HORIZONS

2012 ANNUAL REPORT

ho•ri•zons

better things...

new possibilities...

promise...

hopefulness...

STRENGTH IN NUMBERS

$112m
Total revenue increased by 12% in 2012

57%
Homes subscribing to premium services

$1.59
Highest earnings per share in Company's history

38,500
12% increase in premium customers in 2012

49,033
REVON broadband Internet subscribers

$54.4m
REVTV revenue in 2012

16,381
REVOICE lines

$30.7m
REVON revenue in 2012

80,176
Highest equivalised subscribers in history

$12.4m
Telephony revenue in 2012

SELECTED FINANCIAL RESULTS

2008 to 2012

[THOUSANDS EXCEPT PER SHARE NUMBERS]

	2012	2011	2010	2009	2008
REVENUE	$ 112,020	$ 99,851	$ 88,862	$ 84,696	$ 81,461
OPERATING EXPENSES	(64,824)	(55,651)	(46,936)	(39,058)	(38,676)
EBITDA	47,196	44,200	41,926	45,638	42,785
Depreciation and amortisation	(19,396)	(16,826)	(14,724)	(13,552)	(12,500)
Operating income	27,800	27,374	27,202	32,086	30,285
Interest expense	(1,639)	(1,756)	(2,410)	(1,910)	(2,349)
Dividend paid on preferred shares	(4,600)	(4,775)	(4,800)	(1,650)	(2,050)
Net income and comprehensive income	$ 21,561	$ 20,843	$ 19,992	$ 28,526	$ 25,886
Purchase of treasury shares	–	–	–	(245)	(715)
Cancellation of Shares	–	(79,881)	–	–	–
Dividends paid on ordinary shares	(5,030)	(4,350)	(4,366)	(5,503)	(4,727)
Retained earnings, beginning of year	64,042	127,430	111,804	89,026	68,582
Retained earnings, end of year	$ 80,573	$ 64,042	$ 127,430	$ 111,804	$ 89,026
Operating income per ordinary share	2.05	$1.65	$1.39	$1.63	$1.54
Net income per ordinary share	1.59	$1.25	$1.02	$1.46	$1.32
Shares outstanding	13,593	13,593	19,632	19,632	19,659

A MESSAGE FROM THE CHAIRMAN

Success in difficult times; that sums up 2012. This has been a transition year with many rewarding moments, as well as some challenging ones. We made solid progress on many fronts, including building out our digital platform and establishing new platforms. In an ever-changing market for video and broadband, we continue to grow and prosper. We've also made tremendous strides in the telephony market.

How a business responds during difficult times is a true measure of its resilience and a test of its strategy. Our strategy is consistent and fixed: to expand our existing businesses and seize new horizons of opportunity. In adhering to this strategy, we are well on the way to achieving our goal to be The Bahamas' Communications Provider of Choice.

I am pleased to report we achieved record operating earnings per share, record free cash flow and record revenues. In addition, we continued to deliver value to you, our owners, as well as to our staff and customers. These results are a testament to our strategic position and capabilities, the discipline of our management systems, and the dedication and expertise of our more than 450 employees.

FINANCIAL STRENGTH

Our fiscal results tell a compelling story. With dedicated staff, efficient systems, reliable products and innovative services we have again achieved striking financial results.

Earnings per share: We set a record this year reaching $1.59 per share. We have increased our earnings per share by more than 20% over the last five years.

Free Cash Flow: We ended the year with over $33 million in free cash flow, marking a 98% increase from last year.

Revenue: Our revenues reached $112 million, a 12% increase from the previous year and for the first time topping the $100 million landmark.

Our company is a strong, robust engine ready to take on the challenges of growing our business in The Bahamas and expanding into new markets overseas.

DELIVERING DIGITALISATION

In December, we completed the Digital Conversion Programme six months ahead of schedule. What began as a regulator requirement in 2010 became our mission to preserve the integrity and success of our network and businesses. The programme allowed us to visit more than 50% of the homes on our network and enhance our customer offering with premium services – adding HD channels, introducing VOD and expanding line-ups. It has affected our customers in New Providence, Grand Bahama, Abaco and Eleuthera.

The programme's impact was immediate. The more we informed customers of the feature-rich services they could receive, the more they wanted them. Consequently, we experienced an almost 50% increase in premium service revenues since the programme began. At the same time, by providing a "white glove" treatment, we created a positive customer experience. It's clear the achievement of delivering digitalisation was indeed remarkable. It proved a huge success for the regulator, our customers and our company.

PRODUCT INNOVATION AT WORK

Our Company has always been committed to product innovation and this year was no exception. REVOICE performed exceptionally, ending the year with over 16,000 phone lines. Since REVOICE launched, we have captured a whopping 15% market share of the telephony market. As the incumbent's grip on reliability and affordability weakens, our position strengthens. As we introduce new services and increase sales effort, this share percentage will continue to grow.

Additionally our flagship products, REVTV and REVON, have experienced unprecedented innovation in order to stay ahead of competition and offer Bahamians the best possible service. Through the year, we reached beyond 80,000 REVTV customers and more than 50,000 REVON customers.

REVTV has stayed ahead of the curve by enhancing our HD offering to more than 100 channels and increasing our 500REVTV On Demand video library to more than 4,000 hours of content. Continued innovation is leading to a new way of accessing video and data with REVGO; allowing our customers to watch their favorite channels anywhere on the network with their mobile devices.

We have also seen dramatic improvements in our broadband offers this year. Broadband access is now a requisite for almost everything we do. In conjunction, REVON speeds have increased by over 500% and we now offer 15mbps, 30mbps, 50mbps and up to 70mbps, if required. Clearly, this combination of affordability, reliability and speed cannot be matched by any other provider in The Bahamas.

CUSTOMER CENTRIC

As our Company continues to move forward, we have ensured the organisation is flexible enough to consistently meet customer needs. Building on last year's survey report, our sales and customer care teams have been expanded considerably and given specialized training to meet our customer requirements. These adjustments have reaped terrific benefits in customer satisfaction in 2012.

We consistently answer more than 90% of all customer calls and most within the Service Level Agreement of 20 seconds. Given that we receive over one million calls a year, this is a tremendous achievement. Also, we have introduced several initiatives to help the customer experience, from promoting e-statements and payment to introducing "greeters" to help customers get the best service.

Finally, underpinning the staff training is the philosophy *"Pledge to Excel."* This company-wide rallying cry harks to our national anthem and is becoming the lifeblood of everything we do. We are committed to excel in every aspect of customer service including how we communicate and treat customers, how we make repairs and install services, and our efforts to continually improve.

COMMITMENT TO THE COMMUNITY

As an integral part of Bahamian life, we take our responsibility to the community seriously. This commitment has been evidenced over the years with our foundation Cable Cares. We maintained this commitment in 2012 with more than 60 awards totaling $230,000. Our emphasis has always been on Bahamian youth programmes. Among those we contributed to this year are summer youth camps, police camps and Youth Against Violence. We are confident these vital contributions will continue to benefit the community for many years to come.

LOOKING FORWARD

Our company is solidly positioned for a bright future. We have an extremely strong fiscal base to build upon. Our integration of businesses like SRG has been smooth and complementary. Our product development for The Bahamas market is cutting edge and dynamic. And our established customer base is valued and respected. In short, our strategy of organic growth coupled with mergers and partnerships has produced great fruit.

The next stage is to complete our international acquisitions involving Marco Island Cable, NuVu, US Metro and Summit Broadband. Although protracted, we are making significant progress in closing these transactions. These acquisitions present a tremendous opportunity for potential growth as their markets are still developing and there are significant synergies between their fiber infrastructure and ours. As such, this is a keystone in our immediate business strategy and our board and management teams are continuing to pursue its success.

I would like to thank our outgoing directors for their years of service to our company. Sandra Knowles, Frank Watson and Algernon Cargill will be stepping down from the board. During their tenure, they have been instrumental in taking the company forward and paving the way for our acquisition strategy.

Over and above all that, we achieved a great deal of success in 2012. We consolidated our existing businesses; we identified our future opportunities and challenges and are prepared to address them. We count on your continuing support in the pursuit of these objectives.

Philip Keeping
Chairman
September 30, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is provided to enable a reader to assess our financial condition, any material changes to our financial condition and our results of operations, including our liquidity and capital resources, for the fiscal year ended December 31, 2012. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. This MD&A is dated September 30, 2013.

FORWARD-LOOKING DISCLAIMER

This MD&A contains statements related to our future business, financial performance and future events or developments involving our Company that may constitute forward-looking statements. Forward-looking statements often contain words such as: "expect, anticipate, intend, plan, believe, seek, foresee, may" or "will." Forward-looking statements, by their nature, address matters that are, to some degree, uncertain or may not materialise fully or at all. We may also make forward-looking statements in other reports, in presentations, in material delivered to our shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, known or unknown, many of which are beyond our control, affect operations, performance, business strategy, personnel and results and could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends.

"A sparkling year full of success and promise."

What a sparkling year 2012 has been for your Company – one full of many more "ups" than "downs." This past year has proved to be packed with excitement, progress and record-breaking achievements. Our success was across the board with sound and steady growth in product and network that strengthened our continuing customer satisfaction. Not least, the year ended with great promise for your Company's future with our first venture into acquisitions overseas. The goals and objectives achieved throughout the year are many and varied and had something for everyone involved with the Company.

- First and foremost, **Customers** were enlivened! They were delighted with the way we enriched their products and introduced new services. More than that, they were impressed with how the products were delivered reliably at high quality and at affordable prices. Add to that the enhanced sales and customer service commitments, and customers were happier than ever to be a part of the Cable Bahamas family.
- For **Technics and Engineers,** the year consisted of stellar achievements in network strength and scalability. This focused on completing the digitalisation roll-out ahead of schedule and the introduction of DOCSIS3.0; the next generation platform supporting ultra-fast Internet. This is a key element in providing network providers (such as Cable Bahamas) with a common method that enables products to work together in a reliable, predictable and faster environment.
- A major focus for the year, as ever, was our **Employees** and the **Bahamian Community** – the very core of our business. The health of Cable Bahamas' business will always be inextricably linked to the well-being of the communities we serve. This commitment on helping to build strong communities is not only reflected in *Cable Cares* but also in every interaction we have. We also know that success is reflected in large part by the ability to recruit, retain and develop a talented workforce. With over 450 dedicated staff, we continue to demand this approach.
- Finally, for our **Shareholders,** this year proved record-breaking with revenues topping $100 million for the first time ever. Our more than healthy financial results are backed by a relentless commitment to good corporate governance and responsible business practices. We will always compete aggressively on behalf of our stakeholders, but it is just as important that we compete fairly and honestly.

FOR CUSTOMERS: STAYING TRUE TO OUR CORE

During 2012, our Company continued to focus on growing revenue and solidifying our customer base in preparation for competition in the television sector. As a recent entrant into the voice market, our voice service continued to excel throughout the year as we more than doubled our subscriber base as compared to the previous year. Although our growth rate was extraordinary, we undertake to continue to enhance this product and ensure that customers receive the best experience in quality and service.

By December 2012, our video digitisation programme was completed, almost six months ahead of the schedule agreed with the regulator. Despite the onerous nature of this project, which required us to physically touch more than 50% of homes on our network, we were able to positively interact with our customers, highlight the array of our REVTV products as well as correcting and improving internal wiring issues that may have arisen since the service was originally installed. Thousands of customers took the opportunity and subscribed for the first time to premium packages which resulted in premium revenue growth of over 47% since the inception of the project. Digitisation also brought positive residual impacts of growth through the reduction of unauthorised services which assisted us in attaining our highest subscriber count of over 80,000 equivalised television subscribers.

REVTV

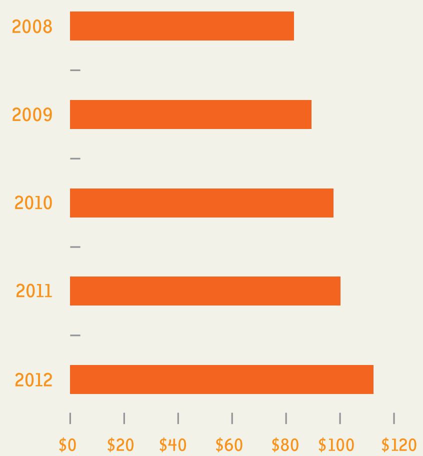
Each year, as technology and services evolve, we focus on enhancing our suite of products. In 2012, the Company launched a new Video-On-Demand (VOD) service, creating a "virtual video store" in every customer's home with the click of a button. REVTV VOD service includes a movie library with over 4,000 hours of content, over 150 HD movie offerings, free VOD titles, music concerts and over 500 karaoke titles.

This feature, in addition to HBO-On-Demand launched the previous year, added another dimension to the REVTV product suite. Additional service enhancements further ensure that our REVTV base is increasingly attractive and meeting our customer demands.

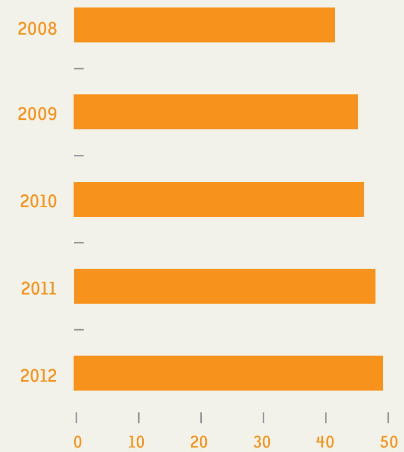
REVON

It is vital that our broadband infrastructure continues to remain at the cutting edge. During the year, we began introducing the DOCSIS3.0 architecture

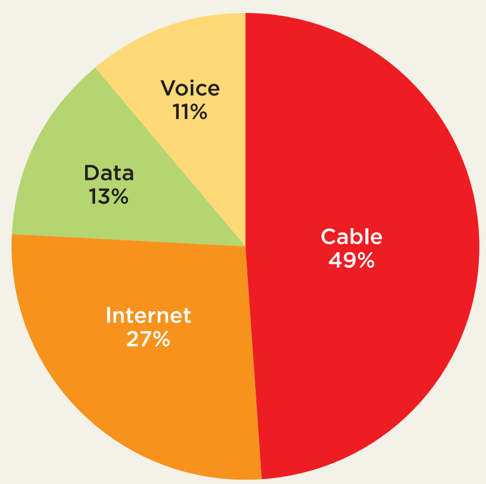
Total Revenue (2008-2012)
($ millions)



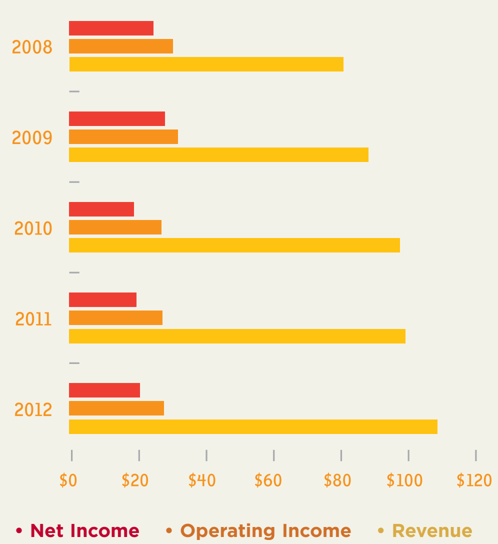
Internet Subscriber (2008-2012)
(Thousands)



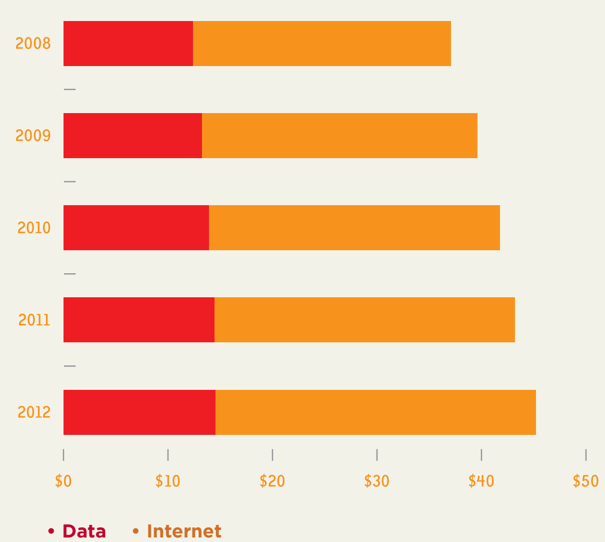
2012 Revenue by Business Segment



Operating Summary (2008-2012)
($ millions)



Data & Internet Revenue (2008-2012)
($ millions)



upgrade in our network. This architecture is the backbone for our future roll-out of broadband speed increases. The plan fits in with our overall market strategy of securing our base by providing products and services that surpass the needs of our subscribers. These planned increases would find its way to all corners of our market segment from residential to commercial, cable modem to fibre subscribers. Early results of the launch show a tremendous uptake and retention of our subscriber base. We expect this trend to continue as consumers want higher tier data offerings to enable them to use multiple devices simultaneously without degradation in performance. We anticipate that the new service enhancement will assist consumers at home, in businesses, schools and churches to operate more productively.

REVOICE

We continued our push firmly and positively into the formerly incumbent-controlled fixed-line voice market. Our competitively priced and feature rich fixed-line service has been very well received in the marketplace. We finished the year particularly strong with a successful residential REVOICE marketing campaign. In the final quarter of the year, our Company shifted its marketing approach. This move was most evident in the launch of our festive *"Rejoice with REVOICE"* campaign during November 2012 through January 2013. This was, in many ways, an effective relaunch of residential REVOICE service to improve market awareness. This campaign benefitted from a strong presence in video advertising which utilised our cross-channel advertising platform, a strong social media presence and physical awareness on our buildings. REVOICE became a household name and as a direct result, an additional 5,000 subscribers joined the revolution and signed up for voice services.

Innovation is in our DNA, and during the year we introduced a hosted PBX product for the commercial voice market. Hosted PBX, a commercial-centric product, allows customers to access and utilise PBX system capabilities without the large outlay of upfront capital. In the first year, we signed major clients in both public and private sectors, which helped to solidify us as a formidable voice provider in the commercial sector.

Strength in Data

In 2012, our Company constructed and commissioned a second data centre in Freeport, Grand Bahama. This facility, centred in the IP core of our network, provides hosting and redundant facilities for the 200 customers currently occupying and operating from our Nassau data center. Geographical diversity is an important factor for a number of our data centre tenants and this new facility further strengthens our position as a leader in this sector in The Bahamas. There is currently no other site in The Bahamas that provides the level of redundancy and diversity as these two centres on New Providence and Grand Bahama.

Reworking your Company's sales efforts

In 2012, our Company reorganised its sales teams, inclusive of expanding the team complement to match the planned programme growth in voice, video and the commercial market. We directed a more concerted focus on our commercial teams with emphasis on small business acquisitions, improved management of existing accounts – all with the "white glove" treatment approach – and created a team of sales "hunters" to focus on large- to mid-sized business customers. Our sales team also introduced an overall higher focus on performance management where department success equates to Company success. We also retrained our entire residential sales teams and became more aggressive in attaining sales targets while implementing a closer monitoring of acquisition strategies through call monitoring and team building initiatives.

Regulatory and Public Relations

The main Regulatory consultation during 2012 involving your Company was our application to URCA for a permanent price increase for the regulated SuperBasic cable television service. The price increase application was submitted on the background that the $30 per month charge has remained stagnant since 1995. As a result, with the increases in programming fees and operating costs over this period, our margins have been significantly impacted. Regulatory consultations on the application began in September 2012 and a final decision was announced in February 2013. Although, the final decision was not favourable, our Company will continue to explore all options available regarding this ruling and seek other viable means to support this product.

In support of our application for an increase in our regulated basic television service, our Company's public relations efforts shifted to focus on the public education campaign. All forms of media were utilised to get our message out to the general public, from press releases, social media platforms and radio interviews.

FOR THE COMMUNITY: WE HELP EMPOWER THE BAHAMAS

Community Involvement

The Cable Cares Foundation (CBCF) continued its efforts in 2012 as we awarded over 60 grants, totalling over $230,000 given to deserving youth-oriented organisations throughout the entire Bahamas. We continue to support a wide variety of youth programmes such as summer camps, police camps, Youth Against Violence, youth research programmes, The Gentlemen's Club, a documentary film produced by COB students and the list goes on. This foundation was created as a medium for Cable Bahamas to give back in a way that is productive, developmental and accessible to Bahamian youth, yet lasting in its effect on the community. Funding is provided by Cable Bahamas, however, the foundation is a totally independent body comprised of eight members that carries out the mandate of the foundation. CBCF holds formal application review meetings on a quarterly basis to assess and approve applications.

FOR SHAREHOLDERS: IF NUMBERS "TALK", THEN WE HAVE A LOUD VOICE

Financial Results

During 2012, our revenues surpassed $100 million for the first time in the Company's history reaching $112 million. This represented an increase of 12% from the previous year.

Results include a full year of revenue from our SRG acquisition operations assimilation and our REVOICE products which totalled $12.4 million or 11% of total revenues. We were pleased that revenue growth occurred in all business segments with the largest growth coming from REVTV which increased $5.4 million or 11% year over year and REVOICE which increased $4.7 million or 61%. The REVTV increase in revenue was predominately due to premium accounting for 69% of the increase. Basic revenue modestly up 2% from prior year, accounted for 12% of REVTV revenue increase. Cable Media, in an election year, added 10% to the increase with Pay-Per-View and the advent of VOD services accounting for 9% to the growth. REVON broadband Internet and data services witnessed growth up from the previous year by $1.9 million or 7% and $0.1 million or 1% respectively. Additionally, over 16,000 new REVOICE subscribers in the first full year of operations helped the Company shrug off the effects of a sluggish economy to set records in revenues achieving $112 million, Earnings per Share $1.59 and Dividends paid $0.37 per share. These results are truly a testament of the hard work, dedication, and innovation of the management and staff.

Although we have had a remarkable year in terms of revenue, rising costs continued to challenge our operations in 2012 with total operating expenditures increasing by 16% year-over-year and reached $64.8 million. The increases were led by regulatory fees, electricity, merger acquisition costs, television programming fees, and depreciation and amortisations. The noted costs combined represent 85% of the $9.1 million total increase in expenses of year-over-year. With the acquisition of SRG and the launch of REVOICE, the Regulatory and Communication Fees increased $1.3 million or 53% from 2011. Electricity costs continued to increase and were up $1.2 million or 43% over 2011. In the fourth quarter of 2012, the Company proposed to acquire four companies in Florida and incurred expenses totalling $1.46 million.

Continuing with our REVTV rebirth and the ever increasing costs from content suppliers globally, programming cost increased $2.7 million or 22% over 2011. As a result of our investments in set-top boxes, equipment and labour cost, fixed assets in the prior year depreciation and amortisation expense increased $2.57 million or 15%.

Despite the increase in expenses over the previous year, our net income increased year over year $0.7 million or 3%. This was largely due to the 12% increase in revenue as we previously noted.

This year's revenue record is a continuation of the growth the Company has seen over its history. From 2008 to 2012, the Company's revenue has increased $30.5 million or 37.5% to $112 million. Earnings per Share also set a record at $1.59 per share. Since 2008, EPS has increased $0.27 or 20.5%. The addition of our voice segment over the past two years accounted for 26% of this revenue growth. This increase in revenue, however, did contribute to a 75% increase in receivables over this period and can be attributed to economic factors such as rising cost and rising unemployment. The Company noted over this period that its customers found it difficult to fulfil their obligations. To mitigate this risk, the Company increased its provision for bad debt by over 100% and put strategies in place such as payment plans, email and telephone notification of outstanding bills, closer monitoring of high balance accounts, live contact with customers offering alternative service solutions which assisted in relieving the customers' financial burden and encouraged more timely payment of bills.

The Company's size has grown significantly from 2008 to 2012. Total Assets in 2008 was $187 million; in 2012 Total Assets was $221.9 million which represent an increase of $34.9 million or 18.6%. Simultaneously, the Company's Non-Current Liabilities increased $48 million from 2008 to 2012 or 97%.

Quarterly Analysis

Over the last eight quarters from 2011 to 2012, we have had positive growth in revenue per quarter of about $5 million from $22.6 million to $27.6 million per quarter. As was previously stated, the growth is driven mainly by the increase in REVTV premium offerings following digitisation and our entry into the voice market with the purchase of SRG and the launch of REVOICE. We saw a corresponding increase in net income per quarter from Q1 2011 to Q3 2012 from $4.6 million to $6 million per quarter. However, in Q4 2012, net income per quarter declined from $6 million to $2.9 million as a result of acquisition costs related to the proposed Florida acquisition totalling $1.5 million and related legal and professional expenditures of $0.2 million. Also, in the fourth quarter, the Company saw increases in marketing, bad debt and other expenses combined with a decline in revenue of $0.4 million. As a result, quarterly Earnings per Share showed a similar pattern of $0.28 in 2011 to $0.45 at Q3 2012, and then declined to $0.21 in Q4 2012.

CAPITAL RESOURCES AND LIQUIDITY

The major source of the Company's liquidity comes from its cash from operations. From the 2012 audited financials, it is evident that the Company currently generates in excess of $47 million in cash from operations. Working capital requirements vary from year to year depending on whether the Company is engaged in any major projects. During such times, projects working capital commitments are larger especially through inventory requirements. Outside of major projects, the Company's working capital requirements are normally well below the cash flows generated from operations.

The largest uses of cash flows are capital projects, salaries and operational expenditures. The Company maintains all excess cash in either cash or cash equivalents that may consist of fixed term deposits. Cash flows are managed on a daily basis with consideration for the aging of accounts receivables, payables, vendor and banking commitments, operating requirements such as payroll and funding of capital projects in line with stated, committed or estimated time frames on when cash outflows are required. The Company also seeks to match the timing of cash flows on a monthly basis with the terms of its receipt of funds from customers with its various liability commitments. In addition, where possible, the Company enters into extended terms with vendors and or vendor financing arrangements to balance the inflow and outflow of cash. Vendor financing arrangements are entered into mainly in relation to significant capital projects and terms and financing costs are at market rates. In so doing, the Company is able to maintain at all times a very healthy cash position which is available for regular operations. This mostly provides the Company with a great amount of flexibility that allows for quick decision making in the event an opportunity arises that requires immediate funding. With respect to debt financing, the Company has three main sources from which it can draw upon for significant funding as follows:

- **Bank Debt –** The Company has in place a Senior Credit Facility with a syndicate of banks in which it has the ability to borrow in either U.S. or Bahamian Dollars at prevailing market rates. The Company usually keeps the renewal periods for this borrowing within a 5 year period. This provides the flexibility to refinance borrowing facilities in the event market conditions improve and cost of financing improves. Borrowing rates are directly correlated to the Company's leverage ratio, i.e. EBITDA to Total Debt and to prevailing market bases such as LIBOR, FED FUNDS, and Nassau Prime. The Company also has the flexibility in its Credit Agreements to take advantage of any of the noted bases should the Company believe better rates are available.
- **Preferred Shares –** The Company has the ability to raise capital through the local financial market through subordinate preferred shares. The terms of such issues range from five to ten years depending on the forecast of the Company as it relates to operations and capital projects. All issuances typically have early termination clauses which allow the Company to refinance and or redeem any outstanding issues in the event opportunities arise for more favourable terms.

- **Common Equity –** The Company has authorised 20 million ordinary shares of which 13,593,419 are issued and outstanding. As such, there are 6,406,581 ordinary shares available to the Company that can be reissued to the public either for cash or in settlement of commitments or any other purpose that Directors of the Company would mandate.

These capital sources provide the Company with significant potential sources of funding that can be used to support existing operations, future expansion initiatives and/or major capital projects. As such, the combination of cash flows from operations and the sources of funding as described places the Company in a material position of financial strength.

The Company is in the process of completing a significant transaction that involves the acquisition of four Florida-based communications companies. These companies will require us to support their operations for at least the first three years in order for the forecast results to be achieved. During this time, the Company will have additional cash flow requirements and commitments. However, funding requirements are being provided via a refinanced Credit Facility that will mitigate the need for exclusive cash draws from the Company. Once the acquisition companies get beyond the three-year forecast support period, they will provide additional cash flows to the Company. Apart from the aforementioned, there are no identifiable adverse issues facing the Company that could have a material impact on projected cash flow and liquidity.

CAPITAL INITIATIVES

Your Company has always been a proponent in offering the best in quality and service throughout our Bahamaland. To this end, your Company's unwavering commitment to quality and innovation remains unchanged. Many of our achievements and growth are due in part to the technical enhancements and improvements we continue to make to our network. Our network has been designed and built to easily facilitate the expansion to support both existing and new products and services. So as technology continues to change and evolve, our network can easily adapt to meet the demands of our customers. As such, your Company has always looked to invest back into the business to improve on its current infrastructure and at the same time enhance shareholders value.

In 2012, the Company continued with this vision by continuing with its Family Island build-out and establishing seven new nodes in Long Island. In addition, our Family Island off-air service offering was also completed during this year.

Enhancements were also made to the network as the first phase of the DOCSIS3.0 project was completed in 2012. Through node segmentation, this phase enabled us to alleviate congestion on the network in order to improve performance and offer the increased speeds.

Focus was also placed on maintaining a reliable network. Through constant monitoring, maintenance and improved controls, objectives were set to maintain a 99.90% reliable network. Despite major fibre cuts due to the road improvement works we experienced during the year, we were delighted to reach this objective on average over our four main islands.

Our headend was also enhanced to be able to offer the new VOD service and offer all of our sports subscription channels and additional services in HD. To add to this, our network enhancements continued for our over-the-top product which we look to bring to the market in the latter part of 2013.

Our vision for 2013 is expected to remain the same. We will continue to improve on our product through enhanced offerings and better quality of service as we continue to invest back in the Company.

FOR ALL STAKEHOLDERS: YOU AIN'T SEEN NOTHING YET!

The Future

Cable Bahamas' latest five-year strategic review began in late 2011. In January 2012, external Telecom consultants were engaged to assist in critically reviewing and advising on our current market position and explore and discuss areas of potential growth. At the conclusion of the exercise, it was determined, through the forecast period, that the electronic communications market in The Bahamas was maturing for the Company and that our sights for growth should be cast beyond the shores of The Bahamas to new horizons. In late spring of 2012, a package of strategic target acquisitions in Florida were identified which could be added comfortably to our existing fibre optic network. A special committee formed from the Board of Directors, in collaboration with the management team, were given direction to investigate and report to the Board of Directors on the merits of the proposal and, if meritorious, provide a proposed transaction structure and financing plan.

Florida Expansion

Four privately held target companies Marco Island Cable, Inc., NuVu LLC, US Metropolitan Telecom, LLC and Summit Broadband Inc, present a unique opportunity with significant potential growth for Cable Bahamas. This opportunity is unique because the four companies' infrastructure in Florida is effectively geographically contiguous with Cable Bahamas' fibre-optic network. The execution risk of the proposed integration of the four entities will be reduced as the Company has a long-term relationship with the senior management team at Summit Broadband in Orlando.

Company's history

- **Marco Island Cable, Inc.** was founded in 1995 as a cable broadband provider serving Marco Island, Florida. The business strategy is to provide cable television, Internet and telephone services to the bulk residential market (master-planned communities, apartment complexes or condominium developments).

- **NuVu, LLC** was formed in 2011 and is an affiliate of Marco Island Cable. NuVu executes the same business strategy as Marco Island Cable but delivers services in the Bonita Springs, Naples and Ft. Myers, Florida markets.

- **US Metropolitan Telecom, LLC** was formed in 2006 and has constructed a 200-mile metro fibre-optic network in southwest Florida. The network became operational in 2008. It currently offers Internet access, private line, voice, dark fibre and collocation services in Lee and Collier counties in Southwest Florida to commercial and wholesale telecom customers.

- **Summit Broadband Inc.** was formed in 2009 for the express purpose of acquiring Orlando Telephone Company, Inc., which commenced operations in 1997. Summit Broadband is the leading service provider delivering phone, Internet and cable television services for the hospitality sector in Orlando. Summit Broadband also provides telecommunications services to multi-dwelling units, enterprise and wholesale customers in Orlando.

For the past two years, the four companies have collectively achieved cumulative revenues and EBITDA in excess of US$18 million and US$3 million respectively. This represents a growth rate of 29.9% and 95.5% respectively.

It is forecasted, when the proposed transactions are completed, revenues are estimated to increase by $81 million or 62% over a 5 year span. EBITDA will follow suit with an estimated increase of $41.5 million or 77%.

Corporate Structure

Cable Bahamas has incorporated a wholly-owned subsidiary in Florida named Summit Vista Inc. ("Summit Vista") which will be the holding company of the shares and interests of the Target Companies on completion of the acquisitions. Upon completion of the acquisition, existing management and staff will continue the daily businesses and operations in Florida.

GREAT THINGS AHEAD

Success is our charter and that means ensuring that your Company does not stand still; this strategy has been our ever guiding principle. Cable Bahamas' rich history is about to get richer. We intend to use the established bridgehead in The Bahamas to continue to grow at home and to propel us forward into international ventures. Firstly, we must continue to service, satisfy and thrill our existing customers. Then we must explore new markets and seek out new revenues. This will enable us to continue to develop our REV product suite, grow our market share while, all the time, maintaining our grip on the leading edge of innovation and technology. Only in this way, will we be able to satisfy our customers and fulfil the promise to our shareholders and the country.

Deloitte.

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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. (the "Company") which comprise the consolidated statement of financial position as of December 31, 2012 and the related consolidated statements of 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, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

May 30, 2013

A member firm of
Deloitte Touche Tohmatsu

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 | (EXPRESSED IN BAHAMIAN DOLLARS)

ASSETS	2012	2011
CURRENT ASSETS:		
Cash	$ 8,675,778	$ 6,844,224
Accounts receivable, net (Notes 4 and 16)	11,800,343	9,041,013
Prepaid expenses and deposits	1,205,538	886,384
Inventory	3,768,887	5,197,252
Total current assets	25,450,546	21,968,873
NON-CURRENT ASSETS:		
Investments (Note 5)	2,325,652	–
Property, plant and equipment (Notes 7, 15 and 16)	172,415,679	171,689,326
Intangible assets (Notes 8 and 15)	21,706,244	19,954,433
Total non-current assets	196,447,575	191,643,759
TOTAL	$ 221,898,121	$ 213,612,632
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note 16)	$ 21,477,034	$ 16,587,313
Deferred income	1,680,868	1,755,455
Current portion of long-term debt (Note 9)	7,000,000	5,914,991
Total current liabilities	30,157,902	24,257,759
NON-CURRENT LIABILITIES:		
Subscriber deposits	6,385,949	5,969,828
Long-term debt (Note 9)	31,188,000	45,750,000
Preferred shares (Note 10)	60,000,000	60,000,000
Total non-current liabilities	97,573,949	111,719,828
Total liabilities	127,731,851	135,977,587
EQUITY:		
Ordinary share capital (Note 11)	13,593,419	13,593,419
Retained earnings	80,572,851	64,041,626
Total equity	94,166,270	77,635,045
TOTAL	$ 221,898,121	$ 213,612,632

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on May 30, 2013, and are signed on its behalf by:

Director Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012 | (EXPRESSED IN BAHAMIAN DOLLARS)

	2012	2011
REVENUE (Note 16)	$ 112,020,469	$ 99,850,666
OPERATING EXPENSES (Notes 14, 15 and 16)	(64,824,321)	(55,651,011)
	47,196,148	44,199,655
Depreciation and amortisation (Notes 7 and 8)	(19,396,349)	(16,825,903)
OPERATING INCOME	27,799,799	27,373,752
Interest expense (Note 9)	(1,638,995)	(1,755,612)
Dividends paid on preferred shares (Note 10)	(4,600,000)	(4,775,000)
NET INCOME AND COMPREHENSIVE INCOME	$ 21,560,804	20,843,140
BASIC AND DILUTED EARNINGS PER SHARE	$1.59	$1.25

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2012 | (EXPRESSED IN BAHAMIAN DOLLARS)

	ORDINARY SHARE CAPITAL	TREASURY SHARES	RETAINED EARNINGS	TOTAL
Balance at December 31, 2010	$ 19,631,824	$(85,919,645)	$ 127,429,370	$ 61,141,549
Net income and comprehensive income	–	–	20,843,140	20,843,140
Dividends on ordinary shares ($0.32 per share)	–	–	(4,349,644)	(4,349,644)
Shares cancelled (Note 10)	(6,038,405)	85,919,645	(79,881,240)	–
Balance at December 31, 2011	13,593,419	–	64,041,626	77,635,045
Net income 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

See notes to consolidated financial statements.

YEAR ENDED DECEMBER 31, 2012 | (EXPRESSED IN BAHAMIAN DOLLARS)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 21,560,804	$ 20,843,140
Adjustments for:		
Depreciation and amortisation (Notes 7 and 8)	19,396,349	16,825,903
Interest expense (Note 9)	1,638,995	1,755,612
Dividends on preferred shares (Note 10)	4,600,000	4,775,000
Operating cash flows before working capital changes	47,196,148	44,199,655
Increase in accounts receivable, net	(2,759,330)	(737,197)
(Increase) decrease in prepaid expenses and deposits	(319,154)	744,808
Decrease (increase) in inventory	1,428,365	(2,235,286)
Increase (decrease) in accounts payable and accrued liabilities	5,977,193	(3,394,410)
(Decrease) increase in deferred income	(74,587)	339,121
Increase in subscriber deposits	416,121	215,534
Net cash from operating activities	51,864,756	39,132,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment (Notes 7, 15 and 16)	(18,433,866)	(22,252,476)
Additions to deferred expenses (Note 8)	(3,440,647)	(2,896,825)
Additions to investment (Note 5)	(2,325,652)	–
Acquisition of subsidiary (net of cash acquired) (Note 6)	–	(7,050,490)
Net cash used in investing activities	(24,200,165)	(32,199,791)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 9)	$ –	$ 8,000,000
Repayment of long-term debt (Note 9)	(13,476,991)	(5,435,528)
Redemption of preferred shares (Note 10)	–	(5,000,000)
Interest on long-term debt (Note 9)	(1,638,995)	(1,755,612)
Dividends paid on preferred shares (Note 10)	(4,600,000)	(4,241,667)
Dividends paid on ordinary shares	(6,117,051)	(3,262,421)
Net cash used in financing activities	(25,833,037)	(11,695,228)
NET INCREASE (DECREASE) IN CASH	1,831,554	(4,762,794)
CASH, BEGINNING OF YEAR	6,844,224	11,607,018
CASH, END OF YEAR	$ 8,675,778	$ 6,844,224

See notes to consolidated financial statements.

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, Internet 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.

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, 2012. 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 1 (Amended)	Severe Hyperinflation and Removal of Fixed Dates
IFRS 7 (Amended)	Financial Instruments: Disclosures – Transfers of Financial Assets
IAS 12 (Amended)	Deferred Tax–Recovery of Underlying Assets

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 9 (Amended)	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurements
IAS 1 (Amended)	Presentation of Items of Other Comprehensive Income
IAS 16 (Amended)	Property, Plant and Equipment
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
IAS 32 (Amended)	Offsetting of Assets and Liabilities
IAS 34 (Amended)	Interim Financial Reporting
IFRIC 20 Stripping	Costs in the Production Phase of a Surface Mine

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.

YEAR ENDED DECEMBER 31, 2012 | (EXPRESSED IN BAHAMIAN DOLLARS)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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, 2012 include the accounts of the Company and its wholly–owned subsidiaries, Cable Freeport, Caribbean, Maxil and SRG. All inter–company balances and transactions have been eliminated on consolidation.

Basis of preparation – These consolidated financial statements have been prepared on the 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 realisable 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
Fibre 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 capitalised. Other repairs and maintenance costs are expensed as incurred.

e. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and net of any adjustment for impairment, and consist of the following:

Acquired franchise license

Acquired franchise license is being amortised 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.

Acquired Internet contracts

Acquired Internet contracts are amortised on a straight–line basis over a period of 10 years through to the year 2014.

Communications license

All of the cost associated with the new license are being amortised 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 amortised on a straight–line basis over the term of the licenses which expire in the year 2024.

The estimated useful lives and amortisation 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 recognised as an expense immediately.

g. Deferred income

Payments received in advance from subscribers are treated as deferred income and are recognised as income when earned.

h. 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.

i. Foreign currency translation

Assets and liabilities in other currencies have been translated into Bahamian dollars at the appropriate rates of exchange prevailing as of year end. 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 comprehensive income.

j. 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.

k. 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.

l. 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. There are no dilutive items and thus there is no difference between the basic and diluted earnings per share.

m. Retirement benefit costs

Employer's contributions made to the defined contribution retirement benefit plan are charged as an expense as they fall due.

n. 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.

YEAR ENDED DECEMBER 31, 2012 | (EXPRESSED IN BAHAMIAN DOLLARS)

o. **Revenue recognition**
Revenue from the sale of services is recognised when the installation of the services is completed or when revenue is earned. Depending on the installation completion date, revenue is recognised on a pro rata basis in the period in which the installation occurs.

p. **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.

q. **Operating leases**
The Company rents poles and other support structures 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.

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net comprise of the following:

	2012	2011
Subscribers	$ 11,947,555	$ 8,925,762
Other	1,220,385	913,341
	13,167,940	9,839,103
Allowance for doubtful accounts	(1,367,597)	(798,090)
	$ 11,800,343	9,041,013

Ageing of past due but not impaired:

	2012	2011
30–60 days	$ 4,805,267	4,062,581
60–90 days	1,741,303	1,417,412
	$ 6,546,570	5,479,993

The movement of allowance for doubtful accounts is as follows:

	2012	2011
Balance at beginning of year	$ 798,090	649,090
Amounts written off during the year	(625,987)	(342,211)
Amounts recovered during the year	480,700	37,724
Allowance recognised in the consolidated statement of comprehensive income	714,794	453,487
Balance at the end of the year	$ 1,367,597	798,090

Ageing of impaired trade receivables is as follows:

90–120 days	$ 994,976	357,976
Greater than 120 days	728,219	495,409
	$ 1,723,195	853,385

5. INVESTMENTS

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 data services. At March 30, 2013 all US required regulatory approvals including approvals from the Federal Communications Commission were received. Application for required Bahamas regulatory approvals were submitted in 2012 but were still pending as at the date of approval of these financial statements.

Included in Investments is $2,325,652 of non–refundable deposits paid in 2012 which will be applied to the purchase price of the acquisitions on closing, which will occur on receiving Bahamas government approval. Additional non–refundable deposits totaling $3,697,433 were paid in 2013.

All other costs and expenditures related to the acquisitions incurred in 2012, totaling $1,467,802, are included in operating expenses in the consolidated statement of comprehensive income. Additional costs incurred in 2013 total $453,086 and will be expensed in 2013. This treatment is consistent with the requirements under IFRS 3 – Business Combinations.

6. SUBSIDIARY ACQUIRED

In May 2011, the Company completed the acquisition of all the issued and outstanding shares in the capital of SRG, a licensed telecommunications operator. The total consideration for the acquisition was $15 million inclusive of the option and associated costs of $4.6 million. The total cash paid in 2011 was $10.4 million, which net of cash acquired at closing was $7.1 million. The fair market value of the net assets at the time of purchase approximated $2.1 million and intangible assets were $12.9 million.

The primary reason for the purchase of SRG was to increase the Company's presence and take advantage of opportunities in a fully liberalised communications market.

Net tangible assets and liabilities acquired included:

	2012	2011
Cash	$ –	$ 3,382,186
Accounts receivable	$ –	$ 1,552,425
Inventories	$ –	$ 32,375
Property, plant and equipment	$ –	$ 2,930,298
Accounts payable	$ –	$ 2,851,025
Unearned revenue	$ –	$ 125,846
Current portion of notes receivable	$ –	$ 109,562
Current portion of finance lease	$ –	$ 2,758,758

An audited result for the 16 month period from January 1, 2011 to April 30, 2012 was:

Revenue	$ –	$ 12,857,599
Net profit	$ –	$ 1,022,587

YEAR ENDED DECEMBER 31, 2012 | (EXPRESSED IN BAHAMIAN DOLLARS)

7. PROPERTY, PLANT AND EQUIPMENT

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

	LAND	COMMERCIAL BUILDINGS	VEHICLES	EQUIPMENT	CABLE SYSTEMS	FIBRE OPTIC NETWORK	WEB HOSTING SYSTEMS	TOTAL
COST								
Balance at December 31, 2010	$ 1,928,748	$30,970,520	$1,935,218	$33,064,560	$157,663,290	$26,613,595	$591,921	$252,767,852
Additions		238,533	1,497,750	8,631,004	11,885,189	–	–	22,252,476
Transfer of assets	–	86,799	13,895	8,203,692	–	–	–	8,304,386
Disposals	–	–	(632,393)	(1,346,625)	–	–	(21,266)	(2,000,284)
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
ACCUMULATED DEPRECIATION								
Balance at December 31, 2010	$ –	$4,151,859	$1,098,560	$11,688,838	$62,091,960	$10,610,825	$556,891	$90,198,933
Depreciation	–	779,884	806,170	4,511,141	8,888,702	1,068,000	8,470	16,062,367
Transfer of assets	–	81,966	13,895	5,278,227	–	–	–	5,374,088
Disposals	–	–	(632,393)	(1,346,625)	–	–	(21,266)	(2,000,284)
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
CARRYING VALUE								
As at December 31, 2012	$ 1,928,748	$25,411,929	$1,164,283	$30,730,863	$99,239,357	$13,885,125	$55,374	$172,415,679
As at December 31, 2011	$ 1,928,748	$26,282,143	$1,528,238	$28,421,050	$98,567,817	$14,934,770	$26,560	$171,689,326

As at December 31, 2012, management has analysed 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.

8. INTANGIBLE ASSETS

Intangible assets consist of the following:

	ACQUIRED FRANCHISE LICENSE	COMMUNICATIONS LICENSE	ACQUIRED INTERNET CONTRACTS	ACQUIRED LICENSES	TOTAL
COST					
Balance at December 31, 2010	$ 5,221,248	$ 1,218,953	$ 1,200,000	$ –	$ 7,640,201
Additions	–	2,896,825	–	12,947,315	15,844,140
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
AMORTIZATION					
Balance at December 31, 2010	2,046,372	–	720,000	–	2,766,372
Amortisation for the year	130,536	133,000	120,000	380,000	763,536
Balance at December 31, 2011	$ 2,176,908	$133,000	$840,000	$380,000	$3,529,908
Amortisation for the year	130,536	454,300	120,000	984,000	1,688,836
Balance at December 31, 2012	$ 2,307,444	$ 587,300	$ 960,000	$ 1,364,000	$ 5,218,744
CARRYING VALUE					
December 31, 2012	$ 2,913,804	$ 6,969,125	$ 240,000	$ 11,583,315	$ 21,706,244
December 31, 2011	$ 3,044,340	$ 3,982,778	$ 360,000	$ 12,567,315	$ 19,954,433

In 2010 the Company began the recognition of costs required to fully utilise 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.

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 Communication 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. The value of the spectrum was calculated to be $6.9 million and the communication license $6.0 million. Both licenses are being amortised over the remaining term of the licenses. 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.

9. LONG–TERM DEBT

The Company has a US Dollar senior credit facility with two syndicated banks. The loans are secured by a First Registered Demand Debenture creating a fixed and floating charge over all assets of the Company and its subsidiaries, guarantees and postponement of claims from Maxil, Caribbean, Cable Freeport and SRG and assignment of insurance policies over the assets of the Company and its subsidiaries. The total amount owing of $38,188,000 (2011: $51,664,991) under the loans bear interest at (a) LIBOR or Base Rate Advance plus applicable margins ranging from 1.5% to 3.5% for the US Dollar portions and; (b) Nassau Prime rate plus applicable margins ranging from 1.5% to 2.5% for the Bahamian Dollar portion. As at year end the total amount outstanding was denominated in US Dollars. The margins applied are determined based on the Company's leverage ratio.

The loans are repayable in monthly and quarterly principal installments. Based upon the outstanding principal balance of $38,188,000 at December 31, 2012, the aggregate maturities are as follows:

Year	
2013	7,000,000
2014	31,188,000
	$ 38,188,000

10. PREFERRED SHARES

Preferred shares consist of the following:

	2012	2011
CABLE BAHAMAS PREFERRED SHARES:		
Authorised:		
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
Sub–total	60,000,000	60,000,000

The Series Four shares do not carry voting rights and pay dividends semi–annually. Redemption of all shares will begin on August 31, 2015 and will continue on each August 31 thereafter through and including August 31, 2019.

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 preferred shares after the second anniversary of the issue.

Management has estimated that the fair value of the Company's redeemable preferred shares approximates its stated amount of $60,000,000 since its dividend rate is comparable to currentmarket rates.

11. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

	2012	2011
Authorised: 20,000,000 ordinary shares of B$1 each	$ 20,000,000	$ 20,000,000
Issued and fully paid	$ 13,593,419	$ 13,593,419

The number of shares outstanding as at December 31, 2012 was 13,593,419 (2011: 13,593,419) and the weighted average number of shares outstanding as of December 31, 2012 was 13,593,419 (2011: 16,634,022).

In 2011 the Cable Shares Trust, a Special Purpose Entity that held 5,074,805 shares, was terminated and all shares were cancelled.

12. 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 $220,000 (2011: $1,100,000).

13. LICENSES AND AGREEMENTS

Communications License

In 1994 the Government of The Bahamas issued to the Company a license and a franchise for a period of 15 years to establish, maintain and operate a cable television system throughout The Bahamas, exclusive of Freeport, Grand Bahama. This license expired on October 13th 2009 and a new individual operating license and an individual spectrum license was issued to the Company and its subsidiaries, through to the year 2024. On February 3, 2011 URCA confirmed that the Company had met all of its Significant Market Power (SMP) obligations and was therefore now able to move into other markets. As a result, this license allows the Company 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.

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

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

Trinity Communication Ltd., a wholly-owned subsidiary of Caribbean, and SRG hold Section 214 Common Carrier licenses from the Federal Communications Commission. 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.

14. OPERATING EXPENSES

Operating expenses consist of the following:

	2012	2011
Programming	$ 15,272,697	$ 12,568,914
Administrative	13,177,640	11,855,195
Technical	10,913,550	9,398,636
Government and regulatory fees	10,295,937	7,799,243
Network services	9,136,469	9,332,676
Marketing	4,560,226	4,696,347
Acquisition related costs	1,467,802	–
	$ 64,824,321	$ 55,651,011

15. EMPLOYEE COMPENSATION

Included in intangible assets, property, plant and equipment and operating expenses is employee compensation totaling $1,611,818, $1,237,408 and $15,497,099 respectively (2011: $1,856,179, $2,582,330 and $12,810,648 respectively).

The Company participates in an 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 2012, the Company's contributions amounted to $630,816 (2011: $615,320).

16. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

	2012	2011
Short–term benefits	$ 1,719,869	$ 1,379,486
Post employment benefits	84,009	66,495
	1,803,878	$ 1,445,981

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 comprehensive income.

Other related party balances and transactions:

	2012	2011
Revenue	$ 195,421	$ 114,967
Accounts receivable, net	$ 141,677	$ 6,953
Property, plant and equipment	$ 115,031	$ 306,529
Accounts payable and accrued liabilities	$ 701,830	$ 100,978
Operating expenses	$ 1,513,011	$ 507,389

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012 | (EXPRESSED IN BAHAMIAN DOLLARS)

17. 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.

18. SEGMENT INFORMATION

The details of the various service segments are as follows:

2012

	CABLE	CABLE FREEPORT	CARIBBEAN	MAXIL	SRG	ELIMINATIONS	CONSOLIDATED TOTALS
Revenue from external customers	$ 72,333,891	$ 14,363,675	$ 13,601,826	$ 923,055	$10,798,022	$ –	$ 112,020,469
Intersegments revenues	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Interest expense	$ 1,638,995	$ –	$ –	$ –	$ –	$ –	$ 1,638,995
Depreciation and amortisation	$ 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

2011

	CABLE	CABLE FREEPORT	CARIBBEAN	MAXIL	SRG	ELIMINATIONS	CONSOLIDATED TOTALS
Revenue from external customers	$ 66,513,751	$ 11,527,328	$ 13,308,391	$ 827,526	$ 7,673,670	$ –	$ 99,850,666
Intersegments revenues	$ 224,256	$ –	$ –	$ –	$ –	$ (224,256)	$ –
Interest expense/(Income)	$ 1,759,952	$ –	$ (6,402)	$ 945	$ 2,062	$ (945)	$ 1,755,612
Depreciation and amortisation	$ 11,940,582	$ 2,189,309	$ 2,174,000	$ 8,470	$ 513,542	$ –	$ 16,825,903
Reportable segment profit	$ 7,666,886	$ 3,462,391	$ 7,164,399	$ 527,744	$ 2,021,720	$ –	$ 20,843,140
Reportable segment assets	$ 98,825,659	$ 44,974,063	$ 64,834,700	$ 499,198	$ 4,479,012	$ –	$ 213,612,632
Expenditures	$ 40,771,532	$ 5,875,628	$ 3,801,394	$ 290,367	$ 5,136,346	$ (224,256)	$ 55,651,011
Reportable segment liabilities	$ 129,680,333	$ 2,176,791	$ 571,101	$ 144,163	$ 3,405,199	$ –	$ 135,977,587

19. 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 a 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 organisational 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 unauthorised use or disposition, liabilities are recognised, and the Company is in compliance with all regulatory requirements.

Foreign currency risk – The Company is exposed to foreign exchange risk arising from the payables denominated in US dollars and the portions of the long-term debt which is denominated in US dollars. However, the Company receives revenue in US dollars and mitigates this risk by utilising funds received in US dollars to pay the US dollar invoices. The Company has no significant concentrations of assets and/or liabilities denominated in other currencies. The Company manages these positions by matching assets with liabilities wherever possible.

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 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.

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 maximise the return to shareholders through optimisation 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 maximisation 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 9 and 10. 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 2011.

20. SUBSEQUENT EVENT

On March 29, 2013 the Company paid a dividend of $0.10 per share to its ordinary shareholders of record as of March 15, 2013. The total dividend paid was $1,359,347.

In April of 2013, the board approved for the Company to receive a short term loan from a Director in the amount of $5,000,000. Interest and exchange costs on the loan of $285,000 is payable along with the principal on June 20, 2013. The loan is unsecured and subordinate to the Senior Secured Credit Facility.

CORPORATE INFORMATION

DIRECTORS

Philip Keeping
Chairman

Franklyn Butler II
Director

Troy d'Arville
Director

Gary Kain
Director

Phaedra Y. Mackey-Knowles
Director

Calvin Knowles
Director

Simon Wilson
Director

OFFICERS

Anthony Butler
President and CEO

Barry Williams
Senior Vice President of Finance

John Gomez
Vice President of Engineering

Blaine Schafer
Vice President of ITS Operations

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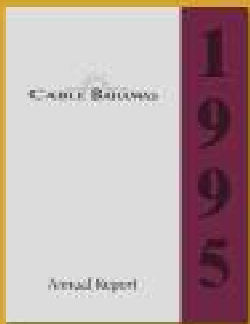
18 YEARS OF GROWTH IN THE BAHAMAS



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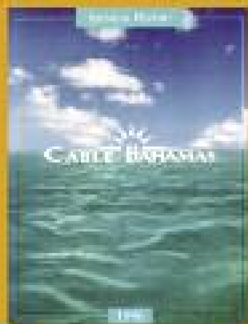

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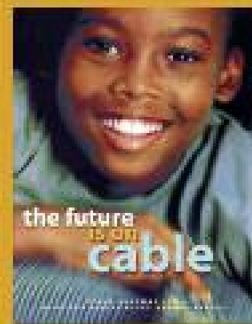

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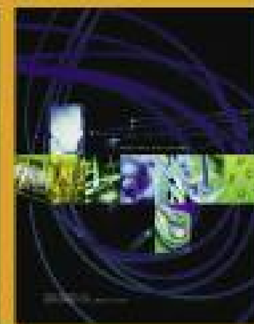

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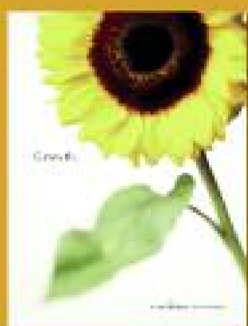

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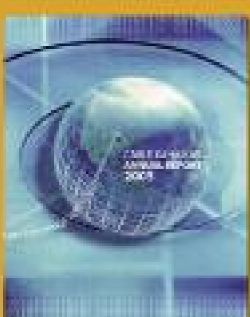

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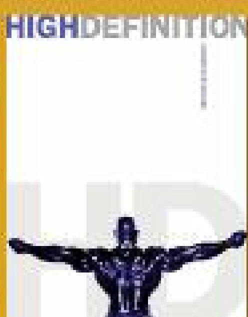

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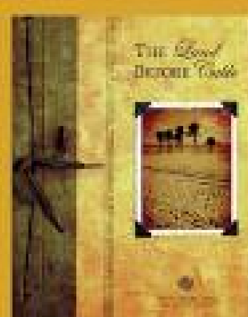

2007

2008

2009

2010

2011

2012