CABLE BAHAMAS LTD

2018 Annual Report

A Bright New Direction

cablebahamas

www.cablebahamas.com

Table of Contents

Chairman's Letter

"We are equipped and ready to take on the market." – GARY KAIN | CHAIRMAN

A BRIGHT NEW DIRECTION

During 2018, Cable Bahamas Ltd. Group ("the Group") continued to execute on its strategic plan for the Company. In line with our plan, we have embarked upon our next stage of development. Not only are we stronger as a group, but we are now driving the Company further along our strategic direction. The focus moving forward is strength in a renewed leadership team, network and customer service excellence, and innovative technological applications.

Our Group operations remain strong and with our network and operations now extending from Central Florida through to the islands of The Bahamas, we continue to leverage these assets to grow revenues and shareholder value for years to come. Specifically, we are on track in our plans to grow our market share in The Bahamas with the full first year of operations of Be Aliv Limited ("ALIV") now fully consolidated in our results. Also, our Florida business now produces strong cash flows and EBITDA contributions to the group and our REV Bahamas (fixed business) continues its market leadership in its segments in The Bahamas.

I would like to highlight that after June 30th 2018, our senior bank facility was due to mature but was extended by the Company's request with the syndicate banks in September of this year for twenty-four months to September 2020. However, due to International Financial Reporting Standards, we were required to report our senior secured facility as a current liability and not a long-term liability despite the extension being received prior to the authorization of the financial statements for issue. Since this extension of the facility, our bank syndicate has committed to offering additional support to the

Group to allow us to continue in the effective execution of our Group plan if the need arises.

REV Strong

REV continues to provide strong results across the board. Our Bahamas fixed-lined business continues to produce solid results for the Group despite the changing demands of consumers from cable services to OTT content providers. In addition, after two full years of tackling the competition head on, we are proud of our customer retention levels and have been focused inwardly and looking at our business to reduce costs, deal with increasing signal fees for programming, and improve the quality of our network. During the year, as internet demand increases, we experienced growth in our REVON higher margin business while our REVTV and REVOICE products remained stable.

Climbing the Summit in Florida

Our Florida operation, Summit Broadband ("Summit"), continues to build solid momentum for the Group and is now producing strong cash flows and EBITDA contribution. During the year, we acquired the fibre assets of the City of Leesburg, which allowed the Company to extend its fibre assets and to extend its customer base in and around Central Florida. Our execution of this plan and our balanced mix of both residential and commercial subscribers, have allowed us to continue our double-digit revenue growth in this segment of the Group. We are also very proud of the robustness of our network in Florida. This was tested by the passing of Hurricane Irma which passed through the U.S. in September 2017 but caused only minor damage to our network and minimal customer outages due to a loss of power on the grid. We are proud of the work of our team and the deepened support and connections we received from our customers and supporters in Florida who wrote and called to thank us for being there with their full suite of services as soon as power was restored.

ALIV and Kicking

We can proudly state that just twenty months into the launch of ALIV we have completed the roll out of our LTE network to all of the islands and cays throughout The Bahamas. This has been no small accomplishment and positions ALIV to focus on sales execution and driving market share and revenue for the Group. We now have a market share of a third of the mobile market by subscribers which is a tremendous achievement and speaks to the success of how ALIV has revolutionised the mobile market of The Bahamas by bringing choice, the best quality data, and best value plans to every Bahamian and Bahamian resident in The Bahamas. Our focus remains in growing revenue and market leadership in mobile in The Bahamas.

Customer Service Excellence

We continue to build on our customer service across all of our brands as the core differentiator of the Group to its competitors in all of our markets. We have doubled down our efforts to listen, engage, and offer our customers a better experience which focuses on giving them what they want, how they want it, when they want. This work will remain our only focus as we depend on each one of our customers to make this organisation an example of what we can do together.

Leadership Change

I would firstly like to use this opportunity to thank Anthony Butler our retired CEO for his over twenty years of hard work, commitment and dedication to the Group. Without Tony's leadership, our organisation would not be

what it is today. He has been the driving force though the many growth phases of our Company. On behalf of the Board, we wish him well in his retirement from the Company.

Turning the Corner

As we strive forward in the growth story of the Group by executing the ALIV plan and putting our Florida operations on a solid growth plan, I am proud to see that we are implementing succession planning within our people development and leadership in the Group.

As such, we welcome Franklyn Butler II as the first Bahamian President and Group CEO in the history of the Company. As a Group, we have seen many Bahamians grow and develop in our organisation and who, to this day, remain with us while others have gone on to be entrepreneurs. We have always believed having the right Bahamian leadership would really set us apart. The reality is, nobody knows The Bahamas and the Bahamian people the way a Bahamian does. We are excited to have Franklyn join us in this new role and to have him continue to create value for our team members and shareholders.

Looking Ahead

I would like to thank all of our team members and directors for their efforts over the past year. With the launch of ALIV as a startup, we have not been short of challenges to overcome but you have all remained determined and resilient in the fight. We have much work ahead of us to complete the transformation of our Group. I believe that we are closer than we have ever been.

To our shareholders — I wish to thank you for your patience and trust as you allow us to build a Group that will be a positive example of what a Bahamian organisation can do in the capital markets of The Bahamas. We continue to create a Company which will deliver long-term value for you despite your sacrifice of dividends in the short term.

To our customers — thank you for giving us the opportunity to serve you; you all make the difference.

Gary Kain | Chairman

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, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements for the year end June 30, 2018 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 twelve month period commencing on July 1, 2017 and ending on June 30, 2018. Comparative figures are for the eighteen-month period commencing January 1, 2016 to June 30, 2017. Because of the longer prior period and seasonal nature of the business, current period figures are not wholly comparable to prior period figures. References to the year 2018 refer to the period commencing July 1, 2017 to June 30, 2018. This MD&A is dated October 30, 2018.

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 new era beckons as we forge a new direction.

OUR STRATEGIC PLAN CONTINUES AT PACE

As we enter a new year, we are invigorated and proud to be entering the next stage in the Company's development. This stage sees a new direction unfold in line with market demands and customer requirements. It is reflected in executive and management changes, new and exciting product innovation and the formation of enriching business partnerships. We are enthused by the positive prospects these will bring in the future and are confident that we have a solid foundation for future success.

We've Listened and Now Taken Action

The Company's lifeblood is its stakeholders: its shareholders, employees and, crucially, its customers. As the Group consolidates and grows, we understand the value in protecting our customer base. It is not good enough to acknowledge customers and roll out products, we need to analyze customer needs and engage directly with them. Our intent is not for customers to merely buy our products but to have them *experience* them.

To this end, the Group has and is continuing to make concerted efforts to listen to customers in all our markets and then to segment and address their requirements and experiences individually. This way our customers in The Bahamas and Florida can interact with us to our mutual benefit. The Group is seeking out more and more opportunities and initiatives to engage with customers and prospects. This will continue to bear fruit for our Company and our stakeholders.

Solid Financial Growth

In keeping with our stride towards growth, 2018 financial year saw our financial performance continue to strengthen. Our solid Bahamas fixed-line operation revenues continue to grow especially in broadband internet access. Now with a full year of ALIV, our mobile results show the tremendous opportunity that lie ahead even with our significant market share capture. And Summit continues to demonstrate further business and residential growth. Overall, our results showed strong year-end consolidated results with record-breaking revenues of $224 million and with an EBITDA of $33 million.

REV Bahamas

Continued Growth in The Bahamas

Our Rev Business in The Bahamas has always been the foundation of the Group's growth story and that story continued during the 2018 financial year. The customer and revenue base remains strong and loyal as ever with maintained REVTV earnings and strong growth in REVON broadband business. The demand for broadband is ever increasing with new applications and offerings abound. REVON access, quality and performance continue to outperform norms and the competition.

Customers Are It!

In redoubling our efforts to focus on the customer, REV shifted its brand to reflect customer requirements and loyalty while maintaining our powerful REV identity we refreshed our brand image to ensure the focus was both on the customers and the employees. In particular, we stressed the importance of that relationship to a strong performance of the Company. This refresh followed on from the successful "We've heard you" theme from last year and the proactive actions that we undertook then.

The REV message is not just a simple brand. Instead, think of REV as the explorer in all of us. We are establishing REV as an experience for our customer base. When customers purchase they do not just choose a product, they are choosing a lifestyle. They are committing to a dynamic, innovative, state of the art experience – they are investing in the future. REV, as a brand, represents people who want to elevate and celebrate the human spirit. We view the brand as an attitude and a market influencer.

Exposure is Good

To help us reinforce this experience, we need to harness the increasing power of data analytics technologies in order to understand what customers desire and require. We do this by talking to customers, reviewing transaction records, web clicks information, social engagement, and looking at newer sources of information, such as physical data from sensors and smart phones—this allows us to improve the customer experience, and increase sales. As we move forward, we are looking at multiple, interactive ways in which we can do this better.

As such, we have continued our efforts for brand exposure by partnering with highly visible organisations like Paradise Plates, the National Swimming Nationals and the Ministry of Tourism's Summer Junkanoo Festival. We have also created new avenues of partnerships, which not only garner positive brand exposure and social engagement but also served to boost television viewership with programmes like pro baseball player Todd Isaac's *Don't Blink Home Run Derby*. Through this partnership, REV was exposed to over 268K Facebook fans worldwide, including in The Bahamas, USA and Canada with over 95 hours of online viewing.

REVGO Play – TV on the Move

2018 saw the launch of our highly anticipated REVGO Play app. This app allows our REVTV subscribers to watch their programming on the go on any device; whether in The Bahamas or overseas. This service currently offers 60 channels including most of the local radio stations, HBO, sports and some of the most highly viewed channels on our network package.

The app was first introduced after Hurricane Irma as we hosted the storm's victims who had to evacuate the islands in the southern Bahamas. During that tough time, we provided WiFi and food in the shelters as well as access to REVGO Play so families could watch the TV they wanted.

The formal launch of REVGO Play was the second phase of our strategy "Know them, love them, keep them". This initiative centered on the loyalty of our customers and we know, now more than ever, that we must continually be out in front of customer expectations. REVGO Play is the latest in addressing every customer's desire—to watch content on any screen the way they want at any time they choose.

With the "Know them, love them, keep them" initiative and new products like REVGO Play, our focus on the customer has been very successful in reducing churn rates on our REVTV product even in the face of a new TV competitor. Also, in areas where we have direct competitive activity—particularly in New Providence—we have performed extremely well across all our product offerings.

IPTV Roll Out

As we continue to develop IPTV as a delivery technology, we are proud to state that two of the largest and high-end holiday resorts in The Bahamas are now receiving our full 200+ channel IPTV service. The installation of IPTV control and monitoring equipment has resulted in a very solid and reliable service at both resorts. We are looking to expand the service to other hospitality and institutional customers throughout the islands. In addition, a proposal for residential IPTV will be submitted in the 2018–19 budget.

Broadband – the Growth Engine

It is not surprising that broadband continues to grow in customer numbers and revenue. After all, The Bahamas and the world has an insatiable hunger for bandwidth with ever-increasing applications, gaming, and video streaming. The positive is that REVON consistently outperforms all other forms of broadband access in the face of increasing competition.

In 2018, REVON showed tremendous growth in revenues with a more than 6% year-over-year increase. It is this product that continues to demonstrate the strength of our network. Broadband, without a doubt, is the future of your Company for The Bahamas market. REV engineering teams have put a tremendous amount of work and resources into the network this year to ensure that we exceed the ever-growing expectation of our customers in this offering.

Fibre to the Home (FTTH)

Given the need for more and more data needs of our Company, we continue to offer fibre to the home (FTTH) to new communities that we build and provide infrastructure to. This year, we completed another 100% overlay transition in a residential area of eastern New Providence and are committed to FTTH in any new area built. This allows economies of scale for us and enormous capacity potential for our customers.

All in the Group Family

In order to satisfy the aggressive expansion of ALIV's mobile service to several Family Islands, our engineers were requested to provide leased fibre lines that would connect ALIV towers and/or equipment on towers where we co-locate with the competitor. REV already had fibre on many of these islands including; Bimini, Exuma, Andros, Long Island and San Salvador.

Business-In-A-Box

This year we launched a new business product targeted at new start-up or small businesses. It is called REV Business-In-A-Box and provides a bundling option for business with two options; Basic and Deluxe. This service includes an affordable bundle of TV, Internet and voice services along with TV advertising to help small businesses get off the ground and expand. Since its introduction, this service has seen significant success throughout the country.

Market Data Analytics

As marketing becomes more dependent on data analytics, REV has embraced this notion and has seen a significant expansion of our data analytics platform. This platform is designed to better understand our customers on an individual basis in order to better communicate with them on a one to one and one to many basis. Data is everywhere; from bills to call patterns to website clicks. The skill is in the harnessing of this data and asking the correct questions. We feel by concentrating on this area we will be able to help both our Company performance and our customer experience.

A few ways we are currently using this data platform include optimising content fees (by determining customer viewing habits), segmenting of individual subscribers for engagement campaigns, reducing overall operating expenses by identifying inefficiencies, revenue assurance and boosting ad sales by delivering statistics to clients, and optimising ad placement. By providing a 360˚ view of our customers, our goal is to not only improve customer ARPU but also strengthen customer retention.

OurTV Media – Bahamas' Own

Since its rebrand in 2016, OurTV has enjoyed a wonderful period of growth, particularly during the 2018 year. This year has seen the largest infusion of local programming in our history. Successful titles include *"The New Sawyer Boy Show", "Happy Foods 242", "Cindy Central", "Who Dat TV", "Live and Direct"* and our very own award-winning production *"On the Record"* hosted by veteran Journalist Jerome Sawyer. "On the Record" won the Elevation Award for best TV Show and two ICON Awards solidifying its position as best show of 2018. All of these shows, including OUR NEWS, contributed to making OurTV the widest viewed local channel in the nation.

The OurTV production team has moved from strength to strength as they traveled through the nation presenting major live sporting events like the Bahamas Swimming Federations "REV Swimming Nationals" to the "Don't Blink Home Run Derby", both of which are now staple events on the sporting calendar exclusively presented by OurTV. Our signature production OUR NEWS continues to be the preferred outlet for local television news in The Bahamas. This year has seen our expansion to OUR NEWS at 10pm and the inclusion of OUR Sports daily hosted by standout sportscaster Marcellus Hall. We know our customers want top quality local news and events and we will continue to provide this in the future.

Financial Results – Bahamas

The 2018 financial year results represented another milestone for the Group as well as for the REV Bahamas fixed-line segment. The year-end consolidated results show the Company earned revenues of $224 million compared to the last twelve months of the previous period where the Company earned revenues of $194 million. This represents a 16% increase or over $30 million in one year's time. The growth over the previous year was led by our two investments and main growth segments, that being a full year of ALIV which increased 184% or $24 million and Summit which increased 12% or $7 million. These segments also were the main contributors to the consolidated revenue growth of 49% over a five-year period from $150 million.

The Bahamas fixed-line segment with its core revenue streams—REVTV, REVON and REVOICE—also saw an increase over the previous twelve-month period totaling a record breaking $135 million which is the highest in any 12-month period. This represents a 1% increase over previous year and 19% increase for twelve-month periods ending June 2014 to June 2018 with a compound annual growth rate (CAGR) of 4% over same period.

Our REVON product lines inclusive of internet and data continue to be one of the driving segments of our continuous revenue growth for the business and saw growth in both categories. Revenue is up 5% over previous period which represents an increase of over $2 million. This segment continues to perform exceptionally well as the revolution of data sweeps the industry. Considering where we were, over a five-year span, we've seen an increase of 21% or nearly $10 million. This segment revenue increase accounts for 43% of the total revenue increase over the five-year period to June 2018. In looking at the components of REVON, internet revenue grew over 6% year-over-year while data experienced a 2% growth over the same period.

Consistent with industry trends, we continue to see a not-so-positive impact on our REVTV product line due to the cord-cutting for online video streaming. Although the year-over-year decline of 2% or $1 million in this segment is fully offset by the gains in our REVON product line, we continue to monitor this segment to ensure we're bringing both value to our customers and to our shareholders.

As mentioned, this year we've invested in ensuring we understand our market and the data we've captured to be able to maximize the TV product offering to what the customer wants and simultaneously bring efficiencies to mitigate our ever-increasing programming costs.

ALIV, as a subsidiary of the Group, is fully consolidated in the financial statements but also brings additional standalone value to REV segment through a Master Services Agreement (MSA) which incorporates certain support services inclusive of the lease of cellular towers and certain network electronics. This agreement provided over $11 million in revenues to the REV segment, which is an increase of 13% or over $1 million year-over-year. REV will continue to assist ALIV where necessary through its remarkable life cycle as ALIV's success significantly contributes to the REV segment and group family. This partnership is monumental as it adds another element to the Group, further diversifying our offerings.

Overall, revenues at the end of the financial year comprised of the following: REVTV inclusive of Media revenues – $56 million, (representing 41%), REVON Internet – $39 million, (representing 29%), REVON Data – $17 million (representing 12%), REVOICE – $12 million (representing 9%), and MSA and other intercompany revenues – $12 million (representing 9%.)

Despite the increasing revenues, we are significantly challenged with increasing cost, particularly programing cost which increased 11% or more than $2 million year-over-year. Programming cost increase represents 92% of the overall operating expense increase year-over-year. Over a five-year span, we've seen programming cost increase 25% from June 2014 to June 2018. These rising costs year-over-year is a major focus for your Company. The reality your Company is faced with is programming cost is increasing at such a fast rate that despite the rate increase in 2016, this increase in cost is more than the revenue generated from the rate increase. As such, we are committed to utilizing the market data captured to help understand our consumer's viewing habits so that we are better able to provide the content they want at affordable prices to them and your Company.

EBITDA over a five-year span has grown exponentially; nearly $17 million or 48% from June 2014. This represents an 8% CAGR over this period. Rising programming costs, however, has negatively impacted EBITDA year-over-year as we saw a decline of 2% or $1 million. As mentioned, your Company is committed to ensuring we find the right balance in our TV content.

Net Income ended the financial year for the REV segment at $17 million. Net income year-over-year declined by $4 million as we experienced the increase in programming cost and non-cash related depreciation and amortization which increased over $3 million as a result of a spike in our capital expenditures relating to the tower build-out in the previous period.

As at June 30, 2018, the REV segment total assets equated to $590 million compared to the prior year $572 million, which represents an increase of 3%; primarily due to the investment in ALIV and capital expenditures inclusive of the wireless tower build-out, incurred to provide services to ALIV. Total liabilities as at June 30, 2018 was $397 million compared to prior year of $397 million.

Summit Broadband

A Story of Steady, Solid Growth

The past year has seen Summit continue its growth while achieving financial stability. Turning planning to execution, the Company has grown in several ways: through the acquisition of the City of Leesburg's fibre assets, increasing residential customer sales and, by adding a focus on commercial customer procurement.

The City of Leesburg acquisition added more than 200 route miles of fibre-optic network that is contiguous to its Central Florida fibre network, including 25 new commercial customers with 200 circuits. This brought Summit's total fibre plant to more than 1,800 miles between its Central Florida and Southwest Florida regions.

On the residential and commercial front, the Company added 3,854 new video customers, bringing the total video customer count to 46,589. An additional 4,147 broadband customers were added, bringing the total broadband customer count to 41,990. Additionally, a total of 173 new commercial data customers were added, bringing that total customer count to 1,736. Significantly, the total Revenue Generating Units (RGUs) climbed by 7,911 to a total of 112,879. The revenue mix, as the Company ended the year, was approximately 63% residential and 37% commercial or other revenue.

Dependable Financial Growth

Overall performance in Summit remained strong during the past twelve months. The Company continued to see growth as revenue increased by 12% year-over-year. Total revenue for the twelve-month periods ending June 2014 to June 2018 increased more than 430% to $64 million with a compound annual growth rate (CAGR) of 40%. The largest contributing factors to this growth were revenues from residential subscribers (an increase of 39,901 subscribers in the five-year period).

Residential revenue contributed approximately $40 million or 63% of total revenue and acquired 6,245 net new subscribers in 2018, representing a 7% growth over the past 12 months. We are expected to significantly continue to grow over the next five years in residential and commercial revenue.

As we know, Summit is capital intensive, and a large portion of the resources are spent on capital activities associated with extending, upgrading the cable network, and the acquisition of new customers. Total capital spent in financial year 2018 was $26 million; 79% was spent on revenue-generating success-based projects.

For financial year 2018, EBITDA was 26% of revenue, resulting in an increase of 40% year-over-year. This was accomplished by a continued focus on fiscal responsibility, 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.

Company Culture Leads the Way

The transformation and growth of Summit continues to be led by a culture that focuses on its employees and customers. Employees are Summit's most valuable asset, and it lives out that commitment each day by ensuring it recognises, informs, communicates to, empowers, rewards and gives each employee an opportunity to make a difference in both the Company and with the customer base. The Company has a myriad of ways to interact with customers via its employees and each employee is dedicated to delighting that customer and exceeding their expectations. That kind of customer service experience is critical to the Company being the market leader and differentiating itself from the competition. That customer experience fuels the Company's growth, whether via customer referral or word of mouth in the communities it serves and is the foundation of its business principles.

Continued Network Strength

Another strong differentiator for Summit is its network. The quality of that network was challenged in September 2017 as Hurricane Irma struck the Company's entire Florida footprint; from Marco Island to Fort Myers and then through the center of the state, including the Orlando area. Summit was prepared and answered that challenge. During and after that storm, its network never lost connectivity as compared to other service providers who took weeks or months to repair and rebuild their networks; if Summit customers had commercial power then they had Summit service. That is because Summit has focused heavily on redundancy and resiliency of the network, building the core to a High Availability 99.999% reliable network.

Many customers took to social media to talk about the amazing reliability of the Company and its performance during that storm. One major carrier even held a lunch for Summit as the dark fibre network we provide to their cell towers was the only one in Florida which experienced no service interruptions during the hurricane. Summit's commitment to those customers speaks volumes about the employees and the pride they have in building a very special place to work.

From a customer experience standpoint, the past year has been filled with Summit receiving compliments and praise—from its technicians in the home to the employees in the Contact Center. Each one of the departments that touch the customer received high marks and positive responses to the Company's property surveys. Whether it is being answered effectively and efficiently in the Contact Center, getting a technician to a home quickly within a two-hour appointment window, or employees working around the clock to repair an outage, Summit was committed to fixing it right the first time. Customers recognised and were highly complementary of our efforts, particularly the care and compassion demonstrated by the employees while in their homes or on the phone.

Operational Synergies

Several initiatives were undertaken to drive efficiencies and operational savings across the group of companies. A Network to Network Interface (NNI) was established in Miami, Florida to functionally tie the two networks

together — BICS to Summit's Florida Intercity Transport Network (FIN). This allows the networks to operate as one and supports transit services, giving Summit the capability to provide domestic North American connectivity to REV customers through this interface.

Summit's relationship with U.S. carriers has also been leveraged to drive significant pricing reductions on carrier services, such as internet peering. Additional efforts are underway to further reduce internet peering costs, which will result in further cost savings.

Moving forward, Summit continues to focus on operational synergies with a current emphasis on integration of the two Network Operations Centers (NOCs). This provides an opportunity to maximise resourcing and provide business continuity via a geographically diverse center in the event of a catastrophic issue.

Ideas to Action

Summit continues to make the most of its network and access technologies such as new build opportunities where it will construct Fibre to the Home (FTTH) and will utilise the existing technology to maximise the return on investment (ROI) from the asset for acquisitions or already-built opportunities. In financial year 2018, 4,372 new units were constructed with the FTTH technology and an additional 1,334 units were upgraded to this architecture.

Moving forward, the Company will focus on a strategic drive to aggressively pursue commercial revenue. It will actively build commercial FTTH GPoN in prospect areas. This is a focused initiative on the small, medium, and home office-sized business sector. In financial year 2018, more than 300 new commercial circuits were added in addition to the City of Leesburg acquisition.

Leading with Marketing

For financial year 2018, the sales and marketing efforts remained laser-focused on the regions it serves and the industry verticals that have historically provided significant returns for the Company. With two regions (Central and Southwest) and two primary lines of business (Residential and Commercial), the Company secured more than $27 million in total contract value. This organic sales success will fuel the growth of Summit in the short and long term.

Moving forward, the sales plan will stay focused on the Company's strategic vision and five-year plan. Continued targeting of verticals, such as hospitality, healthcare, government, education, enterprise, and wholesale will remain top priorities. The team will leverage new products and services launched to increase sales. They will also take full advantage of the existing fibre assets to secure long-term contracts, while delivering network solutions unmatched by the competition.

The Future is on Track

Summit sees the Group's new direction as exciting and strides confidently into the future. Confidence built upon the solid foundation and core values already established, positioning the Company to seize the opportunities presented.

Florida remains one of the U.S.'s fastest growing states, with the fourth highest rate in the nation. Nearly 1,000 people move to Florida each day. Within Florida, many of the counties seeing that explosive growth are counties served by Summit. Those counties are expecting double-digit growth, resulting in substantial residential housing builds and hundreds of new businesses relocating to those areas to serve the burgeoning population growth.

On the residential side, Summit enjoys a very strong sales pipeline and a commitment to 10-year bulk deals with a 5-year or less payback and a high internal rate of return. On the commercial front, Summit remains a strong competitor in the hospitality market with more than 50,000 hotel rooms served and continues to execute on the strategy of increasing its penetration in the small- to medium-size business market. The expansion of its fibre network and the thousands of commercial units that pass our network is a significant opportunity. To this end, we are launching new products specifically targeted to this market; fibre-based services, hosted voice, data security and commercial WiFi. All those services will be delivered on our state-of-the-art network and served by a next-generation headend and data center that is currently being constructed in Orlando.

Anchoring our success for the future is a talented and experienced leadership team that has been in place for three years. The executive team alone has more than 200 years of combined leadership experience in this industry.

More so than ever, Summit is positioned to successfully execute on the strategy for the Florida market and seize opportunities that will present themselves. Turning ideas to action, growing, transforming, and leading, while continuing to differentiate itself from the competition, are the hallmarks of Summit.

ALIV

Promises Fulfilled

ALIV used the past year to accelerate its growth trajectory and drive towards its promise to be the best mobile telecommunications company in The Bahamas. We have fulfilled our goals of achieving substantial market share, rolling our network out though the islands and building encouraging revenue streams. This has all been achieved while constantly building on our engineering excellence and in the face of intense competitive pressures. ALIV is proud of its success story thus far and looks forward to turning the corner with the Group as we move in our new direction.

ALIV's Aim: To Be the Best Always...

We have achieved much in our short history and look forward to greater success as our strategic plan rolls out. The main strategic pillars upon which ALIV is built include network, innovation, customer service and community outreach. Highlights to date include:

- Revenues of over $36.5 million;
- Over 110,000 subscribers;
- 33% Market Share;
- 234 towers across the length and breadth of The Bahamas;
- 15 islands with complete network coverage from ALIV;
- 4.5G LTE service launched on New Providence, Abaco, Grand Bahama and Exuma.

The revenue growth demonstrated in financial year 2018 was a factor of both the 34% growth in subscribers and the increase average revenue per user (ARPU). This increased ARPU was largely driven by the increase in data consumption by all subscribers. Profitability improved further as the operational cost base stabilised as the network roll-out was completed.

The growth of ALIV continues to be led by a culture that focuses on its employees and customers. Employees are the lifeblood and customer service is our differentiator. This focus paves the way for ALIV to be the choice for telecommunication mobile service in The Bahamas.

Believe in Best – The Right Message for the Right People at the Right Time

ALIV has now established the "Believe in Best" tagline all over

The Bahamas. This is evident in all our sponsorship, public relations and branding work and has taken on a life of its own among our customer base. It expands the concept of our brand to encourage everyone to be best in both their personal and professional lives. The approach was designed to inculcate a spirit of excellence in every subscriber and to demonstrate our ability to create solutions across a range of experiences.

At ALIV, we seek to incorporate the brand into our consumer's everyday lives. As such we have ensured that we have prominent placement at the businesses that Bahamians patronize on a daily basis. Our brand is visible at all major grocery stores and at popular gas stations. On the Family Islands, we have taken a similar approach, ensuring that our branding is prominent through our partnerships with the businesses and services that Bahamians and visitors use the most.

In addition, we have sought to cement our brand with customers and to fully realise our aim of creating meaningful experiences for Bahamians by forming new partnerships with The National Art Gallery of The Bahamas (NAGB), the National Museum of The Bahamas, the Grand Bahamas Tech Hub initiative, the Bahamas Financial Services Board, and the University of The Bahamas. These partnerships support economic development through the use of technology, the arts, historical preservation, culture and education. These initiatives join our roster of core sponsorships with traditional partnerships charities and civic organisations like Freedom Farm and the Cancer Society.

Throughout The Bahamas we also launched our "Believe in Best" art competition with large-scale murals being painted at schools, using ALIV's colours and highlighting our "Believe in Best" tagline. We plan to continue this initiative with murals planned for the University of The Bahamas and the Pompey Museum. The murals enliven the communities and spaces in which they are located, instill institutional pride, highlight the presence of the arts in our culture and support arts education.

Through the Company's extensive marketing, sponsorship programmes and our delivery of an exceptional customer service platform and network experience, ALIV has created a strong and respectable brand well regarded throughout The Bahamas.

Revenue in a Capital Intensive Business

The financial year ending in 2018 reflected the realities of building a company in the capital intensive Telecommunications industry. The costs of acquiring spectrum and operating licenses, building technologically advanced networks and support systems and negotiating interconnection rates with other operators and the Internet providers all must be incurred before any revenues can be achieved in any material way. The Company also had to confront the marketing costs of acquiring subscribers in a marketplace that had over 90% mobile phone penetration upon the date of our license acquisition on July 1, 2016. These subscriber acquisition costs are visible in the subsidies of mobile phones and other devices needed to induce new customers to take services, are also particularly high and led to the losses that were incurred in the two first years of trading.

However, our results show many positive signs that bode well for the growth trajectory that management projects for the business. Revenue in all segments has seen significant growth over the operating periods and is expected to continue within the next 12 months. Annualised revenues have increased steadily with 2018 indicating a forward annualised amount of $43.5 million. This annualised revenue also underpins the future revenue forecast. Market share has grown to over 30% and further growth is projected to reach 39% in financial year 2019: a terrific achievement just 33 trading months after launch.

Our network is ALIV!

ALIV prides its network as the best and commits to delivering network service throughout The Bahamas. We are pleased to confirm that, as mandated by the Utilities, Regulations and Competition Authority (URCA), we have now fully optimised the four major islands of New Providence, Grand Bahama, Abaco and Eleuthera plus all the remaining islands. These requirements were fulfilled in record time.

A significant boost to our network was the recent introduction of mobile number portability. This was key in allowing mobile subscribers the opportunity to keep their current mobile numbers if they switch from one mobile service provider to another. To date, we have ported 43,400 customers to our network, 36,000 of which came from the competitor's pre-paid service alone.

Other achievements on the network include introducing Voice Over LTE, installing microwave resiliency on the islands of Andros, New Providence, Abaco, Eleuthera and Grand Bahama. and adding Digicel as an international carrier for voice traffic. ALIV also introduced national roaming in the Family Islands and subsequently launched its own roaming plans for Digicel Caribbean countries, the United States, and Canada. There are also over 190 countries where ALIV has roaming partners. Significantly, ALIV has also added 4.5G carrier aggregation to the network on the four (4) major Islands – New Providence, Grand Bahama, Abaco and Eleuthera.

Innovation Tops the Rest

This year, ALIV has completed its launch of its core mobile product suite of offerings and has created a comprehensive digital services strategy. These products are beginning to roll out. ALIV's product development strategy hinges on solving problems for our subscribers and each product is designed to not just replicate what already exists in the marketplace but to improve on it. With our innovative, digital services platform we also aim to solve problems and provide solutions that have not been developed for the Bahamian subscriber to date. The multi-million dollar, world-class network that we have invested in over the last two years provides an opportunity for us to develop and launch equally world-class solutions.

The first of these digital solutions was The List; The Bahamas' most comprehensive rewards programme, and the only one that is digitally-based. The List allows ALIV customers to receive rewards from participating partners simply for being an ALIV subscriber with an average monthly spend of $45 or more. The programme encourages high ARPU spend, provides another reason for new subscribers to join the network, and supports the outreach and marketing strategies of participating vendors and businesses.

Other digital strategies that ALIV will formally launch before the end of the year 2018 include a digital refer-a-friend programme and two apps that will transform the tourism and charitable industries – the Discover and Together apps respectively.

Customer Experience is the Best

From a customer experience standpoint, the past year has been filled with ALIV receiving compliments and praise both through various social media channels such as Facebook and Instagram and also in the form of our video testimonials which we have chosen to air via television and radio of "popular customers". The 24-hour customer care hotline also receives praise. Customers like that they can speak to a person no matter what the time of day it is and not have to speak to a robot or pre-recorded automation system. Customers recognised our efforts, particularly the care and compassion demonstrated by the employees.

At ALIV, customer service is very important. The customer care team—based in Freeport, Grand Bahama—is made up of 45 team members and operate the 24-hour call centre. That team works in three shift rotations and has introduced a customer education programme which helps ALIV customers understand our products and services.

The customer care team is also committed to innovation in several ways, namely the investment made for each care agent to have their own teleprompter. The team also receives recognition through several awards implemented by senior management including agent of the month, team player of the month, most improved agent of the month and most supportive agent of the month.

Community Outreach

ALIV takes its responsibilities to The Bahamas seriously and has embarked on several meaningful partnerships from its conception. Particularly over the last financial year, ALIV has done a lot of work with Special Olympics Bahamas, Hands for Hunger, Freedom Farm Baseball, Friends of The Blood Bank, The Bahamas National Trust among others. ALIV also engaged in various Back-to-School events both in New Providence and on several Family Islands. The idea is to support as many children as possible in as many communities as possible. ALIV has impacted many different areas of society; whether it be sports, the environment, education, innovation and technology.

The power of our brand, the strength of our partnerships and the passion of our people put us in a great position to have a lasting and meaningful effect on improving the lives of thousands of Bahamians. Our corporate community responsibilities are without question; they extend beyond our brand and into the communities where we operate, where our team members come from and where we stand as good neighbors committed to making a difference.

The Group

Turning the Corner to a New Horizon

Changes at the Top

In May of this year, our CEO and President of the Company, Mr. Anthony (Tony) Butler, retired from the Group. This ends a stellar twenty-year career with the Company. Tony was at the helm of the Group throughout its growth years as it became ubiquitous throughout The Bahamas serving thousands of customers, bringing innovation and world-class service and becoming established as one of the economic stalwarts of the country. Tony has been a fixture in The Bahamas for 30 years; first with the Public Works for the Government of The Bahamas where he received the prestigious Silver Jubilee Award and then at the Group. He oversaw many revolutionising developments in the Company culminating in the expansion into the U.S. telecom market and the successful bid for The Bahamas' second mobile license forming ALIV. The Board is indebted to Tony and wishes him the best for the future.

Replacing Tony as CEO is Franklyn Butler II. Franklyn has been involved with the Group for years and also serves on the Board as Executive Vice Chairman of both REV and Summit and Chairman of ALIV.

Quarterly Group Results

Over the last eight quarters from July 1, 2016 to June 30, 2018, revenue has grown from $45 million in quarter one of 2017 to $59 million in quarter four of 2018. This increase is largely due to the success of ALIV in gaining market share since its formation as the second mobile license holder. Summit and its continued expansion in the US market is also contributing significantly to the revenue growth we are experiencing. Consolidated net income, however, is in a loss position for the quarter at $9 million compared to $4 million loss at the end of quarter one of 2017. The increase in the loss is as a result of startup costs and losses associated with ALIV and additional non-operating costs such as depreciation and amortization and preferred dividends relating to REV segment. Earnings per share (EPS) follows the trending of net income and declined from a loss of $0.09 in quarter one of 2017 to a loss of $0.13 at the end of quarter 4 of 2018. As ALIV's market share and operations continue to grow, we do anticipate the Company's bottom line to be positively impacted and future gains 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 2018 audited financials, the Company generated in excess of $32 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 U.S. 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. In February 2018 ALIV issued 55,000 8% preferred shares to fund its working capital requirements and to continue its buildout of the network. These preferred shares will mature October 2027.
- **Common Equity**
  The Company has authorised 60 million ordinary shares. At the close of 2018, 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 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.

Turning the Corner to a New Horizon

We look forward with tremendous anticipation as we embark upon this new direction for the Company. With a new leadership, consolidation throughout the Group and established business strength, we embrace the challenges of the next phase of our development. This new era will see the Company continue on its path to produce excellence while creating and seizing new opportunities.

We will forge new business partnerships that complement our enterprise and are mutually beneficial to all. We will lead in moving from customer consumption to customer experience. We will move in the direction of our customers whether it be Managed WiFi, FTTH, or Cloud services. As customers move to internet hungry applications, we will move with them. We will become the best communications and media provider wherever we have presence. We will be the leader in enabling connected lifestyles and experiences.

The new direction is sound.

Board of Directors

Duties of the Board

The Board of Directors of the Company has the obligation to oversee the conduct of the business of the Company and to supervise senior management who are responsible for the day-to-day operations of the business. The Board of Directors deals with all matters that materially impact the Company.

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:

- **Management Development & Compensation Committee**
- **Audit Committee**
- **Corporate Governance & Nominating Committee**

Management Development & Compensation Committee

The Management Development & 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 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 Management Development & Compensation Committee is chaired by Director Ross McDonald.

Members of the Management Development & Compensation Committee include:

- **Ross McDonald – Chairperson**
- **Michele Merrell – Member**
- **Troy D'Arville – Member**
- **Elma Campbell – Member**

Audit Committee

The Audit Committee is comprised of Directors who are neither officers nor employees of the Company or any of its subsidiaries. The Audit 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 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 Committee is chaired by Chairman Gary Kain.

Members of the Audit Committee include:

- **Gary Kain – Chairperson**
- **Ross McDonald – Member**
- **Troy D'Arville – Member**

Corporate Governance and Nominating Committee

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

The Corporate Governance and Nominating Committee is chaired by Director Michele Merrell.

Members of the Corporate Governance and Nominating Committee include:

- **Michele Merrell – Chairperson**
- **Gary Kain – Member**
- **Ranford Patterson – Member**
- **Ross McDonald – Member**

Our Governance Framework

Our governance and internal control framework helps the Board exercise proper oversight whilst retaining overall accountability. This framework can be found at the bottom of our webpage **https://www.cablebahamas.com/about.**

2018 Independent Auditors' Report & Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

Deloitte.

Independent Auditors' Report

TO THE SHAREHOLDERS OF CABLE BAHAMAS LTD.:

Opinion

We have audited the consolidated financial statements of Cable Bahamas Ltd. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at June 30, 2018, 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, 2018, 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, 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, 2018, the Group was carrying goodwill of $13,074,164 in the consolidated statement of financial position. Management's annual impairment assessment was considered to be a key matter because the assessment requires significant valuation. 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 in notes 4 and 9.	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 (including cash flow, forecasts, and 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.

Emphasis of Matter – Subsequent Event

We draw attention to Note 24 of the financial statements, which describes the refinancing of the current portion of long term debt of $97,169,330 after the year end and before the authorization of the consolidated financial statements. Our opinion is not modified in respect of this matter.

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 2018 Annual Report other than the consolidated financial statements and our auditors' report thereon ("the Other Information"). The Annual Report is expected to be made available to us after the date of this auditors' report. 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements *(cont.)*

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 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.

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 ofmanagement'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.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements *(cont.)*

- 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. We 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 Tshombe Godet.

Deloitte & Touche

Nassau, The Bahamas
October 16, 2018

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

Tel: +1 (242) 302-4800
Fax: +1 (242) 322-3101
http://www.deloitte.com

CONSOLIDATED STATEMENT of FINANCIAL POSITION

AS AT JUNE 30, 2018 / *(Expressed in Bahamian Dollars)*

	Notes	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 42,840,613	$ 55,914,929
Trade and other receivables	**5 and 20**	30,122,449	25,536,710
Prepaid expenses and deposits		10,201,469	9,051,117
Inventory		13,287,736	18,456,904
Total current assets		96,452,267	108,959,660
NON-CURRENT ASSETS			
Investment in a joint venture	**6**	6,730,034	6,093,938
Property, plant and equipment	**7**	432,024,903	412,595,140
Goodwill	**9**	13,074,164	13,074,164
Intangible assets	**8**	96,187,701	95,778,181
Total non-current assets		548,016,802	527,541,423
TOTAL		$ 644,469,069	$ 636,501,083

(Continued)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT of FINANCIAL POSITION *(Continued)*

AS AT JUNE 30, 2018 / *(Expressed in Bahamian Dollars)*

	Notes	2018	2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	**19**	$ 74,235,695	$ 71,817,684
Deferred income		3,418,930	3,111,402
Current portion of other liabilities	**10**	11,843,687	11,679,496
Current portion of notes payable	**11**	2,000,000	–
Current portion of long term debt	**11 and 24**	97,169,330	–
Total current liabilities		188,667,642	86,608,582
NON-CURRENT LIABILITIES			
Subscriber deposits		8,264,495	7,874,915
Other liabilities	**10**	36,370,144	37,722,791
Long-term debt		–	96,929,173
Notes payable	**11**	59,875,583	57,891,965
Preferred shares	**12 and 19**	286,263,674	232,235,338
Total non-current liabilities		390,773,896	432,654,182
Total liabilities		579,441,538	519,262,764
EQUITY			
Ordinary share capital	**13**	30,367,307	30,367,307
Non-controlling interest	**22**	14,046,409	41,426,168
Retained earnings		20,613,815	45,444,844
Total equity		65,027,531	117,238,319
TOTAL		$ 644,469,069	$ 636,501,083

See notes to consolidated financial statements.

The current portion of long term debt contains a Senior Credit Facility that was extended in September 2018 to September 2020, refer to Note 24.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on October 12, 2018, and are signed on its behalf by:

Director **Director**

CONSOLIDATED STATEMENT of PROFIT or LOSS and OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018 / *(Expressed in Bahamian Dollars)*

	Notes	2018 (12 Months)	2017 (18 Months)
REVENUE	19	$ 223,753,605	$ 281,968,068
OPERATING EXPENSES	17, 18 and 19	(191,142,973)	(232,335,725)
		32,610,632	49,632,343
Depreciation and amortization	7 and 8	(55,556,532)	(67,174,520)
OPERATING (LOSS) INCOME		(22,945,900)	(17,542,177)
Loss on disposal of assets		(3,738,270)	(5,908,548)
Gain on joint venture	6	136,096	22,280
Interest expense	10 and 11	(11,565,600)	(8,445,921)
Dividends on preferred shares	12 and 19	(14,332,490)	(19,841,961)
NET LOSS BEFORE INCOME TAX EXPENSE		(52,446,164)	(51,716,327)
INCOME TAX EXPENSE	16	(10,397)	(10,334)
NET AND COMPREHENSIVE LOSS		$ (52,456,561)	$ (51,726,661)
Net and comprehensive loss for the year/period attributable to:			
Owners of the Company		(25,076,802)	(22,985,522)
Non-controlling interest		(27,379,759)	(28,741,139)
BASIC EARNINGS PER SHARE	13	$ (0.57)	$ (0.54)
DILUTED EARNINGS PER SHARE	13	$ (0.56)	$ (0.53)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT of CHANGES in EQUITY

FOR THE YEAR ENDED JUNE 30, 2018 / *(Expressed in Bahamian Dollars)*

	Notes	ORDINARY SHARE CAPITAL	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL
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	13	16,789,548	–	–	16,789,548
Vested share based options	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
Total comprehensive loss attributable to owners of the Company		–	(25,076,802)	–	(25,076,802)
Vested share-based options	18	–	245,773	–	245,773
Non-controlling interest		–	–	(27,379,759)	(27,379,759)
Balance at June 30, 2018		$ 30,367,307	$ 20,613,815	$ 14,046,409	$ 65,027,531

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT of CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018 / *(Expressed in Bahamian Dollars)*

	Notes	2018 (12 Months)	2017 (18 Months)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		$ (52,456,561)	$ (51,726,661)
Adjustments for:			
Depreciation and amortization	**7 and 8**	55,556,532	67,174,520
Interest expense	**10 and 11**	11,565,600	8,445,921
Dividends on preferred shares	**12**	14,332,490	19,841,961
Gain on joint venture	**6**	(136,096)	(22,280)
Loss on disposal of assets		3,738,270	5,908,548
Amortization of issuance costs		240,157	240,158
Amortization of IRU	**10**	(787,873)	(978,598)
Operating cash flows before working capital changes		32,052,519	48,883,569
(Increase) decrease in trade and other receivables		(4,585,739)	302,387
Increase in prepaid expenses and deposits		(1,150,352)	(5,528,733)
Decrease (increase) in inventory		5,169,168	(6,862,798)
Increase in accounts payable and accrued liabilities		2,418,011	16,734,286
Increase in deferred income		307,528	1,214,918
Increase in subscriber deposits		389,580	375,892
Net cash from operating activities		34,600,715	55,119,521
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	**7, 18 and 19**	(61,873,161)	(142,393,961)
Additions to intangible assets	**8**	(9,376,338)	(75,396,799)
Additions to investment in a joint venture	**6**	(500,000)	(1,900,000)
Proceeds from disposal of assets		356,290	17,214
Net cash used in investing activities		(71,393,209)	(219,673,546)

(Continued)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT of CASH FLOWS *(Continued)*

FOR THE YEAR ENDED JUNE 30, 2018 / *(Expressed in Bahamian Dollars)*

	Notes	2018 (12 Months)	2017 (18 Months)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long–term debt		$ –	$ (1,600,000)
Payment of transaction cost		–	(1,200,786)
Repayment of mortgage	**10**	(385,699)	(247,298)
Capital lease principal repayments	**10**	(9,385,904)	(1,691,507)
Deferred IRU	**10**	1,130,144	6,808,890
Issuance of preferred shares	**12**	54,028,336	42,735,338
Issuance of notes payable		3,983,618	57,891,965
Issuance of ordinary shares		–	86,956,855
Issuance of share based options	**18**	245,773	244,997
Interest paid	**10 and 11**	(11,565,600)	(8,445,921)
Dividends paid on preferred shares	**12**	(14,332,490)	(19,841,961)
Dividends paid on ordinary shares		–	(4,142,284)
Net cash from financing activities		23,718,178	157,468,288
NET DECREASE IN CASH AND CASH EQUIVALENTS		(13,074,316)	(7,085,737)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		55,914,929	63,000,666
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 42,840,613	$ 55,914,929

(Concluded)

See notes to consolidated financial statements.

Additions to property, plant, and equipment are shown net of finance obligations totaling $8,240,876 (2017: 33,102,931) incurred during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018 / *(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.

Cable Bahamas Ltd and its subsidiaries (The "Group") 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 state of Florida, United States of America ("US").

The Group 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 group 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 Group is committed to driving product development and innovation in the mobile cellular sector, providing superior customer experience, as well as demonstrating that the Group is a transformational corporate partner and employer of choice.

In August 2016, the Group 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. Prior year audited accounts are for the eighteen-month period commencing January 1, 2016 and ending June 30, 2017.

2. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS

The following amendments and interpretations are effective for the year ended June 30, 2018. These interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

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

IAS 7	Amendments to evaluate changes in liabilities from financing activities
IAS 12	Amendments regarding the recognition of deferred tax assets for unrealised loss
IFRS 12	Amendments from Annual Improvements

b. Standards and Interpretations in issue but not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. Management is in the process of assessing the impact whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of The Group.

IFRS 1	First-Time Adoption of International Financial Reporting Standards
IFRS 2	Amendment to classification and measurement of share-based payments
IFRS 4	Amendments regarding interaction of IFRS 4 and IFRS 9
IFRS 7	Financial Instruments – Disclosures

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

IFRS 9	Financial Instruments
IFRS 10	Sale of Assets between an Investor and its Associate or Joint Venture
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
IAS 12	(Amended) Income Taxes
IAS 19	Employee Benefits
IAS 23	Borrowing costs
IAS 28	(Amended) Investments in Associates and Joint Ventures (2011)
IAS 40	Investment property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

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 year. 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Basis of consolidation – These consolidated financial statements for the year ended June 30, 2018 include the accounts of the Group 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 Group 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 Group and to the non-controlling interests. Total comprehensive loss of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group and its subsidiaries. Control is achieved when the Group;

- has power over the investee
- is exposed, or has rights to variable returns from its involvement with the investee
- has the ability to use its power to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including;

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- potential voting rights held by the Group other vote holders or other parties
- rights arising from other contractual arrangements

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expense of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustment is made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full 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 term and demand deposits with original maturities of three months or less and are subject to insignificant risk of changes in value.

b. Trade and other receivables

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

c. Inventory

Inventory items are recorded at lower of cost or net realisable value, with cost being determined using average cost. Net realisable value represents the estimated selling price of inventories less all estimated costs to make sale. 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, less any impairment losses 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
Fibre optic network	25 years
Web hosting systems	8 years

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

Depreciation is recognised so as to write off the cost using straight line method. The estimated useful life and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

d. Property, plant and equipment *(cont.)*

An item of property, plant and equipment is derecognised upon disposal or when future economic benefits are not expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

e. Intangible assets

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

Acquired franchise license

Acquired franchise license is being amortized on a straight-line basis over 40 years. The amortization period has been selected because the Group 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 amortized on a straight-line basis over various ranges (see Note 8).

Communications licenses

All costs associated with the issuance of the Communications licenses are being amortized on a straight-line basis over the term of the licenses (see Note 8).

Acquired licenses

Acquired communications and spectrum licenses are being amortized on a straight-line basis over the term of the licenses, which is 15 years.

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 amortization methods are reviewed at each annual reporting year, with the effect of any changes in the estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits from use or disposal gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets are recognised in profit of loss when the asset is derecognised.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

i. Subscriber deposits

In the normal course of its operations, the Group 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 Group'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 year in which the assets are being acquired, constructed or produced.

All other borrowing costs are recognised in profit or loss in the year in which they occurred.

l. Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories; financial assets at fair value through profit or loss (FVTPL), held to maturity investments, available for sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of debit instruments and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter year, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTP.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent on consideration that may be paid by an acquirer as part of a business combination to when IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

l. Financial Instruments *(cont.)*

Financial assets at FVTPL (cont.)

A financial asset is classified as held for trading if;

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking
- is a derivative that is not designed and effective as a hedging instrument

A financial asset other than a financial instrument asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as a FVTPL upon initial recognition if;

- such a designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial assets forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group with the Group's documented risk management of investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL

Financial assets classified as FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit and loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting year. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting year. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortized cost of the monetary assets. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting year.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash and other are measured at amortized cost using the effective interest method, less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

l. Financial Instruments *(cont.)*

***Loans and receivables** (cont.)*

Interest income is recognised by applying the effective interest rate, except for the short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include;

- significant financial difficult of the issuer or counterparty
- breach of contract, such as a default or delinquency in interest or principal payments
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation
- the disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment of a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio or receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit year 90 day, as well observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognised in the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent years.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivable, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gain or losses previously recognised in other comprehensive income are reclassified to profit or loss in the year.

For financial assets measured at amortized cost, if, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed through the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit of loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments of investment revaluation reserve. In respect of AFS debt securities impairment losses are subsequently reversed through profit or loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

De-recognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and reward of ownership of the asset to another

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

l. Financial Instruments *(cont.)*

***De-recognition of financial assets** (cont.)*

party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) is designated as FVTPL.

A financial liability is classified as held for trading if:

- if has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking;
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;
- if forms part of a contract containing one or more embedded derivatives, and IAS 39 permit, the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

l. Financial Instruments *(cont.)*

***Other financial liabilities** (cont.)*

The effective interest is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at the fair values and, if not designed as FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and
- the amount initially recognised with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or of have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

m. Basic and diluted earnings per share (EPS)

Basic earnings per share is calculated by dividing net comprehensive income for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing net comprehensive income for the year by the weighted average number of ordinary shares outstanding during the year if all convertible securities and potentially diluted instruments were exercised. Convertible securities are all outstanding convertible preferred shares, convertible debentures, stock options, and warrants. Unless a Group has no additional potential shares outstanding the diluted EPS will always be lower than the simple or basic EPS.

n. Retirement benefit costs

Employer's contributions made to the Group's defined contribution retirement benefit plan are charged as an expense when employees have rendered service entitling them to contribution.

o. Share-based option plan

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

p. Related parties

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

q. Revenue recognition

The Group 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 is transferred to customers and the Group retains 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 Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

q. Revenue recognition *(cont.)*

In particular, the Group recognises:

- Fees for local, long distance and wireless services when services are provided.
- 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.

The Group measures revenues at the fair value of the arrangement consideration. The Group records payment in advance, including upfront refundable payments, as deferred revenues until the services are provided or products are delivered.

Revenues are reduced for customer rebates and allowances and exclude taxes the Group collects from customers.

r. Operating leases

The Group 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 year in which they are incurred.

s. Finance leases

Leases are classified as finance lease whenever the terms of the lease transfers substantially all risks and rewards or ownership of the assets to the lessee. All other leases are classified as operating lease. Assets and liabilities under finance leases are recorded at the present value of the minimum lease payments. Leased equipment is amortized over its estimated productive life.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the years in which they are incurred.

t. Joint venture

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in theses consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments of behalf of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

t. Joint venture *(cont.)*

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment after reassessment, is recognised immediately in profit or loss in the year in which investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognised and impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing it recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associated or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or joint venture that are not related to the Group.

u. Goodwill

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

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent years.

On disposal of the relevant cash generating unit, the attributable amount goodwill is included in the determination of the profit or loss on disposal.

v. 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 interest in the acquiree. Subsequently, NCI is measured at proportionate share of net assets of the subsidiary.

w. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The Group 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 Group's assets and liabilities. Summit is the only entity in the Group subject to income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

w. Income taxes *(cont.)*

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidation (statement of profit or loss and other comprehensive income statement of profit or loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable of deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax

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 year 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 year. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, 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 Group intends to settle its current tax assets and liabilities on a net basis.

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

X. 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. On July 1, 2018, The Government of The Bahamas increased the VAT rate to 12%.

The Group, in compliance with this Act, charges its customers VAT through its monthly invoices on all applicable services.

y. Provisions

Are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

z. Segment Reporting

The Group uses the results of operations and the financial position of its subsidiaries as its basis of segmentation and reporting.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF 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

The Group bases its estimates on a number of factors, including historical experience, current events and actions that the Group may undertake in the future and other assumptions that it believes are reasonable under the circumstances. By their nature, these estimates and judgements are subject to measurement uncertainty and actual results could differ. Significant estimates and judgements are described below.

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

Property, plant and equipment represents 67% (2017: 65%) of the Group's total assets. Intangible assets represent 15% (2017: 15%) of the Group's total assets. Changes in technology or 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.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually.

b) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting year the Group 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also a located to individual cash generating units or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost of disposal and value in use in assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

c) Fair Value of Financial Instruments

Certain financial instruments and certain elements of borrowings are carried in the consolidated statement of financial position with changes to fair value reflected in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Fair values are estimated by reference to published price quotations and by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.

d) Contingencies

In the ordinary course of business, the Group becomes involved in various claims and legal proceedings seeking monetary damages and other relief. Pending claims and legal proceedings represent a potential cost to the business. The Group estimates 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY *(cont.)*

e) Impairment of Goodwill

CGUs

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

Impairment testing of goodwill requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of highly uncertain matters including management's expectations of:

- Future revenue growth
- Operating costs
- Profit margins
- Operating cash flows
- Growth in adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortization;
- Timing and amount of future capital expenditure;
- Long-term growth rates; and
- Appropriate discount rates to reflect the risks involved.

Management prepares a formal five year forecast for the CGU, which is used to estimate the value in use.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence reported assets and profits or losses.

f) Multiple Element Arrangement

Where a contractual arrangement consists of two or more separate elements that have value to a customer on a standalone basis, revenue is recognised for each element as if it were an individual contract. Total contract consideration is allocated between the separate elements based on their fair value. The Group applies judgement in both identifying separate elements and allocating consideration between them.

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

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2018	2017
Subscribers	$ 23,098,178	$ 21,181,315
Other	12,607,043	8,867,150
	35,705,221	30,048,465
Allowance for doubtful accounts	(5,582,772)	(4,511,755)
	$ 30,122,449	$ 25,536,710

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

	2018	2017
30–60 days	$ 6,200,357	$ 6,540,188
61–90 days	2,260,127	2,749,808
Greater than 90 days	7,447,231	6,577,211
	$ 15,907,715	$ 15,867,207

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

The movement of allowance for doubtful accounts is as follows:

	2018 (12 Months)	2017 (18 Months)
Balance at beginning of year	$ 4,511,755	$ 1,789,504
Amounts written off during the year	(1,966,626)	(2,161,735)
Amounts recovered during the year	224,765	532,115
Allowance recognised in the consolidated statement of profit or loss and other comprehensive income	2,812,878	4,351,871
Balance at the end of the year	$ 5,582,772	$ 4,511,755

6. 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 principal place of Dais is in the US. The investment is accounted for under the equity method. As at June 30, 2018, the carrying value of the Group's 50% interest in Dais was $6,730,034 (2017: $6,093,938).

The following information summarises the activity of the joint venture for the year ended June 30, 2018:

	2018 (12 Months)	2017 (18 Months)
Balance Sheet		
Assets	$ 9,592,740	$ 8,276,777
Liabilities	793,931	750,160
Total equity	$ 8,798,809	$ 7,526,617

	2018 (12 Months)	2017 (18 Months)
Statement of Income		
Revenue	$ 4,005,737	$ 3,647,122
Expenses	(3,733,544)	(3,602,562)
Net and Comprehensive Income	$ 272,193	$ 44,560

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

	2018 (12 Months)	2017 (18 Months)
Balance at beginning of year	$ 6,093,938	$ 4,171,658
Contributed capital	500,000	1,900,000
Gain on joint venture	136,096	22,280
Balance at end of the year	$ 6,730,034	$ 6,093,938

7. PROPERTY, PLANT AND EQUIPMENT

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

	LAND	COMMERCIAL BUILDINGS AND LEASEHOLD IMPROVEMENTS	VEHICLES	EQUIPMENT	NETWORK SYSTEMS & INFRASTRUCTURE	FIBRE OPTIC NETWORK	WEB HOSTING SYSTEMS	CONSTRUCTION IN PROGRESS	TOTAL
COST									
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
Additions	–	1,402,602	847,881	10,083,953	30,839,289	6,608,767	3,892	20,327,653	70,114,037
Transfer of assets	–	100,399	32,868	(2,352,893)	9,863,979	11,416,677	–	(19,061,030)	–
Disposals	–	(205,038)	(297,427)	(6,294,467)	(17,378,124)	(3,324,994)	(49,805)	–	(27,549,855)
Balance at June 30, 2018	$2,534,159	$41,993,449	$4,971,982	$94,985,628	$295,241,242	$197,087,780	$447,702	$11,438,567	$648,700,509
ACCUMULATED DEPRECIATION									
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
Depreciation	–	1,702,121	1,141,737	12,503,880	20,097,168	11,127,550	17,258		46,589,714
Transfer of assets	–	–	–	(229,778)	229,778	–	–	–	–
Disposals	–	(37,678)	(285,963)	(5,738,632)	(16,663,361)	(679,856)	(49,805)	–	(23,455,295)
Balance at June 30, 2018	$ –	$11,998,718	$2,718,897	$46,368,502	$105,480,870	$49,724,924	$383,695	$ –	$216,675,606
CARRYING VALUE									
As at June 30, 2018	$2,534,159	$29,994,731	$2,253,085	$48,617,126	$189,760,372	$147,362,856	$64,007	$11,438,567	$432,024,903
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 June 30, 2018, management has analysed the Group's property, plant and equipment and concluded that there is no known impairment of these assets that exists. Among the factors considered in making this assessment are the nature of the asset and its use, the going concern assumption, and the absence of any obsolescence indications.

8. INTANGIBLE ASSETS

Intangible assets consist of the following:

	ACQUIRED FRANCHISE LICENSE	COMMUNICATIONS LICENSE	SOFTWARE AND LICENSE	CUSTOMER CONTRACTS	ACQUIRED LICENSES	TOTAL
COST						
Balance at December 31, 2015	$5,221,248	$7,556,425	$ –	$16,972,364	$12,947,315	$42,697,352
Additions	–	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
Assets acquired	–	96,865	4,577,974	4,701,499	–	9,376,338
Balance at June 30, 2018	$5,221,248	$72,823,180	$12,706,206	$23,772,540	$12,947,315	$127,470,489
AMORTISATION						
Balance at December 31, 2015	$2,699,052	$2,354,899	$ –	$3,375,724	$4,316,000	$12,745,675
Amortization	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
Amortization	130,536	640,849	5,261,620	1,949,813	984,000	8,966,818
Balance at June 30, 2018	$3,025,392	$8,318,998	$5,728,914	$7,433,484	$6,776,000	$31,282,788
CARRYING VALUE						
As at June 30, 2018	$2,195,856	$64,504,182	$6,977,292	$16,339,056	$6,171,315	$96,187,701
As at June 30, 2017	$2,326,392	$65,048,166	$7,660,938	$13,587,370	$7,155,315	$95,778,181

In 2010, the Group 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 amortized over the remaining life of the Communications License which as at June 30, 2018 was 7 years.

The Group 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 amortized 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 amortized over the remaining term of the licenses which as at June 30, 2018. 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 Group's revenue and are expected to generate additional growth in the future. As a direct result it was determined that the value associated with these customer relationships amounted to $13,500,000 in the aggregate and are being amortized over a 15 year term. Contracts entered into after the acquisitions are being amortized over the life of the contract.

9. GOODWILL

In accordance with IAS 36, the Group annually performs a goodwill impairment analysis ("valuation") for each CGU. The CGU with associated goodwill is SVI. The valuation as at June 30, 2018 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% (2017: 9.5%) was utilised. Based on the valuation, the recoverable amount of the assets of SVI was determined to be $165,428,000 (2017: $157,404,000) and as a direct result, no impairment loss was recorded in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income.

10. 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. As at June 30, 2018, the principal balance outstanding was $nil (2017: $385,699) of which the current portion due within one year was $nil (2017: $178,642).

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, 2018, the balance outstanding totaled $33,430,922 (2017: $34,575,950) and the current lease principal payments due within one year was $11,091,531 (2017: $11,500,854).

Amounts payable under capital leases:

	2018	2017	2018	2017
	Minimum lease payment		Present value of minimum lease payment	
Within one year	$ 11,627,129	$ 11,237,270	$ 11,091,531	$ 11,500,854
Within two to five years	25,981,291	27,863,964	22,339,391	23,075,096
Less amount representing interest	(4,177,498)	(4,525,284)	–	–
Total finance lease obligation	$ 33,430,922	$ 34,575,950	$ 33,430,922	$ 34,575,950

c. **IRU**
The Group through SVI sold multiple IRUs for an initial amount of $1,130,144 (2017: $6,808,890). The proceeds from the IRUs are included in other liabilities and are being amortized to income over the remaining term of the agreements. As at June 30, 2018, the remaining term of the IRUs was 15–25 years respectively.

The balance outstanding as at June 30, 2018 was $14,782,909 (2017: $14,440,637). The total amount amortized and included in income as at June 30, 2018 was $787,873 (2017: $978,598).

11. NOTES PAYABLE

The Group 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 amortizing 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, 2018 is interest of $1,249,137.

11. NOTES PAYABLE *(cont.)*

The Group obtained a promissory note of $3,750,000 from The City of Leesburg, Florida on January 12, 2018. The note is secured by assets acquired by the Company in an Asset Purchase Agreement with The City of Leesburg, Florida dated January 12, 2018. The note bears interest at an annual rate of 1% payable on the maturity date of December 1, 2019. Principal repayments of $2,000,000 and $1,750,000 will be made on December 1, 2018 and December 1, 2019, respectively. The balance of the note as of June 30, 2018 was $3,750,000.

The Group 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 Group. The facility is also secured by guarantees and postponement of claims from all subsidiaries and assignment of insurance policies over the assets of the Company and its subsidiaries. The total amount owing of $97,169,330 (2017: $96,929,173) is inclusive of $25,000,000 which was directly funded to SVI and excludes unamortized transaction costs of $720,471 (2017: $960,628), which is being amortized over a five-year period. The Senior Facility bears interest at LIBOR plus applicable margins ranging from 2.5% to 4.0%. The margins applied are determined based on the Group's Senior Leverage Ratio.

12. PREFERRED SHARES

Preferred shares consist of the following:

	2018 (12 Months)	2017 (18 Months)
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: 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	4,090,000
Issued: 1,349 shares par value B$0.01 8.0% Series Eleven cumulative redeemable preferred shares dominated in JMD indexed to USD at J$1,000,000	10,610,338	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	2,035,000
Issued: 26,000 shares par value B$0.01 6.25% Series Thirteen cumulative redeemable preferred shares at B$1,000	26,000,000	26,000,000
Issued: 55,000 shares par value B$0.01 8.0% Series One cumulative redeemable amortizing preferred shares at B$1,000	54,028,336	–
TOTAL	$ 286,263,674	$ 232,235,338

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 Group's Series Four and Five Preferred Shares, settle short term debt commitments and fund capital projects. Included in accrued liabilities as at June 30, 2018 are dividends of $994,592 (2017: $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 consolidated 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 were 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 8.0% 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.

The Be Aliv Limited 8.0% Series One preferred shares were issued in February 2018 and mature in October 2027. These shares do not carry voting rights and pay dividends semi-annually. The proceeds of the Series One Shares were used to fund working capital requirements and the continued build out of the Aliv network throughout The Bahamas. The principal on the "Series One Shares" is to be repaid in five equal installments, commencing October 2023.

Management has estimated that the fair value of the Group's redeemable preferred shares approximates its stated amount of $286,263,674 (2017: $232,235,338) since its dividend rates are comparable to current market rates.

13. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

	2018	2017
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	$ 30,367,307

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, 2018 was 43,887,035 (2017: 43,887,035) and the weighted average number of shares was 43,887,035 (2017: 42,638,818).

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

	2018 (12 Months)	2017 (18 Months)
Earnings used in calculation of basic earnings per share	$ (25,076,802)	$ (22,985,522)
Dividends on convertible non participating preference shares	–	–
Earnings used in calculation of basic earnings per share	$ (25,076,802)	$ (22,985,522)

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

	2018	2017
Weighted average of ordinary shares used in calculation of basic earnings per share	43,887,035	42,638,818
Shares deemed to be issued on vesting of share-based option plan	956,298	710,524
Weighted average of ordinary shares used in calculation of diluted earnings per share	44,843,333	43,349,342

14. COMMITMENTS AND CONTINGENT LIABILITIES

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

	2018	2017
Not later than one year	$ 1,820,205	$ 1,749,880
Later than one year but not later than five years	6,437,198	6,331,135
Later than five years	6,744,684	8,432,980
	$ 15,002,087	$ 16,513,995

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

The Group 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 Group has a facility for Corporate Visas in the amount $45,000. (2017: of $45,000) and letters of credit and letters of guarantee.

14. COMMITMENTS AND CONTINGENT LIABILITIES *(cont.)*

The Group has insurance coverage to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of operations.

During 2016 and 2017, Utilities Regulation and Competition Authority ("URCA") issued Preliminary Determinations outlining perceived breaches by the Cable Group relating to the non-payment of fees with respect to operations in Grand Bahama. URCA believes that the Group is in breach of Parts IV and XVI of the Communications Act and as such has pursued regulatory measures against the Group with the view to resolve this matter. The Group, however, has maintained that based on provisions of the Hawksbill Creek Agreement, URCA does not have a legal basis to license its operations in Grand Bahama, and has commenced legal proceedings to support the Group's position.

The Group is involved in a contractual dispute over nonpayment of monies owed. The Group has recognised a disputed amount in the financial statements. In accordance with IAS 37.92, the Group has not provided further information on this matter on the grounds that it would seriously prejudice the outcome of this matter.

15. LICENSES AND AGREEMENTS

Communications Licenses

The Group 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 License (IOL), authorising the operation of an electronic communications network and provision of carriage services; and, an Individual Spectrum License (ISL), authorising the use of specific allocations of premium radio spectrum. Both licenses 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.

Federal Communications Commission license (FCC)

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

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

Utility Agreements

Under the terms of agreements with the Bahamas Electricity Corporation and Grand Bahama Power Group Ltd., the Group 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, 2018 there were no outstanding capital commitments from the shareholders.

16. INCOME TAXES

Income tax recognised in profit or loss:

	2018 (12 Months)	2017 (18 Months)
Current	$ (10,397)	$ (10,334)
Deferred	–	–
Total income tax expense	$ (10,397)	$ (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:

	2018 (12 Months)	2017 (18 Months)
Loss before tax from operations	$ (14,773,565)	$ (27,270,305)
Income tax benefit calculated at 34%	$ 4,062,730	$ 9,271,904
Effect of expenses not deductible in determining taxable income	(17,103)	(93,891)
State income tax benefit	587,245	989,534
Tax rate adjustments	(6,539,076)	–
Effect of unused tax losses not recognised as deferred tax assets	1,895,807	(10,177,881)
Income tax expense recognised in loss from operations	$ (10,397)	$ (10,334)

	2018	2017 (Restated)
Deferred tax assets		
Operational accruals	$ 8,058,566	$ 8,666,842
Deferred revenue	3,483,246	5,347,638
Fixed assets-state	919,190	1,237,362
Net operating losses	9,471,175	17,920,478
Charitable contribution carried forward	2,650	11,525
Total deferred tax assets	$ 21,934,827	$ 33,183,845
Deferred tax liabilities		
Joint venture	$ (452,413)	$ (537,289)
Prepaid expenses	(119,325)	(99,566)
Intangibles	(1,372,659)	(2,042,829)
Fixed assets-federal	(19,990,430)	(30,504,161)
Total deferred tax liabilities	$ (21,934,827)	$ (33,183,845)
Net deferred tax asset (liability)	$ –	$ –

16. INCOME TAXES *(cont.)*

	2018	2017
Unrecognised deferred tax assets		
Transaction costs	$ 107,756	$ 540,700
Net operating losses	15,185,834	17,135,328
	$ 15,293,590	$ 17,676,028

In assessing the recognition of deferred assets, management considers whether it is probable that some portion or the 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 Group has $101,175,930 (2017: $95,360,419) of federal net operating loss (NOL) carry forwards and $82,779,213 (2017: $71,574,830) of state NOL carry forwards at June 30, 2018. 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. The NOLs generated prior to June 30, 2018 will expire in the years 2029 through 2037. The NOL generated in fiscal June 30, 2018 can be carried forward indefinitely.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act tax reform legislation. This legislation makes significant changes in U.S. tax law including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate alternative minimum tax. The legislation reduced the U.S. corporate tax rate from the current top rate of 35% to 21%. As a result of the enacted law, the Company was required to revalue deferred tax assets and liability at the enacted rate. The revaluation resulted in a reduction of $6,539,075 to the deferred tax assets before non-recognition for the year ended June 30, 2018.

During year ended June 30, 2018, the prior year balance for deferred tax asset of $31,183,845 and deferred tax liabilities of $31,183,845 were netted off on the consolidated statement of financial position.

17. OPERATING EXPENSES

Operating expenses consist of the following:

	2018 (12 Months)	2017 (18 Months)
Programming	$ 67,450,832	$ 83,250,785
Administrative	42,350,508	59,824,289
Technical	29,976,589	31,665,588
Network services	18,324,505	15,968,522
Government and regulatory fees	10,554,236	17,735,665
Marketing	22,486,303	23,890,876
	$ 191,142,973	$ 232,335,725

18. EMPLOYEE COMPENSATION

The Group participates in externally managed pension plans. Under the terms of the defined contribution plans, the Group matches employee contributions up to a maximum of 5% of salary for its staff and 12.5% for executive management. The Group's contributions amounted to $1,285,850 (2017: $1,012,455).

In 2014, the Group implemented a share-based options plan for key executives of the Group. 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 Group and vest equally over a five-year ending 2019. The options were priced using the Black Scholes Options Pricing Model.

18. EMPLOYEE COMPENSATION *(cont.)*

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	
	2018	**2017**	**2018**	**2017**
Outstanding	1,543,500	1,549,500	$ 3.81	$ 3.83
Granted	–	–	–	–
Forfeited	(45,000)	(6,000)	4.67	3.72
Outstanding	1,498,500	1,543,500	$ 3.79	$ 3.81
Exercisable	1,204,800	896,100	$ 3.79	$ 3.78

The total number of shares vested as at June 30, 2018 was 1,204,800 (2017: 896,100). The total fair value of the shares vested as at June 30, 2018 was $245,773 (2017: $244,997) 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, 2018 is $956,298 (2017: $710,524). The expected volatility is determined by reference to the Group's historical volatility which is expected to reflect the Group's share price in the future.

19. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

	2018 (12 Months)	2017 (18 Months)
Short-term benefits	$ 2,304,482	$ 3,566,987
Long-term benefit – share based plan	503,955	335,970
Post employment benefits	183,593	235,946
	$ 2,992,030	$ 4,138,903

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.

19. RELATED PARTY BALANCES AND TRANSACTIONS *(cont.)*

Other related party balances and transactions:

	2018 (12 Months)	2017 (18 Months)
Trade and other receivables	$ 1,097,129	$ 752,196
Accounts payable and accrued liabilities	$ 5,864,563	$ 5,879,508
Preferred shares	$ 11,977,500	$ 12,113,500
Revenue	$ 936,414	$ 462,135
Operating expenses	$ 1,326,265	$ 1,509,734
Preferred dividends	$ 955,580	$ 967,278

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 Group 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 Group'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 Group 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 Group'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:

2018

	CABLE	CABLE FREEPORT	CARIBBEAN CROSSING	MAXIL	SRG	SVI	ALIV	ELIMINATIONS	CONSOLIDATED TOTALS
Revenue from external customers	$102,701,558	$13,522,317	$13,744,144	$1,724,704	$11,517,306	$64,062,715	$36,526,427	$(20,045,566)	$223,753,605
Intercompany charge	$905,000	$ -	$ -	$ -	$ -	$125,837	$ -	$(1,030,837)	$ -
Interest expense	$3,678,866	$ -	$ -	$ -	$ -	$10,101,109	$7,941,618	$(9,184,329)	$12,537,264
Depreciation and amortization	$20,452,089	$2,994,905	$1,672,298	$17,258	$515,165	$17,524,790	$12,380,026	$ -	$55,556,531
Reportable segment profit (loss)	$(3,083,858)	$2,553,162	$8,009,933	$1,494,852	$8,189,400	$(14,783,960)	$(53,879,411)	$(1,928,343)	$(53,428,225)
Reportable segment assets	$539,896,823	$48,354,000	$114,350,583	$7,201,716	$39,770,901	$189,686,047	$193,656,916	$(488,447,924)	$644,469,062
Expenditures	$68,744,580	$7,974,250	$4,061,913	$212,594	$2,812,741	$47,693,732	$69,998,668	$(10,355,505)	$191,142,973
Reportable segment liabilities	$388,264,247	$3,191,799	$354,520	$641,406	$5,027,427	$225,996,072	$166,414,761	$(209,477,028)	$580,413,204

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	$179,250,028	$189,509,374	$(405,356,732)	$636,501,083
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	$200,776,092	$108,387,808	$(287,586,863)	$519,262,764

22. NON-CONTROLLING INTEREST

On July 1, 2016 the Group through Be Aliv Limited, won the second mobile license. As at June 30, 2018 the Group completed the network build-out of the entire country in compliance with its license requirements. The network incorporates a new 3G UMTS and 4.5G LTE technology platform on every cell site.

The Non-Controlling interest relate to the 51.75% in Be Aliv Limited, held by The Government of The Bahamas through its special purpose holding company, HoldingCo2015 Limited (HoldingCo). The Company has a 48.25% shareholding in Be Aliv Limited, and has board and management control.

22. NON-CONTROLLING INTEREST *(cont.)*

The movement is as follows:

	2018 (12 Months)	2017 (18 Months)
Balance at beginning of year	$ 41,426,168	$ –
Net contribution from investor	–	70,167,307
Share of loss for the year/period	(27,379,759)	(28,741,139)
	$ 14,046,409	$ 41,426,168

23. RISK MANAGEMENT

There are a number of risks inherent in the telecommunications and cable television industry that the Group 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 the terms of contracts. From this perspective, the Group's significant exposure to credit risk is primarily concentrated with cash and cash equivalents, trade and other receivables, investments and balances due from related parties. Customer deposits are maintained until the services are terminated to offset any outstanding balances due to the Group. 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 Group 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 Group'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 Group with reasonable assurance that assets are safeguarded against unauthorised use or disposition, liabilities are recognised, and the Group is in compliance with all regulatory requirements.

Foreign currency risk – Foreign currency risk relates to the Group operating in different currencies and converting non-Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Group 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 Group 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 Group 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 Group maintains a satisfactory portion of its assets in cash and other liquid assets to mitigate this risk. In addition, the Group keeps its trade payables within agreed upon terms with its vendors. On a daily basis, the Group monitors its cash and other liquid assets to ensure that they sufficiently meet the Group's liquidity requirements.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

23. RISK MANAGEMENT *(cont.)*

2018

	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	5+ YEARS	TOTAL	CARRYING AMOUNT
Trade payables	$13,115,106	$18,299,862	$40,056,396	$ 48,980	$ –	$ 71,520,344	$ 71,520,344
Borrowings	-	1,626,221	18,038,209	128,027,545	232,235,338	379,927,313	414,065,586
Finance lease liabilities	157,273	340,503	10,325,886	42,262,472	150,006,749	203,092,883	114,118,280
Balance at June 30, 2018	$13,272,379	$20,266,586	$68,420,491	$170,338,997	$382,242,087	$654,540,540	$599,704,210

2017

	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	5+ YEARS	TOTAL	CARRYING AMOUNT
Trade payables	$16,195,258	$14,542,391	$37,438,672	$36,352	$-	$68,212,674	$68,212,674
Borrowings	16,538	1,379,973	15,653,154	120,285,612	232,235,338	369,570,615	360,345,508
Finance lease liabilities	166,060	436,002	1,624,001	1,839,942	57,891,965	61,957,970	61,775,393
Balance at June 30, 2017	$16,377,856	$16,358,366	$54,715,827	$122,161,906	$290,127,303	$499,741,259	$490,333,575

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

2018

	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	5+ YEARS	TOTAL	CARRYING AMOUNT
Cash	$42,306,925	$ -	$ 533,688	$ –	$ –	$42,840,613	$42,840,613
Trade and other receivables	27,334,270	643,600	3,435,190	–	–	31,413,060	30,122,449
Balance at June 30, 2018	$69,641,195	$643,600	$3,968,878	$ –	$ –	$74,253,673	$72,963,062

2017

	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	5+ YEARS	TOTAL	CARRYING AMOUNT
Cash	$55,497,395	$ –	$317,535	$100,000	$ –	$55,914,929	$55,914,929
Trade and other receivables	21,593,033	575,678	3,517,999	–	–	25,686,710	25,536,710
Balance at June 30, 2017	$77,090,428	$575,678	$3,835,534	$100,000	$ –	$81,601,639	$81,451,639

23. RISK MANAGEMENT *(cont.)*

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 Group manages interest cost using a mixture of fixed-rate and variable-rate debt.

Sensitivity analysis

The Group is exposed to variable interest rates on its Senior Credit Facility and lease obligation. The total amount outstanding at June 30, 2018 was $128,811,755 (2017: $130,880,434). For floating rate liabilities, the analysis is prepared assuming the amount outstanding at the end of the reporting year 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:

0.0075	$	974,106
0.0050	$	649,404
0.0025	$	324,702

Capital risk management – The Board of Directors manages the Group'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 Group's debt and equity balance. The Group'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 Group's risk appetite, policies and the maximisation of shareholder return. The capital structure of the Group consists of preference shares and equity attributable to the common equity holders of the Group, comprising issued capital and retained earnings as disclosed in notes 13 and 14. 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 Group 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 Group's strategy is unchanged from 2017.

Corporate tax management – The Group is subject to taxes and tax regulations in The Bahamas and the United States of America. The Board of Directors ensures that adequate internal controls and financial reporting guidelines are established and monitored in the preparations and submission of all tax reporting. The Group 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.

24. SUBSEQUENT EVENTS

Long Term Debt

On September 25, 2018 the Senior Credit Facility agreed to extend the maturity date of the existing loan facility to September 30, 2020. The Senior Facility is secured by a First Registered Demand Debenture creating a fixed and floating charge over all assets of the Group. The facility is also secured by guarantees and postponement of claims from all subsidiaries and assignment of insurance policies over the assets of the Company and its subsidiaries. The total amount owing of $97,169,330 (2017: $96,929,173) is inclusive of $25,000,000 which was directly funded to SVI and excludes unamortized transaction costs of $720,471 (2017: $960,628), which is being amortized over a five-year period. The Senior Facility bears interest at LIBOR plus applicable margins ranging from 2.5% to 4.0%. The margins applied are determined based on the Group's Senior Leverage Ratio.

Based on the outstanding principal balance of $97,169,330 at June 30, 2018, the aggregate future principal maturity is as follows:

2018	$	–
2019		8,788,980
2020		8,788,980
2021		8,788,980
2022		8,788,980
2023		8,788,980

Group Acquisition

On October 5, 2018 Summit Broadband Inc. completed an asset purchase of Litestream Holdings LLC, a Florida limited liability company for $6,375,000. Summit Broadband Inc. acquired 14 home owner association (HOA) contracts and 3,720 customers. The acquisition will enable the Group to expand its range of complimentary products and services provided by Summit Broadband Inc. and, as a consequence, broaden the Group's base in the market place.

As the initial accounting for this acquisition was not completed at the time that the financial statements were authorised for issue, details of the values of the assets acquired have not been provided. The Group did not assume any of Litestream's liabilities.

CORPORATE INFORMATION

DIRECTORS

Gary Kain	*Chairman*	Businessman
Franklyn Butler II	*Executive Vice Chairman*	President & CEO, Cable Bahamas Ltd.
Troy d'Arville	*Director*	President & CEO, Furniture Plus & The Plus Group of Companies
Ross McDonald	*Director*	Retired Banker
Michele Merrell	*Director*	Vice President, Global Marketing & Communications
Ranford Patterson	*Director*	Reverend/Pastor
Elma Campbell	*Director*	Counsel & Attorney, Elma E. Campbell & Co.

OFFICERS

John Gomez — *Chief Operating Officer – Bahamas*
Felicity Johnson — *Corporate Secretary*

EXECUTIVES

BAHAMAS

Stephen Curran — *Chief Technology Officer*
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 — *Senior Vice President of Finance*
Sue Reinhold — *Vice President of Engineering*
Blaine Schafer — *Chief Technology Officer*

ALIV

Damian Blackburn — *Chief Aliv Officer*
Barry Williams — *Chief Money Maestro*
Jay Naylor — *Chief Aliv Guardian*
Alan Bates — *Chief Aliv Partner*

ANNUAL REPORT CREDITS

Graphic Design
Smith & Benjamin Art & Design
P O Box CB 12077
Nassau, The Bahamas
Tel (242) 377 0241

Printing
Printmasters
P O Box N 3011
Nassau, The Bahamas
Tel (242) 302 2361

SHARE REGISTRAR AND TRANSFER AGENT

Bahamas Central Securities Depository
Suite 202, Fort Nassau Centre
British Colonial Hilton Nassau
P O Box N 9307
Nassau, The Bahamas
Tel (242) 322 5523

LEGAL ADVISORS

Graham Thompson & Co
Sassoon House
Shirley Street & Victoria Avenue
P O Box N 213
Nassau, The Bahamas
Tel (242) 322 4130

AUDITORS

Deloitte & Touche
2nd Terrace West Centerville
P O Box N 7120
Nassau, The Bahamas
Tel (242) 302 4800

PRINCIPAL BANKERS

Royal Bank of Canada
Royal Bank House
East Hill Street
P O Box N 7549
Nassau, The Bahamas
Tel (242) 356 8500