2,118	1,845
Current liabilities	5.8	52,709	58,017
		<hr/>	<hr/>
		178,752	178,436
		<hr/>	<hr/>

Profit and loss account for the year ended 31 December 2018

		2018	2017
	Note	GBP (000)	GBP (000)
Revenue	6.1	259,669	246,110
Cost of sales		(177,635)	(174,898)
Gross profit		82,034	71,212
Selling expenses		(31,911)	(33,733)
General and administrative expenses		(42,540)	(34,171)
Other expenses		(887)	-
Total expenses		(75,338)	(67,904)
Operating profit		6,696	3,308
Financial income and expenses	6.5	(69)	(6)
Profit before taxation		6,627	3,302
Income tax (charge)/credit	6.6	(2,037)	1,972
Profit/(loss) after tax and for the year		4,590	5,274

Cash flow statement for the year ended 31 December 2018

		2018	2017
	Note	GBP (000)	GBP (000)
Cash flow from operating activities			
Operating profit		6,696	3,308
Adjustments for:			
Depreciation of property, plant and equipment	6.4	13,492	19,851
Impairment of property, plant and equipment		887	-
Loss on disposal of fixed assets		(29)	434
Amortisation of deferred charges	5.4	530	1,044
Movement in deferred income	5.7, 5.8	(1,062)	(146)
Net periodic pension benefit	6.3	(1,689)	(5,912)
(Decrease)/Increase in other provisions	5.6	(200)	2,384
		18,625	20,963
Movement in working capital:			
Decrease/(increase) in inventory	5.3	4,115	(990)
(Increase)/decrease in receivables	5.4	(10,081)	8,292
(Decrease) in liabilities	5.7, 5.8	(8,653)	(6,636)
		(14,619)	666
Cash generated from operations		4,006	21,629
Pension contributions	6.3	(307)	(301)
Interest received		5	6
Interest paid		(74)	(13)
		(376)	(308)
Net cash generated from operating activities		3,630	21,321

Cash flow statement for the year ended 31 December 2018 (continued)

	2018	2017
	GBP (000)	GBP (000)
Cash flow from investment activities		
Divestments in fixed assets	503	105
Investments in property, plant and equipment	(13,281)	(19,983)
Net cash generated from investment activities	(12,778)	(19,878)
Cash flow from financing activities		
Increase in bank overdraft	4,681	1,800
Net cash generated from financing activities	4,681	1,800
(Decrease)/increase in cash and cash equivalents	(4,467)	3,243
Movements in cash and cash equivalents:		
Cash and cash equivalents as at 1 January	5,651	2,408
(Decrease)/increase in cash and cash equivalents	(4,467)	3,243
Cash and cash equivalents as at 31 December	1,184	5,651

Notes to the balance sheet and profit and loss account

1 General

1.1 Activities

The principal activity of AT&T Global Network Services (UK) B.V. ('the Company') during the year ended 31 December 2018 was the supply of telecommunication and related services through its branch in the United Kingdom.

1.2 Registered office and registration number at the chamber of commerce

The Company is registered in Amsterdam and the office is Wilhelmina van Pruysenweg 104 (2595 AN) Den Haag (The Hague), the Netherlands and is registered at the chamber of commerce under number 34113585.

1.3 Group structure

The Company's ultimate parent company and controlling party is AT&T Inc., which is registered in the United States of America. The parent company consolidates these financial statements. Copies of the ultimate parent company's consolidated financial statements are available from the United States Securities and Exchange Commission (www.sec.gov) or may be obtained by contacting AT&T's investor relations department at www.att.com or at the following address: AT&T Inc., Investor Relations, 208 S. Akard St, Dallas, Texas 75202, USA.

The immediate parent company is AT&T Global Network Holdings LLC, which is registered in the United States of America.

1.4 Going concern

During the year, the Company has continued to operate under the AT&T Global Intercompany Trading Agreement ('AGITA'). Under this agreement the Company provides network, sales and marketing and general administrative support to AT&T's global enterprise business, which is operated by the AT&T Inc. group. As a result, the Company bears limited risk in relation to its local business and receives income from another group undertaking as specified in the agreement. The agreement includes a 3-month termination period; however, the directors do not have any intention to terminate this agreement within the next year from the date of these financial statements and to the best of their knowledge, are not aware of any intention of the ultimate parent company to terminate the agreement either.

Based upon the above, it is the directors' opinion that the Company remains a going concern for the foreseeable future, and that it is appropriate to prepare the financial statements on a going-concern basis.

Notes to the balance sheet and profit and loss account (continued)

1.4 Going concern (continued)

If the Company was unable to continue in operational existence for the foreseeable future, adjustments might have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

1.5 International cost recharges

Under the AGITA, AT&T Global Network Services (UK) B.V. provides network, sales and marketing and general administrative support to AT&T's global enterprise business, which is operated by the AT&T Inc. group. In respect of this agreement an amount of GBP 15,657,537 (2017: GBP 11,246,566) is recognised under current assets and GBP 6,297,662 (2017: GBP 19,489,717) payable is recognised under current liabilities at the year-end.

1.6 Notes to the cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the cash flow statement. The value of the related asset and lease liability are disclosed in the notes to the balance sheet items. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

Under the investments in tangible fixed assets, only the investments are included for which cash was paid in 2018.

1.7 Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered a related party. In addition, statutory directors, other key management and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required to provide a true and fair view.

Notes to the balance sheet and profit and loss account (continued)

1.7 Related party transactions (continued)

In addition to the related party transactions mentioned in note 1.5, the following transactions occurred during 2018:

- The Company has been charged costs of GBP 7,270,989 (2017: GBP 8,944,313) in relation to the supply and procurement of various services and equipment from other AT&T entities in the rest of the world. An amount of GBP 774,804 (2017: GBP 1,083,606) is recognised under current liabilities at the year-end.
- The Company received income of GBP 2,739,439 (2017: GBP 1,727,138) in relation to the sale of fixed assets and inventory to other AT&T entities in the rest of the world. Additionally, GBP 240,254 (2017: GBP 283,223) income was received with regard the Company's staff on secondment to other AT&T entities in Europe. An amount of GBP 1,572,311 (2017: GBP 928,408) is recognised under receivables at the year-end.

All related party transactions are at arm's length.

1.8 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. If necessary for the purposes of providing the view required under Book 2, article 362, paragraph 1, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 General

The financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the DASs for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

2.2 Comparison with prior year

The principles of valuation and determination of result remain unchanged compared to the prior year.

Notes to the balance sheet and profit and loss account (continued)

2.3 Foreign currencies

Functional currency

Items included in the financial statements of the companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in GBP, which is the functional and presentation currency of the Company.

Transactions, receivables and liabilities

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions.

2.4 Property, plant and equipment

Property, plant and equipment is valued at acquisition or manufacturing cost less straight-line depreciation over the estimated useful economic life of the asset.

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.5 Financial assets

Deferred tax asset and Pension asset

Further information on the deferred tax asset and pension asset can be found in note 2.9.

Deferred Charges

Deferred charges are initially measured at fair value, and subsequently carried at amortised cost. The assets are depreciated over the remaining economic life or, if shorter, the duration of the contract.

Notes to the balance sheet and profit and loss account (continued)

2.5 *Financial assets (continued)*

Deferred charges with a maturity of less than one year are classified within current assets.

2.6 *Inventory*

Inventories are valued at cost price or lower realisable value.

The cost price consists of the historical cost (all costs relating to the acquisition) and costs incurred in order to bring the inventories to their current location and current condition.

The realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value, the obsolescence of the inventories is taken into account.

2.7 *Receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.8 *Cash and cash equivalents*

Cash and cash equivalents include cash in hand. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value. The cash is at the free disposal of the Company.

2.9 *Provisions*

General information

Provisions are recognised for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure expected to be required to settle the obligations.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Pension benefits

The Company operates two pension schemes – a defined benefit pension scheme and a defined contribution pension scheme.

Notes to the balance sheet and profit and loss account (continued)

2.9 Provisions (continued)

The defined benefit pension scheme is valued in accordance with the United States accounting standard FASB ASC Topic 715 Compensation — Retirement Benefits. The obligation includes the present value of the expenditures that are probably required to settle. The present value factor is the market rate of interest of high-quality corporate bonds. If the obligation is due within a year, the obligation is not discounted.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are included in respect of the temporary differences in valuation of assets and liabilities for financial statement purposes and tax purposes. The deferred tax assets and liabilities are calculated based on tax rates prevailing at the year-end or applicable future tax rates, insofar as already decreed by law. Deferred tax assets, including those resulting from losses carried forward, are recognised if it can be reasonably assumed that they will be realised. Deferred tax assets and liabilities are included at face value.

2.10 Fair value of financial instruments

Financial instruments recognised in the balance sheet consist of loans from group undertakings, receivables, cash at bank and in hand, provisions and current liabilities. These receivables are initially measured at fair value and subsequently carried at amortised cost.

The face values of the receivables, cash at banks and in hand, provisions and current liabilities do not differ significantly from the net realisable value due to their short-term nature (shorter than one year).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs.

2.10 Non-current liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Notes to the balance sheet and profit and loss account (continued)

2.10 Non-current liabilities (continued)

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest in the income statement over the period of the borrowings using the effective interest method

2.11 Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

2.12 Leases

Finance lease (as lessee)

The Company acts as the lessee of certain network assets, of which it has substantially all the risks and rewards incidental to the ownership. These assets are capitalised and recognised in the balance sheet at the commencement of the lease at the lower of the fair value of the asset and the present value of the minimum lease payments, each determined at the inception of the lease. The network assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or, if shorter the contractual term.

Finance lease (as lessor)

The Company acts as a lessor of some network and telecommunications hardware associated with the provision of services. These arrangements are treated as finance leases as substantially all of the risks and rewards incidental to ownership have been passed to the customer. The customers paid the full fair value for the equipment upfront and have the option to use a bargain purchase clause at the end of the multi-year deals. Consequently, the Company has no outstanding receivables in respect of those finance leases.

Operating lease

Leases in which a significant portion of the risks and rewards incidental to the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3 Principles of determination of the result

3.1 General

The result represents the difference between the value of the goods delivered and services rendered and the costs and other charges incurred during the year. The results on

Notes to the balance sheet and profit and loss account (continued)

3.1 General (continued)

transactions are recognised in the year they are realised; losses are taken as soon as they are foreseeable.

3.2 Revenue

Revenue represents the income received from another group undertaking in accordance with the AGITA. Amounts invoiced to third-party customers are accounted for as due to that other group undertaking under the terms of the AGITA because this Company does not bear the risks and may have a limited reward associated with these invoices.

Revenue is stated net of VAT and similar sales-based taxes.

Sales of goods

Revenues from the goods supplied are recognised when all significant risks and rewards in respect of the goods have been transferred to the buyer.

Sales of services

Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

3.3 Cost of sales

Cost of sales represents the direct and indirect expenses attributable to revenue including employee cost, depreciation charges for buildings and equipment, and other operating expenses that are attributable to cost of sales.

3.4 Costs

Costs are recognised under the historical cost convention and are allocated to the reporting period to which they relate.

Depreciation of fixed assets is based on purchase price and is provided on a straight-line basis over the estimated economic useful life of the asset.

3.5 Selling and general and administrative expenses

Selling expenses and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.

3.6 Exchange differences

Exchange differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they arise.

Notes to the balance sheet and profit and loss account (continued)

3.7 Depreciation

Property, plant and equipment depreciated over their estimated useful lives as from the inception of their use. Future depreciation and amortisation is adjusted if there is a change in estimated future useful life.

3.8 Employee benefits

Employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees.

Pension and other post-retirement benefits

The charge against profits for the benefits of the defined contribution pension scheme is the amount of contributions payable to the pension scheme in respect of the accounting period.

The ongoing cost of providing pensions for current and former employees through the defined benefit scheme is charged to the profit and loss account over the period during which the benefit is derived from the employees' services, based on the calculations carried out by independent qualified actuaries applying United States accounting standard FASB ASC Topic 715 Compensation — 'Retirement Benefits'.

The over- or under-funded status of post retirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation is recognised in accordance with the United States accounting standard FASB ASC Topic 715 Compensation — Retirement Benefits. Actuarial gains and losses are recognised immediately in the income statement.

3.9 Finance income and costs

Interest paid and received

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

3.10 Taxation

Tax on the result for the year is calculated by applying the current tax rate to the result reported in the profit and loss account, taking into account tax losses carried forward, tax exempt profit elements and after inclusion of non-deductible costs.

The Company is a UK tax resident, whose profits are subject to UK corporation tax.

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Notes to the balance sheet and profit and loss account (continued)

4 Financial instruments and risk management

4.1 Currency risk

The currency risk for the Company concerns positions and future transactions in foreign currency, particularly US dollars.

During the year, the Company has continued to operate under the AT&T Global Intercompany Trading Agreement (“AGITA”). As a consequence of this agreement, all foreign exchange risk arising from sources other than inter-company arrangements is transferred to the ultimate parent company.

4.2 Market risk

The Company is not exposed to risk regarding valuation of securities disclosed under Financial assets and securities within current assets, other than risks in relation to the securities held by the pension scheme. As disclosed in note 6.3, the risk is managed by spreading it across a portfolio of different debt and security investments.

4.3 Interest rate and cash flow risk

The Company incurs interest rate risk on interest bearing receivables (in particular cash and pension scheme assets) and on interest bearing non-current and current liabilities (in particular overdraft and pension scheme obligations).

Where variable-interest loans and receivables are concerned, the Company incurs risk regarding future cash flows. The Company has no fixed interest loans and receivables. No financial derivatives for interest rate risk are contracted with regard to the receivables.

4.4 Credit risk

Credit risk arises principally from cash and credit exposures to customers, including outstanding receivables and committed transactions. For banks, only independently rated parties with a minimum rating of ‘A’ are accepted.

During the year, the Company has continued to operate under the AT&T Global Intercompany Trading Agreement (“AGITA”). As a consequence of this agreement, all customer credit risk is transferred to the ultimate parent company (see note 1.4).

4.5 Liquidity risk

The Company is part of the AT&T cash pooling facility in order to avail itself of a range of overdraft facilities.

Notes to the balance sheet and profit and loss account (continued)

5 Notes to the balance sheet

5.1 Property, plant and equipment

	Network and computer equipment	Leasehold improvements	Total assets
	GBP (000)	GBP (000)	GBP (000)
Cost			
As at 1 January 2018	212,471	4,604	217,075
Additions	12,492	36	12,528
Disposals	(4,713)	(819)	(5,532)
Net transfer to inventory*	612	77	689
Balance as at 31 December 2018	220,862	3,898	224,760
Accumulated depreciation			
As at 1 January 2018	162,545	3,506	166,051
Charge for the year	13,164	328	13,492
Disposals	(4,414)	(644)	(5,058)
Impairment**	887	-	887
Net transfer to inventory*	(62)		(62)
Balance as at 31 December 2018	172,120	3,190	175,310
Net book value			
As at 31 December 2018	48,742	708	49,450
As at 31 December 2017	49,926	1,098	51,024
Depreciation rates	1-15 years	lease term	1-15 years

* This represents equipment which is not in use and is immediately available for resale to other AT&T group undertakings and reclassified to inventory, net of equipment previously held as inventory but has been brought back into use by the company and no longer available for resale.

**Impairment charge of GBP'000 887 relates to fixed assets not in use at year end but not yet disposed, therefore fully written down.

The carrying amount of network assets under finance lease is GBP'000 1,280 (2017: GBP'000 354).

Notes to the balance sheet and profit and loss account (continued)

5.2 Financial assets

		31 December 2018	31 December 2017
		GBP (000)	GBP (000)
Deferred tax assets		11,337	12,675
Pension asset	6.3	37,501	35,242
		48,838	47,917

Movements in financial non-current assets are as follows:

	Deferred tax assets	Pension asset	Total
	GBP (000)	GBP (000)	GBP (000)
Balance as at 1 January 2018	12,675	35,242	47,917
(Charged)/credited to profit and loss account	(1,338)	1,952	614
Other movement/additions	-	307	307
Balance as at 31 December 2018	11,337	37,501	48,838

Deferred tax assets refer to, amongst others, the difference between the tax base of fixed assets and the carrying amount as recognised in the financial statements.

The composition of deductible temporary differences (recognised as well as unrecognised) and unutilised tax losses carried forward is as follows:

	31 December 2018		31 December 2017	
	Recognised	Not recognised	Recognised	Not recognised
	GBP (000)	GBP (000)	GBP (000)	GBP (000)
Deductible temporary differences	11,337	8,075	12,675	7,266
Other timing differences	-	-	-	132
Tax losses carried forward	-	1,940	-	2,004
	11,337	10,015	12,675	9,402

Notes to the balance sheet and profit and loss account (continued)

5.2 Financial assets (continued)

In respect of the items disclosed in the column 'recognised' a deferred tax asset is included in financial fixed assets. An amount of GBP'000 1,036 is expected to be realised within one year, GBP'000 4,353 is expected to be realised in one to five years and GBP'000 5,948 is expected to be realised in more than five years.

For the unrecognised deductible temporary differences and tax losses carried forward it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities.

5.3 Inventory

	31 December 2018	31 December 2017
	GBP (000)	GBP (000)
Finished products and goods for resale	4,309	8,424

5.4 Receivables

	31 December 2018	31 December 2017
	GBP (000)	GBP (000)
Trade debtors	36,788	34,254
Amounts due from group companies	17,230	12,175
Amounts due from participations and associates	-	-
Other receivables	62	35
Deferred charges	-	530
Prepayments and accrued income	20,891	18,426
	74,971	65,420

Amounts shown within current receivables are due within one year.

The company is exposed to foreign exchange risk for receivables arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

During the year, the company has continued to operate under the AT&T Global Intercompany Trading Agreement ("AGITA"). As a consequence of this agreement all foreign exchange risk arising from sources other than inter-company financing arrangements is transferred to the AT&T Inc. group and the company has no net exposure to foreign exchange risk at the year-end.

Notes to the balance sheet and profit and loss account (continued)

5.5 Shareholder's equity

	Issued share capital GBP (000)	Share premium GBP (000)	Legal reserve GBP (000)	Other reserves GBP (000)	Total reserves GBP (000)
Balance as at 31 December 2017	17	104,965	(4)	(7,151)	97,827
Appropriation of gain for the year- ended 31 December 2017	-	-	-	5,274	5,274
Amortisation of prior service pension cost	-	-	-	263	263
Deferred tax in relation to prior service costs	-	-	-	(92)	(92)
Revaluation of share capital	-	-	-	-	-
Balance as at 31 December 2018	17	104,965	(4)	(1,706)	103,272

Issued share capital

The authorised share capital of the Company as at 31 December 2018 amounts to EUR 90,000 and consists of 900 ordinary shares of EUR 100 each.

Issued share capital amounts to EUR 18,700 (2017: EUR 18,700) and consists of 187 (2017: 187) ordinary shares with a nominal value of EUR 100 each. The share capital was translated to GBP at 31 December 2018 using a closing rate of 1.1.

Disclosure of result for the year

	2018	2017
	GBP (000)	GBP (000)
Opening balance	5,274	(2,003)
To other reserves	(5,274)	2,003
Result for the year	4,590	5,274
Closing balance	4,590	5,274

The directors propose to allocate the result for the year to other reserves.

Notes to the balance sheet and profit and loss account (continued)

5.6 Provisions

	31 December 2018	31 December 2017
	GBP (000)	GBP (000)
Deferred tax liabilities	13,125	12,335
Other provisions	2,938	3,138
	16,063	15,473

Movements in provisions are as follows:

	Deferred tax liabilities	Other provisions	Total
	GBP (000)	GBP (000)	GBP (000)
Balance as at 1 January 2018	12,335	3,138	15,473
Other movement/additions	790	105	895
Utilised	-	(305)	(305)
Balance as at 31 December 2018	13,125	2,938	16,063

Deferred tax liabilities refer to the difference between the tax base of pension asset and the carrying amount as recognised in the financial statements. GBP'000 13,125 (2017: GBP'000 12,335) are expected to be of a long-term nature.

Other provisions represent the Company's estimate of amounts that may be payable in respect of a long-term incentive plan and other payroll related provisions.

Within other provisions, GBP'000 696 (2017: GBP'000 1,107) is expected to be of a long-term nature (over one year).

5.7 Non-current liabilities

	31 December 2018	31 December 2017
	GBP (000)	GBP (000)
Deferred income	1,375	1,845
Other non-current liabilities	743	-
	2,118	1,845

All amounts apart from GBP'000 177 (2017: GBP'000 310) fall due within 5 years.

Notes to the balance sheet and profit and loss account (continued)

5.8 Current liabilities

	31 December 2018	31 December 2017
	GBP (000)	GBP (000)
Bank overdraft	6,481	1,800
Trade creditors	11,413	9,544
Amounts due to group undertakings	7,011	20,573
Social security liabilities	998	945
Other liabilities	9,168	9,145
VAT payable	4,268	4,318
Accruals	12,744	10,474
Deferred income	626	1,218
	52,709	58,017

All current liabilities fall due in less than one year.

The company is exposed to foreign exchange risk for current liabilities arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

During the year, the company has continued to operate under the AT&T Global Intercompany Trading Agreement (“AGITA”). As a consequence of this agreement all foreign exchange risk arising from sources other than inter-company financing arrangements is transferred to the AT&T Inc. group and the company has no net exposure to foreign exchange risk at the year-end.

5.9 Contingencies and commitments

Financial obligations

The obligations from operating leases at the end of the reporting year can be specified as follows:

	2018		2017	
	Land and buildings	Vehicles, plant & equipment	Land and buildings	Vehicles, plant & equipment
	GBP (000)	GBP (000)	GBP (000)	GBP (000)
Obligations to pay:				
Within one year	6,501	606	13,664	634
Within two to five years	19,683	532	41,300	503
Over five years	9,931	-	16,634	-
	36,115	1,138	71,598	1,137

Notes to the balance sheet and profit and loss account (continued)

5.9 Contingencies and commitments (continued)

The Company is committed to make payments under telecommunication service contracts. The directors estimate that the minimum expenditure that the Company is committed to under these telecommunication service contracts is GBP'000 16,348 (2017: GBP'000 11,287). The actual amount to be paid depends on how many of the circuits the Company uses during the contract, subject to a minimum and maximum usage capacity.

	<u>31 December 2018</u>
	GBP (000)
Obligations to pay:	
Within one year	13,496
Between one and five years	2,852
	<hr/>
Total	16,348

The agreements relating to this balance expire no later than September 2023.

6 Notes to the profit and loss account

6.1 Revenue

All revenue originates in the United Kingdom and arises from the provision of services.

All revenue is classified as being from related parties in accordance with the AGITA.

	<u>2018</u>	<u>2017</u>
	GBP (000)	GBP (000)
Amounts derived from other group undertakings	259,669	246,110

As outlined in note 3.2, amounts billed and accrued in respect of third-party customers are not included in revenue. The aggregate amount involved is GBP'000 192,297 (2017: GBP'000 189,649).

Notes to the balance sheet and profit and loss account (continued)

6.2 Employee benefits

	2018	2017
	GBP (000)	GBP (000)
Wages and salaries	71,322	65,877
Pension costs	5,521	5,442
Pension credit relating to defined benefit scheme	(1,687)	(5,912)
Other social security costs	11,774	9,603
	86,930	75,010

The above employee benefits expense is included in cost of sales, selling expenses and general and administrative expenses, depending on the activities of the employees in question.

The above pension costs are in relation to both the defined benefit and the defined contribution pension schemes; further details in respect of the defined benefit schemes are given in note 6.3 below.

6.3 Pensions

As detailed in Section 3.8 the United States accounting standard FASB ASC Topic 715 Compensation — Retirement Benefits, which has resulted in the full recognition of accumulated actuarial gains and losses.

The AT&T Pension Scheme closed to future accrual with effect from 31 January 2010.

Benefit obligation and asset reconciliations

Change in projected benefit obligation	2018	2017
	GBP (000)	GBP (000)
Projected benefit obligation at the beginning of the year	170,131	172,227
Service cost	447	416
Interest cost	4,127	4,596
Actuarial gains	(9,459)	3,219
Benefits paid	(9,434)	(10,329)
Prior service costs	390	-
Plan participant contributions	2	2
Projected benefit obligation at the end of the year	156,204	170,131

Notes to the balance sheet and profit and loss account (continued)

6.3 Pensions (continued)

Change in plan assets	2018	2017
	GBP (000)	GBP (000)
Fair value of plan assets at the beginning of the year	205,373	200,993
Actual return on plan assets	(2,543)	14,406
Benefits paid	(9,434)	(10,329)
Employer contributions	307	301
Plan participant contributions	2	2
Fair value of assets at the end of the year	193,705	205,373
Fair value of assets by category	2018	2017
	GBP (000)	GBP (000)
Fixed income securities	66,768	61,785
Equity securities	126,106	142,677
Cash	831	911
Fair value of assets at the end of the year	193,705	205,373
Development of the accrued benefit asset	2018	2017
	GBP (000)	GBP (000)
Accrued benefit asset at the beginning of the year	35,242	28,766
Net pension benefit	1,952	6,175
Scheme amendment- prior service costs	-	-
Employer contributions	307	301
Accrued benefit asset at the end of the year	37,501	35,242
Funded status – net amount recognised	31 December 2018	31 December 2017
	GBP (000)	GBP (000)
Funded status	37,501	35,242
Net amount recognised	37,501	35,242

Notes to the balance sheet and profit and loss account (continued)

6.3 Pensions (continued)

Weighted average assumptions at the end of the year	2018	2017
Discount rate	2.9%	2.5%
Rate of compensation increase	4.5%	4.5%
Measurement date used	31 December 2018	31 December 2017

Net periodic pension benefit	2018	2017
	GBP (000)	GBP (000)
Net periodic pension benefit		
Service cost	447	416
Interest cost	4,127	4,596
Expected return on plan assets	(5,407)	(9,549)
Actuarial gains	(1,509)	(1,638)
Amortisation of unrecognised prior service cost	263	263
Prior service cost	390	-
Total net periodic pension credit	(1,689)	(5,912)

Weighted average assumptions at the beginning of the year	2018	2017
Discount rate	2.5%	2.7%
Expected return on plan assets	2.7%	4.8%
Rate of compensation increase	4.5%	4.5%
Measurement date used	1 January 2018	1 January 2017

The investment strategy for the AT&T Pension Scheme targets a set rate of return, with the actual allocation of the assets between different asset classes being relatively fluid in order to achieve this.

The target rate of return is equal to the return on a liability benchmark measure plus 1.0% p.a. At the year-end the future return on the liability benchmark was estimated to be 1.8% p.a. The long-term rate of return on pension plan assets has therefore been set at 2.8% p.a.

There are no employer-related investments.

All plan assets are categorised as level 2 assets with significant observable inputs, with the exception of the cash balances of GBP'000 831 (2017: GBP'000 911) which are level 1.

Notes to the balance sheet and profit and loss account (continued)

6.3 Pensions (continued)

Cash flows	GBP (000)
(1) Expected contributions for fiscal year ending 31/12/2019	
(a) Expected employer contributions	321
(2) Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending	
(a) 31/12/2019	9,685
(b) 31/12/2020	9,943
(c) 31/12/2021	10,207
(d) 31/12/2022	10,478
(e) 31/12/2023	10,757
(f) 31/12/2024-31/12/2028	58,230

Other accounting items	Fiscal year ended 31 December	
	2018	2017
	GBP (000)	GBP (000)
(1) Market value of assets at the beginning of the year	205,373	200,993
(2) Alternative amortisation methods used to amortise		
(a) Prior service cost	Straight-line	Straight-line
(b) Unrecognised net (gain) or loss	Straight-line	Straight-line
(3) Employer commitments to make future plan amendments (that serve as the basis for the employer's accounting for the plan)	None	None

6.4 Depreciation of property, plant and equipment

	2018	2017
	GBP (000)	GBP (000)
Property, plant and equipment	13,492	19,851

Notes to the balance sheet and profit and loss account (continued)

6.5 Financial income and expenses

	2018	2017
	GBP (000)	GBP (000)
Interest income	5	6
Interest expense	(74)	(12)
	(69)	(6)

6.6 Income tax credit/(charge)

	2018	2017
	GBP (000)	GBP (000)
Profit before taxation	6,626	3,302
Income tax (charge)/credit	(2,037)	1,972
Effective tax rate	30.7%	59.7%
Applicable tax rate	19.0%	19.3%

The effective tax rate differs from the applicable tax rate due to the movement on the unrecognised deferred tax asset, the effect of the change in tax rates and the taxation of pension asset at a higher rate.

During the year the Company has continued to operate under the AGITA. Given the expected continued operation of this agreement, under which the Company has a reasonable expectation of generating taxable profits in the future, the Company considers it probable that certain deductible temporary differences existing at 31 December 2018 will be utilised against future taxable profits. Accordingly, based on profit forecasts for the next ten years and the enacted UK tax rate of 17.0%, a deferred tax asset of GBP'000 11,337 (2017: GBP'000 12,675) has been recognised at 31 December 2018 leaving a further GBP'000 10,015 (2017: GBP'000 9,402) unrecognised as disclosed in note 5.2.

The full rate of corporation tax has decreased to 19.0% from 1 April 2017 and is due to decrease to 17.0% from 1 April 2020. The reduction in the rate to 17.0% from 1 April 2020 was substantively enacted as part of Finance Act 2016 on 6 September 2016.

Notes to the balance sheet and profit and loss account (continued)

Supplementary information

6.6 Independent Auditor's remuneration

	2018	2017
	GBP (000)	GBP (000)
Independent auditor's remuneration charged in respect of:		
Audit of the financial statements*	20	63
Other audit services	-	-
Tax services	-	-
Other non-audit services	-	-
	20	63

The fees listed above relate to the procedures applied to the Company by accounting firms and external independent auditor as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2018 financial statements, regardless of whether the work was performed during the financial year.

*The company's audit fee was borne by a fellow AT&T subsidiary in 2017. In 2018 it is borne by the Company.

6.7 Employees

During 2018, an average of 761 employees were employed by the Company (2017: 701). All of the employees are employed outside of the Netherlands.

Breakdown of employee numbers by activity:

	2018	2017
	Number	Number
Administration	124	131
Sales & marketing	205	229
Operations	432	341
	761	701

Notes to the balance sheet and profit and loss account (continued)

6.8 Directors' remuneration

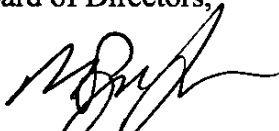
The directors are employed and remunerated by other companies within the AT&T Inc. group.

6.9 Subsequent events

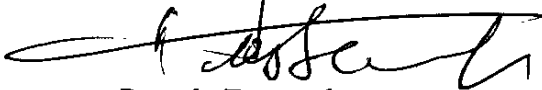
Management are not aware of any events subsequent to the balance sheet date which would have a bearing on the financial statements for the year ended 31 December 2018 as presented.

The Hague, 21 October 2019

Board of Directors,



Michael Springham



Pascale Frossard



Ian Crowther

Other information

Appropriation of the result for the year

According to Article 14 of the Articles of Association, the result for the year should be allocated according to the wishes of the General Meeting of the Shareholder. The Company can only distribute dividends when net equity is larger than the paid-up share capital plus legal reserves, if any.

The directors propose to allocate the result for the year to other reserves.

Independent auditor's report

To: the shareholders and the directors of AT&T Global Network Services (UK) B.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of AT&T Global Network Services (UK) B.V., based in The Hague in the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of AT&T Global Network Services (UK) B.V. as at 31 December 2018 and of its result for 2018 in accordance with *Part 9 of Book 2 of the Dutch Civil Code*.

The financial statements comprise:

- The balance sheet as at 31 December 2018
- The profit and loss account for 2018
- The notes comprising a summary of the 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 AT&T Global Network Services (UK) B.V. in accordance with 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.

Report on 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 management report
- 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 other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for 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. Furthermore, management is responsible for such internal control as management 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 framework 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 in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement 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 material 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 skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

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 a company to cease to continue as a going concern

Evaluating the overall presentation, structure and content of the financial statements, including the disclosures

Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the management board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 25 October 2019

Ernst & Young Accountants LLP

signed by A. de Boer