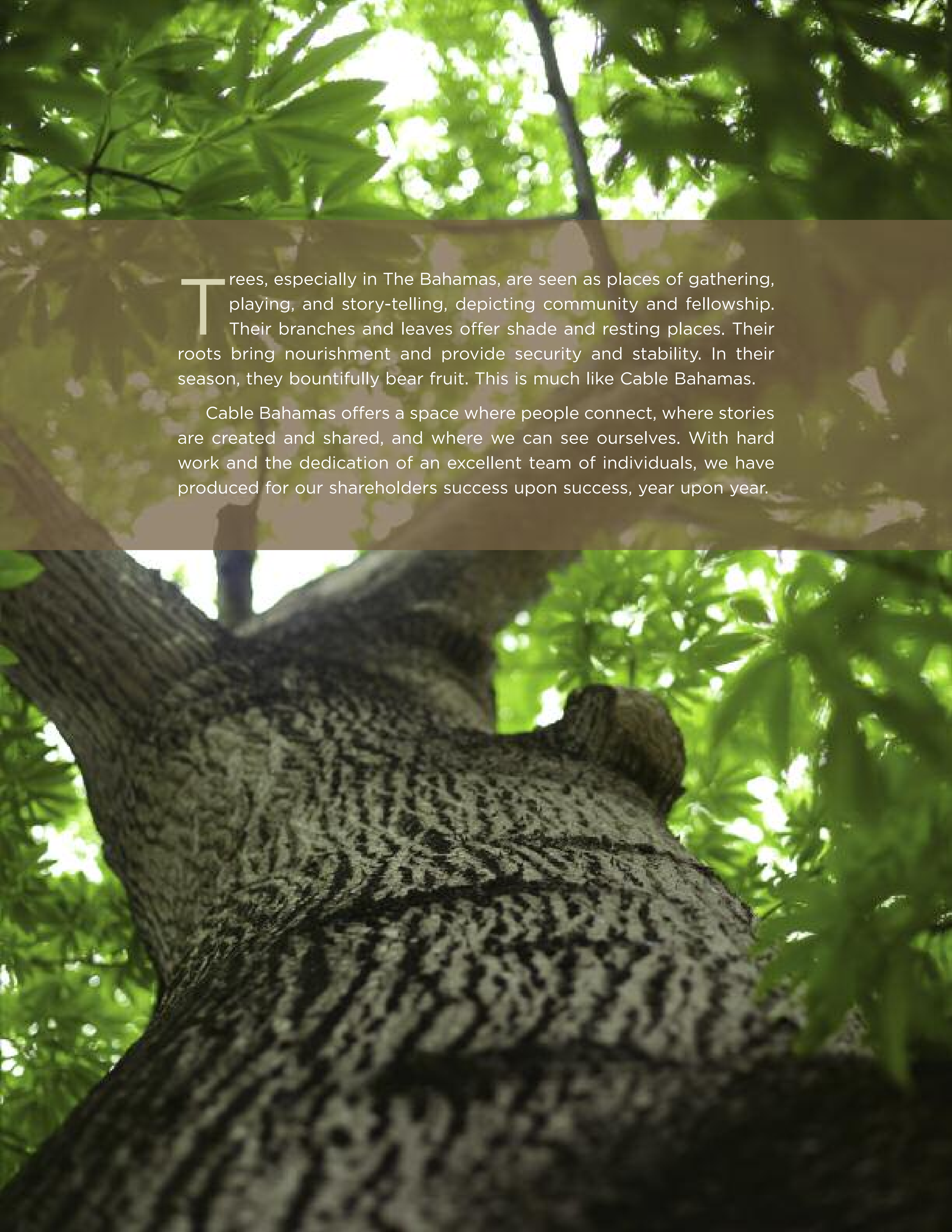
EXPANSION

2013 ANNUAL REPORT



Trees, especially in The Bahamas, are seen as places of gathering, playing, and story-telling, depicting community and fellowship. Their branches and leaves offer shade and resting places. Their roots bring nourishment and provide security and stability. In their season, they bountifully bear fruit. This is much like Cable Bahamas.

Cable Bahamas offers a space where people connect, where stories are created and shared, and where we can see ourselves. With hard work and the dedication of an excellent team of individuals, we have produced for our shareholders success upon success, year upon year.

BRANCHING OUT

In 2012, Cable Bahamas took on the challenge to take the Company to a level never before ventured by any company in the history of our modern day economy. It was a vision beyond the scope of many. Nonetheless, in 2013, we met the challenge head-on and expanded this Bahamian-owned enterprise – internationally. We took a bold and unprecedented step and branched out beyond our 700 islands establishing new roots in the communications market in the United States.

STRENGTH IN NUMBERS

$119.6m
Total revenue increased by 6.7% in 2013

$7.4m
Florida revenue

$1.04
Earnings per share

$.40
Dividends paid

79,528
REVTV® equivalized subscribers

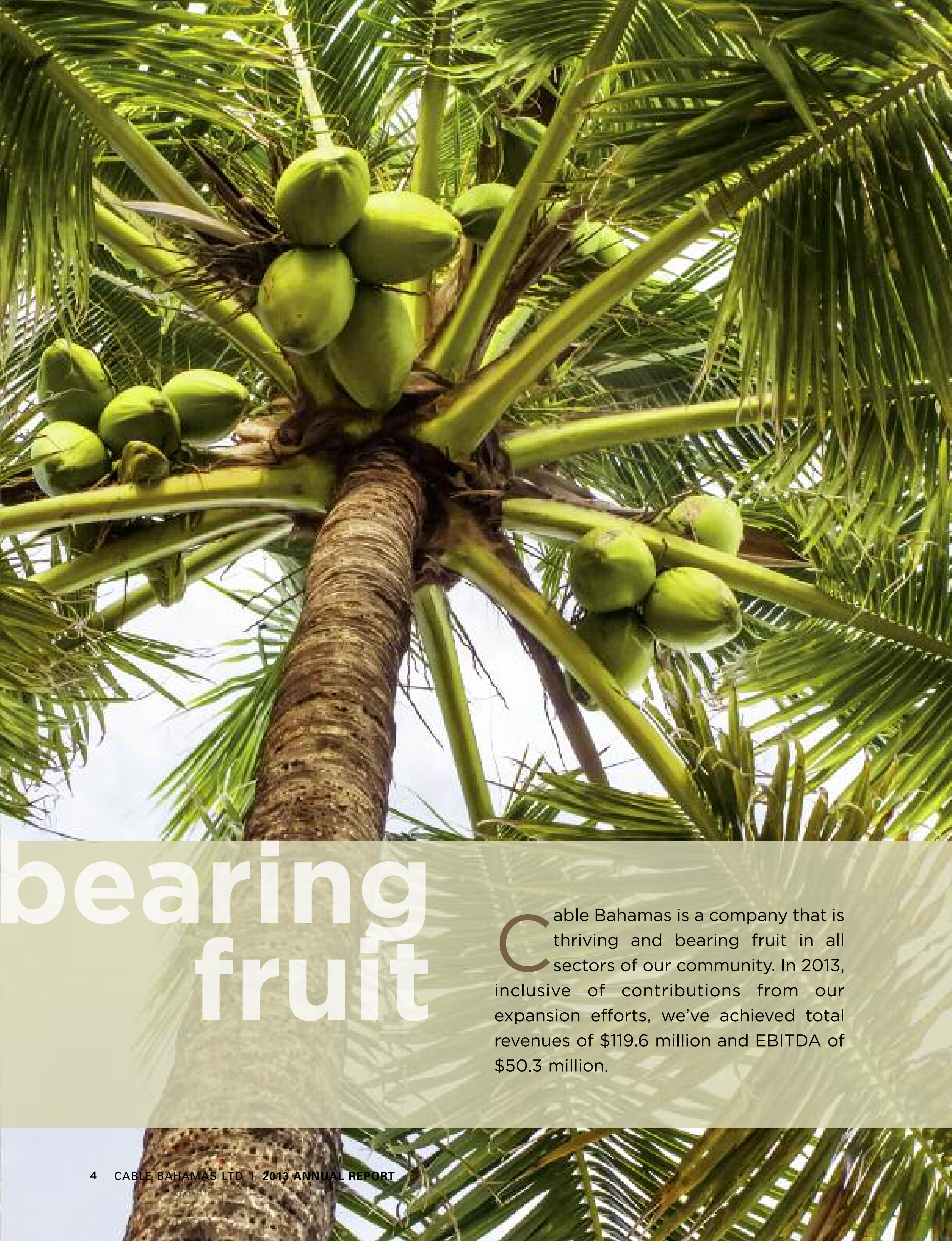
$54.5m
REVTV® revenue

50,849
REVON® broadband Internet subscribers

$31.4m
REVON® internet revenue increased by 2.2% in 2013

23,872
REVOICE® subscribers

$11.9m
REVOICE® revenue in 2013



bearing fruit

Cable Bahamas is a company that is thriving and bearing fruit in all sectors of our community. In 2013, inclusive of contributions from our expansion efforts, we've achieved total revenues of $119.6 million and EBITDA of $50.3 million.

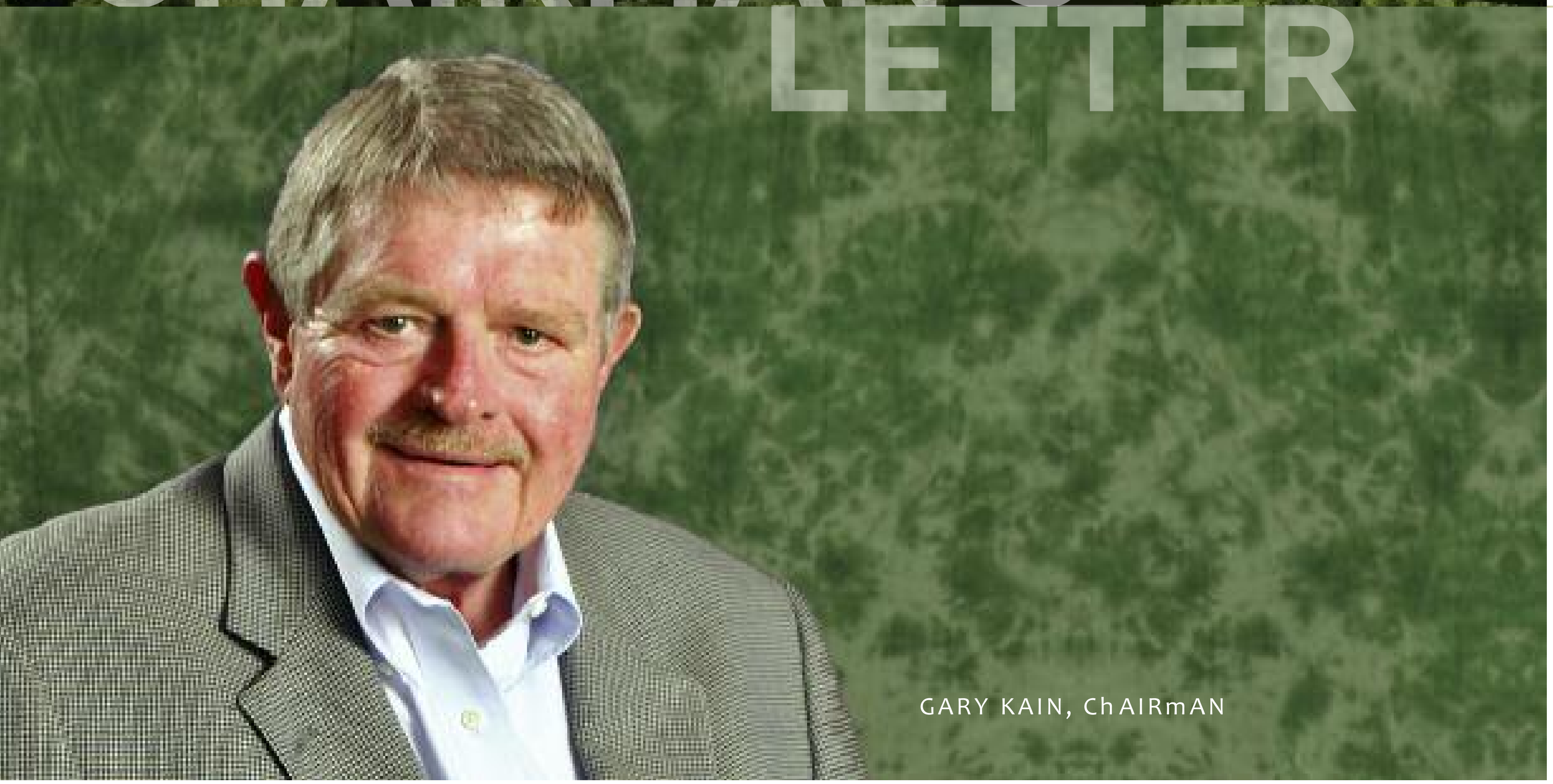
SELECTED FINANCIAL RESULTS

2009 to 2013

[THOUSANDS EXCEPT PER SHARE NUMBERS]

	2013	2012	2011	2010	2009
REVENUE	**$ 119,578**	**$ 112,020**	**$ 99,851**	**$ 88,862**	**$ 84,696**
OPERATING EXPENSES	(69,218)	(63,356)	(55,651)	(46,936)	(39,058)
	50,360	48,664	44,200	41,926	45,638
Write-off of equipment	–	–	–	–	–
Depreciation and amortization	(21,235)	(19,396)	(16,826)	(14,724)	(13,552)
Operating income	29,125	29,268	27,374	27,202	32,086
Acquisition expense	(9,074)	(1,468)	–	–	–
Interest expense	(2,085)	(1,639)	(1,756)	(2,410)	(1,910)
Dividend paid on preferred shares	(4,676)	(4,600)	(4,775)	(4,800)	(1,650)
Net income before deferred tax benefit	**$ 13,290**	**$ 21,561**	**$ 20,843**	**$ 19,992**	**$ 28,526**
Deferred Tax Benefit	823	–	–	–	–
Net income and comprehensive income	**$ 14,113**	**$ 21,561**	**$ 20,843**	**$ 19,992**	**$ 28,526**
Purchase of treasury shares	–	–	–	–	(245)
Cancellation of Shares	–	–	(79,881)	–	–
Dividends paid on ordinary shares	(5,440)	(5,030)	(4,350)	(4,366)	(5,503)
Retained earnings, beginning of year	80,573	64,042	127,430	111,804	89,026
Retained earnings, end of year	**$ 89,246**	**$ 80,573**	**$ 64,042**	**$ 127,430**	**$ 111,804**
Operating income per ordinary share	$2.14	$2.15	$1.65	$1.39	$1.63
Net income per ordinary share	$1.04	$1.59	$1.25	$1.02	$1.46
Shares outstanding	13,609	13,593	13,593	19,632	19,632

CHAIRMAN'S LETTER



GARY KAIN, ChAIRmAN

I write this letter, my first as Chairman, at an exciting and significant time for our Company. My involvement with Cable Bahamas stretches twenty years; as far back as the period before the Company was awarded its original franchise. It has truly been a momentous passage and I anticipate an equally epic journey in the years ahead.

The past year has been as important for the Company as that period back in 1994. With your overwhelming support, we have at last succeeded in taking our Company international. With your backing, the Company executed four strategic transactions that support our core growth plan. Our network footprint now stretches over 700 miles from the southern tip of the Bahamian archipelago to the eastern coastline of the Gulf of Mexico. We have always prided ourselves in delivering groundbreaking products and outstanding customer experiences to our Bahamian customers and we intend to extend that same quality of services to our valued customers on the Florida peninsula.

Cable Bahamas had a very successful year in 2013, with strong financial results that highlight our focus on continual growth and operational excellence. We increased total company revenue 6.7% to $119.6 million, driven by growth

of 22.4% in REVOICE® residential services and 8.7% in premium video services.

The REV® brand has taken hold, amassing allegiance among our customers and improving our position against our competitors. Our Triple Play offering of video, high-speed Internet and digital voice is just what consumers are requesting. We can deliver our superior products in a persuasive value package, providing a simple, convenient and attractive option for everyone.

With the widespread availability of Triple Play to over 90% of the homes in the Bahamian market, consumers are embracing our REVOICE® service, loaded with attractive features and with more to come. By the end of the year, we solidified our position as a major telephony provider, gaining over 23% of the fixed-line Bahamian market, as we track to become the primary provider of communications and entertainment services to the home and business. The Florida acquisitions contributed marginally, due to the timing of the closings. We very much look forward to their contributions to our growth going forward. The opportunities for growth in Florida are truly remarkable and constrained only by the speed with which we can logically implement services.

The recurring investments in our network, technical platforms and products over the last number of years continue to yield strong returns, enhance our competitive position and contribute to our strong financial performance. This year, we have been able to deliver the twelfth consecutive year of REVON® Internet customer growth. We have increased the speed of REVON®, which quadruples the speed of any competitor in The Bahamas, to power the growing number of connected devices in our customers' homes. Particular focus was also given to increasing our fiber subscriber base to the medium and smaller business segment markets. We also see exciting potential in REVGO® wireless service and we're focused on growing its new customer base.

Our mission is to have the most robust and differentiated products in the market, and we're working to enable an "anytime, anywhere" experience. We are also investing in a cloud-based platform for businesses that will enable us to continue to innovate and deliver new products and strengthen our position as the "provider of choice" in the business community.

The Company joined the country in celebrating 40 years of Independence. We adopted *"Pledge to Excel"* from the hallowed verse of the National Anthem as our platform for customer service. Despite the significant challenges imposed on us by the emergency abandonment of our customer care building on New Providence, we implemented various initiatives designed to improve the customer experience and our overall performance—putting customers at the centre of everything we do. We strive to deliver differentiated products that work simply and reliably underpinned with superior service provided by the 650 employees in The Bahamas and Florida who bring their commitment, enthusiasm and dedication to work every day.

As we begin 2014 and mark the 20th anniversary of Cable Bahamas, I could not be more excited about our future. We are in a strong strategic position to capitalize on growth opportunities and changing trends in both technology and media. We are invigorated and dedicated, and we have the capacity to continue to transform our businesses to enrich our customers' experiences. I am honoured to lead and be part of Cable Bahamas' success and thank you for your continued support.

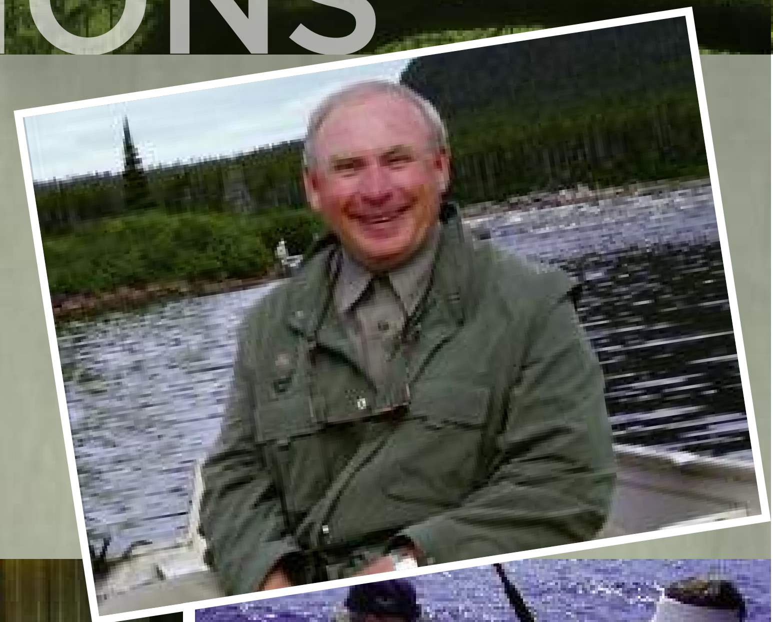
Gary Kain
Chairman
July 7, 2014

A TRIBUTE

Over the years, Cable Bahamas has grown, blossomed and born much fruit. Just like a grand old tree, it has established roots in this community and has touched practically every life in The Bahamas. We are especially proud of the tens of thousands of youth we have played a part in positively shaping as well as our contributions to national development. Much of these achievements were inspired and established under the leadership of Philip Keeping. Our Company has benefited greatly from Phil's vision, steadfast commitment, leadership, personal sacrifices and technical and business acumen. What is seen of our Company today: our people, our well established foundations and our visionary outlook comes from an impressed culture echoed by Phil through words like *"Build it Right, Build it Once"* and *"Control Your Own Destiny"*.

REFLECTIONS

PHILIP KEEPING
1948 – 2013



Philip Keeping, who held Cable Bahamas' chairmanship for 14 non-consecutive years of its 20 year history, was the key player in creating Cable Bahamas – taking it from a mere concept to the success it has become today.

Phil began his 40-year career in the telecommunications group of Transport Canada in the early 1970s. In 1986, he formed N1 Cable TV Ltd. to deliver high-quality TV services to 220 small rural communities in Newfoundland, Canada.

Then, in 1988, Mr Keeping expanded the Company to include communities in New Brunswick, Canada, and in 1991, he concentrated his efforts on the development of the New Brunswick cable TV market.

In August 1994, he sold his interests in New Brunswick and sought out opportunities for the establishment and development of cable TV systems in the Caribbean. Those efforts were rewarded when the Government granted a cable TV license to Cable Bahamas in 1994.

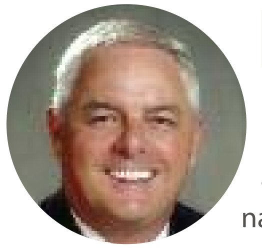
Phil served as chairman, president and chief executive of Cable Bahamas for more than 10 years before moving on in 2005 to pursue other business interests in Canada and Florida.

However, in January 2010, Phil was asked once again to assume the position of chairman. Since then, he led the Company through a period of sustained growth, including the Company's $100 million expansion to Florida in 2013.

Phil **was** Cable Bahamas. His passion and commitment to the Company was inspiring. He will be sorely missed.

During 2013, we lost our founder and leader Philip Keeping in a tragic accident. I first met Phil thirty years ago when he started his first significant venture, N1 Cable TV. Even then, his intelligence, leadership skills, technical expertise, visionary attributes and humility were obvious. He was, without any doubt, the most remarkable telecom entrepreneur that I was ever fortunate enough to know, and I knew a lot of them.
I was lucky enough to sit on the Boards of all of Phil's telecom ventures over this thirty year period – all of them were hugely successful, largely because of Phil. Without Phil's vision and skill, Cable Bahamas would not be the success that it is today. To honour his memory, we will be naming our head office "The Philip Keeping Centre" in an upcoming dedication ceremony. All of us at Cable Bahamas will miss his guidance and support.

GARY KAIN
CHAIRMAN



Phil was a master engineer and a visionary. We are the grateful beneficiaries of his keen business acumen and his unrivaled attention to technical details. Phil's nature of inclusion at all levels was amazing and an example to be followed. His willingness to give and share was a hallmark and a quality that is not common. On behalf of the Cable Bahamas family, we salute Philip Keeping – a gentleman, a true leader, a giant of a man, an inspirational mentor and a real friend.

ANTHONY BUTLER
PRESIDENT & CEO

An infectious, strong, respectful and quiet disposition. His unique and unassuming character was a magnet that drew all kinds of people to himself. The entire staff greatly appreciated his down-to-earth demeanor. We learned so much from his interactions and how he conducted himself. We hold a deep gratitude for the lessons taught and the time spent together.

BARRY O. WILLIAMS
SENIOR VP, FINANCE

At some point in our career, we all learn that our success is less dependent on what we do versus who we work with. Phil was a man of the highest integrity, and believed in shared success and always had time to ask you how you were doing.

BLAINE SCHAFER
VP, NETWORK INFRASTRUCTURE

Phil led with quiet strength and humility. His contributions to both Cable Bahamas and the country of The Bahamas would forever be a testament of his legacy. We worked together with mutual and shared respect always with the success of the Company and all staff at the forefront.

JOHN GOMEZ
VP, ENGINEERING

MANAGEMENT'S discussion & analysis

TAKING OUR PLACE ON THE MULTI-NATIONAL STAGE

After almost two decades of sustained and measured growth, this year marks our continued progress to become a global enterprise. With licenses and operations in both The Bahamas and the United States, we are operating a company dedicated to providing communications solutions to thousands of homes and businesses.

These solutions now cover the full gambit of information, communications and entertainment. As a Triple Play provider, our services include bandwidth at 21st century speeds, telecom that is reliable and affordable, and sophisticated TV programming to rival the world's best.

Our financial results match this progress, reflecting record breaking revenues, healthy EBITDA and strong stable earnings per share (EPS). Despite rising operating costs, the Company expects continued positive results as our growth strategy unfolds.

FOCUS ON GROWTH AND DEVELOPMENT

The year of 2013 was pivotal for our Company and produced tremendous success in all key product areas. Market focus and awareness prompted us to devise and run public relations initiatives that established our brand at home and overseas. These initiatives, tied to customer service, are critical to positioning our brand as the provider of choice in all markets we operate in throughout The Bahamas and the US.

As ever, customer service and our robust network continued to be the foundation on which we grow and expand our product offerings. This is the keystone of maintaining the trust and confidence of our subscribers. Global customer applications are developing constantly, and because we have ensured our network is reliable, adaptable and scalable, we have been able to respond to these ever-increasing demands. As such, we are seeing changes in both usage and speed at every turn and we are able to respond immediately.

2013 saw several notable milestones achieved including;

- The continued adoption of REVOICE® with residential and commercial customers exceeding the 23,000-subscriber mark:
- REVON® subscriber numbers passed 50,000 for the first time since product launch in 2000;
- Further expansion of HD (High Definition) offerings with REVTV® and the introduction of VOD (Video On Demand).

REVOICE® – The Voice Explosion

The expected challenge over the past 30 months since launch has seen many forms which we have tackled in a rewarding and successful way. REVOICE® is used and relied upon by thousands of residential customers and business users throughout our market.

As well as the technical strength of the product, growth in voice was driven by creative and innovative marketing and sales initiatives. Especially of note, is our "REJOICE with REVOICE®" and "Bahamaland" promotions which yielded over 5,000 new subscribers.

Significantly, in 2013, we also welcomed the long awaited number portability feature into the marketplace. This is a critical market feature that is necessary for full competition to thrive. It removed the impediment, for the commercial sector in particular, for customer telephone number preservation; and effectively, it allows customers to take their existing number with them if they choose to change provider. With number portability in place, it has removed another barrier allowing voice customers to choose their provider, and we look forward to significant growth in the future.

REVON® – Lightening Speed

Our internet access product has always led the way in speed and reliability; which has made REVON® the pinnacle of broadband service.

We recognise that it is vitally important that we maintain this leadership position. To this end, on the conclusion of our DOCSIS 3, IP network upgrade, we were able to increase service offering speeds to as much as 500% faster – a remarkable achievement. The market responded as REVON® saw growth of six percent, in what was an already highly penetrated broadband market. As ever, this initiative was driven by a strong marketing campaign of TV ads, building banners, infomercials and live events.

We pride ourselves as innovators in communications and entertainment services and as part of a live event we constructed a digital home at the centre court at the Mall at Marathon in Nassau. We showed that today's homes can have as many as ten communication devices connected at any one time and that we have a solution for all video, broadband and telephony needs. This demonstration illustrated the power of our network in a realistic "connected" home, in the way it would actually be used today, with multiple devices all using the same connection simultaneously.

REVTV® – Push the Button

REVTV® is our "masthead" product. It has been the foundation in developing our network for all of our existing services. This strong base is continually developing with a special focus on our premium offerings. With network digitisation, we have seen a steady continuation of our base product and continual uptake of premium products such as HBO, HBO-on-Demand and HD Access. Of special import, our 500 REVTV-on-Demand® VOD service continued to be improved and enhanced. Over ten major motion picture studios are now providing content to the region. This new release library is now accessible by all subscribers with a simple push of the button on their remote control. These enhancements and increased content offerings have greatly improved the customer experience.

Additionally, our local Bahamas offerings have been enhanced with the introduction of REVPulse in early summer, which is our 24 hour News Headline, National Information and media channel. This service, the first of its kind in The Bahamas, provides national headline news, weather, local live content and an outlet for classified ads pronouncements. This welcomed addition runs 24 hours daily and receives regular news updates from our local news partners.

Our goal is to offer a television product that exceeds customer expectations and is on par with the best entertainment network in the world.

Expanding Our Roots and Branches

We are always trying to reach our customers in more personal ways. In September of 2013, CBL opened its newest location in the Dove Plaza, Marsh Harbour, Abaco. This full-service co-location facility provides face-to-face customer service and sales services, including bill payment, account inquiries, transfers, new service activation and disconnections. The opening of this location has been warmly received by the local community. This addition to the Abaco community comes on the heels of our recent full REV Triple Play service installation to the new Government complex which houses some 25 Government Agencies.

Sounding Our Voice

CBL has always had strength in marketing and we felt that 2013 was the right time to cement our position in the market. In doing so we charted a new direction in our approach to the market. Our challenge was to be prominent in a local market, bustling with several radio stations, five local newspapers, three local TV stations and over 400 cable TV channels. Our focus was to concentrate on strong and creative television marketing, billboard advertising and social media marketing.

As a company, we have embraced social media, in just one year, we have increased our Facebook following by 450 per cent with over 28,000 page-likes and complimented by a cumulative presence of over 140,000 followings per week engaging with our content. This interactive engagement provides real time dialogue with our subscribers – crucial in today's marketplace. It is here, they speak with us, and we with them. CBL has become an integral part of this community, emerging as a Company that addresses customer service issues head on, adds recognizable value by being open and transparent about its operations and willingly engaging in public social forums.

The strength of our marketing over the past year has been recognised internationally, when a number of our advertising productions won top honours.

OUR CORE IS OUR NETWORK

DOCSIS 3.0 Roll-Out

CBL must remain competitive in providing superior broadband services and at the same time provide the quality of service expected by our customers. To enable this, we implemented DOCSIS 3.0 technology which is being used to support increased speeds up to 70Mbps.

In the spring, we increased downstream speeds to all customers. REVON® customers originally receiving 3 Mbps are now receiving up to 15 Mbps; 6 Mbps became 30 Mbps and 9 Mbps became 50 Mbps and a "mind-blowing" 70 Mbps service tier was also introduced. These speeds are not available through any other provider in the country and we are setting the bar for what has become the standard in the world today – "faster and then faster". To achieve these speeds we also had to transition our international Internet Peering traffic to a diverse dual 10 Gig deployment. This new design reduced the complexity and manageability of the network as it simplified our configuration changes and maintenance activities.

BLOSSOMING COMMUNITY INVOLVEMENT

The CBL family continues to hold our community and especially the young individuals of our country a priority. In 2013, our Cable Bahamas Cares Foundation funded grants were in excess of $260,000. In The Bahamas, we continue to be a firm supporter of the RBPF (police force), Summer Camps, Bahamas All Stars Youth Camp, and numerous youth sport camps. In addition, education grants included support of reading and library initiatives to local schools as well as support to programs focusing on the performing arts. These grants were provided throughout the various outlying islands ensuring a broad reach of funds committed.

The commitment to our community is focused and deliberate. We intend to continue to impact the community in a positive way and welcome all youth based organizations and initiatives to continue to reach out to the Cable Bahamas Cares Foundation.

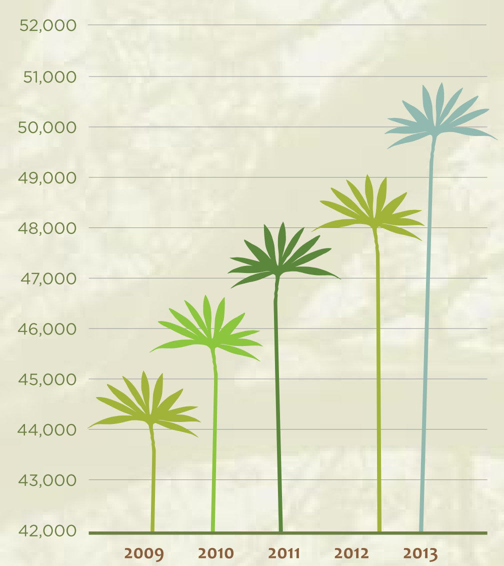
FINANCIAL RESULTS – STRENGTH IN NUMBERS

This year witnessed another stellar year of revenue growth with an increase of 6% to reach $119.6 million. Over the past 5 years total revenues have

2013 INFOGRAPHICS

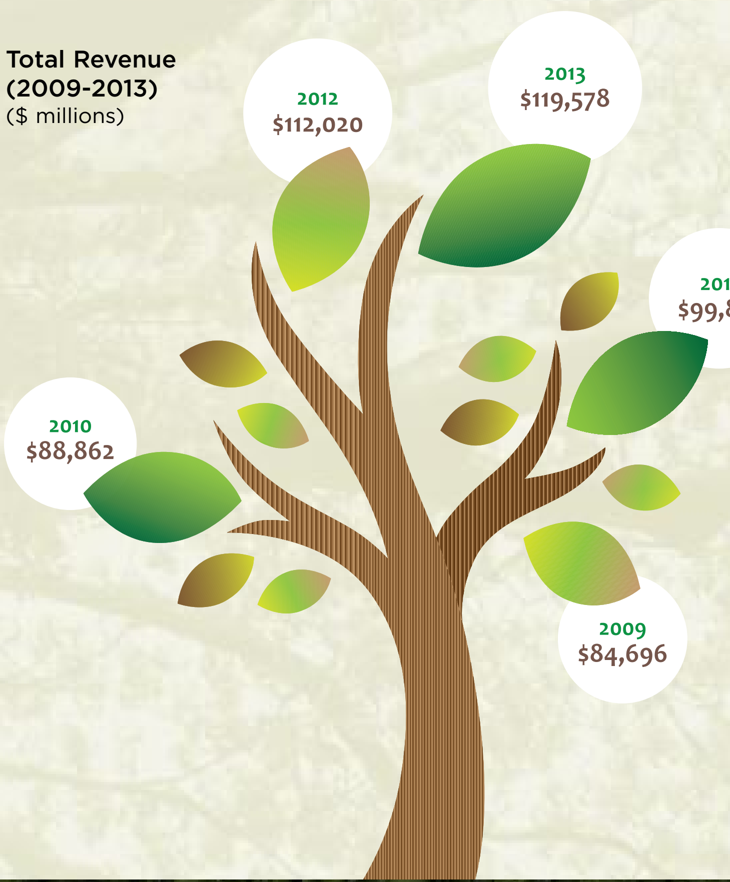
Operating Summary (2009-2013) ($ millions)

Internet Subscribers (2009-2013)

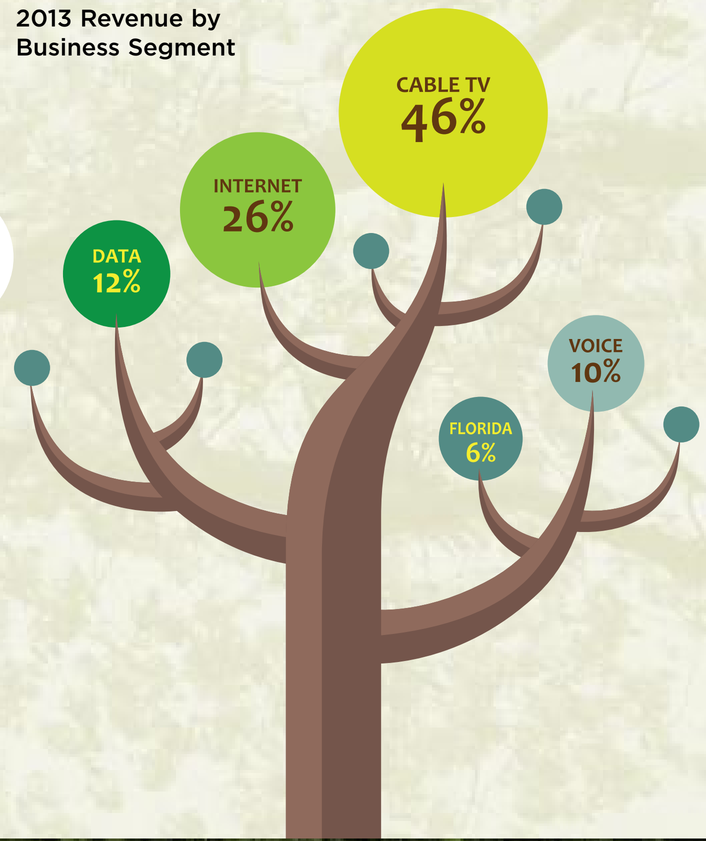


Data & Internet Revenue (2009-2013) ($ millions)

Total Revenue (2009-2013)
($ millions)



2013 Revenue by Business Segment



increased by approximately $35 million or over 40%. This is a remarkable achievement given the maturing local market and the sluggish worldwide economy. We expect steady growth moving forward with our development of services locally and expansion internationally.

Revenues are comprised of the following; REVTV® $54.5 million representing 46%, REVON® Internet $31.3 million accounting for 26%, REVON® Data $14.3 million which is 12%, REVOICE® $12 million at 10% and our newly acquired Florida operations Summit Vista (SVI) contributed $7.4 million rounding off at 6% of the total revenue mix. This diversification of revenues builds on a strategy deployed many years ago and continues to represent the basis of strength for our Company.

Each of our main revenue streams – REVTV®, REVON® and REVOICE® – remain firm and continue to perform well with increases over the previous year. Our premium REVTV® product continues to perform well and in places exceeded expectations; this segment increased by more than 8% compared to the previous year. Our set-top rental program also flourished in this business segment as we experienced increases of nearly 20% over the previous year. Our REVON® product line saw growth of $0.5 million or 6% compared to the prior year and during the course of the year, the Company increased its download speeds, which paid dividends by adding over 3,000 subscribers, which contributed to top line revenue. The expansion into the fixed line voice business continued as REVOICE® added approximately 7,000 new subscribers and contributed to an 18% increase in residential and commercial revenue year-over-year.

Although we have had a solid year in terms of revenue, rising costs continues to challenge our operating results and bottom line. Total operating expenses increased by 9.2% year-over-year to $69.2 million. The increases were led by television programming costs which increased by $3.4 million or 22%. Unfortunately, the impact of these increases would have been partially offset if the application for a rate increase for Basic Television to the Regulator was successful. In addition some of our vendors increased their cost of services which contributed to network maintenance expenses increasing over the previous year by 35%. Promotion and advertising for new products and network upgrades resulted in marketing expenses increasing by 27% or $1.2 million. The Florida acquisition costs, which are onetime expenditures and do not form part of normal operational expenses, were $9 million in the current year and $1.5 million in 2012. In addition, the refinancing of our senior credit facility and the issuance of new preferred shares, relating to our expansion plans and closing our Florida acquisitions, increased our interest expense and preferred share dividends by $0.5 million. Depreciation also increased by 9.5% or $1.8 million. As a result of total expenses inclusive of the one-time acquisition costs increasing by $15.8 million, net income for 2013 was $14.1 million, a decline of $7.5 million or 35%. EBITDA however remains strong and for the first time in the Company's history surpassed $50 million. The Company foresees positive EBITDA results going forward as the Florida growth strategy materializes. Earnings per share were $1.04 compared to $1.59 in 2012. The impact of the Florida acquisitions had a significant one time impact on the 2013 operations that will not be recurring in 2014 and beyond. The results of our Florida acquisitions are however expected to have a material positive impact on the Company's operations and future prospects. The investments are strategic in nature and form part of our overall realization of our continued diversification strategy.

As at December 31, 2013, the Company's Total Assets totalled $343.6 million which represents an increase of 55% over 2012 and includes the assets acquired by Summit Vista Inc. Total Liabilities also increased to $240.6 million or 88% over 2012.

Quarterly Analysis

Over the last eight quarters from 2012 to 2013 Net Income has averaged $4.4 million. The Company experienced a net loss in the Third Quarter of 2013 of $3 million due directly to costs associated with the Summit Vista Florida acquisitions. Net Income for the fourth quarter of 2013 of $8.1 million more than offset the loss in the previous quarter as Summit Vista contributed $7.4 million in revenues to the quarter's net income.

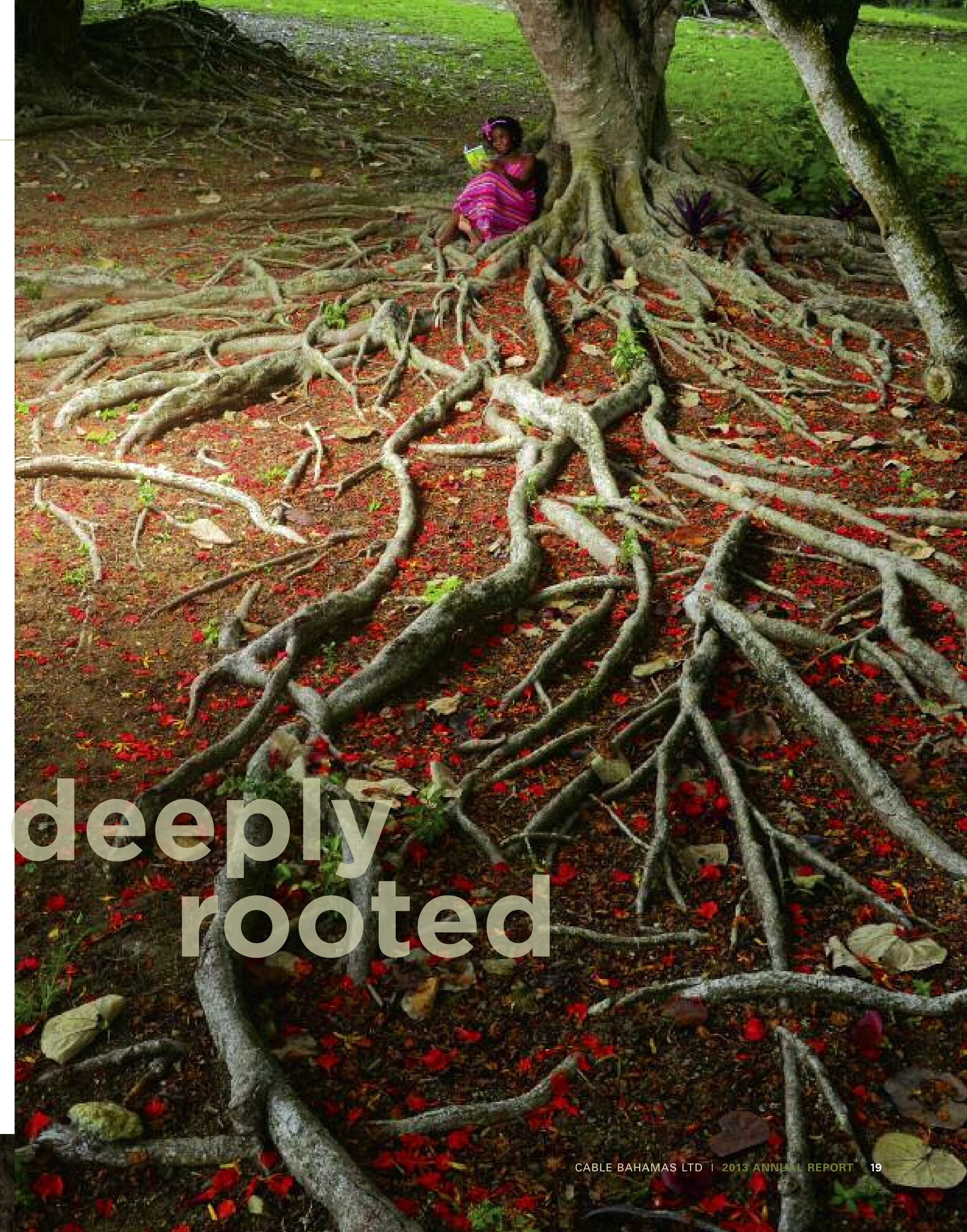
EPS was stable for much of the last 8 quarters with some fluctuations over the last two. In the fourth quarter the Company earned $0.61 per share and in the third quarter reported a negative $0.22 per share. Over the course of the last 8 quarters the Company's EPS averaged $0.33 per quarter.

Capital Resources and Liquidity

The major source of the Company's liquidity comes from its cash from operations inclusive of its Bahamas and Florida operations. From the 2013 audited financials it is evident that the Company currently generates in excess of $50 Million in cash from its consolidated operations. Working capital requirements vary from year to year depending on whether the Company is engaged in any major projects inclusive of material capital expenditures. During such times, projects' working capital commitments are usually larger, especially where inventory requirements are needed. 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, investments, salaries and operational expenditures. The Company maintains all excess cash in either cash or cash equivalents that may at times consist of fixed term deposits. Cash flows are managed on a daily basis with constant consideration of the aging of accounts receivables, payables, vendor and banking commitments; as well as operating cash requirements such as payroll and funding of capital projects in line with stated, committed or estimated time frames of 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 the agreed terms and financing costs are at competitive 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 significant amount of flexibility that allows for quick decision making and action steps in the event an opportunity arises that requires immediate funding. With respect to debt and equity 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 US or Bahamian Dollars at prevailing market rates. The Company usually maintains the renewal periods for borrowings within a 5 year period. This provides the flexibility to refinance borrowing facilities in the event market conditions and cost of financing improves. Borrowing rates are directly correlated to i) the Company's leverage ratio i.e. EBITDA to Senior Secured and Total Debt and ii) to prevailing market rate bases such as LIBOR, US 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 more favourable 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 can 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. The Company also has the flexibility to include attractive terms in any offering which can increase the marketability of shares in any offerings solicited.

- **Common Equity –** The Company has authorized 20 Million shares of ordinary shares. Currently there are 13,608,769 outstanding. As such there are 6,391,231 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 for 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. This is a major advantage as it provides the ability for the Company to take advantage of growth opportunities very quickly inevitably increasing overall shareholder value.

The Company completed the acquisition of four Florida based communications companies in 2013. These companies will require financial support for the 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 external cash outflow requirements and commitments. However, funding requirements are being provided via a refinanced Credit Facility and issuance of new preference shares that will mitigate the need for cash draws directly from operating cash flows. Once the acquisition companies move beyond the three year forecast

support period they will provide additional cash flows to the Company. Apart from the aforementioned there are no currently identifiable adverse issues facing the Company that could have a material impact on projected cash flow and liquidity.

Capital Initiatives

Throughout 2013, your Company continued its focus in designing, constructing, operating and maintaining the required infrastructure to support our Video Internet, and Voice services we offer. We were able to accomplish many feats such as increased downstream speeds, which allowed us to maintain our stronghold in the marketplace and mitigate churn. To achieve these increased speeds, we also transitioned our international Internet Peering traffic to a diverse dual 10 Gig platform. This new design reduced the complexity and manageability of the network as it simplified our configurations and maintenance activities.

Software and hardware upgrades were also completed for the Interactive Program Guide (ROVI) allowing interactive services and Multimedia over Coax Alliance (MOCA) on set top boxes. MOCA is an industry standard alliance that develops technology for the connected home. MOCA technology runs over the existing in-home coaxial cabling, allowing the whole home access to high definition video content.

Another major accomplishment in 2013 was completing the upgrade of the hardware and software for both our primary and secondary Digital Access Controller (DACs). This entailed upgrading both hardware platforms to G8, which is the latest technology provided by Motorola. We also became the first cable system in North America to upgrade our OS and software to 5.0R1 which is the very latest field released software for the Motorola controller.

Our existing Ad Insertion and VOD Program encoding software were also upgraded to a more flexible and reliable Telestream Vantage system that is compatible with our proposed OTT service offering.

FLORIDA EXPANSION

With the completion of our Florida acquisitions the Company is well positioned to take advantage of the growth opportunities in the central and southwest Florida residential and commercial markets as well as build on its customer and vendor relationships. The companies acquired had established a presence in their particular areas resulting in a valuable intangible from the acquisitions. In central Florida, we now can confirm that we provide telecommunications services to over 50,000 hotel rooms representing brands that include Marriott, Hyatt, Loews, Hilton, Holiday Inn, Rosen, Westin, Sheraton, Fairmont, Gaylord, Kessler and Radisson. In addition, our customer relationships are on-going with institutions such as Disney, Universal Studios, the various Florida counties and municipal governments, the University of Central Florida, the University of Florida, Valencia College and a number of hospital chains. Our current market share and growth potential is encouraging and the Company is well placed and looking forward to realizing on all opportunities within the Florida markets.

In the Orlando Metropolitan Statistical Area (MSA), with a little focus to this area the Company has been successful in doubling its market room share to 43.8% hotels representing 53,000 rooms. In Southwest Florida we currently serve less than 7% of the hospitality market with voice and data service. This is a tremendous opportunity and plans have commenced in 2014 to increase market share in this area to achieve the same type of results as in the Orlando MSA. It is also worth noting that in the United States, multiple dwelling units or MDUs represent approximately 26.4% of households. The number is higher in the Orlando MSA at 29.9%. Your Company serves less than 9.5% of this market and recognizing yet another opportunity. We have recently increased our MDU market share in Southwest Florida to 15% with a remarkable 5% of this market growth acquired after the acquisitions were concluded; with installations planned to be completed within 12 months. Finally, we also recognized that small- and medium-sized enterprises or SMEs are less than 5% and 2% serviced in the Orlando and Southwest Florida areas respectively, an enabling factor for exponential growth potential for your Company in this area.

Capital expenditures directly relating to the Florida growth potential are a material component of facilitating the achievement of the revenue and operating income projections. The end results will be the creation of increased shareholder value, stability and resilient diversification of the Company. In final analysis our Company has been strengthened and will now have a reinforced foundation that will be better equipped to grow and withstand external economic forces.

A PLEDGE TO EXCELLENCE

The Bahamas, the country of our roots, celebrated its 40th year of independence and we as a Company wanted to take part in the momentous occasion by displaying our national pride and reflect on our growth, development and future. The mantra laid out in our national anthem is one of service and commitment and we felt it opportune to adopt this in everything we do – for our customers, employees and shareholders.

"We pledge our commitment to serve."

"We pledge to excel for our customers, for our Company and for our Country."

The vision inspired us to hold Companywide initiatives where our staff reflected and committed themselves to improve and continue to provide the best quality and service to our customers. Based on this, we focused our attention on the improvement of customer service, based on the theme "commitment to excellence." A series of TV ads and posters featuring CBL employees, promotional paraphernalia and public signage supported this programme. We produced an infomercial that enlightened and took viewers behind the scenes of the Company and highlighted the strength and depth of our network and our people. We showcased the work of our IT specialists, engineering & technical teams and customer service personnel. We took our subscribers into our main communications transport center for television, voice and broadband and into the heart of our network operations center.

We fully intend to extend this culture of service excellence to customers in all our operations; from Nassau to Orlando to South West Florida. As we look to expand further in other markets internationally, we will always uphold our "commitment to excellence" as our watchword.

THE FUTURE – WHAT'S NEXT

We are delighted by the success of 2013 and take enormous pride in the accomplishments of our workforce and management team. As our product set and market geographies continue to expand, we will always take pride and promote our differentiator in customer service. Attending to our customer needs and responding to customer queries and issues in a rapid and thorough way will remain our foremost objective. By excelling in customer service we will continue to demonstrate loyalty, commitment and pride in the market place. And we do not intend to stop or slow down. We look forward with great anticipation to providing our customers and stakeholders with a sparkling future.

A future filled with technology drives and service innovation. As always, we will listen to our customers and ensure that we develop the very best applications to satisfy their demands. At the same time, we will look to grow our markets and further establish the Company on the international stage. Roll on 2014.

Deloitte.

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and Management Consultants
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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

A member firm of
Deloitte Touche Tohmatsu Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013 | (EXPRESSED IN BAHAMIAN DOLLARS)

ASSETS	2013	2012
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	33,166,199	25,450,546
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	310,454,036	196,447,575
TOTAL	$ 343,620,235	$ 221,898,121
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)	3,065,625	7,000,000
Total current liabilities	46,444,763	30,157,902
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)	73,310,000	60,000,000
Total non-current liabilities	194,173,042	97,573,949
Total liabilities	240,617,805	127,731,851
EQUITY:		
Ordinary share capital (Note 12)	13,608,769	13,593,419
Retained earnings	89,393,661	80,572,851
Total equity	103,002,430	94,166,270
TOTAL	$ 343,620,235	$ 221,898,121

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

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)	(69,217,673)	(63,356,519)
	50,360,529	48,663,950
Depreciation and amortization (Notes 6 and 7)	(21,235,004)	(19,396,349)
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)	(4,676,599)	(4,600,000)
NET INCOME BEFORE DEFERRED TAX BENEFIT	13,290,399	21,560,804
DEFERRED TAX BENEFIT (Note 15)	823,182	–
NET AND COMPREHENSIVE INCOME	$ 14,113,581	$ 21,560,804
BASIC EARNINGS PER SHARE (Note 12)	$ 1.04	$ 1.59
DILUTED EARNINGS PER SHARE (Note 12)	$ 0.97	$ 1.59

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2013 | (EXPRESSED IN BAHAMIAN DOLLARS)

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS	TOTAL
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	$ 13,608,769	$ 89,393,661	$ 103,002,430

See notes to consolidated financial statements.

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)
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	78,767,792	(22,789,462)
NET INCREASE IN CASh	631,292	1,831,554
CASh, BEGINNING OF YEAR	8,675,778	6,844,224
CASh, END OF YEAR	$ 9,307,070	$ 8,675,778

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, 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) Financials 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.

YEAR ENDED DECEMBER 31, 2013 | (EXPRESSED IN BAHAMIAN DOLLARS)

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 intercompany 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
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 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. Indefeasible 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.

YEAR ENDED DECEMBER 31, 2013 | (EXPRESSED IN BAHAMIAN DOLLARS)

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	3,191,460	1,220,385
	17,710,979	13,167,940
Allowance for doubtful accounts	(1,409,226)	(1,367,597)
	$ 16,301,753	$ 11,800,343

Ageing of past due but not impaired:

	2013	2012
30–60 days	$ 6,067,028	$ 4,805,267
60–90 days	2,640,891	1,741,303
	$ 8,707,919	$ 6,546,570

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	717,369	714,794
Balance at the end of the year	$ 1,409,226	$ 1,367,597

Ageing of impaired trade receivables is as follows:

	2013	2012
90–120 days	$ 799,296	$ 994,976
Greater than 120 days	837,598	728,219
	$ 1,636,894	$ 1,723,195

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013 | (EXPRESSED IN BAHAMIAN DOLLARS)

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	892,192	892,192
Total current assets	6,911,130	6,911,130
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)	1,330,000	3,550,000
Total non-current assets	64,051,445	108,252,921
Total assets	$ 70,962,575	$ 115,164,051

	Carrying Value	Fair Value
Current liabilities:		
Accounts payable and accrued liabilities	$ 13,816,794	$ 13,816,794
Deferred income	1,494,251	1,494,251
Total current liabilities	15,311,045	15,311,045
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	1,600,000	1,600,000
Total non-current liabilities	6,049,757	6,049,757
Total liabilities	21,360,802	21,360,802
Total equity	$ 49,601,773	$ 92,331,592

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

Revenue	$ 25,226,112
Net Loss	$ (2,225,868)

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	1,236,733	232,620
Total equity	$ 2,838,741	$ 1,331,020
Statement of income		
Revenue	$ 360,873	$ 71,194
Expenses	(513,151)	(140,174)
Net loss	$ (152,278)	$ (68,980)
Investment in joint venture		
Balance at beginning of year	$ 1,400,000	$ –
Contributed capital	1,660,000	1,400,000
	$ 3,060,000	$ 1,400,000

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

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6. PROPERTY, PLANT AND EQUIPMENT

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

	LAND	COMMERCIAL BUILDINGS	VEHICLES	EQUIPMENT	CABLE SYSTEMS	FIBRE OPTIC NETWORK	WEB HOSTING SYSTEMS	TOTAL
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	$ 1,983,618	$33,367,877	$3,199,536	$68,316,360	$194,542,850	$52,270,516	$9,766,038	$363,446,795
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	$ –	$6,566,925	$1,731,739	$20,230,529	$88,229,112	$15,298,985	$437,993	$132,495,283
CARRYING VALUE								
As at December 31, 2013	$1,983,618	$26,800,952	$1,467,797	$48,085,831	$106,313,738	$36,971,531	$9,328,045	$230,951,512
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, 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 LICENSE	COMMUNICATIONS LICENSE	CUSTOMER CONTRACTS	ACQUIRED LICENSES	TOTAL
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	$ 5,221,248	$ 7,556,425	$ 14,700,000	$ 12,947,315	$40,424,988
AMORTIZATION					
Balance at December 31, 2011	$ 2,176,908	$ 133,000	$ 840,000	$ 380,000	$ 3,529,908
Amortization 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
Amortization for the year	130,536	589,199	172,443	984,000	1,876,178
Balance at December 31, 2013	$ 2,437,980	$ 1,176,499	$ 1,132,443	$ 2,348,000	$ 7,094,922
CARRYING VALUE					
December 31, 2013	$ 2,783,268	$ 6,379,926	$ 13,567,557	$ 10,599,315	$ 33,330,066
December 31, 2012	$ 2,913,804	$ 6,969,125	$ 240,000	$ 11,583,315	$ 21,706,244

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.

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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.	78,483	–
	1,466,252	1,416,532
Less: current maturities	679,567	594,996
Total long-term leases	$ 786,685	$ 821,536

Future maturities of leases are as follows:

Year	
2014	$ 29,559
2015	845,851
2016	731,728
2017	134,447
2018	102,139
Total	$ 1,843,724

Less amount representing interest	$ 377,472
Present value of minimum lease payments	1,466,252
Less: current portion of capital lease obligations	679,567
Long-term portion of capital lease obligations	$ 786,685

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.

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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	60,517,186
	$ 102,810,937

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
CABLE BAHAMAS PREFERRED SHARES:		
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	13,310,000	–
TOTAL	$ 73,310,000	$ 60,000,000

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	$ 20,000,000	$ 20,000,000
Issued and fully paid	$ 13,608,769	$ 13,593,419

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	67,826	–
Earnings used in calculation of diluted earnings per share	$ 14,181,407	$ 21,560,804

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

	2013	2012
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	1,000,000	–
Weighted average of ordinary shares used in calculation of diluted earnings per share	14,599,815	13,595,419

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).

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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	823,182	–
Total income tax benefit	$ 823,182	$ –

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	(9,397,769)	–
Net deferred tax liability	$ (648,475)	$ –

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	5,794,429	4,560,226
	$ 69,217,673	$ 63,356,519

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	102,737	84,009
	$ 1,850,816	$ 1,803,878

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	$ 200,527	$ 195,421
Accounts receivable, net	$ 16,119	$ 141,677
Property, plant and equipment, net	$ 146,604	$ 115,031
Short-term notes	$ 2,742,252	$ 505,000
Preferred shares	$ 16,276,127	$ 9,021,000
Accounts payable and accrued liabilities	$ 350,615	$ 701,830
Operating expenses	$ 659,847	$ 1,513,011
Interest expense	$ 76,578	$ –

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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:

2013

	CABLE	CABLE FREEPORT	CARIBBEAN	MAXIL	SRG	SVI	CONSOLIDATED TOTALS
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

2012

	CABLE	CABLE FREEPORT	CARIBBEAN	MAXIL	SRG	CONSOLIDATED 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.

CORPORATE INFORMATION

DIRECTORS

Gary Kain
Chairman

Franklyn Butler II
Director

Troy d'Arville
Director

Ross McDonald
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

Judith Smith
Corporate Secretary

SHARE REGISTRAR AND TRANSFER AGENT

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#50 Exchange Place
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fax: (242) 356-3613

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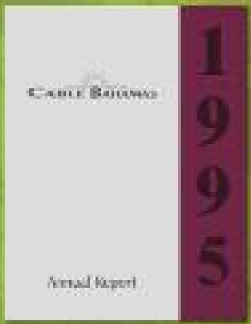
CREDITS

GRAPHIC DESIGN Smith & Benjamin Art & Design | Nassau, N. P., The Bahamas | Tel: (242) 377.0241

19 YEARS OF SUCCESS



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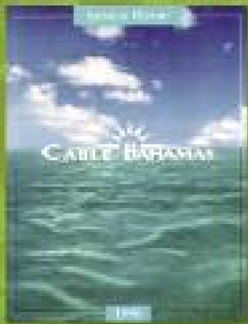

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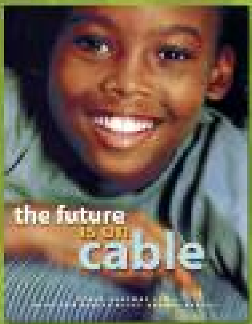

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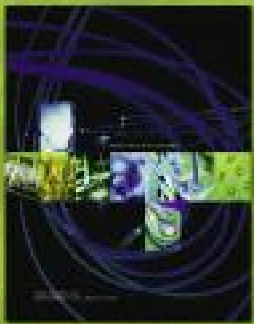
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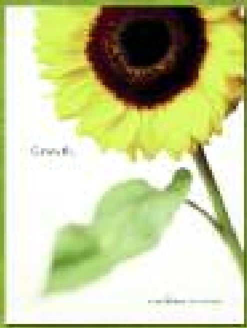
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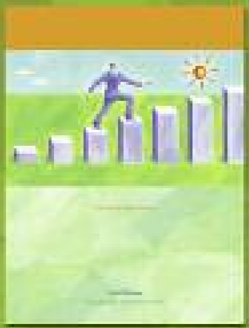
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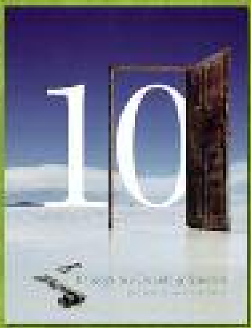

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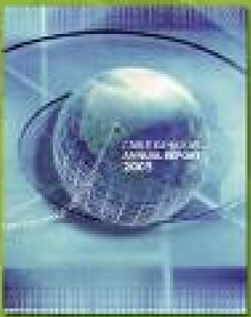
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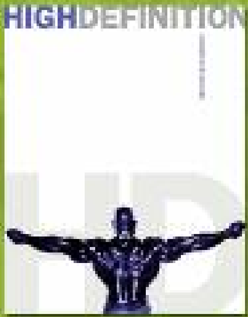

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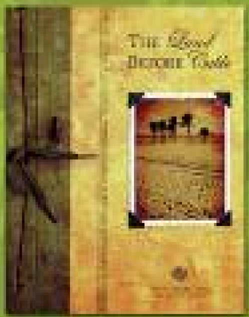
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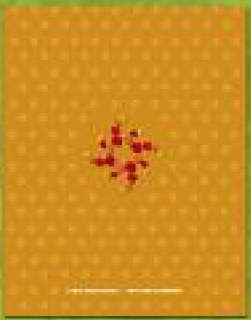
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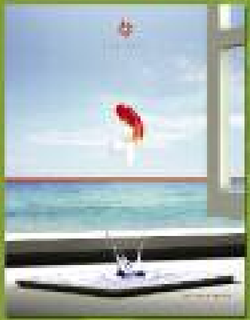
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