QUAD PLAY

A Taste of Things to Come

CABLE BAHAMAS LTD // **2015 ANNUAL REPORT**

2015 was a pivotal year for Cable Bahamas Ltd. (CBL). We achieved a magnificent milestone when we were confirmed as the successful applicant for the second mobile license in The Bahamas. Your company broke new ground as we became the premier **QUAD PLAY** communications provider in the nation. We are now in the position to provide world-class communications services for **Video, Broadband Internet, Fixed-line Telephone** and **Mobile Voice and Data Services.** This Quad Play is one more step towards enabling the “anytime, anywhere, on any device” experience our customers have been asking for.

VIDEO

$81 million
VIDEO REVENUE

115 thousand
VIDEO EQUIVALISED SUBSCRIBERS

BROADBAND

87 thousand
BROADBAND INTERNET SUBSCRIBERS

$52 million
INTERNET REVENUE

$15 million
DATA REVENUE

↑10%
INTERNET REVENUE

↑8%
DATA REVENUE

VOICE

$17 million
TELEPHONY REVENUE

51 thousand
TELEPHONY SUBSCRIBERS

MOBILE

2015

AUCTION WINNER
FOR THE 2ND MOBILE
LICENSE IN THE
BAHAMAS

COMING IN 2016

DELIVERING THE BAHAMAS'
NEXT GENERATION
MOBILE NETWORK

$166 million

TOTAL REVENUE

↑10%

TOTAL REVENUE

↑17%

DIVIDEND PAID

$49 million

FLORIDA REVENUE

SELECTED FINANCIAL RESULTS 2011 to 2015

[THOUSANDS EXCEPT PER SHARE NUMBERS]

	2015	2014	2013	2012	2011
REVENUE	**$ 165,678**	**$ 150,792**	**$ 119,578**	**$ 112,020**	**$ 99,851**
OPERATING EXPENSES	(113,930)	(95,148)	(69,218)	(63,356)	(55,651)
	51,748	55,644	50,360	48,664	44,200
Depreciation and amortisation	(30,154)	(32,539)	(21,235)	(19,396)	(16,826)
Operating income	**21,594**	**23,105**	**29,125**	**29,268**	**27,374**
Goodwill impairment	(20,499)	–	–	–	–
Loss on joint venture & disposal of assets	(126)	(110)	–	–	–
Acquisition expense	–	–	(9,074)	(1,468)	–
Interest expense	(4,404)	(5,568)	(2,085)	(1,639)	(1,756)
Dividend paid on preferred shares	(10,936)	(6,696)	(4,676)	(4,600)	(4,775)
Net (loss) income before deferred tax benefit	**$ (14,371)**	**$ 10,731**	**$ 13,290**	**$ 21,561**	**$ 20,843**
Deferred tax benefit	–	648	823	–	–
Net and comprehensive (loss) income	**$ (14,371)**	**$ 11,379**	**$ 14,113**	**$ 21,561**	**$ 20,843**
Issuance of ordinary shares	–	–	148	–	–
Repurchase and cancellation of shares	(202)	(191)	–	–	(79,881)
Vested share based options	271	195	–	–	–
Dividends paid on ordinary shares	(7,617)	(6,530)	(5,440)	(5,030)	(4,350)
Retained earnings, beginning of year	94,247	89,394	80,573	64,042	127,430
Retained earnings, end of year	**$ 72,328**	**$ 94,247**	**$ 89,394**	**$ 80,573**	**$ 64,042**
Operating income per ordinary share*	**$0.53**	**$0.57**	**$0.71**	**$0.72**	**$0.55**
Net income per ordinary share*	$(0.35)	$0.28	$0.35	$0.53	$0.42
Shares outstanding*	41,089	40,776	40,827	40,779	40,779

** Adjusted retrospectively for 3:1 stock split*

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CHAIRMAN'S LETTER

We continue to break the mould...

// Gary Kain, Chairman

What a pivotal year 2015 has been for Cable Bahamas (CBL). Pivotal in that our successes this year will propel the Company forward to great achievements in years to come. This year saw strides forward in international business integration and top class customer satisfaction. Over and above these accomplishments, the Company took an important step in becoming a Quad Play communications provider in The Bahamas by positioning itself to be the country's second mobile licensee.

Recently, CBL's journey has been immense. Our path has been deeply rooted in structured planning, hard work and effective execution. We have now reached a critical point in our development. With a strong market presence in The Bahamas and growing business in Florida, USA, we have achieved our goals of becoming a fully integrated international communications company — one that is the communications provider of choice.

Additionally, with shareholders and future investments in mind, we are focused on continually increasing value. For the first time in the history of the Company a share split was successfully completed. We completed a 3:1 share split for our ordinary shares thus, providing greater marketability and liquidity in the market and making shares more affordable to a wider range of investors. The market has demonstrated confidence in CBL's current and future performance should be evidenced by an increase in the price of our shares. By splitting our shares and reducing the price, we are making it possible for current and prospective shareholders to join and reap the benefits of CBL's success.

Since our initial application in 2012, CBL has remained persistent in our request to the Utilities Regulation and Competition Authority (URCA) for an increase in our basic cable television rates. In December 2015, after a four year wait, and for the first time since 1995, we were granted approval to increase basic television rates by 27%. This approval was imperative for CBL's operations as we continue to face increases in signal and operating expenses. We now have a greater ability to innovate, add more channels into the basic rate package, and make it much more attractive to our subscriber base.

The fiscal year ended December 31, 2015, was a year of growth, having achieved total revenue of $165.7 million, a significant improvement over our performance in the 2014 fiscal year. The overall performance in 2015 was negatively affected by a non-cash goodwill impairment charge related to the acquisition of the Florida-based subsidiary. This charge was approximately $20 million and was based on a third party valuation report and a review by the Company and its independent auditors. The charge does not affect the Company's operating performance. The Florida business has been reorganised to sharpen its focus on Summit Broadband's all fibre-based offering, which is gaining significant market traction. CBL is implementing these actions, and considering others, to optimise the value of its Florida reporting unit.

This year, in The Bahamas, our *"Turn Us On"* campaign, in particular, was especially influential in helping Bahamians understand CBL's credentials to win the mobile license. Our brand image remains relevant and paramount as we continue to position ourselves as the communications provider of choice.

We are very careful to deliver on our promises and commitment and that was never more apparent than with the unfortunate passing of Hurricane Joaquin in early October that led to the terrible dev-

astation of a number of islands located in the southern Bahamas. Our staff rose to the occasion and worked diligently to restore the impacted networks expeditiously.

In 2015, there were increased efforts by the Company to enhance the overall efficiency of its operations and improve the services provided to its customers. This was achieved by the reorganisation of various groups and departments. These initiatives not only improved the overall performance, but also created opportunities within the organisation for existing employees. This resulted in a win-win for both employees and the Company. This year, as with others, our Company continued with its holistic approach to enhancing and developing its employees. As such, all of the employees participated in an Employee Engagement Survey. The overall objective remains to create a well-equipped and trained workforce that is better able to respond to our customers' needs and the demands of an ever-changing telecommunications and technological environment.

Now the work begins to bring Quad Play to fruition. Much is expected of the service; innovative applications, robust network delivery, flexible and affordable pay plans. It is our responsibility, duty and desire to give this to our customers.

Looking ahead to 2016, we will continue to improve the customer experience and track improvements through meaningful statistics. Our plan going forward is about taking the impressive assets we already possess and executing to grow and strengthen the strong legacy that has already been established.

Our stakeholders of employees, shareholders and customers will not be disappointed. CBL is equipped financially and technologically to deliver—and with our work ethic and desire to succeed, we will!

Gary Kain, Chairman
Cable Bahamas Ltd.
June 28, 2016

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, 2015. This MD&A should be read in conjunction with the audited consolidated financial statements for the year end December 31, 2015 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 30, 2016.

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

"Time after time, we succeed."

As we enter our third decade of operation, it is important to remark on the success achieved year after year by our Company.

Over the last two decades, we have impacted Bahamian lives in every aspect; from providing service throughout all the geographies of the islands to connecting with all parts of the world. And now, our international presence through Florida paves the way for our future growth and development. Our financial and operational success has been a boon for The Bahamas in providing employment, opportunities for stakeholders work and a terrific return on shareholder investment.

The year of 2015 proved a continuation of this successful progress...and more. CBL was confirmed as the successful applicant for the second mobile license in The Bahamas. This magnificent achievement for the Company breaks new ground as we become a competitive Quad Play communications provider in the country. We are now in the position to provide world-class communications services for TV, broadband Internet, fixed line telephone and mobile voice and data services. This expansion will give Bahamians everything they have been asking for; innovative services and affordability.

This is one more step towards enabling the "anytime, anywhere, on any device" experience to all our customers.

As we develop our new mobile suite of offerings, CBL will continue to demonstrate the strength and expertise of both The Bahamas and Florida centres of excellence which will work in complete lockstep to ensure the very best services are brought to market.

Our progress in 2015 is reflected in the positive results of our annual financial statement. This is evident in our strong revenue and EBITDA results. These results are all the more impressive given the situation we have experienced though the year of continuous rising operational costs.

The Public said: "Turn Us On"

During the competitive bidding and evaluation process for the second mobile license, CBL launched its *"Turn Us On"* campaign. This campaign was our most dynamic and wide-reaching media campaign in the history of our Company. *"Turn Us On"* was the rallying cry for the Company and the people of The Bahamas to bring recognition to the benefits and strengths CBL would bring as the second licensed mobile provider in the country.

"Turn Us On" took the messages of a "one hundred percent Bahamian-owned company" with financial strength and stability, an expansive fibre network, strong corporate citizenship and Bahamian employment to the nation, through road shows, social media, live concerts and an extensive television ad campaign.

Mobile Makes 4

It is with great pride that CBL has been successful in bidding for the second mobile/cellular license in The Bahamas. The process required to acquire the license was a long and arduous one. CBL clearly demonstrated financial strength, technical capability and experience in the provision of communications services in the market. All these aspects contributed to our success and we look forward to adding mobile to our existing innovative communications product portfolio.

Market Leaders

Over the history of our operations, we are proud to have developed what we consider to be a competitively differentiated brand and a strong market position. In 2015 we continued to build and strengthen our brand by enhancing existing services and solutions to all facets of the marketplace.

CBL continued to fulfill its mandate to deliver superior products and services through its marketing programmes including its *"Get REVOICE: Save Money"* campaign, where we encouraged customers to *"cut the blue wire"* in our entertaining secret agent media ad series. This series focused on shifting the mindset of landline subscribers to highlight annual savings and benefits with REVOICE.

The Company continued its growth in the broadband sector in The Bahamas with a REVON broadband penetration of 67%. In 2015 we saw the power of broadband expressed by our customers moving to higher broadband speeds in greater numbers than ever before as data traffic over our broadband network has exploded by over 300% in the past three years and our subscribers grew by 10%.

Our TV product was strengthened by the introduction of a 200 channel IPTV solution, which was pioneered in the hospitality sector. Our HDTV product continued to show growth in the market as subscribers desire for higher quality picture and sound increases.

Industry Segmentation

Fully integrated communications are a critical requirement of modern business enterprise. With Quad Play comes the full raft of services and CBL bridges the gap to fulfill all communications needs in the country.

A key sector for The Bahamas economy is financial services. Both small and large commercial customers have come to depend on CBL to provide customised communications solutions backed with responsive support that are required to execute transactions at light-speed!

We have also made great strides in the education sector. This is an important area for the Company and we continue to provide various technology that are essential to supporting a top-quality education in today's world by providing fibre-based and cost effective solutions.

2015 was a breakthrough year for our progress with Government services. More than ever, the citizens of The Bahamas count on the government. To run efficiently they need effective "e-government" communications systems. To do that, the government counted on CBL's service commitment to provide cost-effective communications and IT services. This was realized through the "Government Wide Area Network" (GWAN) project that saw the construction and commissioning of a Tier IV data facility to support the IP connectivity to over 60 sites throughout the islands.

Media Initiatives

During the year, our commitment to community service has stayed strong. In fact, this year saw Cable 12 continue to expand, develop and evolve. We had the largest technical upgrade to our core production facility since inception was commissioned during 2015. With the completion of the technical upgrades, totaling approximately $1.5 million, the ascetics and functionality now provides CBL with the state-of-the-art facility that enhances the operational efficiency and enables a potential increase in revenue streams.

CBL has completely redefined the identity of Cable 12: not only by our technical transformation but also through our core production ideals. We continue to maintain our presence in local programming through outstanding live production, timely and poignant news and current affairs content.

The first part of this upgrade and rebrand is complete and includes the following:

- Technical overhaul of our production facility to a fully digital HD production environment with full LED lighting and wireless audio capability;
- A state of the art dynamic production set custom fabricated for our facility, designed and built to facilitate our developing production model;
- A Full HD production play-out server and digital content management system;
- Newly renovated editing/production suites.

World Class Technical Experts

CBL has always put great stock in our network, technical platforms and products which has continually enhanced our competitive position and positive financial performance.

At CBL, we have a knowledgeable, experienced technical team dedicated to quality and reliability. The technical teams keep pace with today's latest technology and network operations procedures. In providing quality and reliability, these teams serve our valued customers and have a long track record of exceeding expectations.

CBL continued to strengthen its network infrastructure in 2015 by upgrading its national and international Network Capacity. Through its Network Operations Group, CBL has strengthened its infrastructure with the upgrade of its Internet Peering capacity via the BICS Fibre Network; a submarine cable with a transmission capacity of up to 200 GB linking The Bahamas to Florida.

With a total capacity of 200 GB, the transport upgrade has substantially increased connectivity, and the availability in support of broadband services, thus addressing the exponential data transmission demand generated by CBL's corporate and residential clients. The diverse path into the USA has increased the reliability of communications, reducing the risk of interruptions by providing various routing options and alternative access to our Tier 1 upstream providers. In addition to its Internet Peering capacity upgrade, CBL has also successfully upgraded its broadband network capacity in 2015 by 100%. This increase has resulted in an improvement in the customer experience that further enhances our competitive edge in the telecommunications sector.

Preparing for the Future

An investment of approximately $300 thousand was allocated to Phase I of the upgrade of CBL's National Metro Ethernet Network. This upgrade involved a hardware refresh to all of our POPs that included the replacement of end of life equipment. This provided the opportunity to deliver and offer new emerging advanced network services consistent with the industry.

Additionally, CBL has made great strides in Virtual Environment Enhancement. We have fully implemented the enhanced virtual server platform. This entails the successful deployment of new servers for the current version of the corporate billing system. The benefits of the new virtual environment include quick turnaround time to create servers for new and existing applications, reduced maintenance for system administrators, reduced power, and space consumption in the corporate data centre.

Fibre Everywhere

CBL continues to strive to provide fully fibre-based solutions. This is part of our evolution from a Hybrid Fibre Coax (HFC) network video provider to becoming the premier Quad Play provider in the country, incorporating Internet, mobile telephony and data services.

We have adopted a strategy to maintain pace with global industry trends by the continued deployment of the fibre-to-the-home (FTTH) technology. Interestingly enough, we deployed our first such FTTH solution in Abaco over twelve years ago. Since then, the FTTH solution has been deployed to over ten (10) properties on the four islands (New Providence, Grand Bahama, Abaco and Eleuthera) connected via our national fibre ring. A subset of this strategy is to ensure the deployment of this solution to all new areas. In 2015, FTTH was offered in four new residential developments throughout New Providence and Abaco. This resulted in the activation of hundreds of new fibre subscribers to this service. Customers were extremely pleased with the performance of the service and provided numerous testimonials.

Putting Customers First

As we expand and offer more services, CBL is mindful of the importance of satisfying customer wishes. One area of concern has been access to locations for the cash payment of bills. To alleviate this, we have expanded our payment centres. During 2015, we set up a cooperative partnership with Cash 'N' Go. With this partnership customers are now able to pay their bills at Cash 'N' Go; the one-stop shop for bill payments in The Bahamas. This provides a great level of flexibility to our customers who now have the option of visiting our flagship store in the Mall at Marathon or stopping in at any of the fourteen (14) Cash 'N' Go locations in The Bahamas. With this partnership, we have realised a 10% reduction in "walk-in" payments at our flagship store and a 2% reduction in bank payments over the same period.

CBL continues to communicate alternative payment methods to our customers via marketing campaigns and ongoing Facebook notifications. Our goal is to broaden our partnership with Cash 'N' Go in 2016; especially into remote areas and Family Islands which not only provide options to customers, but also helps to reduce operational costs.

This year also saw a key restructuring of the Company to become more customer centric in order to drive and enhance efficiencies. We are now better equipped to drive increased revenue and reduce cost while also improving customer experience. We will continue to improve the customer experience while also growing revenue through a unified organisation that understands the needs of both our commercial and residential customers. This new structure achieves cost-effectiveness through the integration of all of the customer facing units of the Company into what we have labeled the Customer Experience Division.

Hurricane Joaquin

During October 2015, a number of islands in the southern Bahamas were devastated by Hurricane Joaquin, a powerful category 4 tropical cyclone. As a result, CBL's networks, facilities and pole line infrastructure were adversely impacted on seven (7) islands. The majority (five) of the islands impacted receive a 6-channel broadcast/TV service. There were approximately 800 active paying customers whose video service was impacted by the passing of the dangerous hurricane.

We recognise how critical our services are during the time of a natural disaster—even more so on the Family Islands. Restoration of service was a priority for the Company and all necessary resources were mobilised to minimise the downtime and loss of service. Despite the loss of parabolic satellite dishes and antenna arrays, service was restored to most locations by December 2015. In some instances the technical teams were able to restore the 6-channel broadcast/TV service within 8 days of the passing of the hurricane.

We have a strong commitment to the community of The Bahamas and take that responsibility extremely seriously. We like to think that in times of hardship and need, CBL will perform at its best to make sure any impact is minimised and service restored in quick time.

Florida Momentum

CBL's U.S. business, Summit Broadband, continued to gain strength in 2015 with a primary focus of providing a world-class customer service experience and expanding the service area by increasing the fibre footprint to significantly differentiate Summit Broadband from the competition, and drive the brand in the marketplace. The main differentiator is the ability to provide exceptional customer experience through the call centre, onsite customer advocates, and customer launch representatives.

Summit Broadband, has experienced increased recognition and awareness of the Company and the services provided in the Florida marketplace. In December 2015, Summit Broadband was named the fastest Internet provider in Orlando (Ookla Speed Test Awards 2015) with speeds far exceeding the second highest carrier. Broadband-now.com independent reviewers continue to provide the highest marks for Summit Broadband, over any other competitor.

Recognised as a leader in fibre-to-the-home and fibre-to-the-business, Summit Broadband leveraged that technology, as well as the strong carrier-grade backbone and robust service offerings, to increase revenue by 38% during 2015. This included an increase in commercial revenue by $4.7 million, and residential revenue by $8.8 million. Specifically, the Company experienced significant revenue increases in residential Internet services at 40%, commercial Internet services at 13% and residential Video at 30%.

At the end of 2015, from a residential subscriber perspective, Summit Broadband served 33,100 customers, which is an increase of 8,300 subscribers (34%) over the 24,800 customers serviced for the full year of 2014. Our service excellence is further confirmed with over 4,000 residential customers with signed contracts within the 2016 pipeline. Additionally, over 6,550 new or upgraded hotel room units were added to the network.

In addition, Summit Broadband was awarded a significant tower backhaul project by a major U.S. wireless carrier in 2015 supplementing our core business. The total contract value, in excess of $32.6 million, extends the current fibre network by an additional 482 fibre route miles that enables the Company to diversify its offerings and position itself strategically in the market for future opportunities.

In 2015, Summit Broadband completed an overall network architectural integration of bringing the multiple separate networks of US Metro, Marco Island, Nuvu and Summit Broadband together into one upgraded core network. The Company selected a world class leading equipment manufacturer based on price, functionality and platform flexibility. The goals remain steadfast maintaining the carrier grade network and build an effective and efficient environment to sell and deliver standard network services to our business and residential customers.

The new core network will consist of three main sites, the Orlando Headend, the Bonita Springs Headend and the Miami NOTA, as well as 28 edge, aggregation and access sites. The architecture is based on an industry standard IP/MPLS based network capable of delivering a variety of carrier grade protocols in support of optimal failover protection against hardware or physical failures.

Capital expenditures directly related to the growth in Florida are a material component of facilitating the potential of that growth, while generating revenue and meeting the operating income projections. The end results will be the creation of increased shareholder value, stability and resilient diversification of the Company.

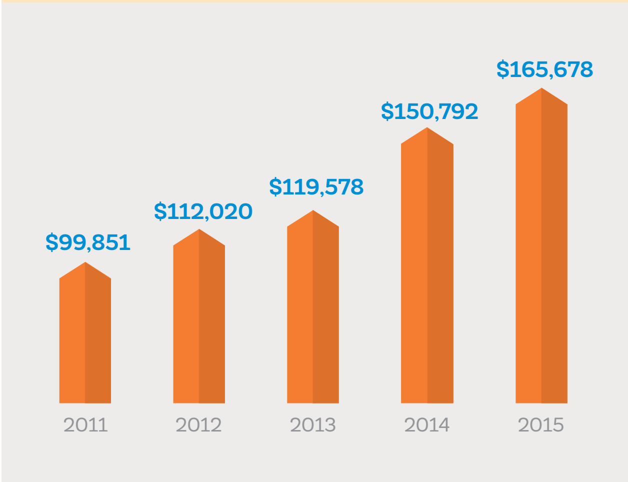
FINANCIAL RESULTS

Overall performance in our markets remained strong during 2015. We continued to see growth as our revenues increased by 10% to reach $165.7 million. Over the last 5 years, total revenues grew by approximately $76.8 million or over 86%. The largest contributing factors to this growth were revenues from our Florida operations and those generated from REVON Internet and REVON Data.

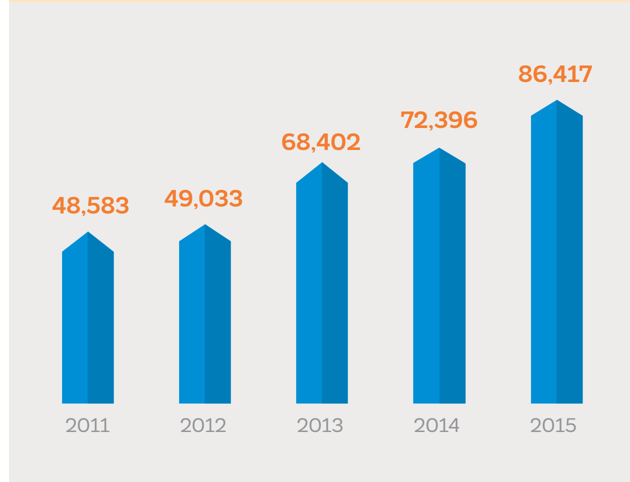
With an increasing amount of contract wins over the past years, our Florida operations contributed approximately $92 million or 28% of total revenues since its acquisition in 2013 and acquired approximately 37,000 net new subscribers in 2015 representing a 66% growth over prior year. We expect to see our Florida operations grow significantly over the next 5 years as we continue our expansion abroad.

In The Bahamas, sales from REVON Internet and REVON Data reached an all-time high as consumers increased their appetite for band-

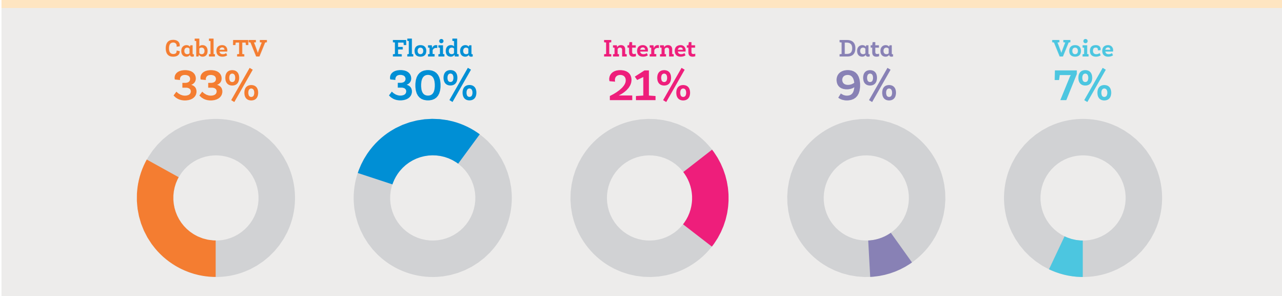
Total Revenue (2011–2015)
($ Thousands)



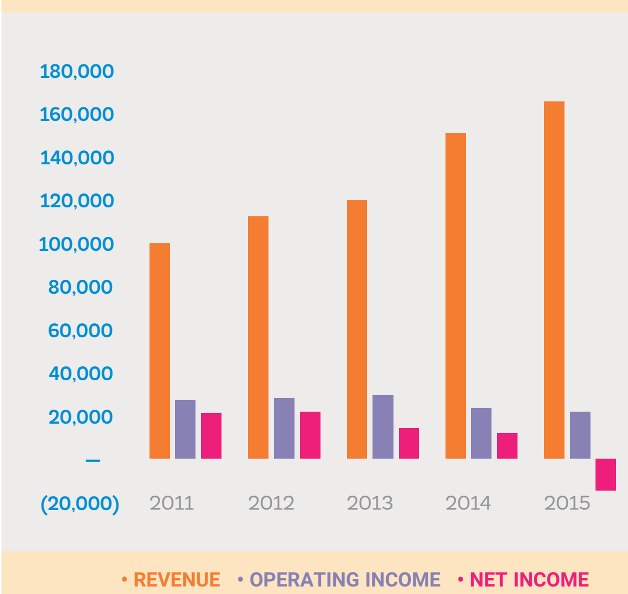
Internet Subscriber Growth (2011–2015)



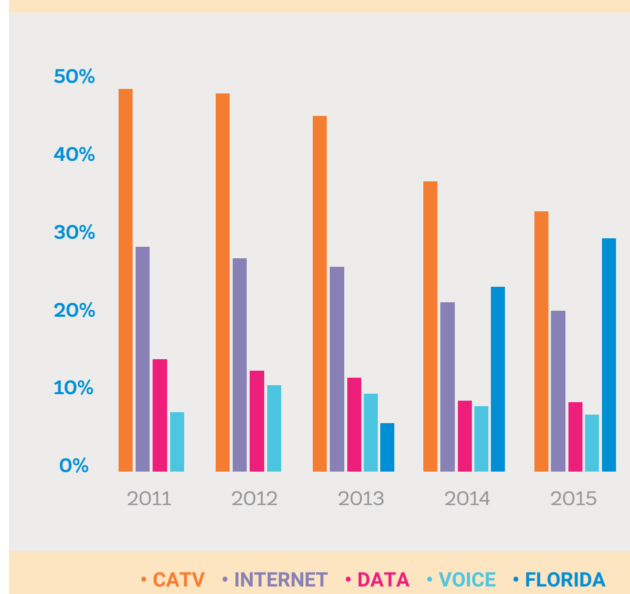
2015 Revenue by Business Segment



Operating Summary (2011–2015)
($ Thousands)



Revenue Composition (2011–2015)
($ Thousands)



width. During 2015, REVON Internet sales reached $34.1 million and accounted for 96% of the total growth in revenue year-over-year. REVON Data brought in revenues of $14.8 million and grew by 8%. We continue to see success with our set-top box lease programme which boasted a 9% increase year-over-year.

Overall, revenues comprised the following; REVTV $55.4 million, REVON Internet $34.1 million, REVON Data $14.8 million, REVOICE $12 million, and our Florida Operations $49.3 million. As we move forward into 2016 and beyond, we expect continued increases in revenues.

In 2016, our Bahamas operations introduced REV Trio, providing customers with the option to bundle video, internet and voice services which we anticipate will boost future revenues. Furthermore, effective February 2016, following approval from URCA, residential rates for REVTV Prime, commercial basic cable rates, and commercial bar/lounge rates increased. These increases came as a first in nearly 21 years despite increases in channel offerings. Also, our introduction of REVTV Prime Local, a standalone package offering six channels to residential customers at a monthly subscription cost of $10, is also expected to help grow our revenues and subscriber base in The Bahamas.

As we invest in capital projects in Florida and win new contracts, we continue to see tremendous growth in our Florida revenues and subscriber base. Coupled with the increase in revenue was an increase in operating expenses to the tune of $18.8 million or 20% year-over-year. This increase was primarily due to rising programming costs which continued to be a common trend within the industry. During the year, programming costs increased by 33% to $36.8 million in The Bahamas and Florida combined. We anticipate that the 2016 basic rate increase will partially offset the continuous increase in programming fees and further lead to providing customers with more innovative channel lineups.

Also during the year, Administrative costs increased by $4.6 million or 19% due primarily to an increase in payroll and related costs in Florida. During the year, our Florida team expanded as we established both a Network Operations Centre (NOC) and Technical Operations Centre (TOC) to improve the customer experience.

Net income was negatively affected by goodwill impairment during the year. In compliance with International Financial Reporting Standards (IFRS), an annual impairment test was performed on goodwill held at our Florida operations. Results of the analysis indicated an impairment loss of $20.5 million which was recorded as a reduction to operating income in the current year. The goodwill write-down was a non-cash event with no impact on current or future cash flows. The impairment arose as an acquisition-related misrepresentation at closing became known after acquisition that affected the fairness of the initial purchase price of the Florida-based companies; this finding required revisions to the initial cash flow

projections. Cash flow projections were based on economic and group specific assumptions as well as projections provided by the Group's management based on a six-year forecast. Beyond the six-year forecast, a terminal multiple of EBITDA was applied, which reflected the assumed sale of the business at the end of the six-year forecast period, or 2021. Impairment tests performed on all other long-lived assets did not require any subsequent write-downs.

During 2015, we successfully raised $75 million through our Series 9 and Series 10 preference share issuances. The new issues together with one full year of dividends from the 2014 Series 6 and 8 preference shares, contributed to a $4.2 million increase in preferred dividend expense during the year.

As a result of these and other expenditure increases, total expenses grew by $40.6 million resulting in a net loss of $14.4 million at the end of 2015. Management remains cognizant of both operating and non-operating costs and continues to place emphasis on efficiency in the day to day operations of CBL. Management envisions a very successful future with EBITDA and net income results expected to increase going forward as the Florida growth strategy materialises and we enter into the mobile arena.

Earnings per share (EPS) for 2015 was $(0.35) compared to $0.28 in 2014 and was impacted by the 3-for-1 stock split which occurred in July 2015. As at December 31, 2015, CBL's assets totaled $483.3 million which represented an increase of $80.5 million or 20% over 2014. The major contributing factors to the increase in total assets were a $43.7 million increase in property, plant and equipment due to buildout at SVI and tower spend in The Bahamas, and a $32.3 million increase in cash raised primarily through our preference share issue associated with the Mobile Spectrum License Auction. Liabilities also increased by $102.4 million to $397.4 million or 35% primarily due to the $75 million Series 9 and 10 preference share issues.

QUARTERLY ANALYSIS

Over the last eight quarters from 2014 to 2015, revenue has grown from $37.4 million in quarter one of 2014 to $41.7 million in quarter four of 2015. This growth is mainly attributable to the expansion into the US. 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 as the Company experienced a net loss in the fourth quarter due to a $20.5 million goodwill write-down and a $4 million increase in dividends on preferred shares which brought net income down from $3 million in quarter one of 2014 to a net loss of $19.1 million in quarter four of 2015. We expect a positive trend in net income in the future consistent with revenue and EBITDA as the Florida and mobile growth strategies come to fruition.

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 2015 audited financials it is evident that the Company currently generates in excess of $51.7 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.

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 short-term fixed 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 favorable 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 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 authorised 60 million ordinary shares. At the close of 2015, there were 41,088,777 shares outstanding. As such, there were 18,911,223 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.

Now The Real Work Begins...

CBL's journey has been immense. Our path has been deeply rooted in structured planning, hard work and effective execution. We have now reached a pivotal point in our development. We have strong market presence in The Bahamas and stable acquisition business in Florida, USA. We have achieved our goals of becoming a fully integrated international communications company—one that is the communications provider of choice.

Now, we must move on to make Quad Play a reality. With the successful bid for the second mobile license in The Bahamas we expect to be awarded the license in short order. Then the work begins to bring Quad Play to fruition. Much is expected of the service; innovative applications, robust network delivery, flexible and affordable pay plans. It is our responsibility, duty and desire to give this to our customers.

Our stakeholders of employees, shareholders and customers will not be let down. CBL is equipped financially and technologically to deliver—and with our work ethic and desire to succeed, we will! ■

2015 FINANCIALS

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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and Management Consultants
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TO THE SHAREHOLDERS OF CABLE BAHAMAS LTD.

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Deloitte & Touche

May 3, 2016

A member firm of
Deloitte Touche Tohmatsu Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

ASSETS	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents	$ 63,000,666	$ 30,739,511
Trade and other receivables (Notes 4 and 18)	25,839,097	18,464,121
Prepaid expenses and deposits	3,522,384	3,220,893
Inventory	11,594,106	9,054,737
Total current assets	103,956,253	61,479,262
NON-CURRENT ASSETS:		
Investment in a joint venture (Note 5)	4,171,658	4,239,770
Property, plant and equipment, net (Notes 6, 17 and 18)	300,628,235	256,955,636
Deferred tax asset (Note 15)	31,484,846	15,120,152
Goodwill (Note 8)	13,074,164	33,573,164
Intangible assets (Notes 7 and 17)	29,951,677	31,407,814
Total non-current assets	379,310,580	341,296,536
TOTAL	**$ 483,266,833**	**$ 402,775,798**
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note 18)	$ 41,773,398	$ 34,318,631
Deferred income	1,896,484	2,059,937
Current portion of other liabilities (Note 9)	1,461,634	972,509
Current portion of long-term debt (Note 10)	11,424,375	11,614,063
Total current liabilities	56,555,891	48,965,140
NON-CURRENT LIABILITIES:		
Subscriber deposits	7,499,023	6,893,034
Other liabilities (Note 9)	10,946,235	3,145,977
Deferred tax liability (Note 15)	31,484,846	15,120,152
Long-term debt (Note 10)	88,065,426	93,001,640
Preferred shares (Notes 11 and 18)	202,810,000	127,810,000
Total non-current liabilities	340,805,530	245,970,803
Total liabilities	397,361,421	294,935,943
EQUITY:		
Ordinary share capital (Note 12)	13,577,759	13,592,424
Retained earnings	72,327,653	94,247,431
Total equity	85,905,412	107,839,855
TOTAL	**$ 483,266,833**	**$ 402,775,798**

See notes to consolidated financial statements.

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

Calvin Knowles | Director

Franklyn Butler II | Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

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

(Continued)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

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

(Concluded)

See notes to consolidated financial statements.

YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

1. GENERAL

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

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

2. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS

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

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

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

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

b. Standards and Interpretations in issue but not yet effective

IFRS 5	(Amended) Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	(Amended) Financial Instruments: Disclosures
IFRS 9	Financial Instruments
IFRS 10	(Amended) Consolidated Financial Statements
IFRS 11	(Amended) Joint Arrangements
IFRS 12	(Amended) Disclosure of Interests in Other Entities
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 1	(Amended) Presentation of Items of Other Comprehensive Income
IAS 7	(Amended) Statement of Cash Flows
IAS 12	(Amended) Income Taxes
IAS 16	(Amended) Property, Plant and Equipment
IAS 19	(Amended) Employee Benefits
IAS 27	(Amended) Separate Financial Statements
IAS 28	(Amended) Investments in Associates and Joint Ventures (2011)
IAS 34	(Amended) Interim Financial Reporting
IAS 38	(Amended) Intangible Assets
IAS 41	(Amended) Agriculture

2. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS // continued

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.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

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

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

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

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

a. Cash and cash equivalents
Cash and cash equivalents comprises cash on hand and demand deposits with original maturities of three months or less and are subject to insignificant risk of changes in value.

b. Trade and other receivables
Trade and other receivables are carried net of allowance for doubtful accounts. All subscriber receivables outstanding for 90 days or more are fully provided for. In addition, the credit quality of all subscriber receivables is monitored on a regular basis to determine whether any exceptions should apply to the policy and if any changes warrant an increase or decrease in the allowance for doubtful accounts. Where exceptions do apply, no provision is made for receivables outstanding 90 days or more.

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

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

Commercial buildings	40 years
Vehicles	3 years
Equipment	3–20 years

3. SIGNIFICANT ACCOUNTING POLICIES // continued

Cable systems	20 years
Fibre optic network	25 years
Web hosting systems	8 years

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

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

Acquired franchise license
Acquired franchise license is being amortised on a straight-line basis over a period of 40 years. A period of 40 years has been selected because the Company has acquired an exclusive cable operating license through to the year 2054.

Customer contracts
These contracts are comprised of acquired third party customer and related contracts. Contracts are amortised over various ranges (see Note 7).

Communications license
All costs associated with the license are being amortised on a straight-line basis over the term of the license which expires in the year 2024.

Acquired licenses
Acquired communications and spectrum licenses are being amortized on a straight line basis over the term of the licenses which expire in 2024.

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

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

g. **Deferred income**
Payments received in advance from subscribers are treated as deferred income and are recognized as income when earned.

h. **Indefeasible Right of Use (IRU)**
The proceeds from the sale of IRUs are recorded in other liabilities and installation fees are recorded in income at the time of sale. Income from IRUs is recognized on a straight line basis over the term of the IRU contract.

i. **Subscriber deposits**
In the normal course of its operations, the Company requires its customers to make deposits relating to services contracted. These deposits are repayable to the customer on termination of contracted services, net of any outstanding amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES // continued

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

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

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

l. **Financial instruments:**

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

Financial liabilities
Financial liabilities are designated as either: a) financial liabilities at fair value through profit and loss, or b) financial liabilities at amortized cost. At initial measurement, all financial liabilities are measured at fair value or at cost if they have no quoted market price in an active market or if the fair value cannot be reliably measured.

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

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

o. **Share based option plan**
The Company provides to key employees through a long-term incentive plan, the option to acquire ordinary shares in the Company over a five year period. The fair value of the options is determined using the Black Sholes Option Pricing Model and is expensed as the options vest over the term of the plan.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES // continued

r. Critical accounting judgments and key sources of estimation uncertainty

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

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

s. Operating leases

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

t. Finance leases

The Company leases certain equipment under finance leases whenever the terms of the lease transfers substantially all risks and rewards or ownership of the assets to the lessee. Assets and liabilities under finance leases are recorded at the present value of the minimum lease payments. Leased equipment is amortised over its estimated productive life.

u. Joint venture

The Company has a 50% interest in Dais Communications, LLC a US incorporated entity. This interest is accounted for under the equity method.

v. Goodwill

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

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

w. Business combinations

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

x. Income taxes

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

Deferred tax is recognised 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 recognised 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 utilised. 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 realised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

3. SIGNIFICANT ACCOUNTING POLICIES // continued

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

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

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

y. Value Added Tax (VAT)

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

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

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

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

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

The movement of allowance for doubtful accounts is as follows:

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

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4. TRADE AND OTHER RECEIVABLES // *continued*

The ageing of impaired trade receivables is as follows:

	2015	2014
90–120 days	$ 400,614	$ 519,024
Greater than 120 days	863,897	1,021,582
	$ 1,264,511	$ 1,540,606

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

5. INVESTMENT IN A JOINT VENTURE

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

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

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

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

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

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, 2013	$ 1,983,618	$33,367,877	$3,199,536	$68,316,360	$194,542,850	$52,270,516	$9,766,038	$363,446,795
Additions	164,365	2,222,241	803,507	9,518,661	15,890,159	25,081,411	2,132,279	55,812,623
Disposals	–	–	(1,497,750)	(3,485,307)	–	–	(35,788)	(5,018,845)
Balance at December 31, 2014	2,147,983	35,590,118	2,505,293	74,349,714	210,433,009	77,351,927	11,862,529	414,240,573
Additions	1,115,422	1,100,297	1,146,879	11,589,019	12,901,350	43,115,194	–	70,968,161
Transfer of assets	–	–	–	–	–	11,350,521	(11,350,521)	–
Disposals	–	–	(602,481)	(10,083,683)	(12,963,897)	–	(3,712)	(23,653,773)
Balance at December 31, 2015	$3,263,405	$36,690,415	$3,049,691	$75,855,050	$210,370,462	$131,817,642	$508,296	$461,554,961
ACCUMULATED DEPRECIATION								
Balance at December 31, 2013	$ –	$6,566,925	$1,731,739	$20,230,529	$88,229,112	$15,298,985	$437,993	$132,495,283
Depreciation	–	1,430,400	854,364	9,180,438	12,082,315	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	100,311,426	21,293,846	668,327	157,284,937
Depreciation	–	496,608	780,115	11,054,288	10,165,305	4,712,677	24,418	27,233,411
Transfer of assets	–	–	–	1,319,945	–	(1,035,599)	(284,346)	–
Disposals	–	–	(602,481)	(10,083,683)	(12,901,746)	–	(3,712)	(23,591,622)
Balance at December 31, 2015	$ –	$8,493,933	$1,265,987	$28,216,210	$97,574,985	$24,970,924	$404,687	$160,926,726
CARRYING VALUE								
As at December 31, 2015	$3,263,405	$28,196,482	$1,783,704	$47,638,840	$112,795,477	$106,846,718	$103,609	$300,628,235
As at December 31, 2014	$ 2,147,983	$27,592,793	$1,416,940	$48,424,054	$110,121,583	$56,058,081	$11,194,202	$256,955,636

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

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	ACQUIRED FRANCHISE LICENSE	COMMUNICATIONS LICENSE	CUSTOMER CONTRACTS	ACQUIRED LICENSES	TOTAL
COST					
Balance at December 31, 2013	$ 5,221,248	$ 7,556,425	$ 14,700,000	$ 12,947,315	$ 40,424,988
Additions	–	–	808,344	–	808,344
Balance at December 31, 2014	5,221,248	7,556,425	15,508,344	12,947,315	41,233,332
Additions	–	–	1,464,020	–	1,464,020
Balance at December 31, 2015	$ 5,221,248	$ 7,556,425	$ 16,972,364	$ 12,947,315	$ 42,697,352
AMORTISATION					
Balance at December 31, 2013	$ 2,437,980	$ 1,176,499	$ 1,132,443	$ 2,348,000	$ 7,094,922
Amortisation 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
Amortisation for the year	130,536	589,200	1,216,421	984,000	2,920,157
Balance at December 31, 2015	$ 2,699,052	$ 2,354,899	$ 3,375,724	$ 4,316,000	$ 12,745,675
CARRYING VALUE					
December 31, 2015	$ 2,522,196	$ 5,201,526	$ 13,596,640	$ 8,631,315	$ 29,951,677
December 31, 2014	$ 2,652,732	$ 5,790,726	$ 13,349,041	$ 9,615,315	$ 31,407,814

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

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

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

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8. GOODWILL

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

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

	2015	2014
Cost	$ 33,573,164	$ 33,573,164
Impairment loss	(20,499,000)	–
	$ 13,074,164	$ 33,573,164

The movement of goodwill impairment is as follows:

	2015	2014
Balance at beginning of year	$ –	$ –
Impairment loss recognised to income in the year	(20,499,000)	–
Balance at the end of the year	$(20,499,000)	$ –

9. OTHER LIABILITIES

Other liabilities are comprised of the following:

Mortgage on SBB administrative building

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

Capital lease obligations

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

Amounts payable under capital leases:

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

YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

9. OTHER LIABILITIES // continued

IRU

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

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

10. LONG-TERM DEBT

The Company has the following long term facilities:

Senior Credit Facility

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

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

Year	
2016	$ 9,824,375
2017	9,824,375
2018	78,241,051
	$ 97,889,801

Subordinate Credit Facility

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

11. PREFERRED SHARES

Preferred shares consist of the following:

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

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

The 6% Series Seven preferred shares were issued on November 26, 2013 and mature in May 2016. These shares do not carry voting rights and dividends are accrued semi-annually. At maturity shareholders can choose to redeem the preference shares along with all accrued dividends for cash or convert the amount due into ordinary shares of up to three million shares at a rate of one Series Seven preferred share to 239.22 Ordinary Shares adjusted for stock split with any residual balance payable in cash. The Company may not redeem any of the Series Seven preferred shares prior to the maturity date. Included in accrued liabilities as at December 31, 2015 are dividends of $1,756,474 (2014: $891,597).

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

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

11. PREFERRED SHARES // continued

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

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

12. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

	2015	2014
Authorised: 60,000,000 ordinary shares of no par value	$ 20,000,000	$ 20,000,000
Issued and fully paid: 41,088,777 ordinary shares of no par value	$ 13,577,759	$ 13,592,424

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

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

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

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

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

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

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13. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

14. LICENSES AND AGREEMENTS

Communications License

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

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

Florida Licenses Acquired

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

Grand Bahama Port Authority License

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

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

Federal Communications Commission license (FCC)

Caribbean was granted a cable landing license by the FCC to land and operate two private fibre 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 recognised in profit or loss:

	2015	2014
Current	$ –	$ –
Deferred	–	648,475
Total income tax benefit	$ –	$ 648,475

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15. INCOME TAXES // *continued*

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

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

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

	2015	2014
Deferred tax assets		
Operational accruals	$ 3,585,497	$ 1,266,325
Deferred revenue	657,745	691,257
Fixed assets – state	1,812,742	393,434
Net operating losses	25,423,458	12,767,325
Charitable contribution carried forward	5,404	1,811
Total deferred tax assets	$ 31,484,846	$ 15,120,152
Deferred tax liabilities		
Joint venture	$ (148,783)	$ (148,783)
Prepaid expenses	(303,447)	(293,311)
Intangibles	(1,808,978)	(1,801,400)
Fixed assets – federal	(29,223,638)	(12,876,658)
Total deferred tax liabilities	(31,484,846)	(15,120,152)
Net deferred tax asset (liability)	$ –	$ –

	2015	2014
Unrecognised deferred tax assets		
Transaction costs	$ 1,111,818	$ 1,581,881
Net operating losses	5,899,699	1,565,556
	$ 7,011,517	$ 3,147,437

15. INCOME TAXES // *continued*

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

16. OPERATING EXPENSES

Operating expenses consist of the following:

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

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

17. EMPLOYEE COMPENSATION

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

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

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

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

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

17. EMPLOYEE COMPENSATION // continued

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

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

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

Inputs into the model

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

18. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

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

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

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18. RELATED PARTY BALANCES AND TRANSACTIONS // continued

Other related party balances and transactions:

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

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

20. SEGMENT INFORMATION

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

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

20. SEGMENT INFORMATION // *continued*

The details of the various service segments are as follows:

2015

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

2014

	CABLE	CABLE FREEPORT	CARIBBEAN	MAXIL	SRG	SVI	ELIMINATIONS	CONSOLIDATED 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 amortisation	$ 16,609,626	$ 2,455,263	$ 2,142,000	$ 25,305	$ 308,026	$ 10,998,875	$ -	$ 32,539,095
Reportable segment profit (loss)	$ (4,748,938)	$ 6,202,140	$ 7,123,046	$ 696,449	$ 7,335,362	$ (5,730,847)	$ (146,517)	$ 10,730,695
Reportable segment assets	$ 316,269,911	$ 26,718,478	$ 88,669,718	$ 2,868,088	$ 28,140,279	$160,373,575	$ (220,264,251)	$ 402,775,798
Operating expenses	$ 55,730,609	$ 7,118,915	$ 2,813,018	$ 200,436	$ 3,188,753	$ 27,001,139	$ (905,000)	$ 95,147,870
Reportable segment liabilities	$ 334,701,455	$ 2,359,129	$ 86,614	$ 372,688	$ 4,527,052	$123,896,313	$ (171,007,308)	$ 294,935,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

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 organisational and procedural controls. The systems of internal control include written communication of the Company's policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel and sound accounting policies, which are regularly updated. These controls are designed to provide the Company with reasonable assurance that assets are safeguarded against unauthorised use or disposition, liabilities are recognised, and the Company is in compliance with all regulatory requirements.

Foreign currency risk

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 utilising 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.

YEAR ENDED DECEMBER 31, 2015 // EXPRESSED IN BAHAMIAN DOLLARS

21. RISK MANAGEMENT // continued

Sensitivity analysis

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

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

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

Capital risk management

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

Corporate tax management

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

22. SUBSEQUENT EVENTS

Ordinary shares rights offering

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

Ordinary share dividends

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

Preferred share dividends

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

CORPORATE INFORMATION

DIRECTORS

Gary Kain
Chairman

Ross McDonald
Director

Michele Merrell
Director

Franklyn Butler II
Vice-Chairman

Calvin Knowles
Director

Theresa Burrows
Director

Troy d'Arville
Director

Lester Cox
Director

OFFICERS

Anthony Butler
CEO & President

Mark Lipford
Chief Operating Officer Florida

Barry Williams
Senior Vice President of Finance

John Gomez
Chief Operating Officer Bahamas

Blaine Schafer
Chief Technology Officer

Felicity Johnson
Corporate Secretary

EXECUTIVES

BAHAMAS

David Burrows
Vice President of Marketing

Beverly Saunders
Vice President of Human Resources

David Van Dyke
Vice President of Customer Experience

FLORIDA

Brenda Kincaid
Vice President of Culture & Talent

Andy Kissenberth
Senior Vice President of Sales

Paula Meads
Vice President of Finance

Sue Reinhold
Vice President of Engineering

SHARE REGISTRAR AND TRANSFER AGENT

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