

CABLE BAHAMAS LTD.

**Consolidated Financial Statements For The
Year Ended December 31, 2013
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, 2013 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, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

April 25, 2014

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 (Expressed in Bahamian dollars)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash	\$ 9,307,070	\$ 8,675,778
Accounts receivable, net (Notes 4 and 18)	16,301,753	11,800,343
Prepaid expenses and deposits	2,754,007	1,205,538
Inventory	4,803,369	3,768,887
Total current assets	<u>33,166,199</u>	<u>25,450,546</u>
NON-CURRENT ASSETS:		
Investments (Note 5)	3,850,000	2,325,652
Property, plant and equipment, net (Notes 6, 17 and 18)	230,951,512	172,415,679
Deferred tax asset (Note 15)	8,749,294	-
Goodwill (Note 5)	33,573,164	-
Intangible assets (Notes 7 and 17)	33,330,066	21,706,244
Total non-current assets	<u>310,454,036</u>	<u>196,447,575</u>
TOTAL	<u>\$ 343,620,235</u>	<u>\$ 221,898,121</u>

(Continued)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 (Expressed in Bahamian dollars)

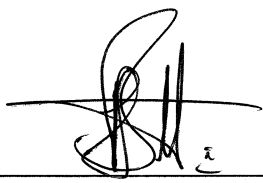
	2013	2012
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note 18)	\$ 25,383,628	\$ 19,151,382
Deferred income	2,845,899	1,680,868
Short term notes (Notes 8 and 18)	14,273,264	2,325,652
Current portion of other liabilities (Note 9)	876,347	-
Current portion of long-term debt (Note 10)	<u>3,065,625</u>	<u>7,000,000</u>
Total current liabilities	<u>46,444,763</u>	<u>30,157,902</u>
NON-CURRENT LIABILITIES:		
Subscriber deposits	6,544,620	6,385,949
Other liabilities (Note 9)	3,575,341	-
Deferred tax liability (Note 15)	9,397,769	-
Long-term debt (Note 10)	101,345,312	31,188,000
Preferred shares (Note 11)	<u>73,310,000</u>	<u>60,000,000</u>
Total non-current liabilities	<u>194,173,042</u>	<u>97,573,949</u>
Total liabilities	<u>240,617,805</u>	<u>127,731,851</u>
EQUITY:		
Ordinary share capital (Note 12)	13,608,769	13,593,419
Retained earnings	<u>89,393,661</u>	<u>80,572,851</u>
Total equity	<u>103,002,430</u>	<u>94,166,270</u>
TOTAL	<u><u>\$ 343,620,235</u></u>	<u><u>\$ 221,898,121</u></u>

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on April 24, 2014, 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, 2013

(Expressed in Bahamian dollars)

	2013	2012
REVENUE (Note 18)	\$ 119,578,202	\$ 112,020,469
OPERATING EXPENSES (Notes 16, 17 and 18)	<u>(69,217,673)</u>	<u>(63,356,519)</u>
	50,360,529	48,663,950
Depreciation and amortization (Notes 6 and 7)	<u>(21,235,004)</u>	<u>(19,396,349)</u>
OPERATING INCOME	29,125,525	29,267,601
Acquisition expense (Notes 5 and 16)	(9,073,950)	(1,467,802)
Interest expense (Note 10)	(2,084,577)	(1,638,995)
Dividends paid on preferred shares (Note 11)	<u>(4,676,599)</u>	<u>(4,600,000)</u>
NET INCOME BEFORE DEFERRED TAX BENEFIT	13,290,399	21,560,804
DEFERRED TAX BENEFIT (Note 15)	<u>823,182</u>	<u>-</u>
NET AND COMPREHENSIVE INCOME	<u>\$ 14,113,581</u>	<u>\$ 21,560,804</u>
BASIC EARNINGS PER SHARE (Note 12)	<u>\$ 1.04</u>	<u>\$ 1.59</u>
DILUTED EARNINGS PER SHARE (Note 12)	<u>\$ 0.97</u>	<u>\$ 1.59</u>

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED DECEMBER 31, 2013 (Expressed in Bahamian dollars)

	Ordinary Share <u>Capital</u>	Retained <u>Earnings</u>	<u>Total</u>
Balance at December 31, 2011	\$ 13,593,419	\$ 64,041,626	\$ 77,635,045
Net and comprehensive income	-	21,560,804	21,560,804
Dividends on ordinary shares (\$0.37 per share)	-	(5,029,579)	(5,029,579)
Balance at December 31, 2012	13,593,419	80,572,851	94,166,270
Net and comprehensive income	-	14,113,581	14,113,581
Issuance of ordinary shares (Note 12)	15,350	147,667	163,017
Dividends on ordinary shares (\$0.40 per share)	-	(5,440,438)	(5,440,438)
Balance at December 31, 2013	<u>\$ 13,608,769</u>	<u>\$ 89,393,661</u>	<u>\$ 103,002,430</u>

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2013 (Expressed in Bahamian dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income and comprehensive income	\$ 14,113,581	\$ 21,560,804
Adjustments for:		
Depreciation and amortization (Notes 6 and 7)	21,235,004	19,396,349
Interest expense (Note 10)	2,084,577	1,638,995
Dividends on preferred shares (Note 11)	4,676,599	4,600,000
Deferred tax benefit (Note 15)	(823,182)	-
Amortization of IRU	(16,061)	-
Operating cash flows before working capital changes	41,270,518	47,196,148
Increase in accounts receivable, net	(1,718,112)	(2,759,330)
Increase in prepaid expenses and deposits	(365,201)	(319,154)
(Increase) decrease in inventory	(142,290)	1,428,365
(Decrease) increase in accounts payable and accrued liabilities	(692,540)	2,933,618
Decrease in deferred income	(329,220)	(74,587)
Increase in subscriber deposits	158,671	416,121
Net cash from operating activities	38,181,826	48,821,181
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment (Notes 6, 17 and 18)	(21,381,679)	(18,433,866)
Additions to intangible assets (Note 7)	-	(3,440,647)
Additions to investments (Note 5)	(300,000)	(2,325,652)
Gain on valuation of property, plant and equipment	(6,781,306)	-
Gain on valuation of intangible assets	(11,569,726)	-
Gain on valuation of investment in joint venture	(2,220,000)	-
Acquisition of subsidiary (net of cash acquired) (Note 5)	(74,065,615)	-
Net cash used in investing activities	(116,318,326)	(24,200,165)

(Continued)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2013 (Expressed in Bahamian dollars)

	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt (Note 10)	\$ 68,124,900	\$ -
Repayment of long-term debt (Note 10)	(3,501,963)	(13,476,991)
Repayment of mortgage	(6,308)	-
Proceeds from short-term notes (Note 8)	11,947,612	2,325,652
Increase in capital lease obligations	86,207	-
Capital lease principal repayments (Note 9)	(61,908)	-
Issuance of preferred shares (Note 11)	13,310,000	-
Issuance of ordinary shares (Note 12)	163,017	-
Interest paid on long-term debt (Note 10)	(1,786,639)	(1,638,995)
Dividends paid on preferred shares (Note 11)	(4,066,688)	(3,882,077)
Dividends paid on ordinary shares (Note 12)	(5,440,438)	(6,117,051)
Net cash from (used in) financing activities	<u>78,767,792</u>	<u>(22,789,462)</u>
NET INCREASE IN CASH	631,292	1,831,554
CASH, BEGINNING OF YEAR	<u>8,675,778</u>	<u>6,844,224</u>
CASH, END OF YEAR	<u>\$ 9,307,070</u>	<u>\$ 8,675,778</u>

(Concluded)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2013 *(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, 2013. The adoption of these Standards and Interpretations has not led to any changes in the Company’s accounting policies.

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

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurements
- IAS 19 (Revised 2011) Employee Benefits
- IAS 27 (Revised 2011) Separate Financial Statements
- IAS 28 (Revised 2011) Investments in Associates and Joint Ventures
- IAS 34 (Amended) Interim Financial Reporting

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 2 (Amended) Share-based Payment
- IFRS 3 (Amended) Business Combinations
- IFRS 7 (Amended) Financial Instruments: Disclosures
- IFRS 8 (Amended) Operating Segments
- IFRS 9 (Amended) Financial Instruments

IFRS 10 (Amended) Consolidated Financial Statements
IFRS 12 (Amended) Disclosure of Interest in Other Entities
IFRS 13 (Amended) Fair Value Measurements
IFRS 14 Regulatory Deferral Accounts
IAS 1 (Amended) Presentation of Items of Other Comprehensive Income
IAS 16 (Amended) Property, Plant and Equipment
IAS 19 (Amended) Employee Benefits
IAS 24 (Amended) Related Party Disclosure
IAS 27 (Amended) Separate Financial Statements
IAS 32 (Amended) Financial Instruments: Presentation
IAS 36 (Amended) Impairment of Assets
IAS 38 (Amended) Intangible Assets
IAS 39 (Amended) Financial Instruments: Recognition and Measurement

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, applied consistently for all periods presented.

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, 2013 include the accounts of the Company and its wholly-owned subsidiaries, Cable Freeport, Caribbean, Maxil, SRG and SVI. All inter-company balances and transactions have been eliminated on consolidation.

Basis of preparation - These consolidated financial statements, inclusive of intercompany transactions have been prepared on the accrual and historical cost basis. The principal accounting policies are set out below:

- a. **Cash** - Cash comprises cash on hand, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.
- b. **Accounts receivable** - Accounts receivable 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.

- 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 acquisition of third party customer and related contracts.
- **Communications license** - All cost associated with the new 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 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 and value in use. Any impairment loss is recognized as an expense immediately.
- g. **Deferred income** - Payments received in advance from subscribers are treated as deferred income and are recognized as income when earned.

- h. Infeasible Right of Use (IRU)** - The proceeds from the sale of IRUs is recorded in other liabilities 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** - Assets and liabilities in other currencies have been translated into Bahamian dollars at the appropriate rates of exchange prevailing as of yearend. Income and expense items have been translated at the actual rates on the date of the transaction and translation changes are recorded in the consolidated statement of profit or loss and other comprehensive income.
- 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.
- m. Basic and diluted earnings per share** - Net comprehensive income per ordinary share is calculated by dividing net 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. 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.
- p. 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.
- q. 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.

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.

- r. 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.
- s. 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.
- t. Capital leases* - The Company leases certain equipment under capital leases. Assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. Leased equipment is amortized over its estimated productive life.
- u. 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 and indefinite intangible assets for impairment annually and when events or changes in circumstances indicate that the carrying value may be impaired.

- v. 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.
- w. 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.
- 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, but 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.

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net comprise of the following:

	2013	2012
Subscribers	\$ 14,519,519	\$ 11,947,555
Other	<u>3,191,460</u>	<u>1,220,385</u>
	17,710,979	13,167,940
Allowance for doubtful accounts	<u>(1,409,226)</u>	<u>(1,367,597)</u>
	<u>\$ 16,301,753</u>	<u>\$ 11,800,343</u>

Ageing of past due but not impaired:

	2013	2012
30 - 60 days	\$ 6,067,028	\$ 4,805,267
60 - 90 days	<u>2,640,891</u>	<u>1,741,303</u>
	<u>\$ 8,707,919</u>	<u>\$ 6,546,570</u>

The movement of allowance for doubtful accounts is as follows:

	2013	2012
Balance at beginning of year	\$ 1,367,597	\$ 798,090
Amounts written off during the year	(849,141)	(625,987)
Amounts recovered during the year	173,401	480,700
Allowance recognized in the consolidated statement of comprehensive income	<u>717,369</u>	<u>714,794</u>
Balance at the end of the year	<u>\$ 1,409,226</u>	<u>\$ 1,367,597</u>

Ageing of impaired trade receivables is as follows:

90 - 120 days	\$ 799,296	\$ 994,976
Greater than 120 days	<u>837,598</u>	<u>728,219</u>
	<u>\$ 1,636,894</u>	<u>\$ 1,723,195</u>

5. INVESTMENTS

Acquisitions

In October and December of 2012 the Company signed agreements to purchase four Florida based communications companies which currently provide cable television, broadband, telephony and high speed data services.

Contractual deposits of \$2,325,652 were required in 2012 toward the purchase price of the target companies. In 2013 the Company was successful in acquiring 100% ownership interest in the companies through SVI. The four companies acquired were as follows:

Companies Acquired	Date Acquired
US Metropolitan Telecom, LLC ("USM")	August 15, 2013
Marco Island Cable Inc. ("MIC")	September 19, 2013
Nu Vu, LLC ("Nu Vu")	September 19, 2013
Summit Broadband Inc. ("SBB")	November 26, 2013

These acquisitions present a unique and strategic opportunity with significant growth potential for the Company as well as opportunities for streamlining and efficiently optimizing capital expenditures and operating costs through economies of scale. The combined businesses will also offer a platform and business model for additional acquisitions and future growth opportunities within Florida.

The aggregate purchase price for the companies acquired inclusive of \$14,200,000 of debt assumed was \$91,647,241. The total amount paid in cash was \$75,892,390 which was net of a \$600,000 escrow withholding and \$954,851 accrued post-closing adjustments. Included in the assets acquired was cash of \$1,826,778. The escrow and post-closing accrual amounts are included in accounts payable and accrued liabilities.

As a direct result of the acquisitions and in accordance with IFRS 3, the Company recorded intangible assets totaling \$34,833,393 inclusive of Goodwill of \$23,263,667 and customer contracts of \$11,569,726. In addition the Company also recorded the increase of \$6,781,306 and \$2,220,000 in the value of the tangible and investment assets acquired respectively. Except for Goodwill, all intangible assets acquired and or revalued will be amortized over 15 years. Goodwill will be assessed annually for impairment in accordance with IAS 36.

The assets and liabilities acquired including real property, trade names, trademarks, cable franchise licenses, IRUs, customer contracts, and assembled workforce were independently valued after closing the transactions. Goodwill was determined to the extent that the purchase price exceeded the fair value of the assets acquired and the liabilities assumed.

The carrying value of the assets and liabilities acquired and their fair value amounts are as follows:

	Carrying Value	Fair Value
Current assets:		
Cash	\$ 1,826,778	\$ 1,826,778
Accounts receivable, net	3,008,893	3,008,893
Prepaid expenses and deposits	1,183,267	1,183,267
Inventory	<u>892,192</u>	<u>892,192</u>
Total current assets	<u>6,911,130</u>	<u>6,911,130</u>
Non-current assets:		
Property, plant and equipment	\$ 50,481,674	\$ 57,629,757
Intangible assets	1,930,274	13,500,000
Goodwill	10,309,497	33,573,164
Investment in Dais Communication (Dais)	<u>1,330,000</u>	<u>3,550,000</u>
Total non-current assets	<u>64,051,445</u>	<u>108,252,921</u>
Total assets	<u>\$ 70,962,575</u>	<u>\$ 115,164,051</u>

	Carrying Value	Fair Value
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,816,794	\$ 13,816,794
Deferred income	<u>1,494,251</u>	<u>1,494,251</u>
Total current liabilities	<u>15,311,045</u>	<u>15,311,045</u>
Non current liabilities		
IRU	\$ 1,935,451	\$ 1,935,451
Capital lease obligation	1,580,844	1,580,844
Mortgage payable	933,462	933,462
Subordinate credit facility	<u>1,600,000</u>	<u>1,600,000</u>
Total non-current liabilities	<u>6,049,757</u>	<u>6,049,757</u>
Total liabilities	<u>21,360,802</u>	<u>21,360,802</u>
Total equity	<u>\$ 49,601,773</u>	<u>\$ 92,331,592</u>

Unaudited results from January 1, 2013 to date of each acquisition in aggregate were:

Revenue	<u>\$ 25,226,112</u>
Net Loss	<u>\$ (2,225,868)</u>

The fair value of the financial assets acquired includes receivables from customers with a fair value of \$2,783,298. The gross amount due under the contracts is \$2,827,214 of which Nil is expected to be uncollectible.

Joint Venture

The Company has a 50% interest in Dais Communications, LLC (Dais) and the interest is accounted for under the equity method. The following information summarizes the activity of the joint venture for the years ended December 31, 2013 and 2012:

	2013	2012
Balance Sheet		
Assets	\$ 4,075,474	\$ 1,563,640
Liabilities	<u>1,236,733</u>	<u>232,620</u>
Total equity	<u>\$ 2,838,741</u>	<u>\$ 1,331,020</u>
Statement of income		
Revenue	\$ 360,873	\$ 71,194
Expenses	<u>(513,151)</u>	<u>(140,174)</u>
Net loss	<u>\$ (152,278)</u>	<u>\$ (68,980)</u>
Investment in joint venture		
Balance at beginning of year	\$ 1,400,000	\$ -
Contributed capital	<u>1,660,000</u>	<u>1,400,000</u>
	<u>\$ 3,060,000</u>	<u>\$ 1,400,000</u>

As at December 31, 2013 the fair value of the Company's 50% interest in Dais was \$3,850,000.

6. PROPERTY, PLANT AND EQUIPMENT

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

	<u>Land</u>	<u>Commercial Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Cable Systems</u>	<u>Fiber Optic Network</u>	<u>Web Hosting Systems</u>	<u>Total</u>
COST:								
Balance at December 31, 2011	\$ 1,928,748	\$ 31,295,852	\$ 2,814,470	\$ 48,552,631	\$ 169,548,479	\$ 26,613,595	\$ 570,655	\$ 281,324,430
Additions	-	272,637	602,481	8,503,541	9,372,590	10,355	39,414	18,801,018
Transfer of assets	-	(367,152)	-	893,988	(897,366)	3,378	-	(367,152)
Disposals	-	-	(492,965)	(6,513,310)	-	-	(100,637)	(7,106,912)
Balance at December 31, 2012	1,928,748	31,201,337	2,923,986	51,436,850	178,023,703	26,627,328	509,432	292,651,384
Additions	54,870	943,941	515,817	7,037,826	11,369,814	1,363,515	95,896	21,381,679
Assets acquired	-	1,152,422	444,098	14,454,547	2,938,422	22,497,400	8,244,785	49,731,674
Acquisitions revaluation	-	70,177	191,742	1,578,913	2,210,911	1,782,273	947,290	6,781,306
Disposals	-	-	(876,107)	(6,191,776)	-	-	(31,365)	(7,099,248)
Balance at December 31, 2013	<u>\$ 1,983,618</u>	<u>\$ 33,367,877</u>	<u>\$ 3,199,536</u>	<u>\$ 68,316,360</u>	<u>\$ 194,542,850</u>	<u>\$ 52,270,516</u>	<u>\$ 9,766,038</u>	<u>\$ 363,446,795</u>
ACCUMULATED DEPRECIATION:								
Balance at December 31, 2011	\$ -	\$ 5,013,709	\$ 1,286,232	\$ 20,131,581	\$ 70,980,662	\$ 11,678,825	\$ 544,095	\$ 109,635,104
Depreciation	-	775,699	966,436	6,193,728	8,701,050	1,060,000	10,600	17,707,513
Transfer of assets	-	-	-	893,988	(897,366)	3,378	-	-
Disposals	-	-	(492,965)	(6,513,310)	-	-	(100,637)	(7,106,912)
Balance at December 31, 2012	-	5,789,408	1,759,703	20,705,987	78,784,346	12,742,203	454,058	120,235,705
Depreciation	-	777,517	848,143	5,716,318	9,444,766	2,556,782	15,300	19,358,826
Disposals	-	-	(876,107)	(6,191,776)	-	-	(31,365)	(7,099,248)
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 6,566,925</u>	<u>\$ 1,731,739</u>	<u>\$ 20,230,529</u>	<u>\$ 88,229,112</u>	<u>\$ 15,298,985</u>	<u>\$ 437,993</u>	<u>\$ 132,495,283</u>
CARRYING VALUE:								
As at December 31, 2013	<u>\$ 1,983,618</u>	<u>\$ 26,800,952</u>	<u>\$ 1,467,797</u>	<u>\$ 48,085,831</u>	<u>\$ 106,313,738</u>	<u>\$ 36,971,531</u>	<u>\$ 9,328,045</u>	<u>\$ 230,951,512</u>
As at December 31, 2012	<u>\$ 1,928,748</u>	<u>\$ 25,411,929</u>	<u>\$ 1,164,283</u>	<u>\$ 30,730,863</u>	<u>\$ 99,239,357</u>	<u>\$ 13,885,125</u>	<u>\$ 55,374</u>	<u>\$ 172,415,679</u>

As at December 31, 2013, 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 <u>License</u>	Communications <u>License</u>	Customer <u>Contracts</u>	Acquired <u>Licenses</u>	<u>Total</u>
COST					
Balance at December 31, 2011	\$ 5,221,248	\$ 4,115,778	\$ 1,200,000	\$ 12,947,315	\$ 23,484,341
Additions	-	3,440,647	-	-	3,440,647
Balance at December 31, 2012	5,221,248	7,556,425	1,200,000	12,947,315	26,924,988
Assets acquired	-	-	1,930,274	-	1,930,274
Acquisitions revaluation	-	-	11,569,726	-	11,569,726
Balance at December 31, 2013	<u>\$ 5,221,248</u>	<u>\$ 7,556,425</u>	<u>\$ 14,700,000</u>	<u>\$ 12,947,315</u>	<u>\$ 40,424,988</u>

AMORTIZATION

Balance at December 31, 2011	\$ 2,176,908	\$ 133,000	\$ 840,000	\$ 380,000	\$ 3,529,908
Amortization for the year	<u>130,536</u>	<u>454,300</u>	<u>120,000</u>	<u>984,000</u>	<u>1,688,836</u>
Balance at December 31, 2012	\$ 2,307,444	\$ 587,300	\$ 960,000	\$ 1,364,000	\$ 5,218,744
Amortization for the year	<u>130,536</u>	<u>589,199</u>	<u>172,443</u>	<u>984,000</u>	<u>1,876,178</u>
Balance at December 31, 2013	<u>\$ 2,437,980</u>	<u>\$ 1,176,499</u>	<u>\$ 1,132,443</u>	<u>\$ 2,348,000</u>	<u>\$ 7,094,922</u>

CARRYING VALUE:

December 31, 2013	<u>\$ 2,783,268</u>	<u>\$ 6,379,926</u>	<u>\$ 13,567,557</u>	<u>\$ 10,599,315</u>	<u>\$ 33,330,066</u>
December 31, 2012	<u>\$ 2,913,804</u>	<u>\$ 6,969,125</u>	<u>\$ 240,000</u>	<u>\$ 11,583,315</u>	<u>\$ 21,706,244</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. The recognition of these costs concluded in 2012. This treatment follows the guidelines set forth in IAS 38. These costs are being amortized over the remaining life of the Communications License which as at December 31, 2013 was 11 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 2013 was 11 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.

As noted in Note 5, the fair value valuation exercise as a result of the 2013 acquisitions 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 will be amortized over a 15 year term.

8. SHORT-TERM NOTES

The Company has in place unsecured short term US Dollar loans that consist primarily of Promissory Notes (Notes). The proceeds of these Notes were used to facilitate the funding of SVI and the acquisition of its subsidiaries SBB, USM, MIC and Nu Vu. The Notes bear interest at rates that range from 3% to 15% annually. The Company has the option to repay the Notes at any time, however, all Notes mature in 2014 and are expected to be paid out in full at that time.

The total amount of notes outstanding as at December 31, 2013 was \$14,273,264 (2012: \$2,325,652).

In 2012 notes totaling \$2,325,652 were included in accounts payable and accrued liabilities. In 2013 these were reclassified to conform to current year presentation.

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 of \$161,425. As at December 31, 2013 the balance outstanding was \$927,154 of which the current portion due within one year was \$142,380.

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 11.6 %. As at December 31, 2013 the balance outstanding totaled \$1,546,793 and the current lease principal payments due within one year was \$733,967.

The Company leases certain equipment under capital leases. Assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. Leased equipment is amortized over its estimated productive life. The cost of the equipment was \$2,567,100 and \$2,272,019 at December 31, 2013 and 2012, respectively, and accumulated depreciation was \$702,400 and \$651,952 at December 31, 2013 and 2012.

Capital lease obligations consist of:

	2013	2012
Various capital leases, interest rates ranging from 3.2% to 11.6% payable \$93 to \$7,297 monthly through December 2015, including interest; secured by equipment.	\$ 692,390	\$ 767,181
Various capital leases, interest rates ranging from 4.7% to 7.1% payable \$90 to \$1,125 monthly through December 2016, including interest; secured by equipment.	558,711	565,506
Capital lease, interest rate of 4.9% payable \$1,025 monthly through November 2017 including interest; secured by equipment.	115,757	50,165
Various capital leases, interest rates of 8.0% payable \$508 to \$523 monthly through December 2014, including interest; secured by equipment.	20,911	33,680
Capital lease, interest rate of 9.8% payable \$1,850 monthly through March 2018 including interest; secured by equipment.	<u>78,483</u>	<u>-</u>
	1,466,252	1,416,532
Less: current maturities	<u>679,567</u>	<u>594,996</u>
Total long-term leases	<u>\$ 786,685</u>	<u>\$ 821,536</u>

Future maturities of leases are as follows:

Year	
2014	\$ 29,559
2015	845,851
2016	731,728
2017	134,447
2018	<u>102,139</u>
Total	<u>\$ 1,843,724</u>
Less amount representing interest	\$ 377,472
Present value of minimum lease payments	1,466,252
Less: current portion of capital lease obligations	<u>679,567</u>
Long-term portion of capital lease obligations	<u>\$ 786,685</u>

IRU

The Company through SVI sold a 20 year and a 25 year IRU for an initial amount of \$2,031,993. 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, 2013 the remaining term of the IRUs were 19 years and 23 years respectively, with an average annual amount amortizing to income of \$85,732. The total amount amortized and included in income as at December 31, 2013 was \$16,061.

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 Bahamas 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 \$102,810,937 (2012: \$38,188,000) is inclusive of \$25,000,000 which was directly funded to SVI. The Senior Facility bears interest at LIBOR plus applicable margins ranging from 1.5% 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 \$102,810,937 at December 31, 2013, the aggregate future principal maturities are as follows:

Year	
2014	\$ 3,065,625
2015	12,239,063
2016	13,987,500
2017	13,001,563
2018 and thereafter	<u>60,517,186</u>
	<u>\$ 102,810,937</u>

Subordinate Credit Facility

The Subordinate Credit Facility consists of a \$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:

	2013	2012
<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: 4,000,000 shares par value B\$0.01		
8% Series Four cumulative redeemable preferred shares at B\$10	\$ 40,000,000	\$ 40,000,000
Issued: 20,000 shares par value B\$0.01		
7% Series Five cumulative redeemable preferred shares at B\$1,000	20,000,000	20,000,000
Issued: 13,310 shares par value B\$0.01		
6% Series Seven cumulative, convertible redeemable preferred shares at B\$1,000	<u>13,310,000</u>	<u>-</u>
TOTAL	<u>\$ 73,310,000</u>	<u>\$ 60,000,000</u>

The 8% Series Four shares do not carry voting rights and pay dividends semi-annually. Redemption of all shares is scheduled to begin on August 31, 2015 and will continue on each August 31 thereafter through and including August 31, 2019. The Company has the option to redeem the Series Four shares after the second anniversary of the issue.

The 7% Series Five preferred shares were issued on July 1, 2010. These shares do not carry voting rights and pay dividends semi-annually. The Company has the option to redeem the Series Five shares after the second anniversary of the issue.

The 6% Series Seven preferred shares were issued on November 26, 2013 and mature in 30 months. 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 One Million shares at a rate of One Series 7 preferred share to 79.74 Ordinary Shares with any residual balance payable in cash. The Company may not redeem any of the Series 7 preferred shares prior to the maturity date. Included in accrued liabilities are dividends of \$67,826 as at December 31, 2013.

Management has estimated that the fair value of the Company's redeemable preferred shares approximates its stated amount of \$73,310,000 since its dividend rates are comparable to current market rates.

12. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

	2013	2012
Authorized: 20,000,000 ordinary shares of B\$1 each	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Issued and fully paid	<u>\$ 13,608,769</u>	<u>\$ 13,593,419</u>

The number of shares outstanding as at December 31, 2013 was 13,608,769 (2012: 13,593,419) and the weighted average number of shares outstanding as of December 31, 2013 was 13,599,815 (2012: 13,593,419). During the year 15,350 shares were issued as part of the Company's employee share purchase plan.

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

	2013	2012
Earnings used in calculation of basic earnings per share	\$ 14,113,581	\$ 21,560,804
Dividends on convertible preference shares	<u>67,826</u>	<u>-</u>
Earnings used in calculation of diluted earnings per share	<u>\$ 14,181,407</u>	<u>\$ 21,560,804</u>

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

Weighted average of ordinary shares used in calculation of basic earnings per share	13,599,815	13,595,419
Shares deemed to be issued for no consideration in respect of conversion of Series Seven preference shares	<u>1,000,000</u>	<u>-</u>
Weighted average of ordinary shares used in calculation of diluted earnings per share	<u>14,599,815</u>	<u>13,595,419</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 there from. The Company has a facility for Corporate Visas, letters of credit and letters of guarantee in the amount of \$35,000 (2012: \$220,000).

14. LICENSES AND AGREEMENTS

Communications License

The Company has a communication 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 benefit consists of the following components:

	2013	2012
Current	\$ -	\$ -
Deferred	<u>823,182</u>	<u>-</u>
Total income tax benefit	<u>\$ 823,182</u>	<u>\$ -</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 components of deferred income taxes recognized in the accompanying financial statements are as follows:

	2013	2012
Non current deferred tax asset	\$ 8,749,294	\$ -
Non current deferred tax liability	<u>(9,397,769)</u>	<u>-</u>
Net deferred tax liability	<u>\$ (648,475)</u>	<u>\$ -</u>

In assessing the recognition of deferred assets, management considers whether it is more likely than not 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 tax deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company has \$19,480,612 of federal net operating loss (NOL) carry forwards and \$10,748,681 of state NOL carry forwards at December 31, 2013. The NOLs can be utilized to reduce future taxable income and will expire in the years 2029 through 2033.

16. OPERATING EXPENSES

Operating expenses consist of the following:

	2013	2012
Programming	\$ 18,734,544	\$ 15,272,697
Administrative	15,348,541	13,177,640
Technical	11,021,683	10,913,550
Network services	9,775,386	9,136,469
Government and regulatory fees	8,543,090	10,295,937
Marketing	<u>5,794,429</u>	<u>4,560,226</u>
	<u>\$ 69,217,673</u>	<u>\$ 63,356,519</u>

In the prior year acquisition expenses totaling \$1,467,802 were included in operating expenses. In the current year these amounts were reclassified to conform to the current year's reporting format. Total acquisition expenses recorded in 2013 was \$9,073,950.

17. EMPLOYEE COMPENSATION

Included in intangible assets, property, plant and equipment and operating expenses is employee compensation totaling \$18,309,399 (2012: \$18,346,325).

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. During 2013, the Company's contributions amounted to \$704,385 (2012: \$630,816).

18. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

	2013	2012
Short-term benefits	\$ 1,748,079	\$ 1,719,869
Post employment benefits	<u>102,737</u>	<u>84,009</u>
	<u>\$ 1,850,816</u>	<u>\$ 1,803,878</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 the operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Other related party balances and transactions:

	2013	2012
Revenue	<u>\$ 200,527</u>	<u>\$ 195,421</u>
Accounts receivable, net	<u>\$ 16,119</u>	<u>\$ 141,677</u>
Property, plant and equipment, net	<u>\$ 146,604</u>	<u>\$ 115,031</u>
Short-term notes	<u>\$ 2,742,252</u>	<u>\$ 505,000</u>
Preferred shares	<u>\$ 16,276,127</u>	<u>\$ 9,021,000</u>
Accounts payable and accrued liabilities	<u>\$ 350,615</u>	<u>\$ 701,830</u>
Operating expenses	<u>\$ 659,847</u>	<u>\$ 1,513,011</u>
Interest expense	<u>\$ 76,578</u>	<u>\$ -</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, with the exception of its investment, which is carried at cost, the estimated fair value of financial assets and financial liabilities, (which are the Company's cash, accounts receivable, inventory, prepaid expenses, intangible assets, 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. 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:

	Cable							Consolidated
	<u>Cable</u>	<u>Freeport</u>	<u>Caribbean</u>	<u>Maxil</u>	<u>SRG</u>	<u>SVI</u>	<u>Eliminations</u>	<u>Totals</u>
Revenue from external customers	\$ 70,641,657	\$ 15,258,386	\$ 13,411,473	\$ 907,220	\$ 11,979,799	\$ 7,379,667	\$ -	\$ 119,578,202
Interest expense	\$ 1,685,792	\$ -	\$ -	\$ -	\$ -	\$ 398,785	\$ -	\$ 2,084,577
Depreciation and amortization	\$ 15,207,362	\$ 2,290,536	\$ 1,820,000	\$ 15,300	\$ 360,586	\$ 1,541,220	\$ -	\$ 21,235,004
Reportable segment profit (loss)	\$ (1,238,181)	\$ 5,941,717	\$ 8,482,878	\$ 703,420	\$ 7,774,540	\$ (8,373,975)	\$ -	\$ 13,290,399
Reportable segment assets	\$ 80,637,672	\$ 28,884,258	\$ 80,905,287	\$ 2,070,878	\$ 16,023,208	\$ 135,098,932	\$ -	\$ 343,620,235
Expenditures	\$ 50,880,660	\$ 7,026,132	\$ 3,108,594	\$ 188,500	\$ 3,274,100	\$ 13,813,637	\$ -	\$ 78,291,623
Reportable segment liabilities	\$ 153,174,141	\$ 2,438,733	\$ 224,779	\$ 271,927	\$ 2,401,011	\$ 82,107,214	\$ -	\$ 240,617,805

	Cable							Consolidated
	Cable	Freeport	Caribbean	Maxil	SRG	SVI	Eliminations	Totals
Revenue from external customers	\$ 72,333,891	\$ 14,363,675	\$ 13,601,826	\$ 923,055	\$ 10,798,022	\$ -	\$ -	\$ 112,020,469
Interest expense	\$ 1,638,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,638,995
Depreciation and amortization	\$ 14,537,283	\$ 2,290,536	\$ 2,125,000	\$ 10,600	\$ 432,930	\$ -	\$ -	\$ 19,396,349
Reportable segment profit	\$ 1,473,309	\$ 5,713,118	\$ 7,934,031	\$ 740,493	\$ 5,699,853	\$ -	\$ -	\$ 21,560,804
Reportable segment assets	\$ 89,796,617	\$ 50,717,505	\$ 72,744,448	\$ 1,302,605	\$ 7,336,946	\$ -	\$ -	\$ 221,898,121
Expenditures	\$ 50,084,304	\$ 6,360,021	\$ 3,542,795	\$ 171,962	\$ 4,665,239	\$ -	\$ -	\$ 64,824,321
Reportable segment liabilities	\$ 122,687,020	\$ 2,207,115	\$ 546,818	\$ 207,077	\$ 2,083,821	\$ -	\$ -	\$ 127,731,851

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, 2013 was \$102,810,938. 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	\$771,082
0.50	\$514,055
0.25	\$257,027

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 reviews 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 preference 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 2012.

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 ensures 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

Preferred share refinancing

The company announced plans to issue up to \$100 million in 5.75% - 6% Series 6 Preference Shares, which will be used to redeem its \$40 million 8% Series 4 and \$20 million 7% Series 5 Preference Shares. The “net proceeds” will be used for capital expenditures, working capital and general corporate purposes. The Series 6 preferred shares are expected to have an effective rate of between 5.75% - 6%, denominated in Bahamian and US dollars with a 10 year term to maturity.

Investments

The post-closing audits relating to the investment acquisitions were completed prior to the issuance of the consolidated financial statements. As a result of the audit the \$600,000 held in escrow and an additional adjustment to the purchase price considerations of \$954,851 were paid to the sellers in settlement of the transactions in accordance with the sales and purchase agreements.

In January of 2014 the Company initiated the merger of the SVI subsidiaries into SBB. On completion of the merger USM, MIC and Nu Vu will be dissolved and all operations will be performed in SBB. The merger is administrative in nature and will have no tax implications or operational disruptions. The amalgamation of all operations with SBB is expected to be completed by mid 2014.

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