COLUMBUS INTERNATIONAL INC.

Condensed Consolidated Financial Statements
September 30, 2016

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COLUMBUS INTERNATIONAL INC.

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COLUMBUS INTERNATIONAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2016	December 31, 2015
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 78.0	$ 41.3
Trade and other receivables (note 12)	151.4	119.9
Note receivable (note 12)	18.6	18.6
Prepaid expenses and accrued income	14.4	16.9
Other current assets	15.9	19.5
Assets held for sale (note 7)	5.8	5.8
Total current assets	284.1	222.0
Property, plant and equipment, net (note 8)	1,052.6	1,055.6
Intangible assets, net (note 8)	338.4	352.7
Deferred income taxes	19.7	21.7
Other assets (note 4)	49.0	9.9
Total noncurrent assets	1,459.7	1,439.9
Total assets	$ 1,743.8	$ 1,661.9
LIABILITIES AND OWNER'S DEFICIT		
Current liabilities:		
Trade and other payables (note 12)	$ 198.1	$ 184.7
Deferred revenue	41.7	32.4
Current portion of debt and finance lease obligations (note 9):		
Third-party	4.6	—
Related-party (note 12)	63.5	46.5
Other accrued and current liabilities (note 11)	14.7	8.6
Total current liabilities	322.6	272.2
Long-term debt and finance lease obligations (note 9)		
Third-party	1,246.2	1,235.0
Related-party (note 12)	37.0	—
	1,283.2	1,235.0
Deferred revenue	250.7	261.8
Deferred income taxes	85.4	88.7
Other long-term liabilities (note 11)	0.6	9.9
Total noncurrent liabilities	1,619.9	1,595.4
Total liabilities	1,942.5	1,867.6
Commitments and contingencies (notes 9 and 14)		
Owner's deficit:		
Share capital	365.9	365.9
Foreign currency translation reserve	(114.3)	(107.3)
Accumulated deficit	(450.3)	(464.3)
Total owner's deficit	(198.7)	(205.7)
Total liabilities and owner's deficit	$ 1,743.8	$ 1,661.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS)

(unaudited)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	in millions			
Revenue (notes 3 and 12)	$ 162.0	$ 153.0	$ 485.7	$ 466.0
Operating costs and expenses:				
Operating costs before depreciation and amortization (including share-based compensation) (notes 5, 12 and 13)	98.8	109.7	293.5	312.7
Depreciation and amortization	31.0	59.2	93.3	117.2
Impairment, restructuring and other operating items, net (notes 4 and 12)	2.0	1.0	11.8	39.0
	131.8	169.9	398.6	468.9
Operating income	30.2	(16.9)	87.1	(2.9)
Financial and other operating income (expense):				
Finance expense (notes 6 and 12)	(25.4)	(24.0)	(74.4)	(72.0)
Finance income (note 12)	1.1	0.4	2.1	0.9
Unrealized gains (losses) on embedded derivative instrument (note 4)	8.0	(9.3)	31.4	(4.2)
Foreign currency transaction losses, net	(3.1)	(1.0)	(13.9)	(2.2)
	(19.4)	(33.9)	(54.8)	(77.5)
Earnings (loss) before income taxes	10.8	(50.8)	32.3	(80.4)
Income tax benefit (expense) (note 10)	(2.1)	2.1	(18.3)	(5.5)
Net earnings (loss)	8.7	(48.7)	14.0	(85.9)
Other comprehensive earnings (loss) for the period:				
Items that are or may be reclassified to earnings or loss:				
Exchange differences on translation of foreign operations	(2.6)	(12.4)	(7.0)	(19.6)
Total comprehensive earnings (loss) for the period	$ 6.1	$ (61.1)	$ 7.0	$ (105.5)

The accompanying notes are an integral part of these condensed consolidated financial statements.

COLUMBUS INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF OWNER'S DEFICIT

(unaudited)

	Share capital	Foreign currency translation	Accumulated deficit	Total owner's deficit
		in millions		
Balance at January 1, 2015	$ 335.3	$ (83.4)	$ (406.6)	$ (154.7)
Net loss for the period	—	—	(85.9)	(85.9)
Exchange differences on translation of foreign operations	—	(19.6)	—	(19.6)
Total comprehensive loss	—	(19.6)	(85.9)	(105.5)
Share issue	29.6	—	—	29.6
Forgiveness of shareholder loan	1.0	—	—	1.0
Balance at September 30, 2015	$ 365.9	$ (103.0)	$ (492.5)	$ (229.6)
Balance at January 1, 2016	$ 365.9	$ (107.3)	$ (464.3)	$ (205.7)
Net earnings for the period	—	—	14.0	14.0
Exchange differences on translation of foreign operations	—	(7.0)	—	(7.0)
Total comprehensive earnings (loss)	—	(7.0)	14.0	7.0
Balance at September 30, 2016	$ 365.9	$ (114.3)	$ (450.3)	$ (198.7)

The accompanying notes are an integral part of these condensed consolidated financial statements.

COLUMBUS INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 2016	2015
	in millions	
Cash flows from operating activities:		
Cash generated from operations	$ 179.6	$ 80.8
Interest paid	(95.3)	(69.1)
Income taxes paid	(22.3)	(15.6)
Net cash provided by operating activities	62.0	(3.9)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(73.9)	(132.9)
Purchase of intangible assets	(3.1)	(4.5)
Disposal of subsidiaries, net of cash	—	53.5
Other investing activities, net	0.1	1.7
Net cash used by investing activities	(76.9)	(82.2)
Cash flows from financing activities:		
Borrowings of debt	86.7	71.6
Repayments of debt and finance lease obligations	(35.0)	(35.0)
Proceeds on issuance of shares	—	29.6
Net cash used by financing activities	51.7	66.2
Effect of exchange rate changes on cash	(0.1)	5.6
Net increase (decrease) in cash and cash equivalents	36.7	(14.3)
Cash and cash equivalents:		
Beginning of period	41.3	44.0
End of period	$ 78.0	$ 29.7

The accompanying notes are an integral part of these condensed consolidated financial statements.

COLUMBUS INTERNATIONAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

The reconciliation of net earnings (loss) for the period to net cash generated from operations is as follows:

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	in millions	
Net earnings (loss) for the period	$ 14.0	$ (85.9)
Adjustments for:		
Income tax expense	18.3	5.5
Share-based compensation expense	10.4	20.8
Depreciation and amortization	93.3	117.2
Impairment charge	4.0	—
Finance expense	74.4	72.0
Finance income	(2.1)	(0.9)
Unrealized losses (gains) on embedded derivative instrument	(31.4)	4.2
Gain on sale of business	—	(7.4)
Other non-cash adjustments	0.4	1.3
Operating cash flows before changes in operating assets and liabilities	181.3	126.8
Changes in operating assets and liabilities	(1.7)	(46.0)
Cash generated from operations	$ 179.6	$ 80.8

The accompanying notes are an integral part of these condensed consolidated financial statements.

(1) Basis of Presentation

Columbus International Inc. and its subsidiaries (collectively, **Columbus**) is a diversified communications company, with operations primarily in the Caribbean. Columbus' core operating business consists of (i) providing video, broadband internet and telephony services (collectively, **Flow**) and (ii) the sale and lease of telecom capacity provided by our undersea fiber optic cable network (**Columbus Networks**). Columbus is registered in Barbados and was incorporated under the Companies Act of Barbados.

Effective March 31, 2015, Columbus was acquired (the **CWC Transaction**) by Sable Holding Limited (**Sable Holding**), a wholly-owned subsidiary of Cable & Wireless Communications Limited (**CWC**). In these notes, the terms "we," "our," "our company" and "us" may refer, as the context requires, to Columbus or collectively to Columbus and its subsidiaries.

On May 16, 2016, pursuant to a scheme of arrangement and following shareholder approvals, Liberty Global plc (**Liberty Global**) acquired CWC (the **Liberty Global Transaction**) and, accordingly, Liberty Global became our "**Ultimate Parent**."

Prior to the closing of the CWC Transaction, certain then United States (**U.S.**) licensed entities of Columbus (the **U.S. Carve-out Entities**) were transferred to a newly incorporated special purpose entity outside of Columbus, Columbus New Cayman Limited (**Columbus New Cayman**), which is owned by entities controlled by persons who were directors and shareholders of CWC through May 16, 2016. The condensed consolidated financial statements for the periods prior to the CWC Transaction are not adjusted to reflect the impact of this transfer. For additional information, see note 12.

Our unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (**IAS**) 34, *Interim Financial Reporting*, and do not include all of the information required by International Financial Reporting Standards (**IFRS**) for full annual financial statements. In the opinion of management, these condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2015, which were prepared in accordance with IFRS and include a description of the significant accounting policies followed in these financial statements.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, allowances for uncollectible accounts, programming and copyright costs, deferred income taxes and the related recognition of deferred tax assets, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets and share-based compensation. Actual results could differ from those estimates.

Alignment of accounting policies

In connection with Liberty Global's ongoing review of our accounting policies and estimates following the Liberty Global Transaction, we are prospectively adopting Liberty Global's accounting policies. These policy changes have not had a material impact on our condensed consolidated financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to the presentation of Liberty Global, including reclassifications in our condensed consolidated statements of operations and comprehensive earnings (loss) for the three and nine months ended September 30, 2015 of (i) restructuring costs, gains (losses) on disposal of property and equipment and gain on disposal of subsidiaries from other expense to impairment, restructuring and other operating items, net, (ii) share-based compensation expense from other expense to operating costs before depreciation and amortization and (iii) certain foreign currency transaction losses from operating costs before depreciation and amortization to financial and other operating income (expense). In addition, certain prior period amounts in our December 31, 2015 condensed consolidated balance sheet and condensed consolidated statement of cash flows for the nine months ended September 30, 2015 have been reclassified to conform with the current period presentation.

Other

Our functional currency is the U.S. dollar. Unless otherwise indicated, convenience translations into U.S. dollars are calculated as of September 30, 2016.

Management has prepared the accounts on a going concern basis. At September 30, 2016, our owner's deficit was $198.7 million. As a result of our history of reporting net losses, notwithstanding the earnings reported in the nine months ended September 30, 2016, uncertainty exists about our ability to continue as a going concern. Accordingly, we continue to be dependent on CWC for continued financial support. Our board of directors has received a letter from CWC indicating that financial support will be provided for the foreseeable future. Accordingly, our board of directors has made a determination that it is appropriate to continue to adopt the going concern basis of accounting in preparing these condensed consolidated financial statements.

These condensed consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on November 29, 2016 and reflect our consideration of the accounting and disclosure implications of subsequent events through such date.

(2) Accounting Changes and Recent Pronouncements

First-time Application of Accounting Standards

The application of the following accounting standards did not have a material impact on our condensed consolidated financial statements:

Standard/ Interpretation	Title	Applicable for fiscal years beginning on or after
IAS 1 (amendments)	Disclosure Initiative	January 1, 2016
IAS 16 / IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016

New Accounting Standards, Not Yet Effective

Except for the following accounting standards that are relevant for our company, there were no additional standards and interpretations issued by the International Accounting Standards Board (**IASB**) that are not yet effective for the current reporting period that we see as relevant for our company. We have not early adopted the accounting standards that are relevant for us.

Standard/ Interpretation	Title	Applicable for fiscal years beginning on or after
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	January 1, 2018 (a)
IFRS 9	Financial Instruments	January 1, 2018 (b)
IFRS 15	Revenue from Contracts with Customers	January 1, 2018 (c)
IFRS 15 (amendments)	Clarifications to IFRS 15 Revenue from Contracts with Customers	January 1, 2018 (c)
IFRS 16	Leases	January 1, 2019 (d)
IAS 7 (amendments)	Disclosure Initiative	January 1, 2017 (e)
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017 (e)

(a) In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* (**IFRS 2**), which includes new requirements for the accounting of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendments to IFRS 2 will require that certain transactions be classified as equity-settled share-based payment transactions. These amendments are effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. We are currently evaluating the effect that these amendments to IFRS 2 will have on our consolidated financial statements and related disclosures.

(b) In July 2014, the IASB issued IFRS 9, *Financial Instruments* (**IFRS 9**), which introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities, especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. We are currently evaluating the effect that IFRS 9 will have on our consolidated financial statements and related disclosures.

(c) In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (**IFRS 15**), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. IFRS 15 will replace existing revenue recognition guidance in IFRS when it becomes effective for annual and interim reporting periods beginning after January 1, 2018. We will adopt IFRS 15 on or before January 1, 2018, and we are currently evaluating the effect that IFRS 15 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

(d) In January 2016, the IASB issued IFRS 16, *Leases* (**IFRS 16**), which supersedes IAS 17 *Leases* (**IAS 17**). IFRS 16 will result in lessees recognizing lease assets and lease liabilities on the balance sheet with additional disclosures about leasing arrangements and eliminate the classification of leases as either operating leases or finance leases for a lessee. IFRS 16 requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach also includes a number of optional practical expedients an entity may elect to apply. IFRS 16 also replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset and an interest expense on the lease liability. This change aligns the lease expense treatment for all leases. The new standard is effective for annual reporting periods beginning on or after January 1, 2019, while early adoption is permitted if IFRS 15 is applied. We are currently evaluating the effect that IFRS 16 will have on our consolidated financial statements and related disclosures.

(e) We evaluated the impact of applying these accounting standards on our consolidated financial statements and do not believe the impact of the adoption of these standards to be material.

(3) <u>Segment Information</u>

We manage our business under two operating segments: Columbus Networks and Flow. Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and Adjusted EBITDA (as defined below). In addition, we review non-financial measures such as subscriber growth, as appropriate.

Adjusted earnings before interest, taxes, depreciation and amortization **(Adjusted EBITDA)** is the primary measure used by our chief operating decision maker and management to evaluate the operating performance of our businesses. Adjusted EBITDA is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, Adjusted EBITDA is defined as operating income before depreciation and amortization, share-based compensation, the CWC Balancing Charges (as defined and described in note 5), provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (a) gains and losses on the disposition of long-lived assets, (b) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (c) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Adjusted EBITDA is a meaningful measure and is superior to available IFRS measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (1) readily view operating trends, (2) perform analytical comparisons and benchmarking between entities and (3) identify strategies to improve operating performance in the different countries in which we operate. We believe our Adjusted EBITDA measure is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other companies. Adjusted EBITDA should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings or loss, cash flow from operating activities and other IFRS measures of income or cash flows. A reconciliation of Adjusted EBITDA to operating income is presented below.

	Columbus Networks	Flow	Other and eliminations (a)	Total
	in millions			
Three months ended September 30, 2016:				
Revenue				
External	$ 64.0	$ 98.0	$ —	$ 162.0
Intercompany	4.2	1.3	(5.5)	—
Total revenue	$ 68.2	$ 99.3	$ (5.5)	$ 162.0
Adjusted EBITDA	$ 32.5	$ 31.6	$ (0.3)	$ 63.8
Net earnings (loss) for the period	$ 14.1	$ 5.1	$ (10.5)	$ 8.7
Three months ended September 30, 2015:				
Revenue				
External	$ 57.1	$ 95.9	$ —	$ 153.0
Intercompany	0.5	1.9	(2.4)	—
Total revenue	$ 57.6	$ 97.8	$ (2.4)	$ 153.0
Adjusted EBITDA	$ 29.2	$ 46.6	$ (1.7)	$ 74.1
Net loss for the period	$ (23.0)	$ (22.0)	$ (3.7)	$ (48.7)

	Columbus Networks	Flow	Other and eliminations (a)	Total
	in millions			
Nine months ended September 30, 2016:				
Revenue				
External	$ 178.3	$ 307.4	$ —	$ 485.7
Intercompany	8.5	5.1	(13.6)	—
Total revenue	$ 186.8	$ 312.5	$ (13.6)	$ 485.7
Adjusted EBITDA	$ 95.1	$ 125.7	$ (18.2)	$ 202.6
Net earnings (loss) for the period	$ 28.4	$ 32.9	$ (47.3)	$ 14.0
Nine months ended September 30, 2015:				
Revenue				
External	$ 183.4	$ 282.6	$ —	$ 466.0
Intercompany	1.5	6.8	(8.3)	—
Total revenue	$ 184.9	$ 289.4	$ (8.3)	$ 466.0
Adjusted EBITDA	$ 82.6	$ 126.6	$ (5.5)	$ 203.7
Net earnings (loss) for the period	$ 5.7	$ 3.5	$ (95.1)	$ (85.9)

(a) Other and eliminations primarily includes (i) corporate and centralized operational expenses, (ii) finance expenses, (iii) results associated with the undersea fiber optic cable network, (iv) results of our wholesale solutions business, (v) eliminations for inter-segment transactions and (vi) the results of our joint ventures and associates.

The following table provides a reconciliation of total Adjusted EBITDA to earnings (loss) before income taxes:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	in millions			
Adjusted EBITDA	$ 63.8	$ 74.1	$ 202.6	$ 203.7
Operating costs excluded from Adjusted EBITDA (a)	—	(29.6)	—	(29.6)
Share-based compensation expense (note 10)	(0.6)	(1.2)	(10.4)	(20.8)
Depreciation and amortization	(31.0)	(59.2)	(93.3)	(117.2)
Impairment, restructuring and other operating items, net	(2.0)	(1.0)	(11.8)	(39.0)
Operating income	30.2	(16.9)	87.1	(2.9)
Finance expense	(25.4)	(24.0)	(74.4)	(72.0)
Finance income	1.1	0.4	2.1	0.9
Unrealized gains (losses) on embedded derivative instrument	8.0	(9.3)	31.4	(4.2)
Foreign currency transaction losses, net	(3.1)	(1.0)	(13.9)	(2.2)
Earnings (loss) before income taxes	$ 10.8	$ (50.8)	$ 32.3	$ (80.4)

(a) During the third quarter of 2015, as a result of the CWC Transaction, certain fair value adjustments and accounting policy alignments resulted in an increase in the provisions for impairment of trade receivables and a corresponding increase in bad debt expense of $29.6 million.

(4) Fair Value Measurements

We use the fair value method to account for our embedded derivative instruments. The reported fair values of these instruments as of September 30, 2016 likely will not represent the values that will be realized at the time of the repayment or refinancing of the underlying debt instrument.

We disclose fair value measurements according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the nine months ended September 30, 2016, no such transfers were made.

All of our Level 2 inputs (interest rate futures, swap rates and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. The fair value of the embedded derivative asset is estimated by discounting future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

We do not have any financial instruments that fall under Level 1 or Level 3 of the fair value hierarchy.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of our cash generating units, customer relationship intangible assets, property, plant and equipment and the implied value of goodwill. The valuation of our cash generating units is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer relationship, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a cash generating unit to all of the assets and liabilities of that unit as if the cash generating unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During the three months ended September 30, 2016, we recorded an impairment charge of $4.0 million related to certain sub-sea cable system assets, in connection with the fair value established in negotiations to sell these assets to an unrelated third party, which is included in impairment, restructuring and other operating items, net, in our condensed consolidated statement of operations. We did not perform any other significant nonrecurring fair value measurements during the nine months ended September 30, 2016 and 2015.

The fair values of financial assets and liabilities, together with the carrying amounts shown in our condensed consolidated balance sheets, are as follows:

		September 30, 2016		December 31, 2015	
	Category (a)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
		in millions			
Assets carried at fair value – derivative financial instruments (b)	I	$ 35.6	$ 35.6	$ 4.2	$ 4.2
Assets carried at cost or amortized cost:					
Trade and other receivables	II	$ 151.4	$ 151.4	$ 119.9	$ 119.9
Cash and cash equivalents	II	78.0	78.0	41.3	41.3
Note receivable – related-party	II	18.6	18.6	18.6	18.6
Other current and noncurrent financial assets	II	16.1	16.1	17.7	17.7
Total assets carried at cost or amortized cost		$ 264.1	$ 264.1	$ 197.5	$ 197.5
Liabilities carried at cost or amortized cost:					
Debt obligations – third-party	III	$ 1,236.8	$ 1,326.5	$ 1,235.0	$ 1,246.9
Loans payable – related-party	III	100.5	100.5	46.5	46.5
Accrued liabilities (including related-party)	III	198.1	198.1	184.7	184.7
Accounts payable and other liabilities (including related-party accounts payable)	III	15.3	15.3	18.5	18.5
Finance lease obligations	V	14.0	14.0	—	—
Total liabilities carried at cost or amortized cost		$ 1,564.7	$ 1,654.4	$ 1,484.7	$ 1,496.6

(a) Pursuant to IAS 39, *Financial Instruments: Recognition and Measurement* (**IAS 39**), category I refers to financial assets and liabilities at fair value through profit and loss, category II refers to loans and receivables, category III refers to financial liabilities measured at amortized cost and category IV refers to derivative instruments designated as hedging instruments. Category V refers to finance leases outside the scope of IAS 39.

(b) Key inputs to the September 30, 2016 embedded derivative valuation included: interest rate volatility of 2.16% (December 31, 2015: 0.83%) and estimated credit spread of 4.02% (December 31, 2015: 5.68%).

(5) Operating Costs and Other Operating Items

Operating costs and other operating items are composed of the following:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	in millions			
Direct costs	$ 41.2	$ 38.1	$ 119.1	$ 115.8
Administration expenses and other (a)	39.7	51.2	113.9	131.6
Operating and maintenance	5.3	5.2	15.9	18.8
Customer care	5.6	3.1	12.4	8.9
Sales and marketing	3.2	4.1	12.2	11.2
Technical operations	0.1	5.5	11.8	18.6
Data and information technology services	3.7	2.5	8.2	7.8
Operating costs before depreciation and amortization	98.8	109.7	293.5	312.7
Depreciation and amortization	31.0	59.2	93.3	117.2
Impairment, restructuring and other operating items, net:				
CWC Balancing Charges (b)	—	—	9.1	8.0
Impairment charge	4.0	—	4.0	—
Restructuring costs (recovery), net	(1.6)	(0.2)	(1.6)	18.9
Other expense	(0.4)	1.2	0.3	9.0
Legal settlement costs	—	—	—	10.5
Gain on disposal of subsidiaries	—	—	—	(7.4)
	2.0	1.0	11.8	39.0
Total	$ 131.8	$ 169.9	$ 398.6	$ 468.9

(a) Includes share-based compensation expense of $0.6 million and $1.2 million during the three months ended September 30, 2016 and 2015, respectively, and $10.4 million and $20.8 million during the nine months ended September 30, 2016 and 2015, respectively.

(b) We were party to a strategic alliance with a wholly-owned subsidiary of CWC to expand our international wholesale capacity business. Pursuant to this strategic alliance, other operating expense during the nine months ended September 30, 2015 includes balancing charges to CWC (the **CWC Balancing Charges**) of $8.0 million related to the period from January 1, 2015 to March 31, 2015. In connection with the CWC Transaction, the strategic alliance was suspended. During the three months ended March 31, 2016, the strategic alliance was reinstated with retroactive effect to April 1, 2015 and, accordingly, we recorded CWC Balancing Charges of $9.1 million related to the period from April 1, 2015 to March 31, 2016 (including $6.8 million that relates to the nine months ended December 31, 2015). In connection with the Liberty Global Transaction, the CWC Balancing Charges were suspended for the foreseeable future.

(6) Finance Expense

Finance expense is composed of the following:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	in millions			
Interest expense (note 7)	$ 23.6	$ 23.0	$ 69.7	$ 69.1
Amortization of deferred financing costs and discount (note 7)	0.8	0.8	2.1	2.4
Related-party interest expense (note 9)	0.8	0.2	2.3	0.7
Other items	0.2	—	0.3	(0.2)
Total finance expense	$ 25.4	$ 24.0	$ 74.4	$ 72.0

(7) Assets Held for Sale

On March 31, 2015, we reclassified certain property, plant and equipment aggregating $5.8 million to assets held for sale for certain fiber network assets that were transferred to an Independent Trustee to market the fiber network assets. This transfer was required by a condition imposed by the Barbados Fair Trading Commission as a result of the CWC Transaction. At September 30, 2016, the assets held for sale were stated at their fair value less costs to sell of $5.8 million.

(8) Long-lived Assets

Our property, plant and equipment comprises (i) buildings, (ii) network infrastructure, (iii) other equipment, (iv) furniture and fixtures, (v) computer equipment, (vi) vehicles and (vii) leasehold improvements.

During the nine months ended September 30, 2016, property, plant and equipment additions were $116.1 million (2015: $132.9 million), including assets acquired under finance leases and net of changes in accruals, and we had no disposals (2015: $1.0 million). During the three and nine months ended September 30, 2015, depreciation and amortization expense includes $30.0 million of accelerated depreciation associated with the retirement of certain property, plant and equipment.

Goodwill is tested for impairment annually (at October 1) and when circumstances indicate the carrying value may be impaired. We consider internal and external factors when reviewing for indications of impairment. We did not perform any impairment tests during the nine months ended September 30, 2016.

(9) Debt and Finance Lease Obligations

The components of our consolidated third-party debt are as follows:

	Interest rate (a)	Estimated fair value (b) September 30, 2016	Estimated fair value (b) December 31, 2015	Principal amount September 30, 2016	Principal amount December 31, 2015
		in millions			
Third-party debt before unamortized discount, deferred financing costs and premium – Columbus Senior Notes	7.375%	$ 1,326.5	$ 1,246.9	$ 1,250.0	$ 1,250.0

The following table provides a reconciliation of total third-party debt before unamortized discount, deferred financing costs and premium to total debt and finance lease obligations, including related-party debt:

	September 30, 2016	December 31, 2015
	in millions	
Third-party debt before unamortized discount, deferred financing costs and premium	$ 1,250.0	$ 1,250.0
Unamortized discount	(13.1)	(14.9)
Unamortized deferred financing costs	(2.3)	(2.6)
Unamortized premium due to bifurcated embedded derivative	2.2	2.5
Total carrying amount of third-party debt	1,236.8	1,235.0
Finance lease obligations (c)	14.0	—
Total third-party debt and finance lease obligations	1,250.8	1,235.0
Related-party debt (d)	100.5	46.5
Total debt and finance lease obligations	1,351.3	1,281.5
Current maturities of debt and finance lease obligations	(68.1)	(46.5)
Long-term debt and finance lease obligations	$ 1,283.2	$ 1,235.0

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(a) Represents the stated interest rate of the Columbus Senior Notes, as defined and described below, as of September 30, 2016 and does not include the impact of deferred financing costs and the original issue discount, both of which affect our overall cost of borrowing.

(b) The estimated fair value of the Columbus Senior Notes is determined using the average of applicable bid and ask prices or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models. The discount rates used in the cash flow models are based on the market interest rates and estimated credit spreads of the entity, to the extent available, and other relevant factors.

(c) Finance lease obligations relate to equipment leases that were accounted for as operating leases prior to the second quarter of 2016. This prospective change, which was made in connection with Liberty Global's review of our accounting policies and estimates, did not have a material impact on our condensed consolidated financial statements.

(d) Our related-party debt includes principal balances and accrued interest for the Sable Holding Loan Facility, the Sable Holding Term Loan and the C&W (Barbados) Revolving Term Loan, each as defined and described in note 12.

Columbus Senior Notes

During 2014, we issued $1,250.0 million principal amount of senior unsecured notes bearing interest at 7.375% that mature on March 30, 2021 (the **Columbus Senior Notes**). Redemption terms associated with the Columbus Senior Notes represent an embedded derivative that requires bifurcation, where the liability associated with the redemption features is carried at fair value.

The Columbus Senior Notes contain certain covenants, events of default and change of control provisions, in addition to other terms and conditions, as specified in the indenture. At September 30, 2016, as a result of our net leverage ratio, we were restricted from incurring additional indebtedness.

Upon a change in control, we are required to make an offer to each holder of the Columbus Senior Notes to purchase such notes at a price equal to 101% of the principal amount plus accrued and unpaid interest. In connection with the Liberty Global Transaction, on May 23, 2016, we provided such notice of a change in control and offered to purchase for cash any and all outstanding Columbus Senior Notes from each registered holder of the Columbus Senior Notes (the **Offer**). None of the Columbus Senior Notes were redeemed during the Offer period, which expired on June 20, 2016.

Subject to the circumstances described below, the Columbus Senior Notes are non-callable until March 30, 2018. At any time prior to March 30, 2018, we may redeem some or all of the Columbus Senior Notes by paying a "make-whole" premium, which is generally the greater of 1% of the principal amount or the present value of all scheduled interest payments until March 30, 2018 using the discount rate (as specified in the indenture) as of the redemption date, plus 50 basis points.

We may redeem some or all of the Columbus Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the redemption date for the 12-month period commencing March 30, as set forth below:

2018	103.688%
2019	101.844%
2020 and thereafter	100.000%

The U.S. dollar equivalents of the maturities of our finance lease obligations as of September 30, 2016 are presented below (in millions):

Year ending March 31:	
2017 (remainder of current fiscal year)	$ 5.2
2018	8.5
2019	1.0
Total maturities	14.7
Amounts representing interest	(0.7)
Total	$ 14.0
Current portion	$ 4.6
Noncurrent portion	$ 9.4

(10) Income Taxes

The major components of income tax expense are composed of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	in millions			
Current income tax	$ 4.1	$ 6.3	$ 19.0	$ 15.7
Deferred income tax benefit relating to original and reversal of temporary differences	(2.0)	(8.4)	(0.7)	(10.2)
Total income tax expense (benefit)	$ 2.1	$ (2.1)	$ 18.3	$ 5.5

Our overall tax provision is based on the statutory tax rates applicable to our earnings in various taxing jurisdictions in which our company operates. These rates range from 2.5% to 33%. The statutory tax rate for 2015 was 2.5% and the rate for 2016 is expected to be 2.5%. The effective tax rate is greater than the statutory tax rate as certain entities earn income that is subject to a higher tax rate. Furthermore, several entities have incurred losses for which no deferred tax asset has been recorded. The effects of these differences result in a higher consolidated tax expense relative to our overall earnings.

(11) Provisions

During the nine months ended September 30, 2016, our movements in provisions are primarily associated with (i) a release of $1.6 million of redundancies in connection with Liberty Global's ongoing review of our accounting estimates following the Liberty Global Transaction and (ii) an accrual for legal fees of $1.1 million. Our current and noncurrent provisions are included in other accrued and current liabilities and other long-term liabilities in our condensed consolidated balance sheets.

(12) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	in millions			
Revenue	$ 7.6	$ 3.2	$ 18.6	$ 5.2
Operating costs:				
Management fee	(1.6)	—	(3.3)	—
CWC Balancing Charges	—	—	(9.1)	(8.0)
	(1.6)	—	(12.4)	(8.0)
Included in operating income	6.0	3.2	6.2	(2.8)
Finance income	0.7	0.4	1.4	0.9
Finance expense	(0.8)	(0.2)	(2.3)	(0.7)
Included in net earnings (loss)	$ 5.9	$ 3.4	$ 5.3	$ (2.6)

Revenue. Amounts for the three and nine months ended September 30, 2016 include (i) amounts earned pursuant to ordinary course transactions between our company and Columbus New Cayman of $4.5 million (2015: $1.9 million) and $10.8 million (2015: $2.5 million), respectively, (ii) management fees earned for services we provide to the U.S. Carve-out Entities of $2.4 million (2015: $1.3 million) and $6.8 million (2015: $2.7 million), respectively, to operate and manage their business under a management services agreement (the **MSA**), and (iii) amounts earned pursuant to ordinary course transactions between our company and another subsidiary of Liberty Global of $0.7 million and $1.0 million, respectively. The services that we provide to the U.S. Carve-out Entities are provided at the direction of, and subject to the ultimate control and oversight of, the U.S. Carve-out Entities.

Management fees. Amounts for the three and nine months ended September 30, 2016 represent fees incurred related to certain management services performed on our behalf by CWC. These management fees are included in operating costs before depreciation and amortization in our condensed consolidated statements of operations and comprehensive earnings (loss).

CWC Balancing Charges. CWC Balancing Charges are described in note 5. In connection with the Liberty Global Transaction, the CWC Balancing Charges were suspended for the foreseeable future. The CWC Balancing Charges are included in impairment, restructuring and other operating items, net, in our condensed consolidated statements of operations and comprehensive earnings (loss).

Finance income. These amounts represent interest on the note receivable from Columbus New Cayman, as further described below.

Finance expense. These amounts represent interest on the Sable Holding Loan Facility and the C&W (Barbados) Revolving Term Loan, each as defined and further described below.

The following table provides details of our related-party balances:

	September 30, 2016	December 31, 2015
	in millions	
Assets:		
Current assets:		
Due from Columbus New Cayman (a)	$ 36.9	$ 27.6
Note receivable from Columbus New Cayman (b)	18.6	18.6
Due from CWC related entities (c)	12.3	—
Total	$ 67.8	$ 46.2
Liabilities:		
Current liabilities:		
Due to CWC related entities (d)	$ (81.2)	$ (32.7)
Sable Holding Loan Facility (e)	(41.9)	(25.5)
C&W (Barbados) Term Loan (f)	(21.6)	(21.0)
Other current liabilities (g)	(0.9)	—
	(145.6)	(79.2)
Noncurrent liabilities:		
Sable Holding Term Loan (h)	(37.0)	—
Other noncurrent liabilities (g)	(7.3)	—
Total	$ (189.9)	$ (79.2)

(a) Represents the net unpaid amount due to us pursuant to ordinary course transactions between our company and Columbus New Cayman, including fees charged by us to Columbus New Cayman under the MSA. These receivables are non-interest bearing and have no stated maturity. The amounts due from Columbus New Cayman are included in trade and other receivables in our condensed consolidated balance sheets.

(b) Represents a note receivable from Columbus New Cayman that bears interest at 8.0% per annum. As further described in note 1, the U.S. Carve-out Entities were transferred to Columbus New Cayman in exchange for cash consideration of $55.7 million (representing 75% of the purchase price) and a note receivable of $18.6 million for total consideration of $74.3 million. Subject to U.S. Federal Communications Commission approval of the sale of the U.S. Carve-out Entities, ultimately to Liberty Global, these entities will be reacquired by Columbus or another Liberty Global controlled entity at which time the note receivable is expected to be equity settled.

(c) Represents non-interest bearing receivables from certain CWC subsidiaries. These amounts are included in trade and other receivables in our condensed consolidated balance sheets.

(d) Represents non-interest bearing payables to certain CWC subsidiaries and $34.2 million of accruals in connection with CWC Balancing Charges. These amounts are included in trade and other payables in our condensed consolidated balance sheets.

(e) Represents an operating loan facility between Columbus and Sable Holding (the **Sable Holding Loan Facility**). The loan agreement was amended on March 23, 2016, which reduced the original amount of the facility from $75.0 million to $55.0 million and converted it from an uncommitted facility to a committed facility. The Sable Holding Loan Facility is unsecured, bears interest at LIBOR + 425bps and is due on demand. The net increase in the Sable Holding Loan Facility during the nine months ended September 30, 2016 includes (i) loans of $49.5 million, (ii) repayments of $32.9 million and (iii) change in accrued interest of $0.2 million.

(f) Represents a Barbadian dollar (**BBD**) revolving term loan facility (the **C&W (Barbados) Revolving Term Loan**) of BBD $50.0 million ($25.0 million) between Columbus Telecommunications Barbados Limited and Cable & Wireless (Barbados)

Limited, an 81%-owned subsidiary of CWC, that was effective June 9, 2015. At September 30, 2016, BBD$43.2 million ($21.6 million) of the C&W (Barbados) Revolving Term Loan was drawn. The C&W (Barbados) Revolving Term Loan is unsecured, bears interest at the Barbados T-bill rate + 272bps and is due on demand. The net increase in the C&W (Barbados) Revolving Term Loan during the nine months ended September 30, 2016 is due to accrued interest.

(g) Represents deferred revenue related to certain indefeasible rights of use arrangements with another subsidiary of Liberty Global.

(h) Represents a subordinated $37.0 million term loan facility (the **Sable Holding Term Loan**) between Columbus and Sable Holding that was issued on September 28, 2016. The Sable Holding Term Loan matures on September 30, 2021. At September 30, 2016, there is no stated interest rate on the Sable Holding Term Loan.

(13) <u>Share-based Compensation</u>

Columbus Employee Incentive Plan

Concurrent with the CWC Transaction, we cancelled all of the outstanding options in the Employee Incentive Plan (**EIP**) and replaced the EIP with a restricted share plan (**RSP**) (as described below) and cash payments to the unit holders.

No compensation expense was recorded for the three and nine months ended September 30, 2016 (2015: nil and $18.6 million, respectively).

Restricted Share Plan

At the time of the CWC Transaction, our senior management and selected other employees were awarded CWC restricted shares, primarily as a retention tool. These restricted shares had a vesting period over three years from the date of grant.

On May 16, 2016, there was a change of control due to the Liberty Global Transaction, which resulted in the accelerated vesting of 8,252,103 RSP share awards.

Share-based compensation for RSP share awards for the three and nine months ended September 30, 2016 was nil and $8.3 million, respectively (2015: $1.2 million and $2.2 million, respectively).

*Performance Share Plan (**PSP**)*

Executive Directors and other senior management were eligible to receive awards of CWC performance shares at no cost.

The vesting of the outstanding performance shares granted in May 2015, July 2015 and November 2015 was based on non-market performance conditions. The non-market performance measures were revenue, Adjusted EBITDA, net promoter score and economic profit. A dividend award supplement operated on all these awards. Dividends that would have been paid on the performance shares that vested were regarded as having been reinvested in additional shares at the notional date of distribution. These reinvested dividends vested with the share awards tranche and were settled in shares.

On May 16, 2016, there was a change of control of our parent company due to the Liberty Global Transaction, which resulted in the pro-rated vesting of 1,227,258 PSP share awards.

Share-based compensation for PSP share awards for the three and nine months ended September 30, 2016 was nil and $1.5 million, respectively (2015: less than $0.1 million in each of the respective periods).

Liberty Global Awards

On May 16, 2016, there was a change in control of our parent company due to the Liberty Global Transaction, which resulted in the accelerated vesting of certain of our outstanding awards under our restricted and performance share plans. On May 17, 2016, all of these outstanding awards were cancelled and replaced with grants of restricted share units (**RSU**s) under a Liberty Global employee incentive plan (the **Incentive Plan**). In addition, on August 1, 2016, additional RSUs and stock appreciation rights (**SAR**s) were granted to certain of our employees under the Incentive Plan. Share-based compensation expense for these awards was $0.6 million for each of the three and nine months ended September 30, 2016.

Grant date	Award (a)(b)	Number of awards granted	Exercise price	Grant date fair value
May 17, 2016	LiLAC Class A ordinary shares – RSU	22,439	$ 40.79	$ 915,287
	LiLAC Class C ordinary shares – RSU	54,957	$ 42.79	$ 2,351,610
August 1, 2016	LiLAC Class A ordinary shares			
	RSU	33,929	$ 34.85	$ 1,182,426
	SAR	132,789	$ 34.85	$ 4,627,697
	LiLAC Class C ordinary shares			
	RSU	67,863	$ 35.24	$ 2,391,492
	SAR	265,578	$ 35.24	$ 9,358,969

(a) LiLAC Class A and LiLAC Class C ordinary shares refer to certain tracking shares issued by Liberty Global.

(b) During the nine months ended September 30, 2016, 8,699 LiLAC Class A RSUs and 21,312 LiLAC Class C RSUs were exercised.

In aggregate, we recognized $0.6 million and $10.4 million of share-based compensation expense during the three and nine months ended September 30, 2016, respectively, and $1.2 million and $20.8 million three and nine months ended September 30, 2015, respectively, which is included in operating costs before depreciation and amortization in our condensed consolidated statements of operations.

(14) Commitments and Contingencies

Legal and Regulatory Proceedings and Other Contingencies

CMOTT claim. In 2015, a claim was filed against a subsidiary of Columbus by the Copyright Music Organization of Trinidad and Tobago (**CMOTT**) for damages of copyright infringement related to musical works transmitted by the subsidiary. We have recorded a provision based on our best estimate of the potential liability associated with this claim. No assurance can be given that the resolution of the CMOTT claim will not result in a material impact on our results of operations, cash flows or financial position.

Other regulatory issues. Video distribution, broadband internet, fixed-line telephony and mobile businesses are regulated in in each of the countries in which we operate. The scope of regulation varies from country to country. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business, including (i) legal proceedings, (ii) issues involving value-added taxes and wage, property and other tax issues and (iii) disputes over interconnection, programming and copyright fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.