unleashing potential

2017
Annual
Report

constant motion

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tenacious capacity

What defines Cable Bahamas' journey as a company is its **tenacious capacity** to continually adapt and develop along with: 1) ever advancing technology, 2) market forces, and 3) the increasing demands of a savvy customer base — all in the face of unexpected challenges. We are a **bold and vibrant** company that **refuses to stand still;** like a shark, we are in **constant motion.**

We relentlessly pursue **powerful vision** yet we employ **great wisdom** in taking our time to plan and perfect **clear strategy.** With experience and foresight, we aim to build even more growth by **unleashing our potential.**

selected financial results 2012 to 2017

[THOUSANDS EXCEPT PER SHARE NUMBERS]

	2017	2015	2014	2013	2012
REVENUE	**$ 281,968**	**$ 165,678**	**$ 150,792**	**$ 119,578**	**$ 112,020**
OPERATING EXPENSES	(232,336)	(113,930)	(95,148)	(69,218)	(63,356)
	49,632	51,748	55,644	50,360	48,664
Depreciation and amortisation	(67,175)	(30,154)	(32,539)	(21,235)	(19,396)
Operating income	**(17,543)**	**21,594**	**23,105**	**29,125**	**29,268**
Goodwill impairment	–	(20,499)	–	–	–
Loss on joint venture & disposal of assets	(5,886)	(126)	(110)	–	–
Acquisition expense	–	–	–	(9,074)	(1,468)
Interest expense	(8,446)	(4,404)	(5,568)	(2,085)	(1,639)
Dividends paid on preferred shares	(19,842)	(10,936)	(6,696)	(4,676)	(4,600)
Net (loss) income before taxation	**(51,717)**	**(14,371)**	**10,731**	**13,290**	**21,561**
(Income tax expense) Deferred tax benefit	(10)	–	648	823	–
Net and comprehensive (loss) income	**$ (51,727)**	**$ (14,371)**	**$ 11,379**	**$ 14,113**	**$ 21,561**
Net loss attributable to non-controlling interest	(28,741)	–	–	–	–
Net (loss) income attributable to owners of the Company	**$ (22,986)**	**$ (14,371)**	**$ 11,379**	**$ 14,113**	**$ 21,561**
Issuance of ordinary shares	–	–	–	148	–
Repurchase and cancellation of shares	–	(202)	(191)	–	–
Vested share based options	245	271	195	–	–
Dividends paid on ordinary shares	(4,142)	(7,617)	(6,530)	(5,440)	(5,030)
Retained earnings, beginning of year	72,328	94,247	89,394	80,573	64,042
Retained earnings, end of year	**$ 45,445**	**$ 72,328**	**$ 94,247**	**$ 89,394**	**$ 80,573**
Operating income per ordinary share*	**$ (0.41)**	**$ 0.53**	**$ 0.57**	**$ 0.71**	**$ 0.72**
Net income per ordinary share*	**$ (0.54)**	**$ (0.35)**	**$ 0.28**	**$ 0.35**	**$ 0.53**
Shares outstanding*	43,887	41,089	40,776	40,827	40,779
Weighted average shares outstanding*	42,638	40,796	40,818	40,800	40,785

**Adjusted retrospectively for 3:1 stock split*

clear strategy

chairman's letter

"Our Group of Companies is stronger now than ever."

– Gary Kain | CHAIRMAN

Cable Bahamas Ltd. (CBL) has been undergoing a significant transformation over the last four years but our goal doesn't change; it is to improve the experience we offer our customers every day.

This has enabled us to move beyond our legacy in video services, unleashing our potential, to create a business that spans multiple telecommunications markets offering products over cutting-edge telecom platforms. Our footprint and operations now span over 700 miles from Central Florida south to the Windward Passage in the Caribbean.

The CBL Group is a strong collection of corporations that function as a single economic entity through a common source of control. Having established this structure, our emphasis is now on synergy to ensure cohesiveness, efficiencies and excellence.

Each of CBL's operating areas—video, broadband, fixed line and mobile services—are at different stages in their journey and subsequently have differing impacts on this year's financial results. Whether it is in the re-energised Florida market primed with attractive opportunities for continued growth or our mobile subsidiary, BeALIV Ltd. (ALIV), which is in its start-up phase, both are very much in the transitional stage of earnings and waiting to catch up with balance-sheet growth. Every element of our Group of businesses are currently operating consistent with our 2014 long-term strategy.

On July 1, 2016 CBL's mobile enterprise became ALIV as we introduced the 2nd mobile operator in The Bahamas. Incredibly, in four short months, ALIV built a network and began delivering services over the most advanced LTE network ever experienced in The Bahamas. At the same time, our Florida operations continued to execute and deliver on its aggressive plans, while our core REV triple play businesses in The Bahamas continued to be the buttress for the Company. We are unrelenting in our investment in people, offering careers to young vibrant employees and building and enhancing networks to provide an ever-improving experience for our customers.

The success of our approach is demonstrated in the sustained financial and operational performance of the Group. Our June 30, 2017 results reflect solid execution of our plan and the intrinsic value in our unparalleled asset portfolio. Our consistent, long-term performance will increasingly be the result of a clear strategy and exceptional execution by all of our colleagues. Going forward, the entire Group will benefit from pooled resources and extensive expertise, accelerating our progress and ambitions everywhere.

To align our fiscal year across our expanding business units in the CBL operating Group, the 2016 financial period was extended from December 31, 2016 to June 30, 2017, an eighteen-month period. Going forward our annual reporting period will be the normal twelve month period from July 1 to June 30.

As a Group, we achieved strong revenue and adjusted EBITDA growth and met all of our financial guidance targets during this period. The Company also embarked on a capital raising initiative and raised a combined total $120 million gross proceeds through a combination of preferred shares offering, bond issuance and equity financing. The Company also secured an amortisation holiday on its Senior Credit Facility principal payments. All of this was undertaken to support our long term strategy set out in 2014 and enhance our ability to provide stronger returns to our shareholders. We pride ourselves on the highest level of corporate governance and financial prudence. Our established Board Committees meet regularly to review matters in their mandate and make recommendations to the board.

Staying ALIV

Mobile will be the growth engine of our business in The Bahamas for the foreseeable future. ALIV's market share, in seven short months since service launch, has exceeded expectations. Our aggressive marketing campaigns and branding of our data offers has changed the social media and marketing landscape of The Bahamas, fostering solid brand awareness, recognition, and customer satisfaction. Since the first customer activation in November 2016, approximately 78,000 subscribers are a testament of that fact and are enjoying unprecedented customer service and data network performance via the most advanced LTE telecom platform available in the archipelago. Our wireless spectrum and network investments enable us to provide the connectivity, speed and reliability our customers have come to enjoy and demand. The multi-band LTE wireless network coverage to 95% of The Bahamas' population and our prime 700 MHz spectrum, now covers 91% of The Bahamas' land mass. The remainder of the country can expect to enjoy the same level of service by spring of 2018.

REV'd Up

The traditional Bahamian REV suite of offerings remains strong and stable. The fixed-line REVOICE business continues to witness momentum while our REVON broadband offerings, with data and telecom are now our largest segment; which, significantly, is a shift to higher-margin services. REVTV remains strong and robust despite a full year of competition through continued marketing and innovation.

Media is Thriving

In Spring 2016, following a multi-million dollar upgrade to the studio and production unit, Channel 12 was rebranded to OURTV. The production team delivered another year of compelling content, particularly with the restructured ***OUR News*** newscast. The successful execution of the plan has been the catalyst for the media group to deliver its best ever twelve-month performance with viewership and revenues reaching all-time highs.

The Florida Drive

The Florida operation continues to expand and grow, with over 800 fibre miles of trunk network spanning eight counties with access to a population of four million. Summit Broadband has witnessed double digit growth as RGUs (revenue generating units) surpassed 100,000 for the first time. Broadband and video subscribers increased by 14% and 15% respectively.

It's All About You

Customer experience across all of the Group continues to be at the centre of everything we do. It is given our top priority and the goal is to always offer the products customers want and support those services with the best interaction possible. With that in mind, CBL launched a number of tools and offerings throughout the year to make our customers' lives a little easier. Now utilising our own LTE data network, our field technicians and service personnel can work more efficiently and independently from head office when servicing or initialising customer services. It has resulted in significant efficiencies. Billing continues to be the number one reason our customers contact us, therefore it is in this area that considerable effort has been expended to make it simpler and faster to get resolution to enquiries or concerns.

Met Challenges Head-On

The passing of Hurricane Matthew in early October 2016 placed a great strain on our Company and severely tested all of our customer experience plans. Matthew was a powerful and devastating tropical cyclone which became the first Category 5 Atlantic hurricane in ten years. Preparations began in earnest across the network when Matthew underwent explosive intensification, ultimately reaching Category 5 strength. Regionally, it wrought widespread destruction and catastrophic loss of life but thankfully The Bahamian population was spared.

Passing completely through the entire network as a major hurricane, its destructive path caused widespread damage. A combination of flooding and high winds disrupted power lines and destroyed extensive swaths of land. The Government of The Bahamas estimated the storm caused damages in excess of US$600 million and was also the most destructive in recorded history.

We sustained network damage on all islands, with Andros, Grand Bahama, New Providence and Eleuthera suffering the most. It has been recorded that around 80% of Grand Bahama sustained considerable damage. On New Providence, our most densely populated subscriber network, substantial recovery was achieved by the end of November. However areas on Grand Bahama, which required a complete rebuild, didn't realise full service recovery until March 2017. This storm posed the sternest test of our hurricane recovery plan in the Company's history. For the first time, it was necessary to mobilise international recovery crews from Florida and Canada, to support the recovery efforts. At its height, over forty emergency vehicles were mobilised and shipped onto Grand Bahama to support the quickest reinstatement of services possible. In total, Hurricane Matthew caused over $8 million in damages, a figure which far exceeded any previous storm costs the Company has had to endure.

Shareholder Value

During the year, the CBL share price experienced some unusual fluctuation following the share split and rights offering and dividend suspension. This was in large part due to individual shareholders who suffered hurricane damages liquidating their position and concerns over the entry of competition in the video sector. Since May 2017, this has stabilised prompting a Bahamian financial consultant to declare that "CBL remains an appealing growth investment at a deeply undervalued price."

We are confident in our strategic direction and our EBITDA growth continues to improve. However, we are not yet fully satisfied by the returns that we are achieving on the substantial investments that the Group has made in recent years. However, overall, the Board remains confident of the Group's cash generation ability, and its forecast return on capital. This confidence will be reflected in our imminent review of the dividend policy which was put on hold in July 2016 to preserve cash during initial stages of the mobile build out and the fixed line expansion programme in Florida. The Company recently announced that these dividend payments will resume in financial year 2019.

Thank You

The Board is grateful to Calvin Knowles, Theresa Burrows and Lester Cox for their contributions and valuable perspective during their time on the Board. On behalf of the Board, I would also like to thank all our shareholders for their continued support.

Conclusion

Finally, thanks to every one of my Cable Bahamas colleagues for their efforts this year. Our gifted teams, across all the operating groups, have continued to challenge themselves in the pursuit of excellence for our customers. As always, our primary concern is with our customers, employees and investors and, with a stable of solid companies in a variety of diverse markets, we know that the future for the CBL Group looks stronger than ever.

Gary Kain | Chairman

chairman's letter

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 June 30, 2017. This MD&A should be read in conjunction with the audited consolidated financial statements for the year end June 30, 2017 and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars.

The Company has changed its year-end from December 31 to June 30 to better reflect the seasonality of the business and allow for the company's year-end audit to be carried out during the slower months as opposed to the busy Christmas period. The accounts presented are for the eighteen month period commencing on January 1, 2016 and ending on June 30, 2017. Comparative figures are for the twelve months ended December 31, 2015. Because of the longer reporting period and seasonal nature of the business, current period figures are not wholly comparable to prior period figures. References to the year 2017 refer to the period mentioned above. This MD&A is dated October 24, 2017.

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.

management discussion and analysis

A Year to Remember

The Cable Bahamas Group Comes of Age

Time to Stand Up and Be Counted. And We Did!

The last eighteen months of the Company's history was made up of triumph, achievement, superlatives, expansion and, unfortunately, hurricane despair. All of which served to define the character, structure and tenacity of CBL as a Group — one that is strong, yet caring; resilient yet flexible; international, yet local.

The CBL Group is now made up of several core business units that come together in strength and balance specifically to serve our customers in The Bahamas and the US. We take our responsibilities seriously and ensure that, as we grow, we do so with a holistic approach for our shareholders, employees and, importantly, our customers. We have done this throughout this period as we have met our challenges and opportunities head on. And there were many. This has allowed CBL to evolve and grow as every milestone is encountered; continuing to add value to your Company.

2017 – A Sonorous Period

This period was full of milestones for the CBL Group culminating in a triumphant eighteen-month period financial results. The year saw CBL continue to grow its REV business in The Bahamas, cement its foothold in Florida with Summit Broadband and, most significantly, win The Bahamas' second mobile license and successfully launch ALIV mobile service a mere four months later. All of this was done in a year hampered by the severe impact of Hurricane Matthew—a Category 5 hurricane—which adversely impacted CBL's network infrastructure within The Bahamas.

Amazingly, we came through the year in incredibly strong fashion with fourth quarter consolidated results showing the Company's greatest ever revenues over a twelve-month period, topping $180 million with an EBITDA of over $43 million and adding over $100 million in revenues for the six months thereafter, reaching $282 million with an EBITDA of $50 million. The Company anticipates that as ALIV executes its plan, completes its build-out and continues to grow and maintain its subscriber base to become EBITDA positive within twenty-four months.

$282m
TOTAL REVENUE INCREASED BY 70%

The Bahamas: The Rock for Sustained Growth

Our 21 years of providing service to The Bahamas has become our bedrock and mantra for growth. CBL has demonstrated resilience and fortitude as it has marched through the years. Our business in The Bahamas has seen diversity and development of all our services to enable our customer base to experience a quality that is unrivaled anywhere. From this base of video and Broadband Internet, we have grown into additional voice and mobile services and been able to expand overseas to extend our reach.

Ever Advancing TV

Cable and IPTV are advancing in leaps and bounds and CBL's commitment is to remain at the forefront of this technology. As such, we constantly review the industry to bring the best to our customers.

Several developments were launched throughout the year. In July 2016, we expanded our channel line up with the addition of 47 channels across the platform packages with our *"More is More"* campaign, with 20 channels added to Prime (Basic). During this time we also launched Cinemax Go; our second TV App into the market. Additionally, we launched Channel 200, a channel designed to direct subscribers to channels based on programming type. All this to give our customers the choice of what and how to view their entertainment and news.

In December, we launched a new channel guide with a sleek new look, allowing customers to enjoy the same great features with more on-screen programme information. Thus, we are in a constant state of improving our TV product; always with a focus on the customer experience. More is to come in the coming months so stay tuned!

In order to battle increasing programme costs and maintain the best possible services, CBL was granted a price increase in its REVTV Prime (formerly Basic) offer. Significantly, this is the first increase in rates since the introduction of Cable in 1995. The price increase came into effect in February 2016 and has helped us to offset some of the annual increases in programming cost and has allowed us to add more value to our REVTV lineup.

The Trio Campaign and Broadband

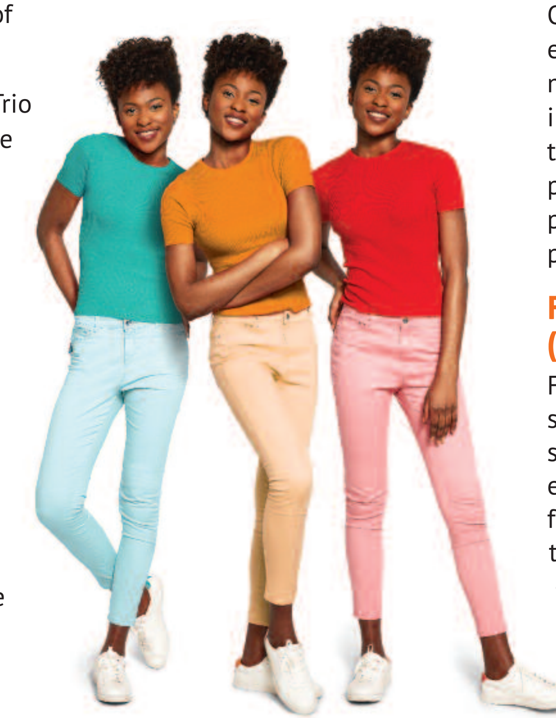
In April 2016, your Company launched its Trio campaign, bundling higher broadband speeds as incentives for subscribers to have all three of our core products. Through this new Trio offer,

customers experienced significant savings and received greater value in services with the free increase in Internet speeds. This provided speed boosts of between 40 and 100 per cent to new and existing Trio REV customers. As a result, Trio subscription uptake led to our highest broadband subscriber numbers in the Company's history; surpassing 55,000 by the end of June 2017.

Therefore, the majority of our Trio subscribers were able to double their broadband speeds without increasing their broadband subscription fees with the addition of our voice services. CBL has been and remains the leader in broadband in the country, commanding a 70% market share, growing by over 2,000 subscribers in the last period as a result of this initiative. We know speed, capacity and reliability drives Internet usage and broadband incentives, like Trio, proved to be a catalyst for broadband growth in what is a saturated market.

Commendably, in June 2016, CBL was awarded the Ookla Award for being the fastest broadband company in The Bahamas surpassing our nearest competitor in average broadband speed by over 220%. Ookla, the company behind Speedtest, is the global leader in Internet testing and analysis and has been providing global insight into the telecommunications industry since 2006. They ranked CBL as the fastest Internet service provider in the country based on results from over 38,000 speed tests conducted in the first half of 2016.

CBL has consistently delivered speed increases to REVON subscribers – the latest speed hike being offered at no added cost to "triple play" subscribers. CBL attributes its ability to meet the ever-increasing demand for faster speeds to its robust distribution network built over 21 years ago, including access to DOCSIS 3 technology.



Trio and Voice

The Company's landline voice business continues to steadily grow. The Trio promotion also impacted our subscriptions here with a 34% market share by the end of our financial year. In most cases, as per the promotion, subscribers were required to get voice services to receive the benefit of the increased broadband speeds. We are pleased to note that while our voice market share increased, our Trio subscriptions also increased with over 33% of our residential customer base having REV triple play.

Our marketing drive is certainly effective. With such an increase in market share, CBL is better placed in the market to take advantage of the economies of scale to further penetrate the market with this product and expand our Trio penetration and ARPU value.

Fibre-To-The-Home (FTTH) Drive

FTTH continues to be CBL's passion in bringing state-of-the-art services into the home. With the exponential growth in bandwidth for service applications, this solution is ideal. As part of our ongoing drive, in January 2017, we completed construction on our FTTH green-field build out in Treasure Cay, Abaco, further expanding our FTTH footprint through communities around the country.

Hurricane Matthew – And Our Response

Hurricane Matthew raked across The Bahamas' main northern islands on October 5, 2016 with a full Category 4 force winds topping 130 mph and gusts up to 160 mph. This tore off roofs, toppled trees, cable and power lines, while flooding homes and marooning residents and tourists in the capital of Nassau and other towns.

Experiencing a direct hit from the eye wall of Matthew, Grand Bahama suffered extensive damage. An estimated 95% of homes in Eight Mile Rock and Holmes Rock sustained severe damage. Flooding, induced by the backside of the storm, affected much of the western half of the island.

The aftermath, particularly on Grand Bahama, was tough for the community and CBL had to rise to the challenge to get lifeline communication back up. For five months, we worked tirelessly to recover from the most devastating and impactful hurricane effects in our Company's history. During this time, our teams answered more than 200,000 phone calls and restored services to more than 60,000 homes and businesses that were impacted by the hurricane. We pride ourselves in servicing the community and in this instance we showed our true colors.

“We Heard You”

Customers are our prime focus in business. The 2017 financial year saw CBL take a close look at how we interact with our subscribers; the ways in which we deliver our services to them, and how we provide help when they need it. We realised that we had been asking our customers to be available on our schedule rather than on their schedule. To improve the experience for our subscribers and to foster a more customer-centric environment, we began testing shorter schedule times which yielded early positive results.

In January 2017, we then launched *“We Heard You”*, a public relations campaign designed to inform our subscribers of the service initiatives that we launched and would be launching in the aftermath of Hurricane Matthew to serve them better. Following research with customers, these initiatives included: Shorter visit windows for service and installations, Smart-Tech, Automated Arrival Times, Enhanced Technician Routing and Enhanced Quality of Service.

We also launched the REV white glove service, which included the *“Shop While You Wait”* feature: where customers visiting the REV store could hold their place in line by simply providing their mobile number. An SMS would be sent to the number provided when it’s their turn in line, allowing the customer to enjoy their shopping experience and to browse the REV store at their convenience.

We know customer service is the differentiator and as such we heard you and we will continue to listen to what our customers say and adapt accordingly. It will be the cornerstone of how we proceed going forward in the years to come.

Know Them, Love Them, Keep Them.

In February 2017, we implemented an internal campaign to better focus our staff on the importance of the campaign dubbed; *“Know Them, Love Them, Keep Them”*.

This initiative was launched as a corporate-wide strategy under these key themes. The campaign was supported by the introduction of a Net Promoter Score research designed to better understand customer satisfaction on a monthly basis in different areas of the country as satisfaction may vary by area. We also conducted all employee workshops to explain the strategy and importance on big data analytics to energise our entire team into implementing this strategy to better serve our customer base with a single focus.

Financial Results

CBL Bahamas segment has performed admirably over the last five years on its main revenue streams. We are pleased to highlight the revenue growth over this period through the various successful initiatives undertaken by management. Total revenue for the twelve-month periods ending December 2012 to December 2016 had increased nearly 14% to $127 million with a compound annual growth rate (CAGR) of 3%. Comparing the twelve month period ending December 2016 to 2015, revenue has grown by a commendable 9% or $10 million. The last six months in the 2017 financial year added an additional $68 million in revenues to end the year at $196 million. All of this was achieved despite the brutal impact of Hurricane Matthew in October 2016 which devastated many parts of CBL’s home base, The Bahamas, and led to $2 million of hurricane rebates provided to our customers for loss of service as a result of the storm.

Our REVON product line, inclusive of Internet and data, made up 42% of this increase in revenue over the five-year period to December 2016. The six months thereafter, remained strong adding $27 million in revenues to the end of the financial year 2017 at $78 million. Consistent with industry trends, we have seen customers’ demand for broadband capacity and speed surge over the years and, as a consequence, we saw an increase in our subscriber base and REVON revenues. This is a testament to the stability of our network and our ongoing commitment to ensure we maintain a robust and scalable network that allows us to always be in a position to meet the ever increasing customer demands.

REVTV revenue, over the five-year period, makes up 25% of the overall increase. As with other global providers, we have seen an impact on our REVTV subscribers due to cord-cutting for online video streaming. However, the enhancement of our TV product coupled with the rate increase, helped to negate any material negative impact on revenue and defray the ever increasing cost of programming.

The changes from the rate increase took effect on February 8, 2016 where REVTV Residential Prime increased from $30 to $38. Commercial basic cable services increased from $50 to $64, and commercial bar/lounge rates moved from $125 to $141. REVTV Prime Local was also introduced in February 2016 offering six channels to residential customers at a monthly subscription cost of $10. Over the twelve-month period to the end of December 2016, REVTV saw an increase of 6% of revenues compared to the previous year same period and added an additional $28 million for six months thereafter to the end of the financial year 2017.

The introduction of ALIV has provided a new revenue stream for the CBL Bahamas segment. CBL currently provides a number of services through a Master Services Agreement (MSA) as well as certain support services inclusive of the lease of cellular towers and certain network electronics to ALIV. This agreement has contributed nearly $10 million over the seven months of ALIV providing services. It is anticipated that as ALIV continues to grow service offerings, revenues from this new product line will increase and significantly contribute to the overall revenues and profitability of your Company.

Overall, revenues at the end of financial year 2017 comprised of the following: REVTV inclusive of Media revenues – $90 million, representing 46%, REVON Internet – $55 million, representing 28%, REVON Data – $24 million, representing 12%, REVOICE – $18 million, representing 9%, and MSA Revenues – $10 million, representing 5%.

With the granting of the second mobile license in The Bahamas in 2016, CBL expedited its physical build-out of the cellular towers and purchasing of certain network electronics to ensure ALIV meets their regulatory imposed targets. Costs relating to this acceleration of the build-out, the intense preparatory efforts, tower construction, maintenance agreements and hiring programme to support the MSA revenue stream, formed a significant part of the capital and expense cost during the period.

Total expenses and capital outlay was also impacted by the Hurricane Matthew restoration cost. A significant part of the Grand Bahama outside plant network, which sustained the most damage, was rebuilt to the tune of nearly $6 million. An additional $2 million in cost was expensed during the financial year as a result of the storm not relating to the rebuild.

As a Company, we are still being challenged by the annual increases in programming cost. We are continually reviewing these costs and our REVTV product line to ensure we are providing the best in quality and value to our customers and at the same time our shareholders. The recent rate increase has helped to defray some of the increase cost during the period.

Despite these additional costs, EBITDA over the twelve-month period to the end of December 2016 compared to the same period in 2015, increased over 12%. In the six months thereafter, an additional $28 million was added to end the financial year 2017 at $80 million. EBITDA margin for CBL Bahamas segment increased slightly to 41% at the end of the financial year.

During 2016, CBL successfully raised $17 million through its ordinary share rights offering and $43 million in Series 11–13 preferred shares to assist with funding the investment into ALIV and fund the Company's capital and operating expenditures.

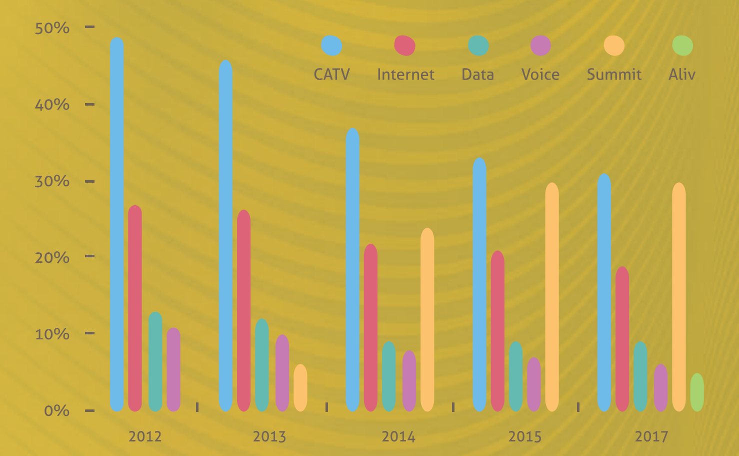
As a result of these new preferred share issuances, the Company would have experienced a negative impact to Net Income compared to the previous year together with a full year of dividends from the 2015 Series 9 and 10.

To the end of December 2016, the new issues added an additional $2 million in preferred share dividends compared to the twelve-month period in 2015. Net Income ended the financial year 2017 for the CBL Bahamas segment at $33 million with earnings per share (EPS) of $0.80 over this period.

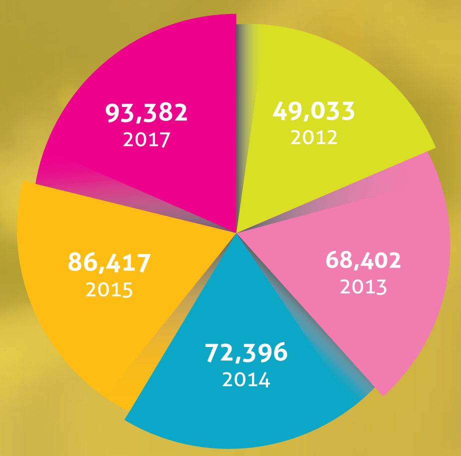
As at June 30, 2017, the Company's total assets for the CBL Bahamas segment equated to $572 million, which represents an increase of $131 million or 30% since December 2015. The increase is primarily due to the investment into ALIV and capital expenditures incurred during the eighteen-month period. Total liabilities increased to $335 million or 26% since the previous period.

2012-2017 FINANCIAL RESULTS

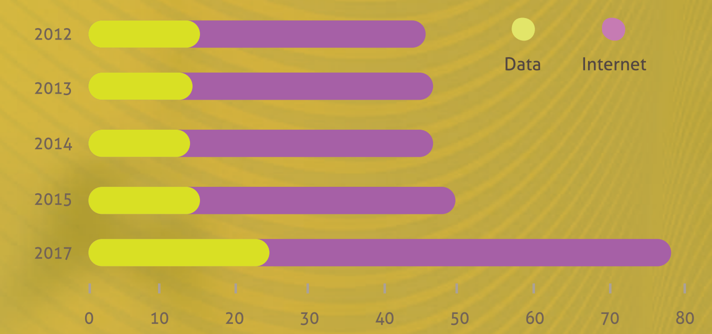
Revenue Composition (2012–2017)



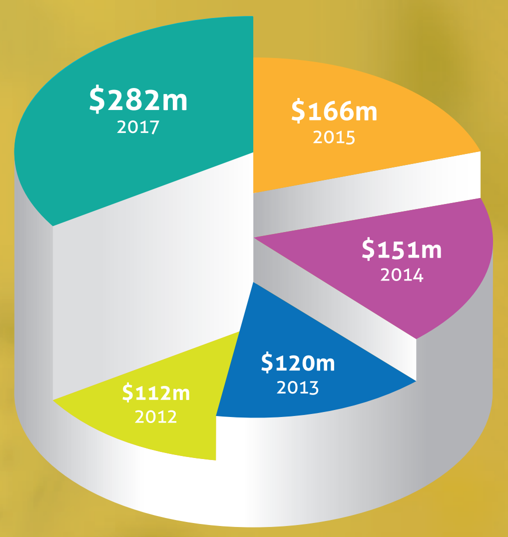
Internet Subscribers (2012–2017)



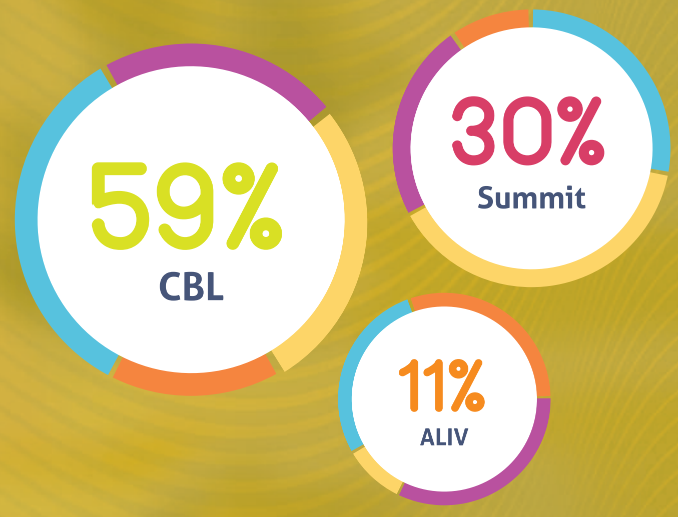
Data & Internet Revenue (2012–2017) ($ millions)



Total Revenue (2012–2017) ($ millions)



2017 Revenue by Business Segment



Summit Broadband: Florida Meeting the Challenge

The Summit journey continues to be one of change, development, and growth. As an integral part of the CBL Group, it provides international business, network innovation and a model for customer service. On the back of strong revenues, established residential and business customers and a growth market in Florida, Summit has now implemented a five-year strategic plan. This plan is driven by business imperatives of sales, revenue, network and customer experience. Strategic components include:

- Maintain Marquee Relations – Disney, Universal, Marriott.
- Residential Sales: 10 year Bulk Deals with Target 27% IRR – with a 5-year or less payback and high internal rates of return.
- Business Sales: 3 year+ contracts with 18-month payback – especially on On-Network and Dark Fibre Sales.
- Focus on FTTH and network excellency – full fibre core network.
- Customer service as the hallmark of the Company.

Sales and Revenue Growth

Florida is a growth market with 1,000 new residents a day and the 4th highest growth rate in the United States. Many of the high growth counties within Florida are served by Summit. These counties are projecting double digit population growth year over year. The resulting increase in both residential build and commercial expansion will result in substantial growth. Summit's network and services currently cover the Central region (the Orlando market) and the Southwest region (Bonita Springs, Naples and Marco Island area).

The superior customer experience the residential customers have encountered has resulted in a very strong residential pipeline and sales funnel, based on referrals and word of mouth recommendations from existing Home Owner Associations relationships.

The commercial portion of the business remains strong as Summit retains its presence in the hospitality market and executes an increased commercial penetration strategy. Over 11,000 small- to medium-sized businesses have been identified that are less than 5,000 feet from the existing fibre network. A significant selling point for Summit is that all the services offered are delivered by a new state-of-the-art network with 99.999% up time and redundancy. Summit Broadband also capitalises on dark fibre opportunities and builds on a wireless backhaul strategy.

The Company is anchored by one of the most talented and experienced leadership teams in the industry. The executive team alone has nearly 200 years of leadership experience and is made up of some of the most respected leaders in the industry. This team has been in place for over two years now and the impact on the organisation, the employees and the customers is clearly evident.

Additional investment in the customer experience has added tools that increase the efficiency and monitoring ability of our 7x24x365 Network Operating Center (NOC). These tools have enabled the NOC to monitor the network more effectively and reduce the time to repair in the case of any network outages.

In summary, the work done to date has positioned the Company for success now and allowed Summit to be at the forefront in taking advantages of the growth in the market and the opportunities that will present themselves.

World Class Network Resilience

Summit continues to excel by placing a dedicated focus on our network and the technical platforms that continually enhance our competitive position and our positive financial performance.

On the existing over 800 miles of fibre network, Summit has strengthened its core network by upgrading to a new carrier grade architecture – integrating the multiple separate networks of US Metro, Marco Island, Nuvu and Summit Broadband together into one state of the art network. During the last eighteen months, the new carrier grade network was commissioned and major customers have been migrated onto the new platform. This has had a significant improvement in performance.

The goals of the Company remain steadfast; to build and maintain an effective and efficient network to sell and deliver competitive differentiating products and services to commercial and residential customers. The new core network consists of three fully redundant sites; the Orlando Headend, the Bonita Springs Headend, and the Miami NOTA as well as 28-edge aggregation and access sites. Conversion to the new network now fully supports the business strategy of additional growth, while generating revenue and meeting and exceeding the operating income projections.

Fibre Everywhere

Summit continues to aggressively build and rollout full fibre-based solutions to both Commercial and Residential customers in the Central and Southwest Florida markets. The FTTH technology has continued to position Summit as the premier provider of Internet, data services, telephony and video services in these markets.

Also, multiple upgrades of the access equipment which provides the Fibre to the Home Gigabit Passive Optical Network (GPON) services over the last year has positioned Summit for sustained growth.

During the last eighteen months, 5,483 Residential units have been added, providing these new customers the ability to receive perfect, uncompressed video pictures, high speed Internet speeds up to 1 Gigabit and crystal clear reliable phone service.

Financial Strength

Overall performance has remained strong during the past eighteen months. Summit continued to see growth as revenue increased by 71% to reach $84 million. Over the last four years, total revenue grew by approximately $77 million or over 1,043%. The largest contributing factors to this growth were revenues from Residential subscribers (an increase of 33,656 subscribers in the 4-year period).

Residential revenue contributed approximately $53 million or 63% of total revenue and acquired 5,483 net new subscribers in 2017 representing a 17% growth over the past eighteen months. We expect to significantly grow over the next five years in residential and commercial revenue.

A continued focus on fiscal responsibility and strong financial oversight resulted in operating expenses remaining flat in the past eighteen months along with 65% of capital dollars spent on success based projects. This was accomplished by leveraging efficiencies, communication, empowering the front-line leadership team to understand the impact of operating expenses, and analysis of each sales opportunity to increase the return on investment.

Florida's Future Looks Good

With a robust five year plan directing capital expenditure and revenue growth, Summit is set to reinforce its position as a foremost fibre triple play provider in Florida. This, combined with network excellence, product innovation and differentiating customer service, will drive Summit to generate revenue and meet the operating income projections. The end result will be the continued creation of shareholder value, stability, and resilient diversification of the Company.

ALIV: Taking the Mobile Market by Storm

CBL burst forth onto the mobile market with the award of the second licence for the provision of cellular services in The Bahamas on July 1, 2016. ALIV is the company and the brand and CBL owns a 48.25% equity share with the Bahamian government holding 51.75%. CBL maintains full management and Board control with four directors from CBL and three from HoldingCo, and consolidates its financial statements. Additionally, Mr. Franklyn Butler II, CBL's Executive Vice Chairman, has been appointed chairman of the Board of BeAliv Ltd. This award ends one of the longest mobile telecommunications monopolies in the region and has allowed CBL to offer competition for the first time.

ALIV now delivers a world-class, Bahamas-wide mobile network using LTE and HSPA+ technology and offers next generation innovative products and services. The mobile services were launched in New Providence on November 26 and were available on the main islands of Grand Bahama, Abaco and Eleuthera by mid December 2016; effectively covering a staggering 92% of the population in The Bahamas within a month.

Milestones and Innovation

Since the launch, we have taken our competitive verve to heart and expedited several key milestones achievements to continually add value to our service. April 2017 saw the impactful introduction of the highly-anticipated Mobile Number Portability (MNP) where customers are able to keep their number when they switch to ALIV—over 5,000 numbers have since been ported. We have since launched National Roaming which facilitates all ALIV customers to access our network and services on any island within The Bahamas. We look forward to full rollout of services to the remaining Family Islands with Bimini, Andros and Exuma next up.

Innovation is paramount to our competitive drive with a focus on transparency and value-add for the Bahamian customer. A cornerstone to this is our pricing strategy that allows a choice of packages to suit subscriber requirements; including 7-day and 30-day plans which have data, voice minutes and text all bundled in simple plans at price points and durations to meet every customer's needs. These packages incorporate calls to USA and Canada at the same price as calls within The Bahamas when connected to the ALIV network. Another innovation is the offer of per-second and per-megabyte charging from first billable second and free calls to customer care. Also, we offer a dynamic roaming plan—the Liberty Platinum—which gives customers 500 roaming minutes and 1GB of data that can be used in the United States and Canada.

In the brief twelve months since being awarded the license, ALIV has built out and launched the most advanced LTE telecom network in the country. ALIV has two networks, an ultra-modern 4G LTE network and a 3G WCDMA/HSPA+ network, both optimised for superior consumer data speeds, downloads and experience.

To support this, we decided to locate our Call Centre in Freeport, providing direct employment to over 40 Grand Bahamians. Additionally, we have developed an extensive network of over 800 dealers through the islands in which we currently operate including 9 exclusive ALIV branded flagship stores along with 6 mobile vans.

Customer Care – A Key Differentiator

ALIV understands the competitive value of providing superlative quality customer care and technical support and offers both inbound and outbound customer care communications with customers. We are the first mobile operator to provide customer care 24 hours a day, seven days a week for all of our island markets. Also, in our modern world, we utilise all

means of communications – from telephone and in-person to online chat, to an innovative ALIV App. Plus, ALIV has uniquely designated a WhatsApp number 812-ALIV (2548), which allows for easy communication and quick resolutions of any questions or concerns customers may have. We also proactively make outgoing customer care calls to each newly activated customer. This demonstrates our commitment to customer service and illustrates ur desire to resolve and retain every single customer.

We also look after our business customers. The official launch of ALIV Business Solutions took place at Atlantis, Paradise Island in February 2017. Marketing, Sales & Customer Care teams worked closely together with partners and vendors to ensure the event was seamless. Our cutting-edge technology, world-class service, wide range of handsets and flexible business plans help companies of every size to stay one step ahead. Once businesses join our exceptional corporate plans, our highly knowledgeable Business Solutions Partners (BSE's) cater to the needs of the customer from start to finish, and provide continuous support whenever needed.

Today, We Are ALIV

As a competitive market entrant, a major strength of our Company is the brand itself and ALIV has proven to be a remarkable and noteworthy success. It is powerful, dynamic, and relevant.

As well as market presence, we have continued brand focus through sponsorships, community-focused activities, and support of arts and cultural events.

ALIV sponsorships started in 2017 on a high note, with the sponsored Platinum Knights obtaining top

prizes in the Grand Bahama Junkanoo competition, which marked the start of a 3-year relationship with the Junkanoo group. Other major sponsorships during the year include Exclusive Telecoms and Headline Sponsorship of the Freedom Farm Baseball League, The Bahamian Icon Awards, Royal Fidelity Bahamas Economic Outlook Conference, and the Pure Silk Bahamas LPGA Classic tournament which was broadcast internationally delivering maximum exposure for the ALIV brand.

ALIV was also the headline sponsor of the Rum Bahamas Festival and the Miss Bahamas World Pageant. June also saw a partnership with the St. John's College Solar Car Project 'Green Lightening' which assisted the team in making history for The Bahamas. Through our strategic sponsorships, we are quickly developing into a sought-after community advocate and partner.

Financial Prowess

ALIV is financially sound. In less than eight months of operations, ALIV has completed an extremely successful finance capital fundraise which resulted in $60 million of note payable debt financing for the Company. The offer was 100% oversubscribed and fully financed. Therefore, coupled with the shareholders' investment of $135 million and $35 million from vendor partner funding, ALIV has a total of $230 million in capital funding. This greatly contributes to our financial stability within the market.

Our network and investments of $144 million, is comprised of

infrastructure and equipment for our Family Island rollout that offers the platform for the most advanced network and supporting systems in the country.

At 2017 financial year end, ALIV achieved a notable $13 million in revenue and is approaching 78,000 subscribers representing over 20% market share. We aim to have a market share of 30/35% by end of calendar year 2017.

As ALIV grows, we will continue to expand our role as the partner of choice for The Bahamas. More than a provider of cutting-edge technology and exceptional service, ALIV will be the innovator of digital lifestyle in the country. With over 300 Bahamian employees, our dedication to The Bahamian market is very real. ALIV continues to win customers and we are confident that we will become The Bahamas' dominant mobile provider in the future.

Quarterly Analysis

On a consolidated basis over the last eight quarters, the Group's quarterly revenues have grown from $41 million at the end of September 2015 to $50 million at the end of June 2017. The 23% growth was experienced throughout the Group. CBL Bahamas segment revenues increased 20% over this period mainly due to the investment into wireless which added an additional revenue stream and Summit revenues increased over 22% as a result of the continual growth on their residential product. ALIV contributed revenues starting in November 2016 and added an additional $4 million in quarterly revenues to end June 2017. EBITDA followed suit for both REV Bahamas segment and Summit as increases of 50% and 47% were realised respectively from the end of September 2015 to June 2017 quarters. ALIV, as anticipated, is in a start-up phase and will experience losses for the near future associated with its start-up costs. On a consolidated basis, these losses will impact both the Company's EBITDA and Net Income. As ALIV market share and operations grow, it is expected to take an optimistic turn. With the realisation of our investments, the Company's bottom line will be positively affected and projected future gains will be generated for our shareholders.

Capital Resources and Liquidity

The major source of the Company's liquidity comes from its cash from operations inclusive of its Bahamas, Florida and mobile operations. From the 2017 audited financials, it is evident that the Company currently generates in excess of $49 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 fixed-term deposits. Cash flows are managed on a daily basis with constant consideration of the aging of accounts receivables, trade payables, vendor and banking commitments; as well as ongoing operating cash requirements such as payroll and funding of capital projects in line with stated, committed or estimated time frames when cash outflows are required.

The Company also seeks to match the timing of cash flows on a monthly basis, with the terms of its receipt of funds from customers, with its various liability commitments. In addition, where possible, the Company enters into extended terms with vendors and or vendor financing arrangements such as capital leases to manage the inflows and outflows of cash in line with current and future requirements. Vendor financing arrangements are entered into mainly in relation to significant capital projects and the agreed terms and financing costs are at competitive market rates. Using these measures, the Company is able to maintain at all times a very healthy cash position which is available for regular operations as well as for investment or any other purposes that may arise requiring immediate settlement. As a direct result, the Company is afforded a significant flexibility that allows for quick decision-making and action steps in the event an opportunity arises that requires immediate funding. With respect to debt and equity financing, the Company has four main sources from which it can draw upon for significant funding as follows:

- **Cash**
  As a direct result of the accumulation of cash flows from regular operations and previous funding initiatives, the Company has available to it substantial cash holdings for use in any aspect of its operations.
- **Bank Debt**
  The Company has in place a Senior Credit Facility with a syndicate of banks in which it has the ability to borrow in either US or Bahamian Dollars at prevailing market rates. The Company usually maintains the renewal periods for borrowings within a rolling five-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 senior 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 and Notes**
  The Company has the ability to raise capital through the local financial market through preferred shares and/or note offering. The terms of such issues can range from five to fifteen 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 2017, there were 43,887,035 shares outstanding. As such, there were 16,112,965 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 and acquired 48.25% and management and board control of ALIV in 2016. 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, preference shares, and issuance and note 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.

CBL Group: More Than the Sum of its Parts

CBL is in its third decade of business and has been on a steady business progression throughout. Several milestone achievements have been met along the way; from establishing REVTV and Pay-Per-View service, to dominating the Internet broadband business, to expanding into the US, to introducing ALIV mobile competition in The Bahamas. This has led to a powerful Group of companies under one banner. A Group which benefits from synergies of operation, shared goals and customer experience and one that remains strong for investors.

Individually, these companies are successful. As a Group, they are dominant.

CBL is renowned as an innovative and reliable enterprise throughout its history of service provision. It has moved from strength to strength through organic growth and now acquisition and business diversification. It has continually provided benefits to employees, stock holders and customers.

Building on this, CBL has been carrying out to a concerted business plan executed to timeline and budget. The plan's major strategic aims remain as follows:

- Maintaining the solid base in The Bahamas – CBL.
- Seek market expansion internationally – Summit.
- Capture massive market share and revenues in a liberalised mobile market – ALIV.

CBL has been relentless in its pursuit of success, trustworthiness in its performance, and reliability in its return. This has been based on a bedrock of proven, immovable resources.

We are now an established international communications enterprise with businesses that are complementary, coordinated and integrated.

With a solid base in The Bahamas, a mobile revenue engine and opportunities overseas, it is now time for the CBL Group to unleash its potential.

Committees of the Board of Directors

The Board of Directors has delegated a certain portion of its responsibilities to committees of the Board. Such committees are generally responsible for reviewing matters specified in their mandates and making recommendations to the Board, which retains ultimate decision-making authority.

The Board of Directors has constituted the following committees:

- **The HR & Compensation Committee**
- **The Audit & Risk Committee**
- **The Corporate Governance Committee**

HR & Compensation Committee

The HR & Compensation Committee of the Board of Directors has primary responsibility for providing direction to the human resources functions within the Company and the appointment, evaluation, and remuneration of key executives as well as the design of the Company's compensation plans.

The HR & Compensation Committee is directly involved with, and where necessary, the approval of key human resources initiatives inclusive of approval of the compensation of the executive officers.

The HR & Compensation Committee is chaired by Executive Vice Chairman Franklyn Butler II.

Members of the HR & Compensation Committee include:

- **Franklyn Butler II – Chairperson**
- **Michele Merrell – Member**
- **Troy D'Arville – Member**

Audit & Risk Committee

The Audit & Risk Committee is comprised of Directors who are neither officers nor employees of the Company or any of its subsidiaries.

The Audit & Risk Committee is responsible for the oversight of the financial reporting and internal controls of the Company, which includes the review and evaluation of the appropriate accounting principles and practices to be observed in the preparation of the accounts of the Company and its subsidiaries inclusive of tax planning initiatives and tax compliance.

The Audit & Risk Committee is responsible for the initial review of the Company's annual audited consolidated financial statements prior to consideration thereof by the Board of Directors and direct oversight of the internal audit function. It approves the internal and external audit activities proposed each year to be conducted by the appointed independent auditors. The Committee also recommends the appointment and approves the terms of engagement of the independent auditors.

The Audit & Risk Committee is chaired by Director Ross McDonald.

Members of the Audit & Risk Committee include:

- **Ross McDonald – Chairperson**
- **Gary Kain – Member**

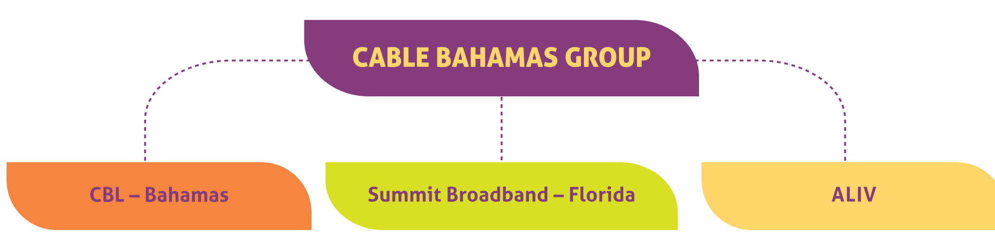
Corporate Governance Committee

The Corporate Governance Committee is responsible for the development, documentation and continuous adherence to the Company's governance policies and procedures.

The Corporate Governance Committee is chaired by Director Michele Merrell.

Members of the Corporate Governance Committee include:

- **Michele Merrell – Chairperson**
- **Gary Kain – Member**
- **Franklyn Butler II – Member**



INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the consolidated financial statements of Cable Bahamas Ltd. (the "Group") which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Key Audit Matter	How the Scope of Our Audit Responded to the Key Audit Matter
Impairment of Goodwill	As at June 30, 2017, the Group was carrying goodwill of $13,074,164 in the consolidated statement of financial position. In the prior period, the Group recognised an impairment charge. Management's annual impairment assessment was considered to be a key matter because the assessment requires significant valuation assumptions (in particular the discount rate and the long term growth rate). In estimating the recoverable amount of the Cash Generating Unit ("CGU"), management based it on Value in Use ("VIU"). Management concluded that there was no impairment. Further disclosure regarding the Group's impairment can be found notes 3 and 8.	In evaluating the impairment of goodwill, we performed various procedures, including the following: • We assessed the Group's design and implementation of controls relating to the carrying value of goodwill. • We tested underlying data (such as cash flow forecasts, financial statement data) used in developing estimates. • We involved our internal fair value specialists to assess the appropriateness of the valuation methodology to assist with the testing of the discount rate and the long term growth rate and sensitivity analysis around key assumptions used by management in the goodwill impairment testing. • We performed sensitivity analyses on the key drivers of the cash flow projections and the appropriateness of management's disclosures.

Other Information

Management and those charged with governance are responsible for the Other Information. The Other Information comprises all the information in the Group's 2017 Annual Report other than the consolidated financial statements and our auditors' report thereon ("the Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements, are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Raymond Winder.

Deloitte & Touche

Nassau, The Bahamas
October 24, 2017

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CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT *of* FINANCIAL POSITION

AS AT JUNE 30, 2017 / *(Expressed in Bahamian Dollars)*

	2017 (18 Months)	2015 (12 Months)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 55,914,929	$ 63,000,666
Trade and other receivables (Notes 4 and 19)	25,536,710	25,839,097
Prepaid expenses and deposits	9,051,117	3,522,384
Inventory	18,456,904	11,594,106
Total current assets	108,959,660	103,956,253
NON-CURRENT ASSETS:		
Investment in a joint venture (Note 5)	6,093,938	4,171,658
Property, plant and equipment (Notes 6, 18 and 19)	412,595,140	300,628,235
Deferred tax asset (Note 16)	33,183,845	31,484,846
Goodwill (Note 8)	13,074,164	13,074,164
Intangible assets (Note 7)	95,778,181	29,951,677
Total non-current assets	560,725,268	379,310,580
TOTAL	$ 669,684,928	$ 483,266,833

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT *of* FINANCIAL POSITION

AS AT JUNE 30, 2017 / *(Expressed in Bahamian Dollars)*

(Continued)

	2017 (18 Months)	2015 (12 Months)
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note 19)	$ 71,817,684	$ 41,773,398
Deferred income	3,111,402	1,896,484
Current portion of other liabilities (Note 9)	11,679,496	1,461,634
Current portion of long-term debt (Note 11)	–	11,424,375
Total current liabilities	86,608,582	56,555,891
NON-CURRENT LIABILITIES:		
Subscriber deposits	7,874,915	7,499,023
Other liabilities (Note 9)	37,722,791	10,946,235
Deferred tax liability (Note 16)	33,183,845	31,484,846
Long-term debt (Note 11)	96,929,173	88,065,426
Notes payable (Note 10)	57,891,965	–
Preferred shares (Notes 12 and 19)	232,235,338	202,810,000
Total non-current liabilities	465,838,027	340,805,530
Total liabilities	552,446,609	397,361,421
EQUITY:		
Ordinary share capital (Note 13)	30,367,307	13,577,759
Non-controlling interest	41,426,168	–
Retained earnings	45,444,844	72,327,653
Total equity	117,238,319	85,905,412
TOTAL	$ 669,684,928	$ 483,266,833

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on September 22, 2017, and are signed on its behalf by:

Director **Director**

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT *of* PROFIT OR LOSS *and* OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM JANUARY 1, 2016 TO JUNE 30, 2017 / *(Expressed in Bahamian Dollars)*

	2017 (18 Months)	2015 (12 Months)
REVENUE (Note 19)	$ 281,968,068	$ 165,677,646
OPERATING EXPENSES (Notes 17, 18 and 19)	(232,335,725)	(113,929,688)
	49,632,343	51,747,958
Depreciation and amortisation (Notes 6 and 7)	(67,174,520)	(30,153,568)
OPERATING (LOSS) INCOME	(17,542,177)	21,594,390
Loss on disposal of assets (Note 6)	(5,908,548)	(58,540)
Gain (loss) on joint venture (Note 5)	22,280	(68,112)
Goodwill impairment (Note 8)	–	(20,499,000)
Interest expense (Note 11)	(8,445,921)	(4,404,102)
Dividends on preferred shares (Note 12)	(19,841,961)	(10,935,913)
NET LOSS BEFORE INCOME TAX EXPENSE	(51,716,327)	(14,371,277)
INCOME TAX EXPENSE (Note 16)	(10,334)	–
Net and comprehensive loss	(51,726,661)	(14,371,277)
Net loss attributable to non-controlling interest	(28,741,139)	–
NET AND COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	$ (22,985,522)	$ (14,371,277)
BASIC EARNINGS PER SHARE (Note 13)	$ (0.54)	$ (0.35)
DILUTED EARNINGS PER SHARE (Note 13)	$ (0.53)	$ (0.31)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT *of* CHANGES IN EQUITY

FOR THE PERIOD FROM JANUARY 1, 2016 TO JUNE 30, 2017 / *(Expressed in Bahamian Dollars)*

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL
Balance at December 31, 2014	$ 13,592,424	$ 94,247,431	$ –	$ 107,839,855
Total comprehensive loss	–	(14,371,277)	–	(14,371,277)
Repurchased and cancelled ordinary shares (Note 13)	(14,665)	(201,732)	–	(216,397)
Vested share based options (Note 18)	–	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
Total comprehensive loss attributable to owners of the company	–	(22,985,522)	–	(22,985,522)
Issuance of ordinary shares (Note 13)	16,789,548	–	–	16,789,548
Vested share based options (Note 18)	–	244,997	–	244,997
Non-controlling interest	–	–	41,426,168	41,426,168
Dividends on ordinary shares ($0.09 per share)	–	(4,142,284)	–	(4,142,284)
Balance at June 30, 2017	$ 30,367,307	$ 45,444,844	$ 41,426,168	$ 117,238,319

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT *of* CASH FLOWS

FOR THE PERIOD FROM JANUARY 1, 2016 TO JUNE 30, 2017 / *(Expressed in Bahamian Dollars)*

	2017 (18 Months)	2015 (12 Months)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	$ (51,726,661)	$ (14,371,277)
Adjustments for:		
Depreciation and amortisation (Notes 6 and 7)	67,174,520	30,153,568
Interest expense (Note 10)	8,445,921	4,404,102
Dividends on preferred shares (Note 12)	19,841,961	10,935,913
Goodwill impairment (Note 8)	–	20,499,000
(Gain) loss on joint venture (Note 5)	(22,280)	68,112
Loss on disposal of assets	5,908,548	58,540
Amortisation of issuance costs	240,158	–
Amortisation of IRU (Note 9)	(978,598)	(158,135)
Operating cash flows before working capital changes	48,883,569	51,589,823
Decrease (increase) in trade and other receivables	302,387	(7,374,976)
Increase in prepaid expenses and deposits	(5,528,733)	(301,491)
Increase in inventory	(6,862,798)	(2,539,369)
Increase in accounts payable and accrued liabilities	30,044,286	7,395,511
Increase (decrease) in deferred income	1,214,918	(163,453)
Increase in subscriber deposits	375,892	605,989
Net cash from operating activities	68,429,521	49,212,034
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment (Notes 6, 18 and 19)	(175,496,892)	(70,968,161)
Additions to intangible assets (Note 7)	(75,396,799)	(1,464,020)
Additions to investment in a joint venture (Note 5)	(1,900,000)	–
Proceeds from disposal of assets (Note 6)	17,214	3,611
Net cash used in investing activities	(252,776,477)	(72,428,570)

(Continued)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

CONSOLIDATED STATEMENT *of* CASH FLOWS

FOR THE PERIOD FROM JANUARY 1, 2016 TO JUNE 30, 2017 / *(Expressed in Bahamian Dollars)*

	2017 (18 Months)	2015 (12 Months)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt (Note 11)	$ –	$ 4,000,000
Repayment of long-term debt (Note 11)	(1,600,000)	(9,125,902)
Payment of transaction cost	(1,200,786)	–
Repayment of mortgage (Note 9)	(247,298)	(151,777)
Increase in capital lease obligations (Note 9)	33,102,931	2,396,034
Capital lease principal repayments (Note 9)	(1,691,507)	(728,234)
Deferred IRU (Note 9)	6,808,890	6,931,496
Issuance of preferred shares (Note 12)	42,735,338	75,000,000
Redemption of preferred shares (Note 12)	(13,310,000)	–
Issuance of notes payable	57,891,965	–
Issuance of ordinary shares	86,956,855	–
Repurchased and cancelled ordinary shares (Note 13)	–	(216,397)
Issuance of share based options (Note 18)	244,997	269,888
Interest paid on long-term debt (Note 11)	(8,445,921)	(4,404,102)
Dividends paid on preferred shares (Note 12)	(19,841,961)	(10,876,658)
Dividends paid on ordinary shares (Note 13)	(4,142,284)	(7,616,657)
Net cash from financing activities	177,261,219	55,477,691
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,085,737)	32,261,155
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	63,000,666	30,739,511
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 55,914,929	$ 63,000,666

(Concluded)

See notes to consolidated financial statements.

CABLE BAHAMAS LTD.

NOTES *to* CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1, 2016 TO JUNE 30, 2017 / *(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, wireless communication, 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"), Be Aliv Limited ("Aliv") 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").

The Company has a 48.25% shareholding in Aliv and holds management and board control. HoldingCo2015 Limited (HoldingCo) owns the remaining 51.75% of the shares and is a special purpose holding company set up by and currently wholly owned by the Government of The Bahamas. Aliv, formerly known as Newco2015 Limited ("Newco"), was incorporated on February 25, 2016, under the laws of The Commonwealth of The Bahamas. On December 14, 2016, pursuant to a certificate of change of name and incorporation, Newco became Be Aliv Limited. Aliv is the new entrant to the wireless telecommunications market in The Bahamas and is a leading provider of wireless communications services in The Bahamas. As the only challenger to the incumbent, the Company is committed to driving product development and innovation in the mobile cellular sector, providing superior customer experience, as well as demonstrating that the Company is a transformational corporate partner and employer of choice.

In August 2016 the Company announced its intention to change its fiscal year end from December 31st to June 30th to better reflect the seasonality of the business and to align all reportable segments. The audited accounts presented are for the eighteen month period commencing on January 1, 2016 and ending on June 30, 2017.

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, 2016. 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 5 (Amended) Non-current Assets Held for Sale and Discontinued Operations
IFRS 7 (Amended) Financial Instruments: Disclosures
IFRS 10 (Amended) Consolidated Financial Statements
IFRS 11 (Amended) Joint Arrangements
IFRS 13 (Amended) Fair Value Measurement
IAS 1 (Amended) Presentation of Items of Other Comprehensive Income
IAS 7 (Amended) Statement of Cash Flows
IAS 16 (Amended) Property, Plant and Equipment

2. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS *(cont.)*

IAS 19 (Amended) Employee Benefits
IAS 27 (Amended) Separate Financial Statements
IAS 34 (Amended) Interim Financial Reporting
IAS 38 (Amended) Intangible Assets
IAS 40 (Amended) Investment Property
IAS 41 (Amended) Agriculture

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

b. Standards and Interpretations in issue but not yet effective

IFRS 9 Financial Instruments
IFRS 12 (Amended) Disclosure of Interests in Other Entities
IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
IFRS 17 Insurance Contracts
IAS 12 (Amended) Income Taxes
IAS 28 (Amended) Investments in Associates and Joint Ventures (2011)

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

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 period ended June 30, 2017 include the accounts of the Company and its wholly-owned subsidiaries; Cable Freeport, Caribbean, Maxil, SRG and SVI. The accounts of Be Aliv Limited has also been consolidated in these financial statements as the Company owns 48.25% of its shares and maintains management and board control. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive loss of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 comprise 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

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
Leasehold improvements	5 years
Vehicles	3-5 years
Equipment	3-20 years
Network systems and infrastructure	7-40 years
Fiber optic network	25 years
Web hosting systems	8 years

Improvements that extend asset lives, and costs associated with the construction of cable and data transmission and distribution facilities, including direct labour and materials, are 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 on a straight-line basis over various ranges (see Note 7).

Communications licenses
All costs associated with the issuance of the Communications licenses are being amortised on a straight-line basis over the term of the licenses (see Note 7).

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

Software and licenses
All costs associated with internally developed and purchased software and licenses are capitalised including all costs associated with placing the software into service are capitalised.

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

f. Impairment of assets
At each 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 recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

g. Deferred income
Payments received in advance from subscribers are treated as deferred income and are recognised 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 recognised on a straight-line basis over the term of the IRU contract.

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

j. Foreign currency translation
The Company's functional and presentation currency is the Bahamian Dollar. Assets and liabilities of foreign subsidiaries whose functional currency is the United States Dollar are translated 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 amortised 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 period 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

q. Revenue recognition

We recognise revenues from the sale of products or the rendering of services when they are earned; specifically when all of the following conditions are met:

- The significant risk and reward of ownership are transferred to customers and we retain neither continuing managerial involvement nor effective control
- There is a clear evidence that an arrangement exists
- The amount of revenue and related cost can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the company.

In particular, we recognise:

- Fees for local, long distance and wireless services when we provide the service.
- Other fees, such as network access fees, license fees, hosting fees, maintenance fees, and standby fees over the term of the contract.
- Subscriber revenues when customers receive the service.
- Revenues from the sale of equipment when the equipment is delivered and accepted by customers.
- Revenues on long-term contracts as services are provided, equipment is delivered and accepted, and contract milestones are met.
- Advertising revenue, net of agency commission when advertisements are aired on TV.

We measure revenues at the fair value of the arrangement consideration. We record payment in advance, including upfront non-refundable payments, as deferred revenues until we provide the service or deliver the products to the customers.

Revenues are reduced for customer rebates and allowances and exclude taxes we collect from our customers.

r. Critical accounting judgments and key sources of estimation uncertainty

When preparing the financial statements management makes estimates and judgements relating to:

- Reported amounts of revenue and expenses
- Reported amounts of assets and liabilities
- Disclosure of contingent assets and liabilities

We base our estimates on a number of factors, including historical experience, current events and actions that the company may undertake in the future and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgements are subject to measurement uncertainty and actual results could differ. Our significant estimates and judgements are described below.

Useful Lives of Property Plant and Equipment and Finite Life of Intangible Assets

Estimates

Property, plant and equipment represents a significant proportion of our total assets. Changes in technology or our intended use of these assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change.

Impairment of Non-Financial Assets

We make a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model and the discount rates.

Fair Value of Financial Instruments

Certain financial instruments and certain elements of borrowings are carried in the statement of financial position with changes fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations and by using other valuation techniques that my include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

r. Critical accounting judgments and key sources of estimation uncertainty *(cont.)*

Useful Lives of Property Plant and Equipment and Finite Life of Intangible Assets *(cont.)*

Contingencies

In the ordinary course of business, the company becomes involved in various claims and legal proceedings seeking monetary damages and other relief. Pending claims and legal proceedings represent a potential cost to our business. We estimate the amount of a loss by analysing potential outcomes and assuming various litigation and settlement strategies, based on information that is available at the time.

Judgements

CGUs

The determination of CGUs or groups of CGUs for the purpose of annual impairment testing requires judgement.

Multiple Element Arrangement

Determining the amount of revenue to be recognised for multiple element arrangements require judgement to establish the separately identifiable components and the allocation of the total price between those components.

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 consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred, liabilities incurred and the equity interests issued in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit and loss as incurred. 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. Subsequently, NCI is measured at proportionate share of net assets of the subsidiary.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

x. Income taxes *(cont.)*

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.

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

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:

	2017	2015
Subscribers	$ 21,181,315	$ 17,833,796
Other	8,867,150	9,794,805
	30,048,465	27,628,601
Allowance for doubtful accounts	(4,511,755)	(1,789,504)
	$ 25,536,710	$ 25,839,097

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

	2017	2015
30–60 days	$ 6,540,188	$ 6,616,321
61–90 days	2,749,808	2,023,677
Greater than 90 days	6,577,211	4,427,992
	$ 15,867,207	$ 13,067,990

The movement of allowance for doubtful accounts is as follows:

	2017	2015
Balance at beginning of year	$ 1,789,504	$ 1,574,813
Amounts written off during the year	(2,161,735)	(1,622,071)
Amounts recovered during the year	532,115	245,877
Allowance recognised in the consolidated statement of profit or loss and other comprehensive income	4,351,871	1,590,885
Balance at the end of the year	$ 4,511,755	$ 1,789,504

4. TRADE AND OTHER RECEIVABLES *(cont.)*

The ageing of impaired trade receivables is as follows:

	2017	2015
90–120 days	$ 1,354,160	$ 400,614
Greater than 120 days	319,066	863,897
	$ 1,673,226	$ 1,264,511

5. INVESTMENT IN A JOINT VENTURE

Summit Broadband ("SBB"), a wholly owned subsidiary of SVI, has a 50% interest in Dais Communications, LLC ("Dais") whose principal activity is a telecommunications provider. The principle place of Dais is in the US. The investment is accounted for under the equity method. As at June 30, 2017, the carrying value of the Company's 50% interest in Dais was $6,093,938 (2015: $4,171,658).

The following information summarises the activity of the joint venture for the years ended June 30, 2017 and 2015:

	2017	2015
Balance Sheet		
Assets	$ 8,276,777	$ 4,928,098
Liabilities	750,160	1,246,042
Total equity	$ 7,526,617	$ 3,682,056
Statement of Income		
Revenue	$ 3,647,122	$ 1,369,066
Expenses	(3,602,562)	(1,505,290)
Net and comprehensive Income (Loss)	$ 44,560	$ (136,224)

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

	2017	2015
Balance at beginning of year	$ 4,171,658	$ 4,239,770
Contributed capital	1,900,000	–
Gain (loss) on joint venture	22,280	(68,112)
Balance at end of the year	$ 6,093,938	$ 4,171,658

6. PROPERTY, PLANT AND EQUIPMENT

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

	LAND	COMMERCIAL BUILDINGS	VEHICLES	EQUIPMENT	NETWORK SYSTEMS & INFRASTRUCTURE	FIBRE OPTIC NETWORK	WEB HOSTING SYSTEMS	CONSTRUCTION IN PROGRESS	TOTAL
COST									
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
Additions	-	4,005,071	2,191,416	22,998,729	80,961,331	55,790,631	8,758	10,171,944	176,127,880
Transfer of assets	(729,246)	–	–	–	98,258	–	–	–	(630,988)
Disposals	–	–	(852,447)	(5,304,744)	(19,513,953)	(5,220,943)	(23,439)	–	(30,915,526)
Balance at June 30, 2017	$2,534,159	$40,695,486	$4,388,660	$93,549,035	$271,916,098	$182,387,330	$493,615	$10,171,944	$606,136,327
ACCUMULATED DEPRECIATION									
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
Depreciation	–	1,840,342	1,398,936	16,645,784	22,577,660	15,106,509	34,994	–	57,604,225
Transfer of assets	–	–	–	–	–	–	–	–	–
Disposals	–	–	(801,800)	(5,028,962)	(18,335,360)	(800,203)	(23,439)	–	(24,989,764)
Balance at June 30, 2017	$ –	$10,334,275	$1,863,123	$39,833,032	$101,817,285	$39,277,230	$416,242	$ –	$193,541,187
CARRYING VALUE									
As at June 30, 2017	$2,534,159	$30,361,211	$2,525,537	$53,716,003	$170,098,813	$143,110,100	$77,373	$10,171,944	$412,595,140
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 June 30, 2017, 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	SOFTWARE AND LICENSE	CUSTOMER CONTRACTS	ACQUIRED LICENSES	TOTAL
COST						
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
Assets acquired	–	65,169,890	8,128,232	2,098,677	–	75,396,799
Balance at June 30, 2017	$5,221,248	$72,726,315	$8,128,232	$19,071,041	$12,947,315	$118,094,151
AMORTISATION						
Balance at December 31, 2014	$2,568,516	$ 1,765,699	$ –	$ 2,159,303	$3,332,000	$9,825,518
Amortisation	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
Amortisation	195,804	5,323,250	467,294	2,107,947	1,476,000	9,570,295
Balance at June 30, 2017	$2,894,856	$ 7,678,149	$ 467,294	$ 5,483,671	$5,792,000	$22,315,970
CARRYING VALUE						
As at June 30, 2017	$2,326,392	$65,048,166	$7,660,938	$13,587,370	$7,155,315	$95,778,181
As at December 31, 2015	$2,522,196	$ 5,201,526	$ –	$13,596,640	$8,631,315	$29,951,677

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 June 30, 2017 was 8 years.

The Company recognised all costs associated with the issuance of the Individual Operating License (IOL) and Individual Spectrum License (ISL) to Aliv, which totaled $65,169,890. These costs are being amortised on a straight-line basis over the term of the license which expires in the year 2031.

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 June 30, 2017 was 8 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.

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 June 30, 2017 did not indicate an 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 rate of 9.5% was utilised. Based on the valuation, the recoverable amount of the assets of SVI was determined to be $157,404,000 and as a direct result, no impairment loss was recorded in the Company's Consolidated Statement of Profit or Loss and Other Comprehensive Income.

	2017	2015
Cost	$ 13,074,164	$ 33,573,164
Impairment loss	–	(20,499,000)
	$ 13,074,164	$ 13,074,164

The movement of goodwill impairment is as follows:

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

9. OTHER LIABILITIES

Other liabilities include the following:

a. 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 June 30, 2017, the principal balance outstanding was $385,699 (2015: $632,997) of which the current portion due within one year was $178,642 (2015: $162,089).

b. Capital Lease Obligations

The Company has in place capital lease contracts for vehicles and 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 June 30, 2017, the balance outstanding totaled $34,575,950 (2015: $3,164,527) and the current lease principal payments due within one year was $11,500,854 (2015: $1,299,545).

Amounts payable under capital leases:

	2017	2015	2017	2015
	Minimum lease payment		Present value of minimum lease payment	
Within one year	$ 11,237,270	$ 1,344,639	$ 11,500,854	$ 1,299,545
Within two to five years	27,863,964	2,244,624	23,075,096	1,864,982
Less amount representing interest	(4,525,284)	(424,736)	–	–
Total finance lease obligation	$34,575,950	$ 3,164,527	$ 34,575,950	$ 3,164,527

9. OTHER LIABILITIES *(cont.)*

c. IRU

The Company through SVI sold multiple IRUs for an initial amount of $6,808,890 (2015: $11,195,331). 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 June 30, 2017, the remaining term of the IRUs was 15–19 years respectively.

The balance outstanding as at June 30, 2017 was $14,440,637 (2015: $8,610,345). The total amount amortised and included in income as at June 30, 2017 was $978,598 (2015: $158,135).

10. NOTES PAYABLE

The Company issued $60,000,000 in Series A and Series B unsecured notes in March 2017. The proceeds of the Notes are used for various capital projects and to fund working capital requirements.

The 8.00% Series A and 8.50% Series B are 10 and 15-year amortising notes which mature in 2026 and 2031, respectively. The terms of the notes are governed by a trustee agreement and all payments associated with the notes are required to be paid through a payment agent. These notes pay dividends semi-annually on June 30 and December 31. Included in accrued liabilities as at June 30, 2017 is interest of $1,249,137.

11. 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 $96,929,173 (2015: $97,889,801) is inclusive of $25,000,000 which was directly funded to SVI and excludes unamortised transaction costs, which is being amortised over a five year period. The Senior Facility bears interest at LIBOR plus applicable margins ranging from 2.5% to 4.5%. The margins applied are determined based on the Company's Senior Leverage Ratio.

The senior credit facility was amended effective January 2016 to suspend repayments in quarterly principal installments to a single payment at loan maturity. The loans are repayable in the last year of the facility. Based on the outstanding principal balance of $96,929,173 at June 30, 2017, the aggregate future principal maturity is as follows:

Year	
2018	$ –
2019	96,929,173
	$ 96,929,173

12. PREFERRED SHARES

Preferred shares consist of the following:

	2017	2015
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
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	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	9,500,000
Issued: 4,090 shares par value B$0.01 8.0% Series Eleven cumulative redeemable preferred shares at US$1,000	4,090,000	–
Issued: 1,349 shares par value B$0.01 8% Series Eleven cumulative redeemable preferred shares dominated in JMD indexed to USD at J$1,000,000	10,610,338	–
Issued: 2,035 shares par value B$0.01 7.75% Series Twelve cumulative redeemable preferred shares at US $1,000	2,035,000	–
Issued: 26,000 shares par value B$0.01 6.25% Series Thirteen cumulative redeemable preferred shares at US$1,000	26,000,000	–
TOTAL	$ 232,235,338	$ 202,810,000

12. PREFERRED SHARES *(cont.)*

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 June 30, 2017 are dividends of $994,592 (2015: $994,592).

The Series Seven preferred shares matured in May 2016 and balance transferred to accounts payable and accrued liabilities. As of the date of the approval of the statement of financial position, the balance remains outstanding.

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.

The 6.75% Series Ten 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.

The 8% Series Eleven preferred shares were issued on June 30th, 2016 and mature on June 30th, 2023. The Series Eleven preferred shares are divided into two tranches; Tranche A: denominated in US dollars and Tranche B: denominated in JM dollars indexed to US dollars. These shares do not carry voting rights and pay dividends semi-annually. The proceeds were used to fund capital projects and investments.

The 7.75% Series Twelve preferred shares were issued on July 27th, 2016 and mature on June 30th, 2026. These shares do not carry voting rights and pay dividends semi-annually. The proceeds were used to fund capital projects and investments.

The 6.25% Series Thirteen preferred shares were issued on July 27th, 2016 and mature on June 30th, 2026. These shares do not carry voting rights and pay dividends semi-annually. The proceeds were used to fund capital projects and capital investments.

Management has estimated that the fair value of the Company's redeemable preferred shares approximates its stated amount of $232,235,338 (2015: $202,810,000) since its dividend rates are comparable to current market rates.

13. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

	2017	2015
Authorised: 60,000,000 ordinary shares of no par value	$ 20,000,000	$ 20,000,000
Issued and fully paid: 43,887,035 ordinary shares of no par value	$ 30,367,307	$ 13,577,759

On January 26th, 2016 the company offered one new ordinary share for every eight ordinary shares held through a rights offering to existing shareholders at a strike price of $6.00 per share. The offering closed on August 31, 2016 and 2,798,258 shares were issued and the amount raised totaled $16,789,548.

The number of shares outstanding as at June 30, 2017 was 43,887,035 (2015: 41,088,777) and the weighted average number of shares was 42,638,818 (2015: 40,796,149).

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

	2017	2015
Earnings used in calculation of basic earnings per share	$ (22,985,522)	$ (14,371,277)
Dividends on convertible preference shares	–	864,877
Earnings used in calculation of diluted earnings per share	$ (22,985,522)	$ (13,506,400)

13. ORDINARY SHARE CAPITAL *(cont.)*

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

	2017	2015
Weighted average of ordinary shares used in calculation of basic earnings per share	42,638,818	40,796,149
Shares deemed to be issued for no consideration in respect of conversion of Series Seven preference shares	–	3,000,000
Shares deemed to be issued on vesting of share based option plan	710,524	209,250
Weighted average of ordinary shares used in calculation of diluted earnings per share	43,349,342	44,005,399

14. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business the Company leases certain premises under operating leases. Future minimum rental commitments are as follows:

	2017	2015
Not later than one year	$ 1,749,880	$ –
Later than one year but not later than five years	6,331,135	–
Later than five years	8,432,980	–
	$ 16,513,995	$ –

The Company also leases certain premises on a month-to-month basis, which have not been included in the future minimum rental commitments.

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 $45,000 (2015: $200,000).

15. LICENSES AND AGREEMENTS

Communications Licenses

The Company has a communications license from The 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.

On July 1, 2016, Aliv was issued an Individual Operating Licence (IOL), authorising the operation of an electronic communications network and provision of carriage services; and, an Individual Spectrum Licence (ISL), authorising the use of specific allocations of premium radio spectrum. Both licences have been awarded for a term of fifteen years, until June 29, 2031.

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.

15. LICENSES AND AGREEMENTS *(cont.)*

Federal Communications Commission license (FCC)

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

Trinity Communications Ltd., a wholly-owned subsidiary of Caribbean, and SRG hold Section 214 Common Carrier licenses from the FCC. These licenses allow for the resale of telecommunication services within the United States.

Utility Agreements

Under the terms of agreements with the Bahamas Electricity Corporation and Grand Bahama Power Company Ltd., the Company rents poles and other support structures.

Shareholders Agreement

The agreement was executed on July 1, 2016. Between the Company and HoldingCo. The agreement provides guidance and specific requirements and commitments to each of the parties inclusive of ownership structure, capitalisation, change of control, reporting and strategic initiatives, investments and related party transactions. In accordance with the agreement, 51.75% of the capital requirements of the Company of $70,167,306 was provided by HoldingCo and the remaining 48.25% in the amount of $65,421,691 was provided by the Company. As at June 30, 2017 there were no outstanding capital commitments from the shareholders.

16. INCOME TAXES

Income tax recognised in profit or loss:

	2017	2015
Current	$ (10,334)	$ –
Deferred	–	–
Total income tax expense	$ (10,334)	$ –

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:

	2017	2015
Loss before tax from operations	$ (27,270,305)	$ (30,722,686)
Income tax benefit calculated at 34%	$ 9,271,904	$ 10,445,715
Effect of expenses not deductible in determining taxable income	(93,891)	(33,692)
State income tax benefit	989,534	372,752
Impairment of non-deductible goodwill	–	(6,920,695)
Effect of previously unrecognised deductible temporary differences now recognised as deferred tax assets	–	–
Effect of unused tax losses not recognised as deferred tax assets	(10,177,881)	(3,864,080)
Income tax expense recognised in loss from operations	$ (10,334)	$ –

16. INCOME TAXES *(cont.)*

	2017	2015
Deferred tax assets		
Operational accruals	$ 8,666,842	$ 3,585,497
Deferred revenue	5,347,638	657,745
Fixed assets – state	1,237,362	1,812,742
Net operating losses	17,920,478	25,423,458
Charitable contribution carried forward	11,525	5,404
Total deferred tax assets	33,183,845	31,484,846
Deferred tax liabilities		
Joint venture	$ (537,289)	$ (148,783)
Prepaid expenses	(99,566)	(303,447)
Intangibles	(2,042,829)	(1,808,978)
Fixed assets – federal	(30,504,161)	(29,223,638)
Total deferred tax liabilities	(33,183,845)	(31,484,846)
Net deferred tax asset (liability)	$ –	$ –

	2017	2015
Unrecognised deferred tax assets		
Transaction costs	$ 540,700	$ 1,111,818
Net operating losses	17,135,328	5,899,699
	$ 17,676,028	$ 7,011,517

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 $95,360,419 (2015: $88,047,163) of federal net operating loss (NOL) carry forwards and $71,574,830 (2015: $55,156,420) of state NOL carry forwards at June 30, 2017. 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 2037.

17. OPERATING EXPENSES

Operating expenses consist of the following:

	2017	2015
Programming	$ 83,250,785	$ 36,814,370
Administrative	59,824,289	28,996,982
Technical	31,665,588	15,400,983
Network services	15,968,522	12,610,072
Government and regulatory fees	17,735,665	11,214,361
Marketing	23,890,876	8,892,920
	$ 232,335,725	$ 113,929,688

18. EMPLOYEE COMPENSATION

Included in property, plant and equipment and operating expenses is employee compensation totaling $43,128,608 (2015: $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 $1,012,455 (2015: $860,946).

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 Date
(1) Granted on April 23, 2014	1,927,500	April 23, 2019	$ 3.72	$ 2.36
(2) Granted on January 1, 2015	150,000	January 1, 2020	$ 4.67	$ 2.68

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

	Movement in Number of Share-based Options		Weighted Average Exercise Price	
	2017	2015	2017	2015
Outstanding	1,549,500	1,777,500	$ 3.83	$ 3.72
Granted	–	50,000	–	4.67
Forfeited	(6,000)	(378,000)	3.72	3.72
Outstanding	1,543,500	1,549,500	$ 3.81	$ 3.83
Exercisable	896,100	309,900	$ 3.78	$ 4.08

The total number of shares vested as at June 30, 2017 was 896,100 (2015: 496,500). The total fair value of the shares vested as at June 30, 2017 was $244,997 (2015: $269,888) 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 June 30, 2017 is $710,524 (2015: $465,527). 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.

	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	60.00	60.00
Risk-free interest rate	4.75%	4.25%

19. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

	2017	2015
Short-term benefits	$ 3,566,987	$ 1,833,718
Long-term benefit – share based plan	335,970	142,817
Post employment benefits	235,946	130,239
	$ 4,138,903	$ 2,106,774

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.

Other related party balances and transactions:

	2017	2015
Trade and other receivables	$ 752,196	$ 111,728
Accounts payable and accrued liabilities	$ 5,879,508	$ 1,110,184
Preferred shares	$ 12,113,500	$ 20,926,627
Revenue	$ 462,135	$ 223,741
Operating expenses	$ 1,509,734	$ 741,178
Preferred dividends	$ 967,278	$ 1,609,067
Property, plant and equipment	$ –	$ 105,295

20. 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.

21. SEGMENT INFORMATION

The Company uses the result of operations and financial position of its 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.

21. SEGMENT INFORMATION *(cont.)*

The details of the various service segments are as follows:

2017

	CABLE	CABLE FREEPORT	CARIBBEAN CROSSING	MAXIL	SRG	SVI	ALIV	CONSOLIDATED ELIMINATIONS	TOTALS
Revenue from external customers	$133,701,217	$20,614,953	$20,090,394	$2,259,380	$17,821,964	$84,387,932	$12,870,816	$(9,778,588)	$281,968,068
Intercompany charge	$1,357,506	$ -	$ -	$ -	$ -	$ -	$ -	$(1,357,506)	$ -
Interest expense	$5,097,449	$ -	$ -	$ -	$ -	$12,975,722	$1,249,137	$(10,876,387)	$8,445,921
Depreciation and amortisation	$25,291,425	$3,840,007	$2,505,989	$34,994	$927,307	$25,086,176	$9,488,622	$ -	$67,174,520
Reportable segment profit (loss)	$2,630,887	$4,900,277	$11,170,666	$1,894,734	$12,662,598	$(27,280,640)	$(55,538,430)	$(2,166,753)	$(51,726,661)
Reportable segment assets	$470,860,506	$45,511,096	$106,442,552	$5,625,579	$44,658,680	$212,433,873	$189,509,374	$(405,356,732)	$669,684,928
Operating expenses	$93,073,388	$11,874,669	$6,413,739	$329,652	$4,232,059	$67,710,072	$57,671,487	$(8,969,341)	$232,335,725
Reportable segment liabilities	$488,325,119	$2,902,057	$456,422	$560,121	$5,442,008	$233,959,937	$108,387,808	$(287,586,863)	$552,446,609

2015

	CABLE	CABLE FREEPORT	CARIBBEAN CROSSING	MAXIL	SRG	SVI	ALIV	CONSOLIDATED ELIMINATIONS	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

22. 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.

Sensitivity analysis

The Company is exposed to variable interest rates on its Senior Credit Facility and lease obligation. The total amount outstanding at June 30, 2017 was $130,880,434 (2015: $97,889,801). 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	$	880,581
0.50	$	591,932
0.25	$	303,283

22. RISK MANAGEMENT *(cont.)*

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 2015.

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.

CABLE BAHAMAS LTD.

CORPORATE INFORMATION

DIRECTORS

Gary Kain	*Chairman*
Franklyn Butler II	*Executive Vice Chairman*
Troy d'Arville	*Director*
Ross McDonald	*Director*
Michele Merrell	*Director*

OFFICERS

Anthony Butler	*President and CEO*
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*
Chris Annesley	*Vice President of Engineering & Technology*
Bryan Pascua	*Vice President of Information Technology*

Florida

Mark Lipford	*Chief Operating Officer – 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*

ALIV

Damian Blackburn	*Chief Aliv Officer*
Barry Williams	*Chief Money Maestro*
Jay Naylor	*Chief Aliv Guardian*
Johnny Ingle	*Chief Aliv Champion*
Alan Bates	*Chief Aliv Partner*
Stephen Curran	*Chief Aliv Innovator*

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