



Unaudited Interim Condensed Consolidated Financial Statements

Columbus International Inc.

As at 30 June 2015 and 31 December 2014 and
For the three and six months ended 30 June 2015 and 2014

Table of Contents

Interim Condensed Consolidated Balance Sheet	2
Interim Condensed Consolidated Statement of Loss and Comprehensive Loss.....	3
Interim Condensed Consolidated Statement of Changes in Equity	4
Interim Condensed Consolidated Statement of Cash Flow	5
Notes to the Interim Condensed Consolidated Financial Statements	6

Columbus International Inc.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2015	31 December 2014
	Notes	(US \$000)	(US \$000)
ASSETS			
Current			
Cash		62,403	43,978
Accounts receivable, trade		103,014	118,389
Accounts receivable, other		1,090	3,178
Amounts due from related parties	7	25,867	—
Inventory		5,434	5,293
Prepayments		17,953	17,091
Total current assets		215,761	187,929
Investments and other assets		6,917	8,828
Property, plant and equipment		1,048,366	1,138,327
Non-current assets held for sale	5	5,820	—
Intangible assets		170,868	184,116
Goodwill		198,420	202,300
Embedded derivative		18,026	12,968
Deferred income tax asset		7,825	27,618
Total assets		1,672,003	1,762,086
LIABILITIES AND EQUITY			
LIABILITIES			
Current			
Operating facilities	8	12,500	—
Accounts payable and accrued liabilities		175,856	165,494
Income taxes payable		5,562	6,025
Due to Cable and Wireless Communications, net		24,611	11,695
Current portion of deferred revenue		32,356	37,987
Total current liabilities		250,885	221,201
Interest-bearing loans and borrowings		1,234,451	1,233,140
Deferred revenue, net of current portion		273,672	324,086
Deferred income tax liability		74,206	98,984
Other long-term liabilities		7,297	39,413
Total liabilities		1,840,511	1,916,824
EQUITY			
Issued capital	11	365,879	335,241
Foreign currency translation adjustment		(90,535)	(83,355)
Deficit		(443,852)	(406,624)
Total equity		(168,508)	(154,738)
		1,672,003	1,762,086

See accompanying notes

Columbus International Inc.

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF LOSS AND COMPREHENSIVE LOSS**

For the three and six months ended 30 June 2015 and 2014
(Unaudited)

	Notes	Three Months		Six Months	
		2015 (US \$000)	2014 (US \$000)	2015 (US \$000)	2014 (US \$000)
			(see Note 17)		(see Note 17)
Revenue		153,918	147,346	313,049	284,400
Operating costs		88,352	80,729	183,476	161,674
		65,566	66,617	129,573	122,726
Balancing payment to CWC	16	-	-	8,000	-
		65,566	66,617	121,573	122,726
Amortization		27,562	26,748	58,025	51,685
Operating income		38,004	39,869	63,548	71,041
Other expenses					
Financing costs	12	23,871	20,580	47,496	129,092
Other	13	26,660	(1,185)	45,701	14,023
		50,531	19,395	93,197	143,115
(Loss) income before income taxes		(12,527)	20,474	(29,649)	(72,074)
Income tax expense	9	4,180	3,636	7,579	8,723
(Loss) income for the period		(16,707)	16,838	(37,228)	(80,797)
Other comprehensive loss for the period					
Other comprehensive income to be reclassified to profit or loss:					
Foreign currency translation adjustments		184	(3,215)	(7,180)	(18,070)
Total comprehensive (loss) income for the period		(16,523)	13,623	(44,408)	(98,867)

See accompanying notes

Columbus International Inc.

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY**

	Issued capital [note 11] (US \$000)	Deficit (US \$000)	Foreign currency translation (US \$000)	Total equity (US \$000)
At 1 January 2015	335,241	(406,624)	(83,355)	(154,738)
Loss for the period	—	(37,228)	—	(37,228)
Other comprehensive loss	—	—	(7,180)	(7,180)
Total comprehensive loss	—	(37,228)	(7,180)	(44,408)
Issued capital	29,638	—	—	29,638
Forgiveness of shareholder loan	1,000	—	—	1,000
At 30 June 2015	30,638	(37,228)	(7,180)	(13,770)
	365,879	(443,852)	(90,535)	(168,508)
At 1 January 2014 (see Note 17)	326,617	(205,766)	(43,994)	76,857
Loss for the period	—	(80,797)	—	(80,797)
Other comprehensive loss	—	—	(18,070)	(18,070)
Total comprehensive loss	—	(80,797)	(18,070)	(98,867)
Dividend	—	(94,938)	—	(94,938)
Forgiveness of shareholder loan	2,000	—	—	2,000
Conversion of preferred shares	1,411	—	—	1,411
At 30 June 2014	3,411	(175,735)	(18,070)	(190,394)
	330,028	(381,501)	(62,064)	(113,537)

See accompanying notes

Columbus International Inc.

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOW**

For the three and six months ended 30 June 2015 and 2014
(Unaudited)

	Three Months		Six Months	
	2015	2014	2015	2014
	(US \$000)	(US \$000)	(US \$000)	(US \$000)
Notes	(see Note 17)		(see Note 17)	
OPERATING ACTIVITIES				
(Loss) income before income taxes	(12,527)	20,474	(29,649)	(72,074)
Adjustments for:				
Amortization of property, plant and equipment	22,636	22,714	47,922	43,868
Amortization of intangible assets	4,926	4,034	10,103	7,817
Amortization of debt issue costs, discounts and premiums, net	677	705	1,353	15,213
Long-term compensation plans	10	998	19,605	6,365
Fair value adjustment of embedded derivative	(3,932)	(9,137)	(5,058)	(9,137)
Gain on disposal of subsidiaries	3	—	(7,430)	—
Non-cash balancing payment to CWC	16	—	8,000	—
Integration costs	14,944	—	14,944	—
Other non-cash adjustments	—	2,406	1,000	2,155
Change in deferred revenue	(6,784)	(4,039)	(13,292)	(12,418)
Current income tax expense	(3,639)	(5,168)	(9,382)	(7,575)
	17,299	30,364	38,116	(25,786)
Change in non-cash operating working capital	(31,792)	10,366	(24,608)	9,038
Cash (used in) provided by operating activities	(14,493)	40,730	13,508	(16,748)
FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and borrowings	—	—	—	1,250,000
Repayment of interest-bearing loans and borrowings	—	—	—	(852,000)
Proceeds from operating facilities	8	12,500	—	47,500
Repayment of operating facilities	8	(35,000)	—	(35,000)
Issue costs related to interest-bearing loans and borrowings	—	(1,230)	(42)	(20,395)
Proceeds from issuance of share capital	11	—	29,638	—
Dividends paid	—	(94,938)	—	(94,938)
Decrease in other long-term liabilities	(8,394)	(2,447)	(9,219)	(4,712)
Cash (used in) provided by financing activities	(30,894)	(98,615)	32,877	277,955
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	4	(36,712)	(42,003)	(81,226)
Purchase of intangible assets	6	(1,486)	(1,713)	(2,752)
Disposal of property, plant and equipment	4	326	192	694
Change in investments and other assets	—	1,537	497	588
(Disposal) acquisition of subsidiaries	3	—	(146,333)	53,452
Cash used in investing activities	(36,335)	(189,360)	(29,244)	(234,467)
Adjustment for change in foreign exchange	(54)	306	1,284	1,008
Net change in cash during the period	(81,776)	(246,939)	18,425	27,748
Cash, beginning of period	144,179	324,073	43,978	49,386
Cash, end of period	62,403	77,134	62,403	77,134

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

(Unaudited)

In thousands except for per share amounts

1. COMPANY PROFILE

Corporate Information

The interim condensed consolidated financial statements of Columbus International Inc. (“CII” or the “Company”) for the three and six months ended 30 June 2015 and 2014 were authorized for issue in accordance with a resolution of the directors.

Columbus International Inc. was incorporated on 13 October 2004 as Ironbound Holdings (Barbados) Limited, then amended on 19 October 2005 to Columbus International Inc. under the Companies Act of Barbados. Its shares are privately held. The Company is a diversified Caribbean communications company whose core operating business is providing cable television services, high speed internet access, digital phone and internet infrastructure services and development of an undersea fiber optic cable network (“Network”) as well as the sale and lease of the telecom capacity provided by the Network.

Effective 31 March 2015, the Company was acquired by Sable Holding Limited (incorporated in England and Wales), a wholly owned subsidiary of Cable & Wireless Communications Plc. (“CWC”). CWC is the ultimate parent of the Company.

Basis of Presentation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 *Interim Financial Reporting* (“IAS 34”).

The interim condensed consolidated financial statements, notes and tabular amounts are presented in US dollars and all values are rounded to the nearest thousand (000s) unless otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as at 31 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended 31 December 2014.

Columbus International Inc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

(Unaudited)

In thousands except for per share amounts

3. DISPOSAL OF SUBSIDIARIES

On 31 March 2015, the Company disposed of the shares of ARCOS-1 USA Inc., A.SUR NET Inc., Columbus Networks USA, Inc., Columbus Networks Services Inc., and Columbus Networks Puerto Rico Inc. to a related party for proceeds of \$74,250 consisting of cash of \$55,688 and a note receivable of \$18,562. The Company recorded a gain of \$7,430 in the consolidated statement of loss and comprehensive loss. See Note 21 of the year ended 31 December 2014 audited financial statements.

The major classes of assets and liabilities disposed of at 31 March 2015 are as follows:

	<u>(US \$000)</u>
Cash	2,236
Accounts receivable, trade	2,220
Accounts receivable, other	59
Income taxes recoverable	843
Prepayments and other current assets	3,434
Other assets	1,323
Property, plant and equipment	112,323
Intangible assets	5,741
Deferred income tax asset	18,998
Total assets	<u>147,177</u>
Accounts payable and accrued liabilities	15,279
Deferred revenue	42,753
Other liabilities	145
Deferred income tax liability	22,180
Total liabilities	<u>80,357</u>
Net assets	<u>66,820</u>
Gain on disposal	7,430
Total proceeds	<u>74,250</u>
Note receivable from Columbus New Cayman Limited [Note 7]	<u>(18,562)</u>
Cash received	55,688
Less: cash balances in disposed subsidiaries	<u>(2,236)</u>
Net cash proceeds	<u>53,452</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2015

(Unaudited)

In thousands except for per share amounts

4. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Company acquired property, plant and equipment with a cost of \$81,226 (six months ended 30 June 2014 – \$84,436).

During the six months ended 30 June 2015, the Company disposed of property, plant and equipment of \$694 (six months ended 30 June 2014 – \$355). There was no impairment charge recorded during the first six months of 2015 or 2014.

5. NON-CURRENT ASSETS HELD FOR SALE

On 31 March 2015, the Company reclassified property, plant and equipment of \$5,820 to non-current assets held for sale. The non-current assets held for sale relate to the Barbados fiber network assets which is being divested as a condition imposed by the Barbados Fair Trading Commission as a result of the acquisition of the Company by Sable Holding Limited.

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill is tested for impairment annually (at 30 November) and when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount of the different cash generating units were discussed in the annual statements for the year ended 31 December 2014.

The Company considers internal and external factors when reviewing for indications of impairment. As at 30 June 2015, the Company did not exhibit any indications of impairment. As a result, management has not performed an impairment test as at 30 June 2015.

During the six months ended 30 June 2015, the Company has purchased intangible assets with a cost of \$2,752 (six months ended 30 June 2014 – \$4,172).

During the six months ended 30 June 2015, as a result of foreign currency translation, goodwill was reduced by \$3,880.

7. AMOUNTS DUE FROM RELATED PARTIES

The following table outlines the balances due from related parties:

	<u>2015</u> <u>(US \$000)</u>
Due from Arcos-1 USA, Inc.	7,305
Due from Columbus New Cayman Limited [Note 3]	<u>18,562</u>
Total due from related parties	<u>25,867</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2015

(Unaudited)

In thousands except for per share amounts

8. OPERATING FACILITIES

At 31 March 2015, the Company established an operating facility of \$75,000 with its parent, Sable Holding Limited, of which \$5,000 is drawn down. The operating facility is unsecured, bears interest at LIBOR + 425bps, and is due on demand.

At 9 June 2015, a subsidiary of the Company established a revolving term loan facility of BBD50,000 (US\$25,000) with Cable & Wireless (Barbados) Limited, of which BBD15,000 (US\$7,500) is drawn down. The operating facility is unsecured, bears interest at the Barbados T-bill rate + 272bps, and is due on demand.

9. INCOME TAX

The major components of income tax expense in the interim consolidated income statement are comprised of the following:

	For the six months ended 30 June	
	2015	2014
	(US \$000)	(US \$000)
Current income tax	9,382	7,575
Deferred income tax expense relating to original and reversal of temporary differences	(1,803)	1,148
Income tax expense	<u>7,579</u>	<u>8,723</u>

The Company's overall tax provision is based on the statutory tax rates applicable to the income earned in the various jurisdictions which range from 2.5% to 33%. The Company's statutory tax rate for the 2014 and 2015 years was 2.5%. The Company's effective tax rate is greater than its statutory tax rate as several entities are incurring losses for which no deferred tax asset has been recorded and certain entities earn income that is subject to a higher statutory tax rate. The effect of these differences results in a higher consolidated tax expense relative to the overall income of the consolidated group in the reporting periods.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2015

(Unaudited)

In thousands except for per share amounts

10. SHARE-BASED PAYMENTS

Concurrent with the acquisition of the Company by CWC, the Company cancelled all of the outstanding options in the equity incentive plan and replaced it with a combination of an alternative plan with CWC and cash payments to the unit holders.

CWC awarded restricted shares to senior management and selected other employees of the Company, primarily as a retention tool. These restricted shares vest over three years from grant date. The individuals must hold share options converted from the Columbus EIP scheme at an equivalent of three times salary over the same three year period. If the amount of share options drop below the three times salary requirement, the restricted shares are forfeited.

During the six month period ended 30 June 2015, payments of \$49,638 were made to unit holders with proceeds from the issuance of shares and through use of the operating facility [Note 8].

The carrying amount of the liability as at 30 June 2015 is \$998 (30 June 2014 – \$21,852). A total of \$19,605 was recorded as compensation expense for the six months ended 30 June 2015 (six months ended 30 June 2014 – \$6,365).

11. ISSUED CAPITAL

Authorized

Unlimited number of common shares without nominal or par value

	<u>(000s)</u>	<u>(US \$000)</u>
Ordinary shares		
Issued and fully paid		
At 1 January 2015	261,409	335,241
Issued on 31 March 2015 for cash	4,198	29,638
Forgiveness of shareholder loan	1,000	1,000
	<hr/>	<hr/>
At 30 June 2015	266,607	365,879

During the six month period ended, the Company forgave \$1,000 of a shareholder loan. The expense was recorded as long-term employee compensation.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2015

(Unaudited)

In thousands except for per share amounts

12. FINANCING COSTS

	For the six months ended 30 June	
	2015	2014
	(US \$000)	(US \$000)
Interest expense	46,548	51,765
Breakage fees and make-whole payments	—	62,009
Amortization of debt issue costs	1,578	18,502
Amortization of premium	—	(3,289)
Amortization of bifurcated derivative	(228)	(114)
Preferred share dividends	—	91
Other financing charges	120	128
	<u>48,018</u>	<u>129,092</u>
Interest income	(522)	—
	<u>47,496</u>	<u>129,092</u>

During the six months ended 30 June 2014, the Company repaid the \$640,000 senior secured notes as well as the \$212,000 outstanding on the \$225,000 senior guaranteed unsecured notes facilities in full.

The Company incurred \$19,165 of debt issue costs related to the borrowings and expensed \$14,508 related to unamortized debt issue costs and unamortized premiums associated with the previous debt. The Company also incurred \$62,009 related to breakage fees and make-whole payment associated with the repayment of the two facilities, which has also been expensed.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2015

(Unaudited)

In thousands except for per share amounts

13. OTHER EXPENSES

	For the six months ended 30 June	
	2015	2014
	(US \$000)	(US \$000)
Long-term employee compensation and dividend equivalent rights,	19,605	13,427
Restructuring and staff redundancy costs (a)	19,101	1,242
Loss on disposal of property, plant and equipment	364	613
Loss on foreign currency translation	1,183	3,994
Gain on disposal of subsidiaries <i>[Note 3]</i>	(7,430)	—
Fair value of embedded derivative	(5,058)	(9,137)
Acquisition related costs	1,991	3,387
Legal settlement (b)	10,450	—
Other exceptional, non-recurring or non-operating expenses	5,495	497
	<u>45,701</u>	<u>14,023</u>

- (a) Included in restructuring and staff redundancy costs are estimated integration costs associated with the acquisition of the Company by CWC.
- (b) On 8 May 2015, the Company received an unfavorable ruling and has been ordered to pay the majority of the purchase price holdback, a disputed non-competition payment and other amounts (including costs) totaling \$10,450 within 30 days of the date of the ruling. The payment was made on 8 June 2015.

14. SEGMENTED INFORMATION

The Company currently manages its business under two operating segments: Columbus Networks and Flow. For purposes of this segment note, Flow includes the Karib Cable markets. Within Columbus Networks, management has shown separately the revenue generated from wholesale and C&W Business Solutions (CBS). Within Flow, management has shown separately consumer and CBS.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Columbus International Inc.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2015

(Unaudited)

In thousands except for per share amounts

**Six months ended
30 June 2015**

	<u>Columbus Networks</u>		<u>Flow</u>		Eliminations and adjustments	Total
	Wholesale (US \$000)	CBS (US \$000)	Consumer (US \$000)	CBS (US \$000)		
Revenue						
External	85,091	41,177	134,040	52,741	—	313,049
Intercompany	212	793	—	4,886	(5,891)	—
Total revenue	85,303	41,970	134,040	57,627	(5,891)	313,049

	<u>Columbus Networks</u>		<u>Flow</u>		Eliminations and adjustments	Total
	(US \$000)		(US \$000)			
Income (loss) (a)	28,673		25,460		(91,361)	(37,228)

**Six months ended
30 June 2014**

	<u>Columbus Networks</u>		<u>Flow</u>		Eliminations and adjustments	Total
	Wholesale (US \$000)	CBS (US \$000)	Consumer (US \$000)	CBS (US \$000)		
Revenue						
External	81,341	32,774	123,981	46,304	—	284,400
Intercompany	212	137	—	4,122	(4,471)	—
Total revenue	81,553	32,911	123,981	50,426	(4,471)	284,400

	<u>Columbus Networks</u>		<u>Flow</u>		Eliminations and adjustments	Total
	(US \$000)		(US \$000)			
Income (loss) (a)	27,542		27,479		(135,818)	(80,797)

- a) The income (loss) for each operating segment does not include financing costs which are presented under eliminations and adjustments. Total financing costs for the six months ended 30 June 2015 was \$47,496 (six months ended 30 June 2014 – \$129,092).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2015

(Unaudited)

In thousands except for per share amounts

The following table presents the total assets and the total liabilities of the Company's operating segments as at 30 June 2015 and 31 December 2014:

Segment assets	Columbus Networks (US \$000)	Flow (US \$000)	Eliminations and adjustments (US \$000)	Total (US \$000)
At 30 June 2015	828,227	858,131	(14,355)	1,672,003
At 31 December 2014	965,901	830,134	(33,949)	1,762,086
Segment liabilities				
At 30 June 2015	535,323	790,162	515,026	1,840,511
At 31 December 2014	664,801	780,028	471,995	1,916,824

15. FINANCIAL INSTRUMENTS

The following table sets out the classification of the methodology used by the Company to fair value its financial instruments as at 30 June 2015:

		Carrying amount (US \$000)	Fair value (US \$000)
Financial instruments at fair value through profit and loss			
Embedded derivative	Level 2	18,026	18,026
Other long-term liabilities	Level 3	6,917	6,917
Interest-bearing loans and borrowings			
Operating facility	Level 3	12,500	12,500
Senior notes	Level 2	1,250,000	1,280,619

Valuation methods and assumptions

The Company's policy on the various methods used to calculate their respective fair values is detailed in the 31 December 2014 financial statements. Key inputs for the valuation of the embedded derivative included: Mean reversion parameter as at 30 June 2015 was 0.276%, the volatility parameter using market data as at the valuation date was estimated to be 0.898%, and the credit spread was implied to be approximately 3.67%.

During the period ended 30 June 2015 there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2015

(Unaudited)

In thousands except for per share amounts

16. BALANCING PAYMENT

The balancing payment relates to final payment due to CWC under terms of strategic alliance in respect of international wholesale capacity entered into on 13 May 2013. There was no balancing payment recorded this quarter.

17. REVISED PRIOR PERIOD AMOUNTS

During a review conducted in conjunction with the acquisition of the Company by CWC, the Company identified and corrected errors related to earlier periods in respect of the application of its interest capitalization policy and to the provision for bad debts. The Company determined that it should have capitalized financing costs to property, plant and equipment and intangible assets. As a result, the Company had understated the property, plant and equipment and intangible assets reported on its balance sheets and overstated financing costs, partially offset by amortization expense, for each period subsequent to the commencement of constructing the qualifying assets. In addition the Company should have allowed for uncollectible customer receivables and as a result, accounts receivable were overstated and operating costs were understated since 2012. Although these errors were immaterial to the prior annual reporting periods affected, the impact of the adjustments on the individual line items might be considered material if adjusted in an interim period. Accordingly, the Company has revised the comparative financial information for the three and six months ended 30 June 2014.