

CABLE BAHAMAS LTD.

**Consolidated Financial Statements For The
Year Ended December 31, 2015
And Independent Auditors' Report**

CABLE BAHAMAS LTD.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cable Bahamas Ltd.:

We have audited the consolidated financial statements of Cable Bahamas Ltd. which comprise the consolidated statement of financial position as of December 31, 2015 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cable Bahamas Ltd. as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

May 3, 2016

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015 (Expressed in Bahamian dollars)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 63,000,666	\$ 30,739,511
Trade and other receivables (Notes 4 and 18)	25,839,097	18,464,121
Prepaid expenses and deposits	3,522,384	3,220,893
Inventory	11,594,106	9,054,737
Total current assets	<u>103,956,253</u>	<u>61,479,262</u>
NON-CURRENT ASSETS:		
Investment in a joint venture (Note 5)	4,171,658	4,239,770
Property, plant and equipment, net (Notes 6, 17 and 18)	300,628,235	256,955,636
Deferred tax asset (Note 15)	31,484,846	15,120,152
Goodwill (Note 8)	13,074,164	33,573,164
Intangible assets (Notes 7 and 17)	29,951,677	31,407,814
Total non-current assets	<u>379,310,580</u>	<u>341,296,536</u>
TOTAL	<u>\$ 483,266,833</u>	<u>\$ 402,775,798</u>

(Continued)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015 (Expressed in Bahamian dollars)

	2015	2014
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note 18)	\$ 41,773,398	\$ 34,318,631
Deferred income	1,896,484	2,059,937
Current portion of other liabilities (Note 9)	1,461,634	972,509
Current portion of long-term debt (Note 10)	<u>11,424,375</u>	<u>11,614,063</u>
Total current liabilities	<u>56,555,891</u>	<u>48,965,140</u>
NON-CURRENT LIABILITIES:		
Subscriber deposits	7,499,023	6,893,034
Other liabilities (Note 9)	10,946,235	3,145,977
Deferred tax liability (Note 15)	31,484,846	15,120,152
Long-term debt (Note 10)	88,065,426	93,001,640
Preferred shares (Notes 11 and 18)	<u>202,810,000</u>	<u>127,810,000</u>
Total non-current liabilities	<u>340,805,530</u>	<u>245,970,803</u>
Total liabilities	<u>397,361,421</u>	<u>294,935,943</u>
EQUITY:		
Ordinary share capital (Note 12)	13,577,759	13,592,424
Retained earnings	<u>72,327,653</u>	<u>94,247,431</u>
Total equity	<u>85,905,412</u>	<u>107,839,855</u>
TOTAL	<u>\$ 483,266,833</u>	<u>\$ 402,775,798</u>

(Concluded)

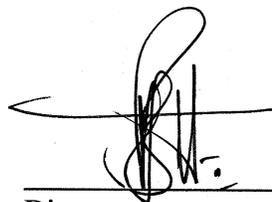
See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 3, 2016, and are signed on its behalf by:

Director



Director



CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME YEAR ENDED DECEMBER 31, 2015

(Expressed in Bahamian dollars)

	2015	2014
REVENUE (Note 18)	\$ 165,677,646	\$ 150,792,105
OPERATING EXPENSES (Notes 16, 17 and 18)	<u>(113,929,688)</u>	<u>(95,147,870)</u>
	51,747,958	55,644,235
Depreciation and amortization (Notes 6 and 7)	<u>(30,153,568)</u>	<u>(32,539,095)</u>
OPERATING INCOME	21,594,390	23,105,140
Loss on disposal of assets (Note 6)	(58,540)	-
Loss on joint venture (Note 5)	(68,112)	(110,230)
Goodwill impairment (Note 8)	(20,499,000)	-
Interest expense (Note 10)	(4,404,102)	(5,568,065)
Dividends on preferred shares (Note 11)	<u>(10,935,913)</u>	<u>(6,696,150)</u>
NET (LOSS) INCOME BEFORE DEFERRED TAX BENEFIT	(14,371,277)	10,730,695
DEFERRED TAX BENEFIT (Note 15)	<u>-</u>	<u>648,475</u>
NET AND COMPREHENSIVE (LOSS) INCOME	<u>\$ (14,371,277)</u>	<u>\$ 11,379,170</u>
BASIC EARNINGS PER SHARE (Note 12)	<u>\$ (0.35)</u>	<u>\$ 0.28</u>
DILUTED EARNINGS PER SHARE (Note 12)	<u>\$ (0.31)</u>	<u>\$ 0.28</u>

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2015

(Expressed in Bahamian dollars)

	Ordinary Share Capital	Retained Earnings	Total
Balance at December 31, 2013	\$ 13,608,769	\$ 89,393,661	\$ 103,002,430
Net and comprehensive income	-	11,379,170	11,379,170
Repurchased and cancelled ordinary shares (Note 12)	(16,345)	(191,466)	(207,811)
Vested share based options (Note 17)	-	195,639	195,639
Dividends on ordinary shares (\$0.48 per share)	-	(6,529,573)	(6,529,573)
Balance at December 31, 2014	13,592,424	94,247,431	107,839,855
Net and comprehensive loss	-	(14,371,277)	(14,371,277)
Repurchased and cancelled ordinary shares (Note 12)	(14,665)	(201,732)	(216,397)
Vested share based options (Note 17)	-	269,888	269,888
Dividends on ordinary shares (\$0.19 per share)	-	(7,616,657)	(7,616,657)
Balance at December 31, 2015	<u>\$ 13,577,759</u>	<u>\$ 72,327,653</u>	<u>\$ 85,905,412</u>

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

(Expressed in Bahamian dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net and comprehensive (loss) income	\$ (14,371,277)	\$ 11,379,170
Adjustments for:		
Depreciation and amortization (Notes 6 and 7)	30,153,568	32,539,095
Interest expense (Note 10)	4,404,102	5,568,065
Dividends on preferred shares (Note 11)	10,935,913	6,696,150
Deferred income tax benefit (Note 15)	-	(648,475)
Goodwill impairment (Note 8)	20,499,000	-
Loss on joint venture (Note 5)	68,112	110,230
Loss on disposal of assets	58,540	-
Amortization of IRU (Note 9)	(158,135)	(82,407)
Operating cash flows before working capital changes	51,589,823	55,561,828
Increase in trade and other receivables	(7,374,976)	(2,162,368)
Increase in prepaid expenses and deposits	(301,491)	(466,886)
Increase in inventory	(2,539,369)	(4,251,368)
Increase in accounts payable and accrued liabilities	7,395,511	7,658,731
Decrease in deferred income	(163,453)	(785,962)
Increase in subscriber deposits	605,989	348,414
Net cash from operating activities	<u>49,212,034</u>	<u>55,902,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment (Notes 6, 17 and 18)	(70,968,161)	(55,812,623)
Additions to intangible assets (Note 7)	(1,464,020)	(808,344)
Additions to investment in a joint venture (Note 5)	-	(500,000)
Proceeds from disposal of assets (Note 6)	3,611	-
Net cash used in investing activities	<u>(72,428,570)</u>	<u>(57,120,967)</u>

(Continued)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2015

(Expressed in Bahamian dollars)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt (Note 10)	\$ 4,000,000	\$ 2,750,000
Repayment of long-term debt (Note 10)	(9,125,902)	(2,545,234)
Repayment of mortgage (Note 9)	(151,777)	(142,379)
Repayment of short-term notes	-	(14,273,264)
Increase in capital lease obligations (Note 9)	2,396,034	603,190
Capital lease principal repayments (Note 9)	(728,234)	(711,606)
Deferred IRU (Note 9)	6,931,496	-
Issuance of preferred shares (Note 11)	75,000,000	58,145,600
Redemption of preferred shares (Note 11)	-	(3,645,600)
Repurchased and cancelled ordinary shares (Note 12)	(216,397)	(207,811)
Issuance of share based options (Note 17)	269,888	195,639
Interest paid on long-term debt (Note 10)	(4,404,102)	(5,568,065)
Dividends paid on preferred shares (Note 11)	(10,876,658)	(5,419,878)
Dividends paid on ordinary shares (Note 12)	(7,616,657)	(6,529,573)
Net cash from financing activities	<u>55,477,691</u>	<u>22,651,019</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,261,155	21,432,441
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>30,739,511</u>	<u>9,307,070</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 63,000,666</u></u>	<u><u>\$ 30,739,511</u></u>

(Concluded)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2015 (Expressed in Bahamian dollars)

1. GENERAL

Cable Bahamas Ltd. (the “Company”), a public company, was incorporated on September 19, 1994, under the laws of The Commonwealth of The Bahamas.

The Company and its subsidiaries provide cable television and related services, national and international data services, broadband access services, telephony services, web hosting and business continuity services. The subsidiaries include Cable Freeport Ltd. (“Cable Freeport”), Caribbean Crossings Ltd. (“Caribbean”), Maxil Communications Ltd. (“Maxil”), Systems Resource Group Limited (“SRG”) which are all incorporated under the laws of The Commonwealth of The Bahamas and Summit Vista Inc. (“SVI”) which is incorporated under the laws of The United States of America (“US”).

2. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB effective for annual reporting periods beginning on or after January 1, 2015. The adoption of these Standards and Interpretations has not led to any changes in the Company’s accounting policies.

a. Standards and Interpretations adopted but not affecting the reported results or financial position

- IFRS 2 (Amended) Share-Based Payments
- IFRS 3 (Amended) Business Combinations
- IFRS 8 (Amended) Operating Segments
- IFRS 13 (Amended) Fair Value Measurement
- IAS 24 (Amended) Related Party Disclosures
- IAS 40 (Amended) Investment Property

The above standards have not led to changes in the financial position of the Company during the current year.

b. Standards and Interpretations in issue but not yet effective

- IFRS 5 (Amended) Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 (Amended) Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 10 (Amended) Consolidated Financial Statements
- IFRS 11 (Amended) Joint Arrangements
- IFRS 12 (Amended) Disclosure of Interests in Other Entities
- IFRS 14 Regulatory Deferral Accounts

IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 1	(Amended) Presentation of Items of Other Comprehensive Income
IAS 7	(Amended) Statement of Cash Flows
IAS 12	(Amended) Income Taxes
IAS 16	(Amended) Property, Plant and Equipment
IAS 19	(Amended) Employee Benefits
IAS 27	(Amended) Separate Financial Statements
IAS 28	(Amended) Investments in Associates and Joint Ventures (2011)
IAS 34	(Amended) Interim Financial Reporting
IAS 38	(Amended) Intangible Assets
IAS 41	(Amended) Agriculture

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The preparation of consolidated financial statements, in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Basis of consolidation - These consolidated financial statements for the year ended December 31, 2015 include the accounts of the Company and its wholly-owned subsidiaries; Cable Freeport, Caribbean, Maxil, SRG and SVI. All intercompany balances and transactions have been eliminated on consolidation.

Basis of preparation - These consolidated financial statements have been prepared on historical cost basis. The principal accounting policies are set out below:

- a. **Cash and cash equivalents** - Cash and cash equivalents comprises cash on hand and demand deposits with original maturities of three months or less and are subject to insignificant risk of changes in value.
- b. **Trade and other receivables** - Trade and other receivables are carried net of allowance for doubtful accounts. All subscriber receivables outstanding for 90 days or more are fully provided for. In addition, the credit quality of all subscriber receivables is monitored on a regular basis to determine whether any exceptions should apply to the policy and if any changes warrant an increase or decrease in the allowance for doubtful accounts. Where exceptions do apply, no provision is made for receivables outstanding 90 days or more.

- c. **Inventory** - Inventory items are recorded at lower of cost or net realizable value, with cost being determined using average cost. All inventory items are transferred to fixed assets or operating expenses accordingly, as they are placed into operation.
- d. **Property, plant and equipment** - Property, plant and equipment are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives as follows:

Commercial buildings	40 years
Vehicles	3 years
Equipment	3 - 20 years
Cable systems	20 years
Fiber optic network	25 years
Web hosting systems	8 years

Improvements that extend asset lives, and costs associated with the construction of cable and data transmission and distribution facilities, including direct labour and materials, are capitalized. Other repairs and maintenance costs are expensed as incurred.

- e. **Intangible assets** - Intangible assets are carried at cost less accumulated amortization and net of any adjustment for impairment, and consist of the following:

- **Acquired franchise license** - Acquired franchise license is being amortized on a straight-line basis over a period of 40 years. A period of 40 years has been selected because the Company has acquired an exclusive cable operating license through to the year 2054.
- **Customer contracts** - These contracts are comprised of acquired third party customer and related contracts. Contracts are amortized over various ranges (see Note 7).
- **Communications license** - All costs associated with the license are being amortized on a straight-line basis over the term of the license which expires in the year 2024.
- **Acquired licenses** - Acquired communications and spectrum licenses are being amortized on a straight line basis over the term of the licenses which expire in 2024.

The estimated useful lives and amortization methods are reviewed at each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

- f. **Impairment of assets** - At each consolidated statement of financial position date, management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell or value in use. Any impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
- g. **Deferred income** - Payments received in advance from subscribers are treated as deferred income and are recognized as income when earned.

- h. *Indefeasible Right of Use (IRU)*** - The proceeds from the sale of IRUs are recorded in other liabilities and installation fees are recorded in income at the time of sale. Income from IRUs is recognized on a straight line basis over the term of the IRU contract.
- i. *Subscriber deposits*** - In the normal course of its operations, the Company requires its customers to make deposits relating to services contracted. These deposits are repayable to the customer on termination of contracted services, net of any outstanding amounts due.
- j. *Foreign currency translation*** - The Company's functional and presentation currency is the Bahamian Dollar. Assets and liabilities of foreign subsidiaries are translated from its functional currency into Bahamian dollars at the exchange rate in effect at the consolidated statement of financial position date for monetary assets and liabilities and at historical rates in effect for non-monetary assets and liabilities.
- k. *Borrowing costs*** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets until such time as those assets are ready for their intended use.

The costs are added proportionately to the qualifying assets over the period in which the assets are being acquired, constructed or produced.

l. *Financial Instruments:*

- ***Financial assets*** - Financial assets are designated as either: a) financial assets at fair value through profit or loss, b) held-to-maturity, c) loans and receivables and or d) available for sale. All financial assets are carried at fair value or at cost if they have no quoted market price in an active market or the fair value cannot be reliably measured.
 - ***Financial liabilities*** - Financial liabilities are designated as either: a) financial liabilities at fair value through profit and loss, or b) financial liabilities at amortized cost. At initial measurement, all financial liabilities are measured at fair value or at cost if they have no quoted market price in an active market or if the fair value cannot be reliably measured.
- m. *Basic and diluted earnings per share*** - Net comprehensive income per ordinary share is calculated by dividing net and comprehensive income for the year by the weighted average number of ordinary shares outstanding during the year.
 - n. *Retirement benefit costs*** - Employer's contributions made to the Company's defined contribution retirement benefit plan are charged as an expense as they fall due.
 - o. *Share based option plan*** - The Company provides to key employees through a long-term incentive plan, the option to acquire ordinary shares in the Company over a five year period. The fair value of the options is determined using the Black Sholes Option Pricing Model and is expensed as the options vest over the term of the plan.
 - p. *Related parties*** - Related parties include shareholders with shareholdings of 10% or greater of outstanding common shares, senior executive officers, directors, and companies that are controlled by these parties.

- q. **Revenue recognition** - Revenue from the sale of services is recognized when the installation of the services is completed or when revenue is earned. Depending on the installation completion date, revenue is recognized on a pro rata basis in the period in which the installation occurs.
- r. **Critical accounting judgments and key sources of estimation uncertainty** - In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Goodwill is one item requiring critical accounting judgments and key sources of estimation uncertainty.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

- s. **Operating leases** - The Company rents real estate, poles and other support structures and facilities under operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.
- t. **Finance leases** - The Company leases certain equipment under finance leases whenever the terms of the lease transfers substantially all risks and rewards or ownership of the assets to the lessee. Assets and liabilities under finance leases are recorded at the present value of the minimum lease payments. Leased equipment is amortized over its estimated productive life.
- u. **Joint venture** - The Company has a 50% interest in Dais Communications, LLC a US incorporated entity. This interest is accounted for under the equity method.
- v. **Goodwill** - Where the fair value of consideration paid for a business combination exceeds the fair value of identifiable net assets acquired, the difference is treated as goodwill.

The Company tests goodwill at each Cash-Generating Unit ("CGU") for impairment annually and when events or changes in circumstances indicate that the carrying value may be impaired if a CGU is impaired. An impairment loss is allocated first to reduce the carrying amount of goodwill and then to other assets pro rata based on the carrying amount of each asset. Any impairment loss for goodwill is recognized directly in profit and loss.

- w. **Business combinations** - Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred (measured at acquisition date fair value), and the amount of any non-controlling interest in the acquiree.
- x. **Income taxes** - The Company accounts for US income taxes using the asset and liability method, as prescribed under IAS 12. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax bases and financial reporting bases of the Company's assets and liabilities.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are generally recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which, those deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities. The Company intends to settle its current tax assets and liabilities on a net basis.

The Company is subject to U.S. federal income tax as well as income tax in the State of Florida.

- y. **Value added tax** - The Government of The Bahamas enacted into law the Value Added Tax (VAT) Act in 2014 which imposed VAT at a rate of 7.5% effective January 1, 2015. The Company in compliance with this Act charges its customers VAT through its monthly invoices on all applicable services.

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2015	2014
Subscribers	\$ 17,833,796	\$ 15,353,515
Other	<u>9,794,805</u>	<u>4,685,419</u>
	27,628,601	20,038,934
Allowance for doubtful accounts	<u>(1,789,504)</u>	<u>(1,574,813)</u>
	<u>\$ 25,839,097</u>	<u>\$ 18,464,121</u>

The ageing of past due but not impaired trade receivables is as follows:

	2015	2014
30 - 60 days	\$ 6,616,321	\$ 5,402,537
61 - 90 days	2,023,677	1,908,356
Greater than 90 days	<u>4,427,992</u>	<u>3,526,907</u>
	<u>\$ 13,067,990</u>	<u>\$ 10,837,800</u>

The movement of allowance for doubtful accounts is as follows:

	2015	2014
Balance at beginning of year	\$ 1,574,813	\$ 1,409,226
Amounts written off during the year	(1,622,071)	(1,248,016)
Amounts recovered during the year	245,877	102,205
Allowance recognized in the consolidated statement of profit or loss and other comprehensive income	<u>1,590,885</u>	<u>1,311,398</u>
Balance at the end of the year	<u>\$ 1,789,504</u>	<u>\$ 1,574,813</u>

The ageing of impaired trade receivables is as follows:

	2015	2014
90 - 120 days	\$ 400,614	\$ 519,024
Greater than 120 days	<u>863,897</u>	<u>1,021,582</u>
	<u>\$ 1,264,511</u>	<u>\$ 1,540,606</u>

Included in trade and other receivables is Value Added Tax which was charged to customers in accordance with the Value Added Tax Act, 2014. As at December 31, 2015, it was estimated that of the trade and other receivables balance \$1,000,000 was Value Added Tax.

5. INVESTMENT IN A JOINT VENTURE

Summit Broadband (“SBB”) has a 50% interest in Dais Communications, LLC (“Dais”) whose principal activity is a telecommunications provider. The investment is accounted for under the equity method. As at December 31, 2015, the carrying value of the Company’s 50% interest in Dais was \$4,171,658 (2014: \$4,239,770).

The following information summarizes the activity of the joint venture for the years ended December 31, 2015 and 2014:

	2015	2014
Balance Sheet		
Assets	\$ 4,928,098	\$ 4,366,040
Liabilities	<u>1,246,042</u>	<u>547,759</u>
Total equity	<u>\$ 3,682,056</u>	<u>\$ 3,818,281</u>
Statement of income		
Revenue	\$ 1,369,066	\$ 911,894
Expenses	<u>(1,505,290)</u>	<u>(1,132,353)</u>
Net and comprehensive loss	<u>\$ (136,224)</u>	<u>\$ (220,459)</u>

The following information summarizes the carrying value of SBB's 50% interest in Dais

	2015	2014
Balance at beginning of year	\$ 4,239,770	\$ 3,850,000
Contributed capital	-	500,000
Loss on joint venture	<u>(68,112)</u>	<u>(110,230)</u>
Balance at end of the year	<u>\$ 4,171,658</u>	<u>\$ 4,239,770</u>

6. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment during the year is as follows:

	Land	Commercial Buildings	Vehicles	Equipment	Cable Systems	Fiber Optic Network	Web Hosting Systems	Total
COST:								
Balance at December 31, 2013	\$ 1,983,618	\$ 33,367,877	\$ 3,199,536	\$ 68,316,360	\$ 194,542,850	\$ 52,270,516	\$ 9,766,038	\$ 363,446,795
Additions	164,365	2,222,241	803,507	9,518,661	15,890,159	25,081,411	2,132,279	55,812,623
Disposals	-	-	(1,497,750)	(3,485,307)	-	-	(35,788)	(5,018,845)
Balance at December 31, 2014	2,147,983	35,590,118	2,505,293	74,349,714	210,433,009	77,351,927	11,862,529	414,240,573
Additions	1,115,422	1,100,297	1,146,879	11,589,019	12,901,350	43,115,194	-	70,968,161
Transfer of assets	-	-	-	-	-	11,350,521	(11,350,521)	-
Disposals	-	-	(602,481)	(10,083,683)	(12,963,897)	-	(3,712)	(23,653,773)
Balance at December 31, 2015	<u>\$ 3,263,405</u>	<u>\$ 36,690,415</u>	<u>\$ 3,049,691</u>	<u>\$ 75,855,050</u>	<u>\$ 210,370,462</u>	<u>\$ 131,817,642</u>	<u>\$ 508,296</u>	<u>\$ 461,554,961</u>
ACCUMULATED DEPRECIATION:								
Balance at December 31, 2013	\$ -	\$ 6,566,925	\$ 1,731,739	\$ 20,230,529	\$ 88,229,112	\$ 15,298,985	\$ 437,993	\$ 132,495,283
Depreciation	-	1,430,400	854,364	9,180,438	12,082,314	5,994,861	266,122	29,808,499
Disposals	-	-	(1,497,750)	(3,485,307)	-	-	(35,788)	(5,018,845)
Balance at December 31, 2014	-	7,997,325	1,088,353	25,925,660	100,311,426	21,293,846	668,327	157,284,937
Depreciation	-	496,608	780,115	11,054,288	10,165,305	4,712,677	24,418	27,233,411
Transfer of assets	-	-	-	1,319,945	-	(1,035,599)	(284,346)	-
Disposals	-	-	(602,481)	(10,083,683)	(12,901,746)	-	(3,712)	(23,591,622)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 8,493,933</u>	<u>\$ 1,265,987</u>	<u>\$ 28,216,210</u>	<u>\$ 97,574,985</u>	<u>\$ 24,970,924</u>	<u>\$ 404,687</u>	<u>\$ 160,926,726</u>
CARRYING VALUE:								
As at December 31, 2015	<u>\$ 3,263,405</u>	<u>\$ 28,196,482</u>	<u>\$ 1,783,704</u>	<u>\$ 47,638,840</u>	<u>\$ 112,795,477</u>	<u>\$ 106,846,718</u>	<u>\$ 103,609</u>	<u>\$ 300,628,235</u>
As at December 31, 2014	<u>\$ 2,147,983</u>	<u>\$ 27,592,793</u>	<u>\$ 1,416,940</u>	<u>\$ 48,424,054</u>	<u>\$ 110,121,583</u>	<u>\$ 56,058,081</u>	<u>\$ 11,194,202</u>	<u>\$ 256,955,636</u>

As at December 31, 2015, management has analyzed the Company's property, plant and equipment and concluded that there is no known impairment of these assets that exists. Among the factors considered in making this assessment are the nature of the asset and its use, the going concern assumption, and the absence of any obsolescence indications.

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Acquired Franchise License	Communications License	Customer Contracts	Acquired Licenses	Total
COST					
Balance at December 31, 2013	\$ 5,221,248	\$ 7,556,425	\$ 14,700,000	\$ 12,947,315	\$ 40,424,988
Additions	-	-	808,344	-	808,344
Balance at December 31, 2014	5,221,248	7,556,425	15,508,344	12,947,315	41,233,332
Additions	-	-	1,464,020	-	1,464,020
Balance at December 31, 2015	<u>\$ 5,221,248</u>	<u>\$ 7,556,425</u>	<u>\$ 16,972,364</u>	<u>\$ 12,947,315</u>	<u>\$ 42,697,352</u>
AMORTIZATION					
Balance at December 31, 2013	\$ 2,437,980	\$ 1,176,499	\$ 1,132,443	\$ 2,348,000	\$ 7,094,922
Amortization for the year	130,536	589,200	1,026,860	984,000	2,730,596
Balance at December 31, 2014	2,568,516	1,765,699	2,159,303	3,332,000	9,825,518
Amortization for the year	130,536	589,200	1,216,421	984,000	2,920,157
Balance at December 31, 2015	<u>\$ 2,699,052</u>	<u>\$ 2,354,899</u>	<u>\$ 3,375,724</u>	<u>\$ 4,316,000</u>	<u>\$ 12,745,675</u>
CARRYING VALUE:					
December 31, 2015	<u>\$ 2,522,196</u>	<u>\$ 5,201,526</u>	<u>\$ 13,596,640</u>	<u>\$ 8,631,315</u>	<u>\$ 29,951,677</u>
December 31, 2014	<u>\$ 2,652,732</u>	<u>\$ 5,790,726</u>	<u>\$ 13,349,041</u>	<u>\$ 9,615,315</u>	<u>\$ 31,407,814</u>

In 2010, the Company began the recognition of costs required to fully utilize its Communications License and enter the voice market as an intangible asset. These costs are being amortized over the remaining life of the Communications License which as at December 31, 2015 was 9 years.

Intangible assets acquired as a part of the acquisition of SRG included Spectrum and Communications Licenses, collectively the "Acquired Licenses". The Spectrum license was granted on November 23, 2009 and allows SRG to use the Assigned Radio Spectrum in The Commonwealth of The Bahamas. The Communications License was granted on November 23, 2009 and allows the licensee within, into, from and through The Bahamas a right to provide Carriage Services and to establish, maintain and operate one or more networks. Both licenses are being amortized over the remaining term of the licenses which as at December 31, 2015 was 9 years. As these licenses are of a similar nature and have the same term for reporting and disclosure purposes, they are classified together as Acquired Licenses. This treatment follows the guidelines of IAS 38.

The 2013 acquisition of the Florida based communications companies gave rise to additional Customer Contract Intangible assets. The companies serve both residential and commercial customers and engage in significant long term fixed term contracts. Existing customers contribute significantly to the Company's revenue and are expected to generate additional growth in the future. As a direct result it was determined that the value associated with these customer relationships amounted to \$13,500,000 in the aggregate and are being amortized over a 15 year term. Contracts entered into after the acquisitions are being amortized over the life of the contract.

8. GOODWILL

In accordance with IAS 36, the Company annually performs a goodwill impairment analysis (“valuation”) for each CGU. The CGU with associated goodwill is SVI. The valuation as at December 31, 2015 indicated impairment in the recorded value of the SVI’s goodwill.

The valuation was performed by using the value in use (“VIU”) method to determine the recoverable amounts of the assets held at the CGU. VIU is the present value of the future cash flows expected. To determine the VIU, both the income approach (discounted cash flow method) and market approach (guideline public company method) were used. Discount rates ranging from 10.25% to 10.75% were utilized, with a mid-point range of 10.50%. Based on the valuation, the recoverable amount of the assets of SVI was determined to be \$153,800,000 and as a direct result, an impairment loss of \$20,499,000 was recorded and is reflected in the Company’s Consolidated Statement of Profit or Loss and Other Comprehensive Income.

	2015	2014
Cost	\$ 33,573,164	\$ 33,573,164
Impairment loss	<u>(20,499,000)</u>	<u>-</u>
	<u>\$ 13,074,164</u>	<u>\$ 33,573,164</u>

The movement of goodwill impairment is as follows:

Balance at beginning of year	\$ -	\$ -
Impairment loss recognized to income in the year	<u>(20,499,000)</u>	<u>-</u>
Balance at the end of the year	<u>\$ (20,499,000)</u>	<u>\$ -</u>

9. OTHER LIABILITIES

Other liabilities are comprised of the following:

Mortgage on SBB administrative building

This mortgage has a term of 59 months and bears interest at an annual rate of 6.5% with a balloon payment on the 60th month in the amount of \$161,425. As at December 31, 2015, the principal balance outstanding was \$632,997 (2014: \$784,775) of which the current portion due within one year was \$162,089 (2014: \$151,916).

Capital Lease Obligations

The Company has in place capital lease contracts for network equipment with terms ranging from 3 to 5 years and that bear interest at rates ranging from 3.2 % to 15.78 %. As at December 31, 2015, the balance outstanding totaled \$3,164,527 (2014: \$1,496,727) and the current lease principal payments due within one year was \$1,299,545 (2014: \$820,593).

Amounts payable under capital leases:

	2015	2014	2015	2014
			Present value of	
			minimum lease payment	
	Minimum lease payment			
Within one year	\$ 1,344,639	\$ 850,993	\$ 1,299,545	\$ 820,593
Within two to five years	2,244,624	829,506	1,864,982	676,134
Less amount representing interest	<u>(424,736)</u>	<u>(183,772)</u>	<u>-</u>	<u>-</u>
Total finance lease obligation	<u>\$ 3,164,527</u>	<u>\$ 1,496,727</u>	<u>\$ 3,164,527</u>	<u>\$ 1,496,727</u>

IRU

The Company through SVI sold three IRUs for an initial amount of \$11,195,331. The terms of these IRUs were 20, 25 and 20 years. The proceeds from the IRUs are included in other liabilities and are being amortized to income over the remaining term of the agreements. As at December 31, 2015, the remaining term of the IRUs was 17, 21 and 20 years respectively.

The balance outstanding as at December 31, 2015 was \$8,610,345 (2014: \$1,836,984). The total amount amortized and included in income as at December 31, 2015 was \$158,135 (2014: \$82,407).

10. LONG-TERM DEBT

The Company has the following long term facilities:

Senior Credit Facility

The Senior Credit Facility is a syndicated, fully secured loan with two Bahamian and two US domicile banks (“Senior Facility”). The Senior Facility is secured by a First Registered Demand Debenture creating a fixed and floating charge over all assets of the Company. The facility is also secured by guarantees and postponement of claims from all subsidiaries and assignment of insurance policies over the assets of the Company and its subsidiaries. The total amount owing of \$97,889,801 (2014: \$103,015,703) is inclusive of \$25,000,000 which was directly funded to SVI. The Senior Facility bears interest at LIBOR plus applicable margins ranging from 2.5% to 4.0%. The margins applied are determined based on the Company’s Senior Leverage Ratio.

The loans are repayable in quarterly principal installments over the term of the facility. Based on the outstanding principal balance of \$97,889,801 at December 31, 2015, the aggregate future principal maturities are as follows:

Year	
2016	\$ 9,824,375
2017	9,824,375
2018	<u>78,241,051</u>
	<u>\$ 97,889,801</u>

Subordinate Credit Facility

The Subordinate Credit Facility consists of a \$1,600,000 (2014: \$1,600,000) loan from Florida Community Development Fund II L.L.C to SBB. The Subordinate Facility has no scheduled principal repayment terms, bears interest at 9% and matures on December 15, 2016.

11. PREFERRED SHARES

Preferred shares consist of the following:

	2015	2014
<i>CABLE BAHAMAS PREFERRED SHARES:</i>		
Authorized:		
10,000 shares par value B\$1,000		
25,000,000 shares par value B\$0.01		
Issued: 103,500 shares par value B\$0.01		
5.75% Series Six cumulative redeemable preferred shares at B\$1,000	\$ 103,500,000	\$ 103,500,000
Issued: 13,310 shares par value B\$0.01		
6% Series Seven cumulative, convertible redeemable preferred shares at US\$1,000	13,310,000	13,310,000
Issued: 11,000 shares par value B\$0.01		
6.25% Series Eight cumulative redeemable preferred shares at US\$1,000	11,000,000	11,000,000
Issued: 65,500 shares par value B\$0.01		
6.25% Series Nine cumulative redeemable preferred shares at B\$1,000	65,500,000	-
Issued: 9,500 shares par value US\$0.01		
6.75% Series Ten cumulative redeemable preferred shares at US\$1,000	<u>9,500,000</u>	<u>-</u>
TOTAL	<u>\$ 202,810,000</u>	<u>\$ 127,810,000</u>

The 5.75% Series Six preferred shares were issued on May 25, 2014 and mature in 2024. These shares do not carry voting rights and pay dividends semi-annually. The proceeds of the offering were used to partially redeem the Company's Series Four and Five Preferred Shares, settle short term debt commitments and fund capital projects. Included in accrued liabilities as at December 31, 2015 are dividends of \$994,592 (2014: \$994,507).

The 6% Series Seven preferred shares were issued on November 26, 2013 and mature in May 2016. These shares do not carry voting rights and dividends are accrued semi-annually. At maturity shareholders can choose to redeem the preference shares along with all accrued dividends for cash or convert the amount due into ordinary shares of up to three million shares at a rate of one Series Seven preferred share to 239.22 Ordinary Shares adjusted for stock split with any residual balance payable in cash. The Company may not redeem any of the Series

Seven preferred shares prior to the maturity date. Included in accrued liabilities as at December 31, 2015 are dividends of \$1,756,474 (2014: \$891,597).

The 6.25% Series Eight preferred shares were issued on May 25, 2014 and mature in 2024. These shares do not carry voting rights and pay dividends semi-annually. The proceeds of the offering was used to settle short term debt commitments and fund capital projects.

The 6.25% Series Nine preferred shares were issued on April 10, 2015 and mature on April 10, 2025. These shares do not carry voting rights and pay dividends semi-annually. The proceeds were used to fund capital projects.

The 6.75% Series Ten preferred shares were issued on issued on April 10, 2015 and mature on April 10, 2025. These shares do not carry voting rights and pay dividends semi-annually. The proceeds were used to fund capital projects.

Management has estimated that the fair value of the Company's redeemable preferred shares approximates its stated amount of \$202,810,000 since its dividend rates are comparable to current market rates.

12. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

	2015	2014
Authorized: 60,000,000 ordinary shares of no par value	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Issued and fully paid: 41,088,777 ordinary shares of no par value	<u>\$ 13,577,759</u>	<u>\$ 13,592,424</u>

The company's board of directors authorized a three for one stock split on July 8, 2015 to take effect on August 6, 2015. Each shareholder of record on July 31, 2015 received two additional shares of common stock for each share held. All share and related information presented in these financial statements and accompanying notes has been retroactively adjusted to reflect the increased number of shares resulting from this action.

During the year, prior to the stock split, the company repurchased and cancelled 14,665 shares as part of its share buy back plan. The number of shares outstanding as at December 31, 2015 was 41,088,777 (2014: 40,777,272) and the weighted average number of shares was 40,796,149 (2014: 40,818,966).

The earnings used in the calculation of diluted earnings per share are as follows:

	2015	2014
Earnings used in calculation of basic earnings per share	\$ (14,371,277)	\$ 11,379,170
Dividends on convertible preference shares	<u>864,877</u>	<u>891,597</u>
Earnings used in calculation of diluted earnings per share	<u>\$ (13,506,400)</u>	<u>\$ 12,270,767</u>

The weighted average numbers of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2015	2014
Weighted average of ordinary shares used in calculation of basic earnings per share	40,796,149	40,818,966
Shares deemed to be issued for no consideration in respect of conversion of Series Seven preference shares	3,000,000	3,000,000
Shares deemed to be issued on vesting of share based option plan	<u>209,250</u>	<u>249,000</u>
Weighted average of ordinary shares used in calculation of diluted earnings per share	<u>44,005,399</u>	<u>44,067,966</u>

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is involved in legal actions for which management is of the opinion that accrued liabilities are sufficient to meet any obligations that may arise therefrom. The Company has a facility for Corporate Visas, letters of credit and letters of guarantee in the amount of \$200,000 (2014: \$200,000).

The Company has a \$40,000,000 (2014: Nil) letter of credit payable to The Utilities Regulation and Competition Authority in relation to the Mobile Spectrum License Auction which is included in Cash and Cash Equivalents in the Consolidated Statement of Financial Position.

14. LICENSES AND AGREEMENTS

Communications License

The Company has a communications license from Utilities Regulation and Competition Authority to provide any network or carriage services in accordance with the conditions of the license.

SRG holds both a Spectrum and Communications license that enables it to provide network or carriage services in accordance with the conditions of the license. The Spectrum license permits SRG to use the Assigned Radio Spectrum in the Territory, or where no Territory is specified throughout the Commonwealth of The Bahamas. Both licenses are valid through to the year 2024.

Florida Licenses Acquired

SVI through its subsidiaries, hold a number of Federal and State communications licenses which allow for the provision of communication services within the state of Florida.

Grand Bahama Port Authority License

Cable Freeport is licensed by the Grand Bahama Port Authority to exclusively conduct its cable television business in the Freeport area through the year 2054.

SRG is also licensed by the Grand Bahama Port Authority to provide telecommunication service in the Freeport area.

Federal Communications Commission license (FCC)

Caribbean was granted a cable landing license by the FCC to land and operate two private fiber optic submarine cable systems, the Bahamas Internet Cable System, extending between The Bahamas and the United States.

Trinity Communications Ltd., a wholly-owned subsidiary of Caribbean, and SRG hold Section 214 Common Carrier licenses from the FCC. These licenses allow for the resale of telecommunication services within the United States.

Utility Agreements

Under the terms of agreements with the Bahamas Electricity Corporation and Grand Bahama Power Company Ltd., the Company rents poles and other support structures.

15. INCOME TAXES

Income tax recognized in profit or loss:

	2015	2014
Current	\$ -	\$ -
Deferred	<u>-</u>	<u>648,475</u>
Total income tax benefit	<u>\$ -</u>	<u>\$ 648,475</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The SVI income tax benefit can be reconciled to the accounting loss as follows:

	2015	2014
Loss before tax from operations	<u>\$ (30,722,686)</u>	<u>\$ (5,730,847)</u>
Income tax benefit calculated at 34%	\$ 10,445,715	\$ 1,948,488
Effect of expenses not deductible in determining taxable income	(33,692)	(18,701)
State income tax benefit	372,752	345,370
Impairment of non-deductible goodwill	(6,920,695)	-
Effect of previously unrecognized deductible temporary differences now recognized as deferred tax assets	-	1,520,755
Effect of unused tax losses not recognized as deferred tax assets	<u>(3,864,080)</u>	<u>(3,147,437)</u>
Income tax benefit recognized in loss from operations	<u>\$ -</u>	<u>\$ 648,475</u>

	2015	2014
Deferred tax assets		
Operational accruals	\$ 3,585,497	\$ 1,266,325
Deferred revenue	657,745	691,257
Fixed assets -state	1,812,742	393,434
Net operating losses	25,423,458	12,767,325
Charitable contribution carried forward	<u>5,404</u>	<u>1,811</u>
Total deferred tax assets	<u>31,484,846</u>	<u>15,120,152</u>
Deferred tax liabilities		
Joint venture	\$ (148,783)	\$ (148,783)
Prepaid expenses	(303,447)	(293,311)
Intangibles	(1,808,978)	(1,801,400)
Fixed assets - federal	<u>(29,223,638)</u>	<u>(12,876,658)</u>
Total deferred tax liabilities	<u>(31,484,846)</u>	<u>(15,120,152)</u>
Net deferred tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>
	2015	2014
Unrecognized deferred tax assets		
Transaction costs	\$ 1,111,818	\$ 1,581,881
Net operating losses	<u>5,899,699</u>	<u>1,565,556</u>
	<u>\$ 7,011,517</u>	<u>\$ 3,147,437</u>

In assessing the recognition of deferred assets, management considers whether it is probable that some portion or all assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company has \$88,047,163 (2014: \$39,214,681) of federal net operating loss (NOL) carry forwards and \$55,156,420 (2014:\$ 32,039,396) of state NOL carry forwards at December 31, 2015. In accordance with the Internal Revenue Code, Section 382, some portion of SBB's pre-acquisition NOL's may be subject to limitation on utilization. The NOLs can be utilized to reduce future taxable income and will expire in the years 2029 through 2035.

16. OPERATING EXPENSES

Operating expenses consist of the following:

	2015	2014
Programming	\$ 36,814,370	\$ 27,711,096
Administrative	28,996,982	24,369,970
Technical	15,400,983	13,291,352
Network services	12,610,072	10,678,163
Government and regulatory fees	11,214,361	10,980,888
Marketing	<u>8,892,920</u>	<u>8,116,401</u>
	<u>\$ 113,929,688</u>	<u>\$ 95,147,870</u>

Prior year balances have been reclassified to conform to the current year's presentation.

17. EMPLOYEE COMPENSATION

Included in intangible assets, property, plant and equipment and operating expenses is employee compensation totaling \$43,128,608 (2014: \$20,679,951).

The Company participates in externally managed pension plans. Under the terms of the defined contribution plans, the Company matches employee contributions up to a maximum of 5% of salary for its staff and 12.5% for executive management. The Company's contributions amounted to \$860,946 (2014: \$852,731).

In 2014, the Company implemented a share based options plan for key executives of the Company. The plan commenced on April 24, 2014, and under the terms of the plan, the maximum number of shares that may be issued upon the exercise of options shall not exceed 5% of the issued and outstanding shares of the Company and vest equally over a five year period ending 2020. The options were priced using the Black Scholes Options Pricing Model.

The following share-based option plans were in existence during the current and prior years:

	<u>Number</u>	<u>Expiry date</u>	<u>Exercise price</u>	<u>Fair value at grant date</u>
(1) Granted on April 23, 2014	1,927,500	April 23, 2019	\$ 3.72	\$ 3.72
(2) Granted on January 1, 2015	150,000	January 1, 2020	\$ 4.67	\$ 4.67

Movements in the share-based options plan are shown below:

	Movement in number of share-based options		Weighted average exercise price	
	2015	2014	2015	2014
Outstanding at January 1	1,777,500	-	\$ 3.72	\$ -
Granted	150,000	1,927,500	4.67	3.72
Forfeited	<u>(378,000)</u>	<u>(150,000)</u>	<u>3.72</u>	<u>3.72</u>
Outstanding at December 31	<u>1,549,500</u>	<u>1,777,500</u>	<u>\$ 3.83</u>	<u>\$ 3.72</u>
Exercisable at December 31	<u>309,900</u>	<u>-</u>	<u>\$ 4.08</u>	<u>\$ -</u>

The total number of shares vested as at December 31, 2015 was 496,500 (2014: 83,000). The total fair value of the shares vested as at December 31, 2015 was \$269,888 (2014: \$195,639) and is included in operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The cumulative fair value of shares vested at December 31, 2015 is \$465,527 (2014: \$195,639). The expected volatility is determined by reference to the Company's historical volatility which is expected to reflect the Company's share price in the future.

Inputs into the model

	Option series	
	Series 1	Series 2
Grant date share price	\$ 3.72	\$ 4.67
Exercise price	\$ 3.72	\$ 4.67
Expected volatility	2.68%	2.49%
Option life	60	60
Risk-free interest rate	4.75%	4.25%

18. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

	2015	2014
Short-term benefits	\$ 1,833,718	\$ 1,877,867
Long-term benefit - share based plan	142,817	106,070
Post employment benefits	<u>130,239</u>	<u>111,277</u>
	<u>\$ 2,106,774</u>	<u>\$ 2,095,214</u>

Total remuneration of directors and key executive personnel is determined by the compensation committee of the board of directors having regard to qualifications, performance and market trends. These balances are included in operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Other related party balances and transactions:

	2015	2014
Trade and other receivables, net	<u>\$ 111,728</u>	<u>\$ 9,150</u>
Property, plant and equipment, net	<u>\$ 105,295</u>	<u>\$ 106,887</u>
Accounts payable and accrued liabilities	<u>\$ 1,110,184</u>	<u>\$ 602,787</u>
Preferred shares	<u>\$ 20,926,627</u>	<u>\$ 19,407,127</u>
Revenue	<u>\$ 223,741</u>	<u>\$ 187,762</u>
Operating expenses	<u>\$ 741,178</u>	<u>\$ 656,486</u>
Preferred dividends	<u>\$ 1,609,067</u>	<u>\$ 887,350</u>

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value is the amount for which an asset can be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, or curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of management, the estimated fair value of financial assets and financial liabilities, (which are the Company's cash, accounts receivable, investment and current and non-current liabilities) at the consolidated statement of financial position date were not materially different from their carrying values either due to:

- a. their immediate or short-term maturity;
- b. interest rates that approximate current market rates or
- c. carrying amounts that approximate or equal market value.

20. SEGMENT INFORMATION

The Company uses the result of operations and financial position of its wholly owned subsidiaries as the basis of segmentation and reporting. All reportable segments operate in the Bahamas except SVI which operates in Central and South West Florida.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3 and services as described in Note 1. Segment profit (loss) represents the profit or (loss) before tax earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The details of the various service segments are as follows:

2015

	Cable							Consolidated
	Cable	Freeport	Caribbean	Maxil	SRG	SVI	Eliminations	Totals
Revenue from external customers	\$ 76,092,504	\$ 15,862,268	\$ 13,057,244	\$ 883,823	\$ 10,322,565	\$ 49,459,242	\$ -	\$ 165,677,646
Intercompany charge	\$ 905,000	\$ -	\$ -	\$ -	\$ -	\$ (146,517)	\$ (758,483)	\$ -
Interest expense	\$ 2,273,601	\$ -	\$ -	\$ -	\$ -	\$ 5,591,480	\$ (3,460,979)	\$ 4,404,102
Depreciation and amortization	\$ 13,871,526	\$ 2,231,103	\$ 2,327,260	\$ 24,418	\$ 2,206,883	\$ 9,492,378	\$ -	\$ 30,153,568
Reportable segment profit (loss)	\$ (2,700,444)	\$ 6,613,020	\$ 7,011,909	\$ 675,324	\$ 4,751,600	\$ (30,869,203)	\$ 146,517	\$ (14,371,277)
Goodwill impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,499,000	\$ -	\$ 20,499,000
Reportable segment assets	\$ 370,599,896	\$ 40,240,882	\$ 95,101,354	\$ 3,584,815	\$ 34,023,997	\$ 207,253,459	\$ (267,537,570)	\$ 483,266,833
Operating expenses	\$ 56,224,757	\$ 7,018,145	\$ 3,717,715	\$ 184,081	\$ 3,364,082	\$ 44,325,908	\$ (905,000)	\$ 113,929,688
Reportable segment liabilities	\$ 403,587,654	\$ 2,532,120	\$ 285,890	\$ 414,091	\$ 7,469,923	\$ 201,498,883	\$ (218,427,140)	\$ 397,361,421

2014

	Cable							Consolidated
	Cable	Freeport	Caribbean	Maxil	SRG	SVI	Eliminations	Totals
Revenue from external customers	\$ 75,584,030	\$ 15,776,318	\$ 12,078,064	\$ 922,190	\$ 10,832,141	\$ 35,599,362	\$ -	\$ 150,792,105
Intercompany charge	\$ 905,000	\$ -	\$ -	\$ -	\$ -	\$ 146,517	\$ (1,051,517)	\$ -
Interest expense	\$ 2,201,586	\$ -	\$ -	\$ -	\$ -	\$ 3,366,482	\$ -	\$ 5,568,068
Depreciation and amortization	\$ 16,609,626	\$ 2,455,263	\$ 2,142,000	\$ 25,305	\$ 308,026	\$ 10,998,875	\$ -	\$ 32,539,095
Reportable segment profit (loss)	\$ (4,748,938)	\$ 6,202,140	\$ 7,123,046	\$ 696,449	\$ 7,335,362	\$ (5,730,847)	\$ (146,517)	\$ 10,730,695
Reportable segment assets	\$ 316,269,911	\$ 26,718,478	\$ 88,669,718	\$ 2,868,088	\$ 28,140,279	\$ 160,373,575	\$ (220,264,251)	\$ 402,775,798
Operating expenses	\$ 55,730,609	\$ 7,118,915	\$ 2,813,018	\$ 200,436	\$ 3,188,753	\$ 27,001,139	\$ (905,000)	\$ 95,147,870
Reportable segment liabilities	\$ 334,701,455	\$ 2,359,129	\$ 86,614	\$ 372,688	\$ 4,527,052	\$ 123,896,313	\$ (171,007,308)	\$ 294,935,943

21. RISK MANAGEMENT

There are a number of risks inherent in the telecommunications and cable television industry that the Company manages on an ongoing basis. Among these risks, the more significant are credit, operational, foreign exchange, liquidity, interest rate risk and capital risks.

Credit risk - Credit risk arises from the failure of counterparty to perform according to terms of contracts. From this perspective, the Company's significant exposure to credit risk is primarily concentrated with customer accounts receivable, investments and balances due from related and affiliated parties. Customer deposits are maintained until the services are terminated to offset any outstanding balances due to the Company. In order to limit the amount of credit exposure, accounts in arrears at 45 days and at 60 days are disconnected depending on their credit history. Cash and investments are predominantly in Bahamian dollars and have been placed with high quality financial institutions.

Balances due from related and affiliated parties are monitored on an on-going basis and are subject to offset at management's discretion.

Operational risk - Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human error or external events not related to credit, market or liquidity risks. The Company manages this risk by maintaining a comprehensive system of internal control, including organizational and procedural controls. The systems of internal control include written communication of the Company's policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel and sound accounting policies, which are regularly updated. These controls are designed to provide the Company with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and the Company is in compliance with all regulatory requirements.

Foreign currency risk - Foreign currency risk relates to the Company operating in different currencies and converting non-Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Company is not directly exposed to foreign currency risk, as operations are denominated in Bahamian dollars (and US dollars), which is fixed to the US dollar at the following rate: B\$1 = US\$1. The Company mitigates this risk by utilizing funds received in US dollars to pay the US dollar invoices.

Liquidity risk - Liquidity risk reflects the risk that the Company will not be able to meet an obligation when it becomes due or honor a credit request to a customer and/or related party. The Company maintains a satisfactory portion of its assets in cash and other liquid assets to mitigate this risk. In addition, the Company keeps its trade payables within agreed upon terms with its vendors. On a daily basis, the Company monitors its cash and other liquid assets to ensure that they sufficiently meet the Company's liquidity requirements.

Interest rate risk - Interest rate risk is the potential for a negative impact on the consolidated statement of financial position or the consolidated statement of profit or loss and other comprehensive income arising from adverse changes in the value of financial instruments as a result of changes in interest rates. The Company manages interest cost using a mixture of fixed-rate and variable-rate debt.

Sensitivity analysis

The Company is exposed to variable interest rates on its Senior Credit Facility. The total amount outstanding at December 31, 2015 was \$97,889,801 (2014: \$103,015,703). For floating rate liabilities the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 25, 50 and 75 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Should the effective interest rate increase or decrease the effect on Net and Comprehensive Income would be as follows:

0.75	\$	512,811
0.50	\$	268,087
0.25	\$	23,362

Capital risk management - The Board of Directors manages the Company's capital to ensure that it has a strong capital base to support the development of its business. The Board of Directors seeks to maximize the return to shareholders through optimization of the Company's debt and equity balance. The Company's risk management structure promotes making sound business decisions by balancing risk and reward. The Directors promote revenue generating activities that are consistent with the Company's risk appetite, policies and the maximization of shareholder return. The capital structure of the Company consists of preference shares and equity attributable to the common equity holders of the Company, comprising issued capital and retained earnings as disclosed in notes 11 and 12. The Board of Directors review the capital structure at least annually. As part of this review, the Board considers the cost of the capital and the risks associated with each class of capital. Based on recommendations of the Board, the Company manages its capital structure through the payment of common and preferred dividends, the redemption of preferred shares, ordinary share purchases through normal course issuer bids and the restructuring of the capital base. The Company's strategy is unchanged from 2014.

Corporate tax management - The Company is subject to taxes and tax regulations in The Bahamas and the United States of America. The Board of Directors ensure that adequate internal controls and financial reporting guidelines are established and monitored in the preparations and submission of all tax reporting. The Company also uses on a regular basis external expertise to ensure that all tax information, resources and filings are carried out using relevant and current information.

22. SUBSEQUENT EVENT

Ordinary shares rights offering

On March 4, 2016, the Company issued 3,916,667 ordinary shares through a rights offering to all shareholders of record as of January 26, 2016 for \$6.00 per share.

Ordinary share dividends

On March 16, 2016, the Company declared an ordinary dividend of \$0.0466 rounded per share to all shareholders of record as of March 25, 2016. The total dividend paid on or after March 31, 2016 was \$2,097,254.

Preferred share dividends

On March 16, 2016, the Company declared dividends on its 5.75% Series Six preferred shares in the amount of \$2,967,473 payable on or before April 30, 2016 to shareholders of record on April 25, 2016.

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