Cable Bahamas Ltd.

2014 Annual Report

Celebrating 20 Years of Excellence and Success in The Bahamas

20 TWENTY

In 1994, Cable Bahamas Ltd. was formed and our presence radically changed the landscape of our nation. Over the course of 20 years, we successfully pioneered cable television, broadband Internet and telephony services to the Bahamian populace. We have invested and re-invested into our economy to the tune of more than $200 million over the past 20 years.

In 1995, we became a publicly traded company and boast today of being 100% Bahamian-owned employing over 500 Bahamians.

In 2013, in preparation for the nation's 40th birthday and our own 20th anniversary, Cable Bahamas embarked on a campaign that would perfectly capture the ethos of our remarkable company in a singular phrase. From our honoured National Anthem, we chose **"Pledge to Excel".**

This phrase defines the spirit of our Company and perfectly exemplifies how we have accomplished so much over the past two decades.

Celebrating 20 years of excellence and success.
...And here's to 20 more!

> "I pledge to excel."
> – REV Customer Support Agent

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"I enjoy all the services that Cable Bahamas offers especially all the options in HD Sports, our new REVOICE home phone and our always-on Internet connection. All we need is mobile service, and I'll be good to go."

– Satisfied Cable Bahamas Customer

"I was surprised to learn that Cable Bahamas is 20 years old! They have been a part of our family since I was a little girl. For as long as I can remember, they have provided quality entertainment and service."

– Satisfied Cable Bahamas Customer

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"Our highly qualified team is responsible for the strategic management and operation of all the technical aspects of Cable Bahamas. We are proud to be the engine of the Company."

Vice President, Engineering

2014 PERFORMANCE IN NUMBERS

$150m
Total revenue increased by 26%

$35.6m
Summit revenue increased by 382%

$0.48
Dividend paid – highest in company's history

$0.84
Earnings per share

20 YEAR HIGHLIGHTS

$650m
Over $650M raised in 20 years for capital funding

$130m
Over $130M paid in dividends to ordinary and preferred shareholders

$390m
Over $390M in capital expenditures in both Bahamas and Florida

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"I take my pledge to excel very seriously. Customer service is not good enough; it's about the customer's experience. I give 100% to make sure they are pleased with what they receive from Cable Bahamas."

– REV Customer Support Agent

SELECTED FINANCIAL RESULTS

2010 to 2014

[THOUSANDS EXCEPT PER SHARE NUMBERS]

	2014	2013	2012	2011	2010
REVENUE	$ 150,792	$ 119,578	$ 112,020	$ 99,851	$ 88,862
OPERATING EXPENSES	(95,148)	(69,218)	(63,356)	(55,651)	(46,936)
	55,644	50,360	48,664	44,200	41,926
Depreciation and amortization	(32,539)	(21,235)	(19,396)	(16,826)	(14,724)
Operating income	**23,105**	**29,125**	**29,268**	**27,374**	**27,202**
Loss on joint venture	(110)	–	–	–	–
Acquisition expense	–	(9,074)	(1,468)	–	–
Interest expense	(5,568)	(2,085)	(1,639)	(1,756)	(2,410)
Dividend paid on preferred shares	(6,696)	(4,676)	(4,600)	(4,775)	(4,800)
Net income before deferred tax benefit	**$ 10,731**	**$ 13,290**	**$ 21,561**	**$ 20,843**	**$ 19,992**
Deferred tax benefit	648	823	–	–	–
Net income and comprehensive income	**$ 11,379**	**$ 14,113**	**$ 21,561**	**$ 20,843**	**$ 19,992**
Issuance of ordinary shares	–	148	–	–	–
Repurchase and cancellation of shares	(191)	–	–	(79,881)	–
Vested share based options	195	–	–	–	–
Dividends paid on ordinary shares	(6,530)	(5,440)	(5,030)	(4,350)	(4,366)
Retained earnings, beginning of year	89,394	80,573	64,042	127,430	111,804
Retained earnings, end of year	**$ 94,247**	**$ 89,394**	**$ 80,573**	**$ 64,042**	**$ 127,430**
Operating income per ordinary share	**$1.70**	**$2.14**	**$2.15**	**$1.65**	**$1.39**
Net income per ordinary share	$0.84	$1.04	$1.59	$1.25	$1.02
Shares outstanding	13,592	13,609	13,593	13,593	19,632

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CHAIRMAN'S LETTER

"We're Ready. Turn Us On."

– Gary Kain, Chairman

It is both significant and appropriate that, as our Company moves into its third decade of operation, we are actively engaged in bidding for our next and history-making communications odyssey. That odyssey is the bid to win the Second Mobile Cellular License for The Bahamas. More details later about this, but suffice it to say, our Company is ideally equipped in all aspects to be awarded the license and to take Bahamians into the future of communications. Our message to The Bahamas is **We're Ready. Turn Us On.**

In our twenty years, we have come far and achieved much over our history. It has been a tremendous path to growth and 2014 has been another year of strategic progress. Significantly, the expansion into Florida has enabled the acceleration of our strategy of continued growth and diversification, while our business in The Bahamas continued to perform strongly throughout the year. The full integration of our Florida acquisitions is ongoing and these twin pillars have successfully positioned our Company for the continued growth that we are now witnessing.

Against the financial plan, I am very pleased to report that your Company delivered total revenue in excess of $150M. A 26% increase was experienced year over year. With respect to specific products performance, video subscribers exceeded 105,000 while broadband and voice customers grew 42% and 59% respectively. In The Bahamas, data with REVON, REVOICE and HD video with REVTV continue to be key drivers of growth. International results from the Florida start-up operations are gaining momentum and will be more evident in 2015.

At Cable Bahamas, we embrace change with excitement and daring and this is a period of unprecedented change in our business. The industry is experiencing an immense transformation; personal terminals, tablets and mobile devices are evolving rapidly, substituting in some instances for the traditional television or computer. As fiber services become common place, new technology and broadband coverage are enabling consumers to access services and we must keep pace as we have done throughout the past two decades. As a Board, our goal has always been to make the right decisions based on the long-term opportunities for the business. As a result, we now have established our international presence in the Central and Southwest Florida markets that offer attractive potential for sustained growth; and our commitment to maintaining investment in fiber means we have networks that lead the industry for speed, capacity and reliability. We are pioneering **Fiber to the Home** (FTTH) and **Internet Protocol** (IP) applications such as **Internet TV** (IPTV) in all our markets, i.e. The Bahamas and the US.

As we build out our new network in Florida, we are able to take full advantage of FTTH services and offer bulk services to customers in master-planned communities on extended contractual terms, ranging up to 20 years depending on the service offering. This, by all counts, is a remarkable diversification of business. In The Bahamas, the change in our business also brings in new competitors both from within and outside the industry. It is therefore very important for our Company to utilize all of our assets. In 2014, we initiated our roll-out of our wireless programme following the successful trial of our network and the development of our product which was achieved over the last few years. In the not too distant future, we will fully launch **REVGo,** our over-the-top service, carried by our newly built high capacity 2600MHz fixed wireless broadband network.

For the last twenty years in The Bahamas, we have always believed in and delivered innovative communications services and moving forward we very much expect a continued high level of support to which our customers have become accustomed.

In The Bahamas, we continue to face regulatory, macroeconomic and competitive pressures. In the face of increasing costs, we applied this year for a basic cable television rate increase—which would have been the first rate increase in the twenty years of our history. It is unfortunate that this application remains languishing in the offices of the regulator with no immediate end in sight. This is difficult for us as we are facing significant increases in signal and operating expenses. We have taken steps to improve our commercial performance and are beginning to see encouraging early signs that we are realizing the benefits from efficiency programmes. This year we completed the integration of our customer call centres combining the cable television customer care and IT groups into one unified centre served by our incredible Rev Support agents. As expected, this initiative produced immediate efficient results with reduced customer wait times and improved customer interactions.

In December, we also witnessed the opening of our new flagship REVstore in Nassau. The key focus of the centre is an enhanced customer experience. This is a state-of-the-art retail outlet for our Company that we are extremely proud of. We were more than happy to have moved from the inadequate situation we were forced into by the actions of our neighbor, RUBIS, and the forced abandonment of our offices at Robinson Road. That matter is currently under litigation and we hope to bring all matters related to a satisfactory conclusion in short order.

Shareholder remuneration strategy is focused on total shareholder return, through a combination of growing the value of your Company and by investing in opportunities that earn a return in excess of our cost of capital that allows for a consistent dividend policy. Against this backdrop, the board approved a 40%

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increase in dividends during 2014 and remains focused on at least maintaining the dividend per share at this level in the future. We also initiated a share buyback programme in the third quarter and saw our share value appreciate by 21%. Total return to shareholders over the period was 25%, an increase of 87%, compared to the prior year.

I am delighted to welcome Michele Merrell to our dynamic Board. Michele has over 20 years of professional experience in the telecoms and IT Solutions industry and resides in Florida. She is a welcome addition to the team and her experience and expertise in mobile and wireless communications will be valuable as Cable Bahamas continues forward. During the year, your board has also been very active in strengthening its various Committees as it continues to support and advise executive management on the delivery of the Company's strategy within a clear and transparent governance framework.

And so, as we move into a new year which we intend to embrace with vigor, 2015 will see the fruition of our efforts to obtain the award of The Bahamas' Second Mobile Cellular License. Our bid was completed and submitted during 2015 and the award decision is scheduled to be made by the Fall. Cable Bahamas is already the established information, communications and entertainment provider in The Bahamas, and we believe that we are the natural provider to get the second license. We are 100% Bahamian, have an innovative history and provide reliable, affordable products, and we have a committed and dedicated staff who continue to pledge to excel at customer service in all respects. In addition, we have the pedigree to win the license and we intend to prove it.

All in all, our Company through the years has demonstrated a rich and positive history and the present financials and performance make good reading. Given this, our future is in good hands and, with the opportunities abounding in The Bahamas and in the US, we look forward with anticipated fervor to what it holds.

On behalf of the Board, and in this twentieth year, I would like to welcome our Florida staff and thank all of our employees, in The Bahamas and Florida, for their tremendous work and commitment as we stride with passion into the future.

Gary Kain
Chairman
June 7, 2015

Management Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of our financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the fiscal year ended December 31, 2014. This MD&A should be read in conjunction with the audited consolidated financial statements for the year end December 31, 2014 and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. This MD&A is dated June 12th, 2015.

FORWARD-LOOKING DISCLAIMER

This MD&A contains statements relating to our future business and financial performance and future events or developments involving our Company that may constitute forward-looking statements. Forward-looking statements often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "foresee", "may" or "will." Forward-looking statements by their nature address matters that are, to some degree uncertain, or may not materialize

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fully or at all. We may also make forward-looking statements in other reports, in presentations, in material delivered to our shareholders and in press releases. In addition, our representatives may, from time to time, make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, known or unknown, many of which are beyond our control, affect operations, performance, business strategy, personnel and results and could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends.

Onwards, Upwards…and Ever Forward

As we close 2014, we move with confidence and strength into our twenty-first year of amazing fulfilling operations. In the two preceding decades, we have witnessed incredible changes in the communications landscape in The Bahamas and the services provided to the Bahamian people. Throughout these formidable past years, Cable Bahamas is proud to proclaim that we have been integral to these positive changes and, even more so, we've been pivotal in establishing them. Indeed, we can boast that our services in The Bahamas are second to none in the developed world.

For the Company, this period has seen spectacular revenue growth, increased shareholder value and dynamic product and service innovations. Regarding our execution achievements during our journey, there have been times when the required course has been steady with compounded progress to a planned strategy. 2014 was such a year. The objectives were to integrate the Florida businesses into the Cable Bahamas family, continue to enhance products in mature markets and plan to seize future opportunities. Our objectives were met and exceeded.

In 2014, we have truly positioned our Company as an international enterprise. Our network, product set, revenues and operations span from the US headquarters in Orlando, which is in Central Florida, down through south and south west Florida, across to all the family islands of The Bahamas and is connected to the overall Company headquarters in Nassau, Bahamas. Further core network plans aim to strengthen this position by installing an intercity network including the east coast corridor of Miami to Jacksonville, FL. This hallmark is a remarkable illustration of our Bahamian strength and international diversity.

This development and consolidation we speak of is reflected in our positive financial results for 2014. Again, our revenues are record breaking, our EBITDA is strong, our earnings per share (EPS) is stable and our dividends paid per share continue to increase. These metrics are impressive given that our operating costs have seen a substantial rise due to contract renegotiations, material supply rate increases, cost of living increases and regulatory licensing and related fee costs.

OUR EMPLOYEES ARE OUR LIFEBLOOD

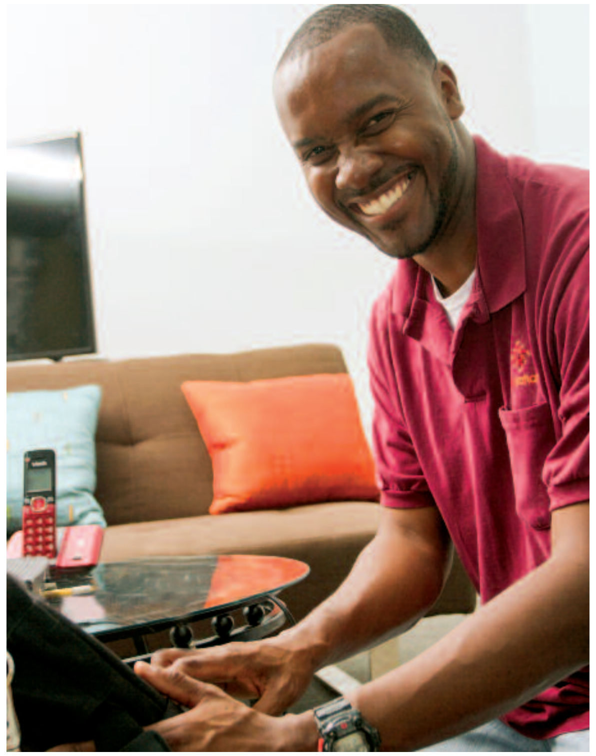
Though it is true that without the customer, the business will not exist; without the employees, the customers would not come. With this in mind, we embarked upon a concerted programme for management and staff to ensure that employees are treated with dignity and respect, listened to and taken care of. This included implementing leadership programmes for managers, training and development for line staff and rolling out standardized performance appraisal processes. Additionally, we held quarterly manager's conclaves and launched an internal communications platform called PREView.

Our drive and belief is that with committed and engaged staff, the Company will retain positive staff, perform at a higher level and treat customers better. Specifically, this last point is essential and viewed as a key differentiator for us. To this end, the Company has been running intensive customer service training built around "Pledge To Excel" and "REV IT UP." Also, we have plans to introduce a REV University to maintain the high level of customer service through courses, interactive workshop and experience sharing.

We have an overall employee community of over 700, inclusive of Cable Bahamas' existing business and our US businesses. Approximately 500 staff members reside in The Bahamas and 200 in the US. The recruiting, on-boarding, training and managing of this workforce during the year were major accomplishments for the Company. In subsequent years, the number of full time employee additions will correlate with revenue growth.

INNOVATE, INNOVATE AND INNOVATE

We continue to maintain our impressive history of introducing the latest products and services to the marketplace. This has, and always will be, our modus operandi. We will strive to bring the very best to our customer base in the US and The Bahamas. The latest evidence of this is the



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continuing roll-out of FTTH, IPTV and fixed wireless broadband services.

With FTTH each residential customer is served by a dedicated fiber optic cable enabling us to deliver the fastest residential Internet available in the world; a symmetrical 1,000 Mbps X 1,000 Mbps service. The Company's Internet service is a significant competitive advantage and we now provide FTTH services to over 12,000 customers in the US.

Our Company, through its US arm, Summit Broadband, has also developed expertise in tower backhaul services for national carriers that access the network in Florida connecting mobile towers to central offices and switching centers. Summit Broadband expects strong growth in this segment as the mobile industry tries to adapt its networks to the explosive growth in mobile data.

As all applications converge on Internet Protocol (IP), Cable Bahamas has been operating IPTV for some time in the US and is on the verge of introducing it into The Bahamas. This allows for the delivery of digital television and entertainment services in an advanced and interactive way. This also enables superior image quality and reliability as well as economic advantages for the customer.

Since 2011, we have been working diligently to develop a high speed point-to-multipoint wireless service in The Bahamas. We have employed several consulting companies to ensure the robustness of this service as this is specifically designed for a spectrum frequency. We intend to roll out this service in 2015 using the 2600MHz spectrum which Cable Bahamas is already licensed for.

KEEPING THE MESSAGE STRONG

In keeping with the Company's intention to be open and honest with our customers, we have maintained our stance of strength and boldness in the marketplace. This has been reflected in our continued message of "Pledge to Excel" and the focus on customer service. Additionally, we have introduced several new messages in order to promote our Company strengths in The Bahamas and the US; these include proclaiming our 100% Bahamian ownership, our innovative history and our affordability of services.

The year-end saw the opening of our flagship retail shop in Nassau. This 5,000 square feet facility was designed and created with state of the art customer service and customer interaction in mind. The shop is ergonomically arranged to ensure ease of customer throughput, immediate enquiry response and, importantly for The Bahamas, convenience and efficiency of bill payments.

COMPOSITION OF OUR CUSTOMERS

As Cable Bahamas operates throughout The Bahamas and Florida, we have a very diverse customer base and as such, we address them differently to satisfy their respective requirements.

In The Bahamas, we cover the full population and aim to satisfy our entire customer base equally. In 2014, we effectively delivered a ubiquitous network which is available to 98% of Bahamian households with approximately 70% of the households subscribing to our services. Based on a recent third party survey, the vast majority (80% to 90%) of respondents indicated that the Company is "friendly, professional, responsive and reliable". Specifically on our product set, we noted ratings for REVTV at 40% being "very satisfied" with the service; our REVON broadband Internet product was rated at 58% "very satisfied". Also, with only three years in the voice business, REVOICE showed an overall satisfaction with our voice products of 70%.

US MARKET INSIGHT

Cable Bahamas' US customer segmentation has taken a different approach. Our Florida market has a population of over 19.8 million people with 7.2 million households. During 2014, Summit Broadband served markets in Florida that represented a population of 3.4 million in 1.3 million households. Unlike our Bahamian market, Summit Broadband serves a smaller segment of the households in the markets where it has a presence. Summit Broadband, therefore, will only deploy a network to a community or multi-unit complex after a contract to deliver services has been signed. The typical duration of a contract is five to ten years and obligates the community/owner to purchase services on a bulk basis for all the residential units in the community. We target master-planned communities, developers, condominium associations and apartment building owners with our residential services. While Summit Broadband operates in markets representing 1.3 million households, the Company estimates that 720,000 housing units comprise its total target market.

As of the end of 2014, Summit Broadband served 25,900 residential customers, an increase of 4,600, or 22% over the 21,300 customers served at the end of 2013. Additionally, we currently have a backlog of 7,000 residential customers with signed contracts that are scheduled to be installed during 2015. Going forward, the objective is to add 6,000 to 7,000 new customers per year. Based on a residential potential of 720,000, we presently have a market share of 3.6%. As such, this provides ample opportunity to increase our market presence.

Summit Broadband serves three market segments in the commercial sector: (1) hospitality; (2) enterprise, and (3) carrier.

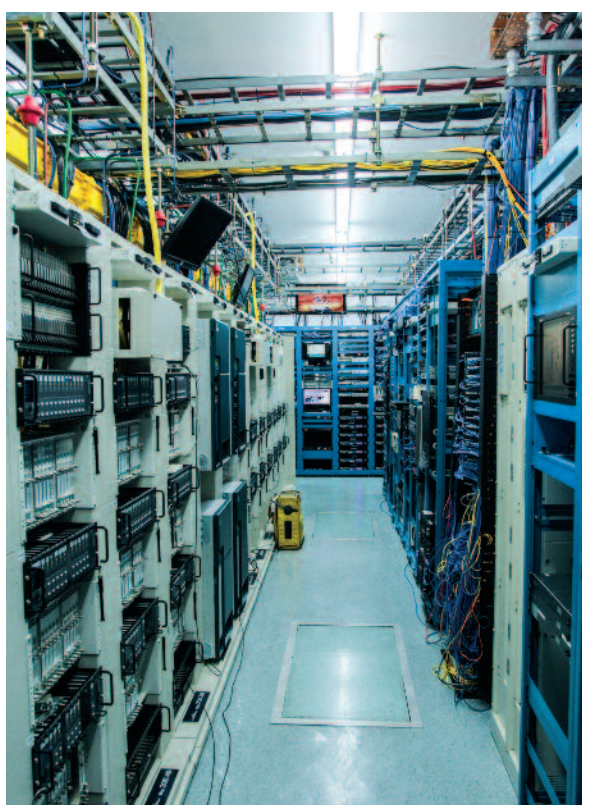
The Company is well established in the hospitality marketplace. In Central and Southwest Florida, there are approximately 140,000 hotel rooms of which 124,000 are in Central Florida. At the end of 2014, we served over 62,600 hotel rooms; an increase of 9,600 rooms or 18% over the 53,000 rooms served a year earlier.

In the enterprise market, at the end of 2014, we served 1,240 customers up 27% over the 975 customers served a year earlier. These customers include hospitals, colleges, car dealerships, insurance companies, professional offices and retailers. Our Company expects to continue to grow this business segment by strong double digits in the coming years.

In the carrier segment, we deliver high-bandwidth and dark fiber solutions for local-loop completion, central-office to central-office connectivity, intercity data transport and tower backhaul to the largest telecommunications service providers in the US. We view the carrier segment as a growth opportunity and during 2014 a dedicated sales and technical resources team was engaged to support this growing opportunity.

COMPANY INTEGRATION AND SYNERGY

A key part of our objective for 2014 was to fully integrate our international operations into the Cable Bahamas family. This included the HR initiatives mentioned above, the operational aspects and, significantly, the network integration and expansion.



Cable Bahamas' hybrid fiber optic and coaxial cable network is ever robust and we are continuing to expand our fiber roll-out. However, there is much more engineering work underway to ensure that the Company integrates and fully realizes the synergies of encompassing our US networks. This will continue in a planned multi-year approach and ensure seamless supply and service capability.

In the US, we have been integrating the four acquired telecommunication networks to a best-in-class standard with capacity to meet the growing data needs of the Company's customers. Phase one objectives achieved during 2014 included: (1) delivering an all-digital video service to Southwest Florida originating from the Company's Orlando head end; (2) upgrading the Company's phone switch in Orlando and deploying a remote voice switch to serve Southwest Florida; (3) transitioning 6,000 customers to Summit Broadband's voice platform; (4) deploying a robust IPTV service for the hospitality sector; (5) acquiring fiber-optic cable along the Miami to Jacksonville corridor to expand the Company's Florida Intercity Network; (6) installing a 10 gigabit platform for the residential hubs in Southwest Florida; (7) implementing a standalone enterprise network to service the Company's six office/retail facilities; (8) building path redundancy to Marco Island; (9) undertaking an independent design review for the Company's network architecture.

Phase two of the network integration and expansion plan to be concluded in 2015 will include: (1) expanding the Company's fiber network from Orlando to Florida's east coast; (2) deploying 100 gigabit capacity on the Company's Florida Intercity Network; (3) achieving network and financial economies by transitioning all common management equipment to one parent platform; (4) completing the digitization of the Company's fiber network to one database and platform; (5) migrating all voice customers from the legacy Class 5 switch to the Company's soft switch platform; (6) upgrading the core network to a 100 gigabit platform; and (7) retiring all legacy access equipment.

The engineering and project management challenge has been to implement all the network upgrades and expansion while adding new customers. Of note, in the US the access network added 4,600 new FTTH subscribers while installing eight new hub sites during 2014. An additional 10,000 FTTH customers and six hub sites are scheduled to be added during 2015. To meet these objectives, the Company has invested significantly in project management, procurement and inventory management resources and systems.

FINANCIAL RESULTS

As the integration of our international operations into the Cable Bahamas family continues, our financial results continue to forge ahead. Revenues for the year increased by 26% to reach $150.8 million, as a full year of our US operations were realized. Over the last 5 years, total revenues increased by approximately $61.9 million or over 70%. Our US operations contributed approximately $43 million or 48% of this growth. The major contract wins established over this past year were encouraging as we expect this segment of our total operations to significantly increase over the next 5 years while the development and expansion of our local Bahamas operations continue to excel.

Revenues comprised the following; REVTV $56 million, representing 37%, REVON Internet $32.8 million representing 22%, REVON Data $13.8 million representing 9%, REVOICE $12.6 million at 8% and our Florida Operations contributed $35.6 million rounding off at 24% of the total revenue mix. Diversification of our revenue mix continues through and after the acquisitions in 2013 and builds on a strategy deployed many years ago to be provider of choice in The Bahamas and now in the Southwest and Central Florida areas.

Regarding our Bahamas operations, each of our main revenue streams – REVTV, REVON and REVOICE – remain steady with increases over the previous year. Our premium REVTV product continues to perform well as in previous years and once again contributed over $1 million to the REVTV year over year revenue increase. The main contributor to our premium TV success rests with our set top box lease programme which continues to impress adding 44% of the premium TV revenue increase. Our premium TV main packages also excelled covering 32% of the overall premium TV rise. Our prime TV package growth however, was stagnant as only a 1% increase was experienced year over year. Our REVON product line including Internet and data saw growth in the aggregate of $0.8 million or 1.9% compared to the prior year. REVON Internet continues to shine as it added over 1,800 net new subscribers in a maturing market. The fixed line voice business also grew as REVOICE added over 2,600 net new subscribers and contributed to a $0.7 million or 5.4% increase in residential and commercial revenue year over year.

As revenues increased with the Florida acquisitions, so did operating expenses to the tune of 37% year over year to $95.1 million. A common trend throughout both operations is the continued increase in cost, in particular television programming cost, which continues to increase annually. Programming cost in The Bahamas increased by 12% to $18.6 million over the previous year. Combined with the Florida operations, programming cost added $13.2 million or a 70% cost increase incorporating a full year of Florida operational expenses in 2014. In addition, other increases in cost, primarily due to the increasing cost of doing business in The Bahamas were major factors. Vendors and maintenance services continue to rise and contributed to network maintenance expenses increasing over the previous year by 9%. Administrative costs increased by $14 million or 91% due to increasing taxes, regulatory and governmental fees in The Bahamas and a full year of operations in Florida. 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. We have once again submitted an application to the Regulator for an increase and await a response to our application.

Other contributing costs that affected net income related to the refinancing or our senior credit facility and the issuance of new Series 6 and 8 preferred shares in 2014. As a direct result, our interest expense increased by $3.5 million and preferred share dividends by $2 million. Depreciation also increased by 53% or $11.3 million. As a result of these non-operating expenses, total expenses increased by $33.9 million and net income after tax for 2014 was $11.3 million; a decline of $2.7 million or 19%. EBITDA however, continues to perform well and surpassed $55.6 million. Management remains cognizant of the costs and continues placing emphasis on efficiency in the day to day operations. The Company envisions a very successful future with EBITDA results expected to increase going forward as the Florida growth strategy materializes. Earnings per share were $0.84 compared to $1.04 in 2013. As at December 31, 2014, the Company's Total Assets totaled $402.8 million which represents an increase of 17% over 2013 and includes the Florida assets acquired through our US holding company Summit Vista Inc. Total Liabilities also increased to $294.9 million or 23% over 2013. As a part of the International Financial Reporting Standards, the Company conducted an impairment test on assets. Results were all successful and compliant and this will be an ongoing annual exercise to ensure compliance and that asset values are presented fairly.

QUARTERLY ANALYSIS

Over the last eight quarters from 2013 to 2014, revenue has grown from $28.3 million in quarter one of 2013 to $38.7 million in quarter four of 2014. This growth is mainly attributable to the expansion into the US. EBITDA has also grown over the same period from $12 million in the first quarter of 2013 to $14 million in the fourth quarter of 2014 and averaged $13.2 million over the last eight quarters. As more of the build out of residential properties is completed in the US, these financial results are expected to increase more substantially over time. Net Income on the other hand has declined over the last eight quarters from $5 million in quarter one of 2013 to $2 million in quarter four of 2014 and averaged $3.1 million over this period. This decline is attributed to an increase in non-operating cost such as interest expense, preferred dividends and depreciation expense. As in the case with revenue and EBITDA, as the Florida operations expand and the initial capital build out on properties in the pipeline are realized, net income performance is expected to be positive.

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 2014 audited financials it is evident that the Company currently generates in excess of $55.6 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, 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.

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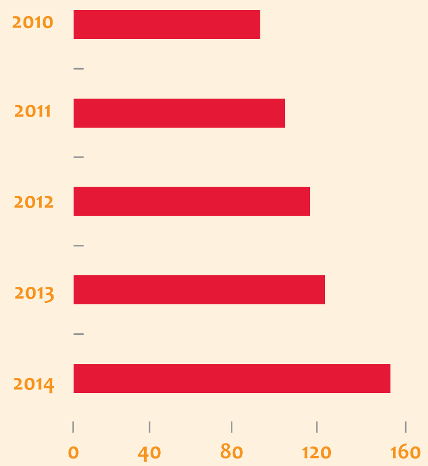
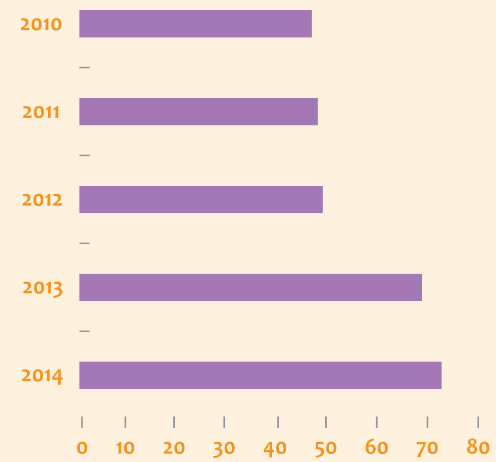
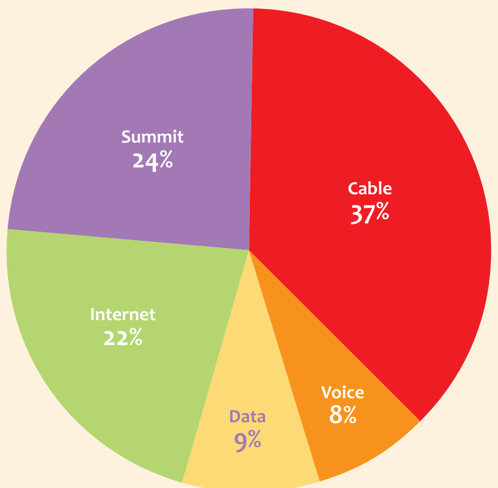
Total Revenue (2010-2014)
($ millions)



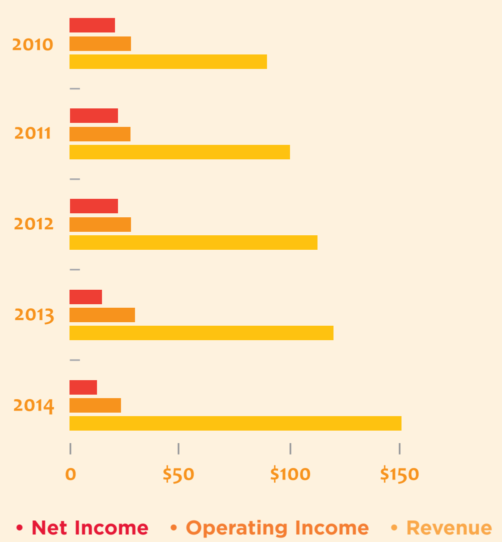
Internet Subscriber Growth (2010-2014)
(Thousands)



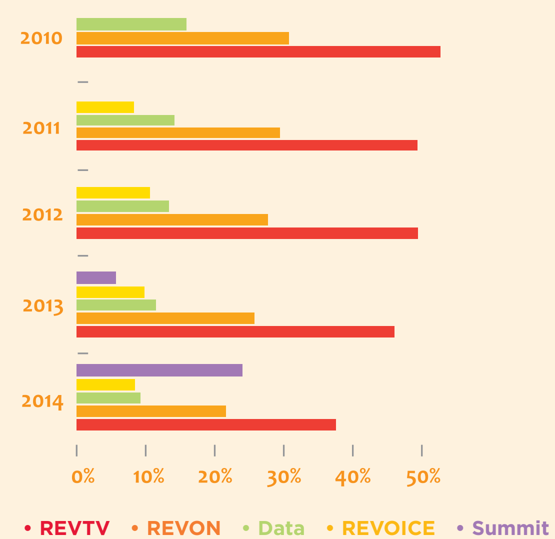
2014 Revenue by Business Segment



Operating Summary (2010-2014)
($ millions)



Revenue Composition (2010-2014)



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, trade payables, vendor and banking commitments; as well as ongoing operating cash requirements such as payroll and funding of capital projects in line with stated, committed or estimated time frames 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 such as capital leases to manage the inflows and outflows of cash in line with current and future requirements. 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. Using these measures, the Company is able to maintain at all times a very healthy cash position which is available for regular operations as well as for investment or any other purposes that may arise requiring immediate settlement. As a direct result, the Company is afforded a significant 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 four main sources from which it can draw upon for significant funding as follows:

- **Cash –** As a direct result of the accumulation of cash flows from regular operations and previous funding initiatives, the Company has available to it substantial cash holdings for use in any aspect of its operations.
- **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 rolling a 5 year period. This provides the flexibility to refinance borrowing facilities in the event market conditions and cost of financing improve. 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. The facility incorporates a revolving facility that provides for access to funds within a short period of time.
- **Preferred Shares –** The Company has the ability to raise capital through the local financial market through preferred shares. The terms of such issues can range from five to ten years depending on the forecast of the Company

TWENTY

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 on more favorable 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 ordinary shares. At the close of 2014, there were 13,592,424 shares outstanding. As such, there were 6,407,576 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 their operations. During this time of financial support, the Company will have additional external cash outflow requirements and commitments. However, funding requirements are being provided via cash flows from operations, the refinanced Credit Facility, and preference shares issuance that will mitigate the need for cash draws directly from cash positions on hand. 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.

CABLE 12 – SERVING THE COMMUNITY

Cable 12 continued in 2014 to deliver on its mandate through the production and carriage of outstanding local content aired and presented on our network. We have begun the process of redefining our product and readying ourselves for the rebranding and reintroduction of our channel. To this end, we have embarked on our largest capital investment into our channel since the inception. This upgrade will see the redevelopment of our production facility and studio workspace to a fully digital HD production environment second to none in our country.

We continue to work on the development of outstanding content that embraces all things Bahamian and reaches every sector of our viewing public. Cable 12 is the hub for local cultural events; live sporting events and arts and entertainment. This year we aired more than 4,500 hours of local content inclusive of more than 380 hours of news as presented in our national newscast NB12. A survey of our subscribers suggests that NB12 is the newscast of choice and the fastest growing news medium in the nation.

Over the past 15 years, Cable 12 has seen much development. We have had many firsts and numerous highlights. We covered our nation's triumphs and challenges, recorded historic moments that will frame our nation's memories of this time in our history and preserved signature moments that will be recalled for years to come. In Cable 12, we have created a platform that we feel has elevated the quality of local programming and served as a medium on which as our tagline suggests one can *"Watch Us, And See Yourself"*.

FORWARD TO NEW OPPORTUNITIES

Our progress and achievements over the last two decades are impressive. We have continually performed remarkably well in all metrics for the Company. As you will expect and demand, we will not be standing still on these achievements. Moving forward into next year and beyond, we will continue with our product development, network enhancement and expand our markets. Above all, we will continue to strive to meet customer expectations with a focus on customer service.

A major imminent opportunity is the bid to become the second mobile cellular operator in The Bahamas. Success with this could fundamentally change the Company. The second cellular license offers massive revenue and customer growth, technological innovation and will make Cable Bahamas the first quadruple play communications company in The Bahamas.

The bid process is extensive and thorough. Including an in-depth financial and technical assessment of the Company's proposed solution and service offerings. This bid was submitted at the end of January, 2015 and will be followed by a spectrum auction. This process is under the authority and management of the Cellular Task Force and URCA (Utilities Regulation Competition Authority) respectively. The award of the second license is expected by Fall 2015.

Cable Bahamas is confident in its bid and has presented the company's capabilities as financially strong, technologically impressive and with the experience to operate a reliable and innovative telecommunications service. Additionally, Cable Bahamas is the only fully Bahamian bidder with the expansive knowledge and experience of The Bahamas and its people.

We've come to win – "TURN US ON".

Deloitte.

Deloitte & Touche
Chartered Accountants
and Management Consultants
2nd Terrace, Centreville
P. O. Box N-7120
Nassau, NP, Bahamas

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http://www.deloitte.com

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, 2014 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

May 7, 2015

A member firm of
Deloitte Touche Tohmatsu Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 | (EXPRESSED IN BAHAMIAN DOLLARS)

ASSETS	2014	2013
CURRENT ASSETS:		
Cash	$ 30,739,511	$ 9,307,070
Accounts receivable, net (Notes 4 and 18)	18,464,121	16,301,753
Prepaid expenses and deposits	3,220,893	2,754,007
Inventory	9,054,737	4,803,369
Total current assets	61,479,262	33,166,199
NON-CURRENT ASSETS:		
Investments (Note 5)	4,239,770	3,850,000
Property, plant and equipment, net (Notes 6, 17 and 18)	256,955,636	230,951,512
Deferred tax asset (Note 15)	15,120,152	8,749,294
Goodwill (Note 5)	33,573,164	33,573,164
Intangible assets (Notes 7 and 17)	31,407,814	33,330,066
Total non-current assets	341,296,536	310,454,036
TOTAL	$ 402,775,798	$ 343,620,235
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note 18)	$ 34,318,631	$ 25,383,628
Deferred income	2,059,937	2,845,899
Short term notes (Notes 8 and 18)	–	14,273,264
Current portion of other liabilities (Note 9)	972,509	876,347
Current portion of long-term debt (Note 10)	11,614,063	3,065,625
Total current liabilities	48,965,140	46,444,763
NON-CURRENT LIABILITIES:		
Subscriber deposits	6,893,034	6,544,620
Other liabilities (Note 9)	3,145,977	3,575,341
Deferred tax liability (Note 15)	15,120,152	9,397,769
Long-term debt (Note 10)	93,001,640	101,345,312
Preferred shares (Note 11)	127,810,000	73,310,000
Total non-current liabilities	245,970,803	194,173,042
Total liabilities	294,935,943	240,617,805
EQUITY:		
Ordinary share capital (Note 12)	13,592,424	13,608,769
Retained earnings	94,247,431	89,393,661
Total equity	107,839,855	103,002,430
TOTAL	$ 402,775,798	$ 343,620,235

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 7, 2015 and are signed on its behalf by:

Director Director

1994 2014 20 Years

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2014 | (EXPRESSED IN BAHAMIAN DOLLARS)

	2014	2013
REVENUE (Note 18)	$ 150,792,105	$ 119,578,202
OPERATING EXPENSES (Notes 16, 17 and 18)	(95,147,870)	(69,217,673)
	55,644,235	50,360,529
Depreciation and amortization (Notes 6 and 7)	(32,539,095)	(21,235,004)
OPERATING INCOME	23,105,140	29,125,525
Loss on joint venture (Note 5)	(110,230)	–
Acquisition expense (Notes 5 and 16)	–	(9,073,950)
Interest expense (Note 10)	(5,568,065)	(2,084,577)
Dividends paid on preferred shares (Note 11)	(6,696,150)	(4,676,599)
NET INCOME BEFORE DEFERRED TAX BENEFIT	10,730,695	13,290,399
DEFERRED TAX BENEFIT (Note 15)	648,475	823,182
NET AND COMPREHENSIVE INCOME	$ 11,379,170	$ 14,113,581
BASIC EARNINGS PER SHARE (Note 12)	$ 0.84	$ 1.04
DILUTED EARNINGS PER SHARE (Note 12)	$ 0.84	$ 0.97

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2014 | (EXPRESSED IN BAHAMIAN DOLLARS)

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS	TOTAL
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	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
Net and comprehensive income	–	11,379,170	11,379,170
Repurchase and cancelled ordinary shares (Note 12)	(16,345)	(191,466)	(207,811)
Vested share based options (Note 17)	–	195,639	195,639
Dividends on ordinary shares			
($0.48 per share)	–	(6,529,573)	(6,529,573)
Balance at December 31, 2014	$ 13,592,424	$ 94,247,431	$ 107,839,855

YEAR ENDED DECEMBER 31, 2014 | (EXPRESSED IN BAHAMIAN DOLLARS)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income and comprehensive income	$ 11,379,170	$ 14,113,581
Adjustments for:		
Depreciation and amortization (Notes 6 and 7)	32,539,095	21,235,004
Interest expense (Note 10)	5,568,065	2,084,577
Dividends on preferred shares (Note 11)	6,696,150	4,676,599
Deferred tax benefit (Note 15)	(648,475)	(823,182)
Loss on joint venture (Note 5)	110,230	–
Amortization of IRU (Note 9)	(82,407)	(16,061)
Operating cash flows before working capital changes	55,561,828	41,270,518
Increase in accounts receivable, net	(2,162,368)	(1,718,112)
Increase in prepaid expenses and deposits	(466,886)	(365,201)
Increase in inventory	(4,251,368)	(142,290)
Increase (decrease) in accounts payable and accrued liabilities	7,658,731	(692,540)
Decrease in deferred income	(785,962)	(329,220)
Increase in subscriber deposits	348,414	158,671
Net cash from operating activities	55,902,389	38,181,826
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment (Notes 6, 18 and 19)	(55,812,623)	(21,381,679)
Additions to intangible assets (Note 7)	(808,344)	–
Additions to investments (Note 5)	(500,000)	(300,000)
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	(57,120,967)	(116,318,326)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt (Note 10)	2,750,000	68,124,900
Repayment of long-term debt (Note 10)	(2,545,234)	(3,501,963)
Repayment of mortgage (Note 9)	(142,379)	(6,308)
Proceeds from short-term notes (Note 8)	–	11,947,612
Repayment of short-term notes (Note 8)	(14,273,264)	–
Increase in capital lease obligations (Note 9)	603,190	86,207
Capital lease principal repayments (Note 9)	(711,606)	(61,908)
Issuance of preferred shares (Note 11)	58,145,600	13,310,000
Redemption of preferred shares (Note 11)	(3,645,600)	–
Issuance of ordinary shares (Note 12)	–	163,017
Repurchased and cancelled ordinary shares (Note 12)	(207,811)	–
Issuance of share based options (Note 17)	195,639	–
Interest paid on long-term debt (Note 10)	(5,568,065)	(1,786,639)
Dividends paid on preferred shares (Note 11)	(5,419,878)	(4,066,688)
Dividends paid on ordinary shares (Note 12)	(6,529,573)	(5,440,438)
Net cash from financing activities	22,651,019	78,767,792
NET INCREASE IN CASH	21,432,441	631,292
CASH, BEGINNING OF YEAR	9,307,070	8,675,778
CASH, END OF YEAR	$ 30,739,511	$ 9,307,070

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, 2014. 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 12	Disclosure of Interest in Other Entities
IAS 27	(Revised 2011) Separate Financial Statements
IAS 32	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

b. Standards and Interpretations in issue but not yet effective

IFRS 9	Financial Instruments
IFRS 10	(Amendments) Consolidated Financial Statements – Consolidation Exception
IFRS 11	(Amendments) Accounting for Acquisitions of Interest in Joint Operations
IFRS 12	Disclosure of Interest in Other Entities – Consolidation Exception
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 1	(Amended) Disclosure Initiative
IAS 16	(Amended) Property, Plant and Equipment
IAS 19	(Amended) Employee Benefits
IAS 34	(Amended) Interim Financial Reporting
IAS 38	(Amended) Intangible Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, applied consistently for all periods presented.

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

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

YEAR ENDED DECEMBER 31, 2014 | (EXPRESSED IN BAHAMIAN DOLLARS)

Basis of consolidation – These consolidated financial statements for the year ended December 31, 2014 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. Where exceptions do apply, no provision is made for receivables outstanding 90 days or more.

c. Inventory

Inventory items are recorded at lower of cost or net realizable value, with cost being determined using average cost. All inventory items are transferred to fixed assets or operating expenses accordingly, as they are placed into operation.

d. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives as follows:

Commercial buildings	40 years
Vehicles	3 years
Equipment	3–20 years
Cable systems	20 years
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 are 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

The Company's functional and presentation currency is the Bahamian Dollar. Assets and liabilities of foreign subsidiaries are translated from its functional currency into Bahamian dollars at the exchange rate in effect at the consolidated statement of financial position date for monetary assets and liabilities and at historical rates in effect for non-monetary assets and liabilities.

k. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets until such time as those assets are ready for their intended use.

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

l. Financial Instruments:

Financial assets

Financial assets are designated as either, a) financial assets at fair value through profit or loss, b) held-to-maturity, c) loans and receivables and or d) available for sale. All financial assets are carried at fair value or at cost if they have no quoted market price in an active market or the fair value cannot be reliably measured.

m. Basic and diluted earnings per share

Net comprehensive income per ordinary share is calculated by dividing net and comprehensive income for the year by the weighted average number of ordinary shares outstanding during the year.

n. Retirement benefit costs

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

o. Share based option plan

The Company provides to key employees through a long-term incentive plan the option to acquire ordinary shares in the Company over a five year period. The fair value of the options is expensed as the options vest over the term of the plan.

YEAR ENDED DECEMBER 31, 2014 | (EXPRESSED IN BAHAMIAN DOLLARS)

p. **Related parties**
Related parties include shareholders with shareholdings of 10% or greater of outstanding common shares, senior executive officers, directors, and companies that are controlled by these parties.

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

r. **Critical accounting judgments and key sources of estimation uncertainty**
In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

s. **Operating leases**
The Company rents real estate, poles and other support structures and facilities under operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

t. **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.

u. **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.

v. **Goodwill**
Where the fair value of consideration paid for a business combination exceeds the fair value of identifiable net assets acquired, the difference is treated as goodwill.

The Company tests goodwill and indefinite intangible assets for impairment annually and when events or changes in circumstances indicate that the carrying value may be impaired.

w. **Business combinations**
Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred (measured at acquisition date fair value), and the amount of any non-controlling interest in the acquiree.

x. **Income taxes**
The Company accounts for US income taxes using the asset and liability method, as prescribed under IAS 12. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax bases and financial reporting bases of the Company's assets and liabilities.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net comprise the following:

	2014	2013
Subscribers	$ 15,353,515	$ 14,519,519
Other	4,685,419	3,191,460
	20,038,934	17,710,979
Allowance for doubtful accounts	(1,574,813)	(1,409,226)
	$ 18,464,121	$ 16,301,753

Ageing of past due but not impaired:

	2014	2013
30–60 days	$ 5,402,537	$ 6,067,028
61–90 days	1,908,356	2,640,891
Greater than 90 days	3,526,907	837,598
	$ 10,837,800	$ 9,545,517

The movement of allowance for doubtful accounts is as follows:

	2014	2013
Balance at beginning of year	$ 1,409,226	$ 1,367,597
Amounts written off during the year	(1,248,016)	(849,141)
Amounts recovered during the year	102,205	173,401
Allowance recognized in the consolidated statement of comprehensive income	1,311,398	717,369
Balance at the end of the year	$ 1,574,813	$ 1,409,226

Ageing of impaired trade receivables is as follows:

90–120 days	$ 519,024	$ 799,296
Greater than 120 days	1,021,582	–
	$ 1,540,606	$ 799,296

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5. INVESTMENTS

Acquisitions

In 2013 the Company was successful in acquiring through SVI, 100% ownership interest in four Florida based communications companies which provide cable television, broadband, telephony and high speed data services.

The 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 represent 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 was $91,647,241.

In January of 2014, the Company initiated the merger of the Companies acquired into SBB. On completion of the merger USM, MIC and Nu Vu were dissolved and all operations are performed in SBB. The merger was administrative in nature and had no tax implications or operational disruptions.

Joint Venture

SBB has a 50% interest in Dais Communications, LLC ("Dais") which is accounted for under the equity method. As at December 31, 2014, the carrying value of the Company's 50% interest in Dais was $4,239,770 (2013: $3,850,000).

The following information summarizes the activity of the joint venture for the years ended December 31, 2014 and 2013:

	2014	2013
Balance sheet		
Assets	$ 4,366,040	$ 4,075,474
Liabilities	547,759	1,236,733
Total equity	$ 3,818,281	$ 2,838,741
Statement of income		
Revenue	$ 911,894	$ 360,873
Expenses	(1,132,353)	(513,151)
Net loss	$ (220,459)	$ (152,278)

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

	2014	2013
Investment in joint venture		
Balance at beginning of year	$ 3,850,000	$ 1,400,000
Contributed capital	500,000	1,660,000
Fair value adjustment	–	790,000
Loss on joint venture	(110,230)	–
	$ 4,239,770	$ 3,850,000

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, 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
Additions	164,365	2,222,241	803,507	9,518,661	15,890,159	25,081,411	2,132,279	55,812,623
Disposals	–	–	(1,497,750)	(3,485,307)	–	–	(35,788)	(5,018,845)
Balance at December 31, 2014	$ 2,147,983	$35,590,118	$2,505,293	$74,349,714	$210,433,009	$77,351,927	$11,862,529	$414,240,573
ACCUMULATED DEPRECIATION								
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
Depreciation	–	1,430,400	854,364	9,180,438	12,082,315	5,994,860	266,122	29,808,499
Disposals	–	–	(1,497,750)	(3,485,307)	–	–	(35,788)	(5,018,845)
Balance at December 31, 2014	$ –	$7,997,325	$1,088,353	$25,925,660	$100,311,427	$21,293,845	$668,327	$157,284,937
CARRYING VALUE								
As at December 31, 2014	$ 2,147,983	$27,592,793	$1,416,940	$48,424,054	$110,121,582	$56,058,082	$11,194,202	$256,955,636
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, 2014, 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.

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7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	ACQUIRED FRANCHISE LICENSE	COMMUNICATIONS LICENSE	CUSTOMER CONTRACTS	ACQUIRED LICENSES	TOTAL
COST					
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	7,556,42	14,700,000	12,947,315	40,424,988
Additions	–	–	808,344	–	808,344
Balance at December 31, 2014	$ 5,221,248	$ 7,556,425	$ 15,508,344	$ 12,947,315	$ 41,233,332
AMORTIZATION					
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
Amortization for the year	130,536	589,200	1,026,860	984,000	2,730,596
Balance at December 31, 2014	$ 2,568,516	$ 1,765,699	$ 2,159,303	$ 3,332,000	$ 9,825,518
CARRYING VALUE					
December 31, 2014	$ 2,652,732	$ 5,790,726	$ 13,349,041	$ 9,615,315	$ 31,407,814
December 31, 2013	$ 2,783,268	$ 6,379,926	$ 13,567,557	$ 10,599,315	$ 33,330,066

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, 2014 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 2014 was 10 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 a result of the 2013 acquisitions, as noted in Note 5, the Companies acquired 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. These customers contribute significantly to the Company's revenue and are expected to generate additional growth in the future. As a direct result it was determined that the value associated with these customer relationships amounted to $13,500,000 in the aggregate and are being amortized over a 15 year term.

8. SHORT-TERM NOTES

In 2013, the Company had in place unsecured short term US Dollar loans that consisted primarily of Promissory Notes. The proceeds of these Notes were used to facilitate the funding of the SVI acquisitions as described in Note 5. The total amount of notes outstanding as at December 31, 2014 was Nil (2013: $14,273,264).

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, 2014, the balance outstanding was $784,775 (2013: $927,154) of which the current portion due within one year was $151,916 (2013: $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, 2014, the balance outstanding totaled $1,496,727 (2013: $1,605,143) and the current lease principal payments due within one year was $820,593 (2013: $733,967).

Amounts payable under capital leases:

	2014	2013	2014	2013
	Minimum lease payment		Present value of minimum lease payment	
Within one year	$850,993	$761,773	$820,593	$733,967
Within two to five years	829,506	991,603	676,134	871,176
Less amount representing interest	(183,772)	(148,233)	–	–
Present value of minimum lease payment	$1,496,727	$1,605,143	$1,496,727	$1,605,143

IRU
The Company through SVI sold a 20 year and 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, 2014, the remaining term of the IRUs was 18 years and 22 years respectively.

The balance outstanding as at December 31, 2014 was $1,836,984 (2013: $1,919,391). The total amount amortized and included in income as at December 31, 2014 was $82,407 (2013: $16,061).

10. LONG-TERM DEBT

The Company has the following Long Term Facilities:

Senior Credit Facility
The Senior Credit Facility is a syndicated, fully secured loan with two Bahamian and two US domicile banks ("Senior Facility"). The Senior Facility is secured by a First Registered Demand Debenture creating a fixed and floating charge over all assets of the Company. The facility is also secured by guarantees and postponement of claims from all subsidiaries and assignment of insurance policies over the assets of the Company and its subsidiaries. The total amount owing of $103,015,703 (2013: $102,810,937) is inclusive of $25,000,000 which was directly funded to SVI. The Senior Facility bears interest at LIBOR plus applicable margins ranging from 2.5% to 4.0%. The margins applied are determined based on the Company's Senior Leverage Ratio.

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The loans are repayable in quarterly principal installments over the term of the facility. Based on the outstanding principal balance of $103,015,703 at December 31, 2014, the aggregate future principal maturities are as follows:

Year	
2015	$ 11,614,063
2016	8,987,500
2017	12,562,500
2018	69,851,640
Total	$ 103,015,703

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:

	2014	2013
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
Issued: 20,000 shares par value B$0.01 7% Series Five cumulative redeemable preferred shares at B$1,000	–	20,000,000
Issued: 103,500 shares par value B$0.01 5.75% Series Six cumulative redeemable preferred shares at B$1,000	103,500,000	–
Issued: 13,310 shares par value B$0.01 6% Series Seven cumulative, convertible redeemable preferred shares at B$1,000	13,310,000	13,310,000
Issued: 11,000 shares par value B$0.01 6.25% Series Eight cumulative, convertible redeemable preferred shares at B$1,000	11,000,000	–
TOTAL	$ 127,810,000	$ 73,310,000

The 8% Series Four preferred shares were issued July 31, 2009 and were redeemed in May 2014.

The 7% Series Five preferred shares were issued on July 1, 2010 and were redeemed in May 2014.

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

The 6% Series Seven preferred shares were issued on November 26, 2013 and mature in May 2016. These shares do not carry voting rights and dividends are accrued semi-annually. At maturity shareholders can choose to redeem the preference shares along with all accrued dividends for cash or convert the amount due into ordinary shares of up to one million shares at a rate of one Series Seven preferred share to 79.74 Ordinary Shares with any residual balance payable in cash. The Company may not redeem any of the Series Seven preferred shares prior to the maturity date. Included in accrued liabilities as at December 31, 2014 are dividends of $891,597 (2013: $67,826).

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

Management has estimated that the fair value of the Company's redeemable preferred shares approximates its stated amount of $127,810,000 since its dividend rates are comparable to current market rates.

12. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

	2014	2013
Authorized: 20,000,000 ordinary shares of B$1 each	$ 20,000,000	$ 20,000,000
Issued and fully paid	$ 13,592,424	$ 13,608,769

The number of shares outstanding as at December 31, 2014 was 13,592,424 (2013: 13,608,769) and the weighted average number of shares outstanding as of December 31, 2014 was 13,606,311 (2013: 13,599,815). During the year, 16,345 shares were repurchased and cancelled as part of the Company's share buyback plan.

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

	2014	2013
Earnings used in calculation of basic earnings per share	$ 11,379,170	$ 14,113,581
Dividends on convertible preference shares	891,597	67,826
Earnings used in calculation of diluted earnings per share	$ 12,270,767	$ 14,181,407

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

	2014	2013
Weighted average of ordinary shares used in calculation of basic earnings per share	13,606,311	13,599,815
Shares deemed to be issued for no consideration in respect of conversion of Series Seven preference shares	1,000,000	1,000,000
Shares deemed to be issued on vesting of share based option plan	83,000	–
Weighted average of ordinary shares used in calculation of diluted earnings per share	14,689,311	14,599,815

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 $200,000 (2013: $35,000).

SBB has in place a performance bond in the amount of $7,500,000. This bond is pursuant to a contract SBB has to provide its services to a commercial customer under contract. The terms of the bond requires SBB to meet certain requirements per the contract for which the bond serves as security. Once all requirements under the contract have been met the bond will be terminated.

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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 recognized in profit or loss:

	2014	2013
Current	$ –	$ –
Deferred	648,475	823,182
Total income tax benefit	$ 648,475	$ 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 SVI income tax benefit can be reconciled to the accounting loss as follows:

	2014	2013
Loss before tax from operations	$ (5,730,847)	$ (8,373,975)
Income tax benefit calculated at 34%	$ 1,948,488	$ 2,847,151
Effect of expenses not deductible in determining taxable income	(18,701)	(1,030)
State income tax benefit	345,370	80,070
Non-deductible	–	(2,103,009)
Effect of previously unrecognized deductible temporary differences now recognized as deferred tax assets	1,520,755	–
Effect of unused tax losses not recognized as deferred tax assets	(3,147,437)	–
Income tax benefit recognized in loss from operations	$ 648,475	$ 823,182

	2014	2013
Deferred tax assets		
Operational accruals	$ 1,266,325	$ 86,130
Deferred revenue	691,257	561,718
Transaction costs	–	768,895
Fixed assets – state	393,434	480,988
Net operating losses	12,767,325	6,850,298
Charitable contribution CF	1,811	1,265
Total deferred tax assets	15,120,152	8,749,294
Deferred tax liabilities		
Joint venture	$ (148,783)	$ (148,783)
Prepaid expenses	(293,311)	(86,536)
Intangibles	(1,801,400)	(1,826,028)
Fixed assets – federal	(12,876,658)	(7,336,422)
Total deferred tax liabilities	(15,120,152)	(9,397,769)
Net deferred tax asset (liability)	$ –	$ (648,475)

	2014	2013
Unrecognized deferred tax assets		
Transaction costs	$ 1,581,881	$ –
Net operating losses	1,565,556	–
	$ 3,147,437	$ –

In assessing the recognition of deferred assets, management considers whether it is probable that some portion or all assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company has $39,214,681 (2013: $23,149,367) of federal net operating loss (NOL) carry forwards and $32,039,396 (2013:$13,423,054) of state NOL carry forwards at December 31, 2014. In accordance with the Internal Revenue Code, Section 382, some portion of SBB's pre-acquisition NOL's may be subject to limitation on utilization. The NOLs can be utilized to reduce future taxable income and will expire in the years 2029 through 2034.

16. OPERATING EXPENSES

Operating expenses consist of the following:

	2014	2013
Programming	$ 31,936,682	$ 18,734,544
Administrative	29,389,030	15,348,541
Technical	11,069,725	11,021,683
Network services	10,673,176	9,775,386
Government and regulatory fees	5,838,227	8,543,090
Marketing	6,241,030	5,794,429
	$ 95,147,870	$ 69,217,673

17. EMPLOYEE COMPENSATION

Included in intangible assets, property, plant and equipment and operating expenses is employee compensation totaling $20,679,951 (2013: $18,309,399).

The Company participates in externally managed pension plans. Under the terms of the defined contribution plans, the Company matches employee contributions up to a maximum of 5% of salary for its staff and 12.5% for executive management. The Company's contributions amounted to $852,731 (2013: $704,385).

During the year, the Company implemented a share based options plan for key executives of the Company. The plan commenced on April 24, 2014, and under the terms of the plan, the maximum number of shares that may be issued upon the exercise of options shall not exceed 5% of the issued and outstanding shares of the Company. The total number of shares granted under the plan was 632,500, which vest equally over a five year period ending April of 2019. During the year 10,000 shares under the plan were terminated. The total number of shares vested as at year end was 83,000. The fair value of the shares granted as of the date of grant was $1,467,295 and was determined using the Black Scholes Options Pricing Model The fair value of the shares vested as at year end was $195,639 and is included in operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

18. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

	2014	2013
Short-term benefits	$ 1,877,867	$ 1,748,079
Long-term benefit – share based plan	106,070	–
Post employment benefits	111,277	102,737
	$ 2,095,214	$ 1,850,816

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.

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Other related party balances and transactions:

	2014	2013
Accounts receivable, net	$ 9,150	$ 16,119
Property, plant and equipment, net	$ 106,887	$ 146,604
Accounts payable and accrued liabilities	$ 602,787	$ 350,615
Short-term notes	$ –	$ 2,742,252
Preferred shares	$ 19,407,127	$ 16,276,127
Revenue	$ 187,762	$ 200,527
Operating expenses	$ 656,486	$ 659,847
Preferred dividends	$ 887,350	$ 76,578

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

In the opinion of management, the estimated fair value of financial assets and financial liabilities, (which are the Company's cash, accounts receivable, inventory, prepaid expenses, investment, 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. Prior year balances have been reclassified to conform with the current year's presentation.

The details of the various service segments are as follows:

2014

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

2013

	CABLE	CABLE FREEPORT	CARIBBEAN	MAXIL	SRG	SVI	CONSOLIDATED ELIMINATIONS	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
Intercompany charge	$ 251,667	$ –	$ –	$ –	$ –	$ –	$ (251,667)	$ –
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	$ 278,635,237	$ 28,884,258	$ 80,905,287	$ 2,070,878	$16,023,208	$123,666,848	$(186,565,481)	$ 343,620,235
Expenditures	$ 51,132,327	$ 7,026,132	$ 3,108,594	$ 188,500	$ 3,274,100	$ 13,813,637	$ (251,667)	$ 78,291,623
Reportable segment liabilities	$ 290,629,194	$ 2,438,733	$ 224,779	$ 271,927	$ 2,401,011	$ 82,107,214	$(137,455,053)	$ 240,617,805

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, 2014 was $103,015,703. For floating rate liabilities the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 25, 50 and 75 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

0.75	$ 772,618
0.50	$ 515,079
0.25	$ 257,539

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 2013.

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
On April 10, 2015, the Company issued a Series Nine 6.25% preferred shares totaling $64,946,500 denominated in Bahamian Dollars and a Series Ten 6.75% preferred shares totaling $9,500,000 denominated in US Dollars through a private placement offering. The term of both the Series Nine and Ten preferred shares is 10 years.

Ordinary share dividends
On March 11, 2015, the Company declared an ordinary dividend of $0.14 per share to all shareholders of record as of March 23, 2015. The total dividend paid on March 30, 2015 was $1,900,599.

Preferred share dividends
On April 30, 2015, the Company paid dividends on its 5.75% Series Six preferred shares in the amount of $2,951,168.

CORPORATE INFORMATION

DIRECTORS

Gary Kain
Chairman

Franklyn Butler II
Vice-Chairman

Troy d'Arville
Director

Ross McDonald
Director

Phaedra Y. Mackey-Knowles
Director

Calvin Knowles
Director

Simon Wilson
Director

Michele Merrell
Director

OFFICERS

Anthony Butler
President and CEO

Barry Williams
Senior Vice President of Finance

John Gomez
Vice President of Engineering

Blaine Schafer
Vice President of ITS Operations

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TWENTY YEARS OF EXCELLENCE AND SUCCESS

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2000 2001 2002 2003 2004

2005 2006 2007 2008 2009

2010 2011 2012 2013 2014

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