

CABLE BAHAMAS LTD.

**Consolidated Financial Statements
For The Year Ended June 30, 2020
And Independent Auditors' Report**

CABLE BAHAMAS LTD.

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Independent auditors' report

To the Shareholders of Cable Bahamas Ltd.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cable Bahamas Ltd. (the Company) and its subsidiaries (together 'the Group') as at June 30, 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at June 30, 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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.

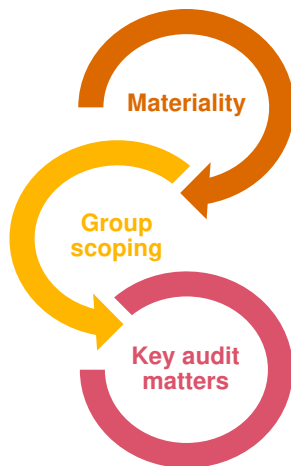
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



- Overall group materiality: \$2.5 million, which represents 5% of net loss from continuing operations.
 - In addition to the Group's primary operating company, Cable Bahamas Ltd., we performed a full scope audit of Be Aliv Limited, its largest subsidiary. Specific audit procedures were performed over the remaining subsidiaries and transactions related to the discontinued operation.
 - Audit of opening balances – IFRS 16 'Leases'
-

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Be Aliv Limited, a subsidiary of the Group, was classified as an individually financially significant component based on its overall contribution to the Group. For the remaining non-significant components, we performed specific audit procedures on select accounts and classes of transactions.

Until the current year, Summit Vista Inc. ("SVI") was also a subsidiary of the Group which had been classified in the prior year as held for sale. Effective January 21, 2020, the Group disposed of SVI, its US-based operations. The disposal was treated as a discontinued operation.

All audit procedures were performed by PricewaterhouseCoopers Bahamas.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	\$2.5 million
How we determined it	5% of net loss from continuing operations
Rationale for the materiality benchmark applied	We chose net loss from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$123,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Audit of opening balances – IFRS 16 ‘Leases’</i> <i>Refer to notes 3(s), 4, 5, 8 and 11 to the consolidated financial statements for disclosures of related accounting policies and balances.</i></p> <p>The initial adoption of IFRS 16 ‘Leases’ in the prior year had a material impact on the Group’s June 30, 2019 financial statements resulting in opening balances as at July 1, 2019 in the amount of \$113,450,110 for right-of-use assets and lease liabilities in the amount of \$150,288,396. These balances represented 15% and 21% of total assets and total liabilities, respectively, and thus had a material impact on the Group’s financial position.</p> <p>We focused our audit efforts on these opening balances due to their material impact on the consolidated financial statements both in the current year and in respect of the opening balances. The determination of lease contracts, lease terms and incremental borrowing rates involved a level of applied judgement by management.</p>	<p>As part of our audit procedures on the opening balances of the consolidated statement of financial position, we inquired about the prior year implementation of IFRS 16 and evaluated its impact on the consolidated financial statements, including the Group’s accounting policies.</p> <p>We evaluated the assumptions used by management as the basis for preparing the Group’s lease calculations for the opening balances, in particular those used in determining the lease term period, incremental borrowing rate, lease conditions and measurement principles.</p>

Upon implementation of IFRS 16, management performed a detailed analysis of its leasing arrangements to determine whether contracts contained a lease. In determining the lease term, management considered all relevant facts and circumstances, including the existence of economic incentives to exercise an extension option, or not exercise a termination option. As the interest rate implicit in the lease could not be readily determined, management determined an incremental borrowing rate of 8.5% based on recent third-party financing rates received.

We performed the following procedures, amongst others, over the opening balances as it pertains to right-of-use assets and lease liabilities as follows:

- Inspected a sample of lease agreements with a focus on payment terms, renewal and extension options to evaluate the appropriateness of the lease term considering our entity and industry knowledge;
- Evaluated the reasonableness of the incremental borrowing rate through examination of supporting data including recent third-party financing received by the Company; and
- Independently calculated the opening balances based on the terms of the lease agreement and related external inputs, including risk-free rates from long-term sovereign debt, adjusted for risk premiums using quoted lending rates obtained from the Group's bankers and compared our value to management's calculated value.

Based on the results of our audit procedures, we identified that adjustments were required to correct the consolidated financial statements related to the initial adoption of IFRS 16, as further described in Note 5 to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Cable Bahamas Ltd. 2020 Annual Report (but does not include the consolidated financial statements and our auditors' report thereon), which 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 will 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 identified above when it becomes available 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.

When we read the Cable Bahamas Ltd. 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Other matter

The consolidated financial statements of the Group for the year ended June 30, 2019 were audited by another firm of auditors whose report, dated October 2, 2019, expressed an unmodified opinion on those statements.

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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, actions taken to eliminate threats or safeguards applied.

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 Prince A. Rahming.



**Chartered Accountants
Nassau, Bahamas**

November 6, 2020

CABLE BAHAMAS LTD.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020***(Expressed in Bahamian dollars)*

	2020	2019
		Restated Note 5
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 24)	\$ 174,902,357	\$ 28,326,808
Term deposits (Note 24)	5,618,667	618,202
Trade and other receivables (Notes 6, 19, 24)	19,158,222	15,757,739
Prepaid expenses and deposits	6,209,684	5,866,702
Inventory	7,293,042	8,121,937
Contract assets (Note 7)	4,482,403	3,398,209
	<u>217,664,375</u>	<u>62,089,597</u>
Assets classified as held for sale (Note 22)	-	207,732,098
	<u>217,664,375</u>	<u>269,821,695</u>
NON-CURRENT ASSETS:		
Property, plant and equipment (Note 8)	329,942,312	343,761,191
Intangible assets (Note 9)	68,638,225	74,212,275
Contract assets (Note 7)	-	2,756,320
	<u>398,580,537</u>	<u>420,729,786</u>
TOTAL ASSETS	<u>\$ 616,244,912</u>	<u>\$ 690,551,481</u>

The accompanying notes are an integral part of these consolidated financial statements.

CABLE BAHAMAS LTD.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020**


(Expressed in Bahamian dollars)

	2020	2019
		Restated Note 5
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Notes 10, 13, 19, 24)	\$ 74,997,860	\$ 65,710,259
Deferred income	5,444,473	3,369,250
Other liabilities (Note 11)	15,284,921	15,315,735
Notes payable (Note 12)	58,455,397	-
Long-term debt (Note 12)	2,520,000	6,552,456
	<u>156,702,651</u>	<u>90,947,700</u>
Liabilities directly associated with assets classified as held for sale (Note 22)	-	61,505,134
	<u>156,702,651</u>	<u>152,452,834</u>
NON-CURRENT LIABILITIES:		
Subscriber deposits	8,802,212	8,614,848
Other liabilities (Note 11)	64,206,020	78,626,617
Notes payable (Note 12)	-	58,290,490
Long-term debt (Note 12)	10,431,877	75,103,175
Preferred shares (Note 13)	301,137,072	300,995,715
	<u>384,577,181</u>	<u>521,630,845</u>
TOTAL LIABILITIES	<u>541,279,832</u>	<u>674,083,679</u>
EQUITY:		
Equity attributable to owners of the parent:		
Ordinary share capital (Note 14)	30,367,307	30,367,307
Retained earnings	92,894,200	7,823,460
	<u>123,261,507</u>	<u>38,190,767</u>
Non-controlling interest (Note 23)	(48,296,427)	(21,722,965)
	<u>74,965,080</u>	<u>16,467,802</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 616,244,912</u>	<u>\$ 690,551,481</u>

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 6th, 2020, and are signed on its behalf by:



Director



Director

The accompanying notes are an integral part of these consolidated financial statements.

CABLE BAHAMAS LTD.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**
(Expressed in Bahamian dollars)

	2020	2019
		Restated Note 5
REVENUE (Notes 19, 21)	\$ 192,909,153	\$ 181,896,881
OPERATING EXPENSES (Notes 17, 18, 19, 21)	(150,187,757)	(138,581,977)
Impairment of financial assets (Notes 6, 7)	(7,570,900)	(3,156,031)
	35,150,496	40,158,873
Depreciation and amortization (Notes 8, 9)	(47,935,432)	(44,387,423)
Other income	876,453	-
Loss on disposal of assets, net (Note 8)	(2,554,745)	(1,568,099)
OPERATING LOSS	(14,463,228)	(5,796,649)
Interest expense (Notes 11, 12, 21)	(15,861,339)	(18,003,409)
Dividends on preferred shares (Notes 13, 19)	(20,151,453)	(18,848,077)
NET LOSS FROM CONTINUING OPERATIONS	(50,476,020)	(42,648,135)
Profit/(loss) from discontinued operations attributable to owners of the parent (Note 22)	109,130,311	(1,281,539)
NET AND COMPREHENSIVE INCOME/(LOSS)	\$ 58,654,291	\$ (43,929,674)
Net and comprehensive income/(loss) for the year attributable to:		
Owners of the parent	\$ 85,227,753	\$ (13,295,164)
Non-controlling interests	(26,573,462)	(30,634,510)
	\$ 58,654,291	\$ (43,929,674)
Basic earnings per share on profit or loss (Note 14)	\$ 1.94	\$ (0.30)
Diluted earnings per share on profit or loss (Note 14)	\$ 1.91	\$ (0.30)
Basic earnings per share on profit or loss from continuing operations (Note 14)	\$ (1.15)	\$ (0.97)
Diluted earnings per share on profit or loss from continuing operations (Note 14)	\$ (1.13)	\$ (0.96)

The accompanying notes are an integral part of these consolidated financial statements.

CABLE BAHAMAS LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020**
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Retained Earnings	Non-Controlling Interest	Total
Balance at June 30, 2018 (as previously reported)	\$ 30,367,307	\$ 20,613,815	\$ 14,046,409	\$ 65,027,531
Impact of change in accounting policy (IFRS 15 and 16)	-	(4,671,155)	(5,134,864)	(9,806,019)
Impact of correction of prior period error (Note 5)	-	4,483,411	-	4,483,411
Balance at July 1, 2018, Restated (Note 5)	30,367,307	20,426,071	8,911,545	59,704,923
Total net loss and total comprehensive loss, Restated (Note 5)	-	(13,295,164)	(30,634,510)	(43,929,674)
Vested share based options (Note 18)	-	692,553	-	692,553
Balance at June 30, 2019, Restated (Note 5)	30,367,307	7,823,460	(21,722,965)	16,467,802
Total net income/(loss) and total comprehensive income/(loss)	-	85,227,753	(26,573,462)	58,654,291
Vested share based options (Note 18)	-	(157,013)	-	(157,013)
Balance at June 30, 2020	\$ 30,367,307	\$ 92,894,200	\$ (48,296,427)	\$ 74,965,080

The accompanying notes are an integral part of these consolidated financial statements

CABLE BAHAMAS LTD.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

(Expressed in Bahamian dollars)

	2020	2019
		Restated Note 5
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss) for the year	\$ 58,654,291	\$ (43,929,674)
Adjustments for:		
Depreciation and amortization (Notes 8, 9)	47,935,432	63,952,322
Interest expense (Notes 11, 12, 21)	15,861,339	24,314,621
Dividends on preferred shares (Note 13)	20,151,453	14,332,490
Vesting of share based options (Note 18)	(157,013)	692,553
Gain on joint venture	-	(281,049)
Net (gain)/loss on disposal of assets	(535,071)	1,573,613
Profit from discontinued operations (Note 22)	(109,130,311)	-
Impairment of financial assets (Notes 6, 7)	7,570,900	3,156,031
Impairment loss on property, plant and equipment (Note 8)	3,153,320	-
Amortization of transaction costs	1,242,581	538,020
Amortization of indefeasible right of use	-	(826,908)
Operating cash flows before working capital changes	44,746,921	63,522,019
(Increase)/decrease in trade and other receivables	(10,971,383)	8,609,432
Increase in prepaid expenses and deposits	(342,982)	(258,987)
Decrease in inventory	828,895	2,592,224
Decrease/(increase) in contract assets	1,672,126	(4,362,554)
Increase in accounts payable and accrued liabilities	9,097,070	5,238,280
Increase in deferred income	2,075,223	60,755
Increase in subscriber deposits	187,364	350,353
Net cash from operating activities	47,293,234	75,751,522
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in term deposits	(5,000,465)	(618,202)
Additions to property, plant and equipment (Note 8)	(33,906,712)	(51,360,269)
Additions to intangible assets (Note 9)	(2,636,548)	(8,031,585)
Proceeds from insurance claim (Note 8)	4,500,000	161,883
Reimbursement of indebtedness associated with sale of subsidiary	3,708,969	-
Proceeds from disposal of property, plant, and equipment	882,508	-
Proceeds from sale of subsidiary (Note 22)	251,648,306	-
Net cash from/(used in) investing activities	\$ 219,196,058	\$ (59,848,173)

The accompanying notes are an integral part of these consolidated financial statements.

CABLE BAHAMAS LTD.**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020***(Expressed in Bahamian dollars)*

	2020	2019
		Restated Note 5
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt (Note 12)	\$ (75,524,562)	\$ (2,000,000)
Proceeds from long-term debt (Note 12)	3,750,000	17,700,000
Payment of transaction costs	-	(731,740)
Repayment of lease liabilities (Note 11)	(14,451,411)	(18,642,424)
Deferred indefeasible right of use	-	910,255
Issuance of preferred shares (Note 13)	-	15,000,000
Interest paid (Notes 11, 12, 21)	(13,868,205)	(21,105,618)
Dividends paid on preferred shares (Note 13)	(19,819,565)	(14,356,662)
Net cash used in financing activities	<u>(119,913,743)</u>	<u>(23,226,189)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	146,575,549	(7,322,840)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	28,326,808	42,840,613
Cash held by divested subsidiary (Note 22)	-	(7,190,965)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 174,902,357	\$ 28,326,808
Cash and cash equivalents comprise: cash on hand and at banks	<u>\$ 174,902,357</u>	<u>\$ 28,326,808</u>

The accompanying notes are an integral part of these consolidated financial statements.

CABLE BAHAMAS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

(Expressed in Bahamian dollars)

1. GENERAL INFORMATION

Cable Bahamas Ltd. (the “Company”) was incorporated on September 19, 1994, under the laws of The Commonwealth of The Bahamas (“The Bahamas”).

Cable Bahamas Ltd. and its subsidiaries (together, 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. As at June 30, 2020, the Group’s subsidiaries include Cable Freeport Ltd. (“Cable Freeport”), Caribbean Crossings Ltd. (“Caribbean”), Maxil Communications Ltd. (“Maxil”), Systems Resource Group Limited (“SRG”), and Be Aliv Limited (“Aliv”) which are all incorporated in The Bahamas, their place of domicile. Trinity Communications Bahamas Ltd. (“Trinity”) a company incorporated in the United States of America is a wholly-owned subsidiary of Caribbean. Until January 21, 2020 Summit Vista Inc. (“SVI”) which is incorporated under the laws of the state of Florida, United States of America was also a wholly-owned subsidiary of the Group (Note 22).

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 ordinary 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, was incorporated on February 25, 2016, under the laws of The Commonwealth of The Bahamas.

The ordinary shares of the Group are listed and traded on the Bahamas International Securities Exchange (BISX).

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and under the historical cost convention. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out in Note 3.

The preparation of consolidated financial statements in conformity with IFRS requires management to make critical accounting estimates and exercise judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately in Note 4.

New standards, amendments and interpretations adopted by the Group

Standards and amendments and interpretations to published standards that became effective for the Group’s financial year beginning on July 1, 2019 were not relevant or not significant to the Group’s operations, and accordingly did not impact the Group’s accounting policies or consolidated financial statements.

Standards, amendments and interpretations issued but not yet effective and not early adopted by the Group

The application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or consolidated financial statements in the period of initial application.

Assessment of the impact of COVID-19 on the Group

Since the outbreak of COVID-19 in the first quarter of calendar year 2020, global financial markets and local businesses and retail customers have experienced, and may continue to experience significant volatility. There are significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, collectability of trade receivables, and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which the Group and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. The Group has taken measures to preserve its operations and the health and safety of its employees and customers. Measures are being taken to reduce operating costs and non-business critical capital expenditure, offering more electronic and physical payment channels for our customers, and optimizing working capital.

As of the date of the approval of these consolidated financial statements, management was not aware of any significant adverse effects on the financial statements for the year ended June 30, 2020 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a. Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the 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 assess 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;
- 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.

The financial statements of Aliv have also been consolidated in these financial statements as the Group owns 48.25% of its ordinary shares and maintains management and board control (Note 23).

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any non-controlling interest and other components of equity. The net income or loss of the subsidiary disposed during the year will be included in the consolidated statement of profit or loss and other comprehensive income for the period through which the Group held the investment in the subsidiary.

As at June 30, 2019, the Group's investment in SVI, previously a wholly-owned subsidiary met the IFRS criteria for classification as assets held for sale, because management had begun to execute a formal plan to sell. As a result, the assets, liabilities, and results of operation of SVI are measured and presented in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in the prior year consolidated financial statements.

As at June 30, 2020, the Group completed its disposal of this subsidiary and, as such, the related assets and associated liabilities are no longer classified as held for sale, as of the disposal date, and a net income from discontinued operations resulting from the disposal of the investment is included in the consolidated statement of profit or loss and other comprehensive income. Additional disclosures are presented in Note 22.

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.

- b. *Cash and cash equivalents*** - Cash and cash equivalents comprise cash on hand, demand deposits, and term deposits with original maturities of three months or less and which are subject to insignificant risk of changes in value.
- c. *Trade and other receivables*** - Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade and other receivables are subsequently measured at amortized cost, net of an allowance for expected credit losses. The allowance for expected credit losses is determined based on application of IFRS 9 *Financial Instruments*. Trade and other receivables do not carry any interest and are stated at their nominal value.

- d. Inventory** - Inventory items are carried at the lower of cost and net realizable value, with cost being determined using weighted average cost. Net realizable value represents the estimated selling price of inventories less all estimated costs to make the sale. All inventory items are transferred to property, plant, and equipment or operating expenses accordingly, as they are placed into operation or sold.
- e. Property, plant and equipment** - Property, plant and equipment are carried at cost less accumulated depreciation, less any impairment. All costs associated with putting an asset into service are capitalized. Improvements that extend asset lives, and costs associated with the construction of cable and data transmission and distribution facilities, including direct labour and materials, are capitalized. Other repairs and maintenance costs are expensed as incurred.

Land is not depreciated. Depreciation on property, plant and equipment other than right-of-use assets is recorded on a straight-line basis over their estimated useful lives as follows:

Commercial buildings	40 years
Leasehold improvements	Term of the lease
Vehicles	3-5 years
Equipment	3-20 years
Network systems and infrastructure	7-40 years
Fiber optic network	25 years
Web hosting systems	8 years

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.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

- f. Intangible assets** - Intangible assets are carried at cost less accumulated amortization and net of any adjustment for impairment. Intangible assets consist of communications and spectrum licenses, the acquired franchises license, and software and other related licenses.

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

An intangible asset is derecognized on disposal when no future economic benefits from use are reasonably expected. Disposal gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets are recognized in profit or loss when the asset is derecognized.

- g. 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 and value in use. Any impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

- 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 the sale. Income from IRUs is recognized on a straight-line-basis over the term of the IRU contract.
- i. Subscriber deposits* - In the normal course of its operations, the 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 used to measure amounts included in the financial statements of the Group’s entities is the Bahamian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

- l. Financial instruments* - Financial assets and financial liabilities are recognized in the Group’s consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. 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 recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way 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.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and measurement of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value.

Amortized cost and the effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECL”) on financial assets, other than those measured at fair value through profit or loss. The Group determines a lifetime ECL for trade receivables and contract assets using the IFRS 9 simplified approach. The ECL on these assets are estimated using a provision matrix based on historical credit loss experience, in order to determine a loss rate.

At each reporting period, the Group calculates a loss rate which is applied as a percentage to the period-ending balance of each respective aging category. The result in the aggregate across the aging categories, is the updated ECL, or the allowance for credit losses. The allowance for expected credit losses is adjusted at each period end to reflect the reassessed ECL for the period.

This may be adjusted for factors that are specific to the debtors, and general forward-looking economic

conditions. The Group has identified the gross domestic product (GDP) and the unemployment rate of the country in which it sells its goods and services to be the most relevant forward-looking factors, and accordingly may adjust the historical loss rates based on expected changes in these factors.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to the Group's remaining performance obligations to provide wireless services to customers under long-term contracts and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

For all other financial instruments, the Group would recognize lifetime ECL if there has been a significant increase in credit risk since initial recognition. If the credit risk of the financial instrument has not increased significantly since initial recognition, the Group measures a loss allowance for that financial instrument at an amount equal to a 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The amount is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information, which would include factors such as:

- actual or expected significant adverse changes in business, financial, or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations or,
- actual or expected significant changes in the operating results of the borrower.

Regardless of the analysis above, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as a failure to make contractual payments for a period of greater than 180 days past due, and a debtor failing to engage in a repayment plan with the Group. When a trade receivable or contract asset is considered uncollectible, it is written off against the allowance account and recognized in operating expenses in the consolidated statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as at amortized cost.

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

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.

De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of profit or loss and other comprehensive income.

- m. Trade and other payables** - These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.
- n. Basic and diluted earnings per share (EPS)** – Basic earnings per share is calculated by dividing net income attributable to ordinary equity holders of the Group for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the year if all convertible securities and potentially dilutive instruments were exercised. Potentially dilutive instruments are all outstanding stock options, and warrants. Unless the Group has no additional potential shares outstanding, the diluted EPS will always be lower than the simple or basic EPS.
- o. Retirement benefit costs** - Employer 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. The benefit plan is separately managed and administered by a third-party service provider. The Group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
- p. 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. 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.
- q. Related parties** - Related parties include shareholders with shareholdings of 10% or greater of outstanding ordinary shares, key management personnel (senior executive officers and directors), and entities that are controlled by these parties. The Government of the Bahamas, as beneficial owner of the majority shareholding of Aliv, is not deemed a related party in respect to certain transactions with statutory agencies.

r. **Revenue from contracts with customers** - The Group recognizes revenues from the sale of products or the rendering of services in a manner that represents the transfer of goods and/or services to customers consistent with an amount reflecting the expected consideration in return for those goods or services; when all of the following conditions are met:

- 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.
- For bundled arrangements, the total arrangement consideration is allocated to each separately identifiable product or service included in the contract with the customer based on its stand-alone selling price. Generally stand-alone selling prices are determined based on the observable prices at which products are sold separately without a service contract and prices for non-bundled service offers with the same range of services, adjusted for market conditions and other factors, as appropriate.

In particular, the Group recognizes:

- Television, internet, telephony, and postpaid wireless airtime and data subscriber revenues over time as the service is delivered (usually monthly).
- Fees for local, long distance and wireless services (e.g. prepaid and roaming), and pay-per-use services when the services are provided.
- Other fees, such as network access fees, license fees, hosting fees, maintenance fees, standby fees, and equipment rental fees over the term of the contract as services are delivered.
- Revenues from the sale of equipment when the equipment is delivered and accepted by customers.
- Revenues on long-term contracts over time as services are provided, when equipment is delivered to and accepted by customers, and contract performance obligations are met.
- Advertising revenue, net of agency commission when advertisements are aired on television.

The Group measures revenues at the fair value of the arrangement consideration. Revenues are reduced for customer rebates and allowances and exclude taxes the Group collects from customers.

The Group may also enter into arrangements with dealers who would also provide services to the customer base. When the Group acts as the principal in these arrangements, revenue is recognized based on the amounts billed to customers. Otherwise, the net amount that is retained as revenue is recognized.

A contract asset is recognized in the consolidated statement of financial position when the right to consideration from the transfer of products or services to a customer is conditional on the obligation to transfer other products or services. Contract assets are transferred to trade receivables when the right to the consideration becomes conditional only as to the passage of time. Incremental costs of obtaining a contract with a customer, principally comprised of sales commissions and prepaid contract fulfillment costs, are included in contract assets in the consolidated statement of financial position. These costs are deferred when incurred and are recorded as operating expenses over the pattern of transfer of goods and services to the customer, except where the amortization period is one year or less, in which case costs of obtaining a contract are immediately expensed.

Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services. The Group amortizes these amounts over the average term of its customer contracts.

Payments received in advance from subscribers, including upfront refundable payments, are treated as a contract liability and presented as “deferred income” in the consolidated statement of financial position and are recognized

as income when the relevant performance obligations are satisfied.

s. **Leases**

The Group as a lessee

The Group rents real estate, poles, and other support structures, and equipment. The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined the Group uses an incremental borrowing rate.

The lease liability is presented in the consolidated statement of financial position within other liabilities.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and any impairment losses.

When the Group has a present obligation to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized for reliably estimable costs. This provision is included in other liabilities on the consolidated statement of financial position.

Lease assets which are right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying assets, the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The lease assets are presented within property, plant and equipment in the consolidated statement of financial position.

The Group as a lessor

The Group has not entered into any lease agreements as a lessor.

t. **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 recognized in the consolidated statement

of profit and loss and other comprehensive income as incurred. The cost of the acquisition is measured as the aggregate of the consideration transferred for interest in the acquiree. Subsequently, non-controlling interest is measured at the proportionate share of net assets of the subsidiary.

- u. Value added tax* - The Government of The Bahamas enacted into law the Value Added Tax (“VAT”) Act in 2014. The Act, as amended, imposes VAT at a rate of 12%. The Group, in compliance with this Act, charges its customers VAT through its invoices on all applicable services.

Under the current laws of The Bahamas, the country of domicile of the Group, there are no income, withholding, or capital gains taxes imposed.

When the Group held SVI as a subsidiary, the Group’s corporate income from foreign operations was subject to taxation in the United States of America. For the current and prior year, current and deferred net tax liabilities, and income tax expense were \$Nil.

- v. Provisions* – Provisions are recognized 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 recognized 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 recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

- w. Segment reporting* - The Group uses as its basis for segmentation and reporting, the results of operations and the financial position of its separately managed business components for which the chief operating decision maker reviews the financial results.
- x. Corresponding figures* – Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current year. Changes made to corresponding figures within these consolidated financial statements are outlined in Note 5.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS 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 recognized 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.

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.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect.

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

Property, plant and equipment represents 54% (2019: 50%) of the Group's total assets. Intangible assets represent 11% (2019: 10%) 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

If events or changes in circumstances during the reporting year indicate that a tangible or intangible asset might be impaired, 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 belong. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated 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.

The 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) 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 analyzing potential outcomes and assuming various litigation and settlement strategies, based on information that is available at the time.

d) Multiple Element Arrangement

Where a contractual arrangement consists of two or more separate elements that have value to a customer on a stand-alone basis (e.g. wireless devices and voice and data services), revenue is recognized 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.

e) **Business Model Assessment**

Classification and measurement of financial assets depends on the Group's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest (SPPI). The business model test will determine the classification of financial assets that pass the SPPI test. The three business models are as follows:

- Hold to collect
- Hold to collect and sell
- Other

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

f) **Lease Term**

In determining a lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases that allow for an extension option, the Group performed an assessment of its expectations to continue to use the assets and the expected length of time for which extension options would be reasonably certain. The following considerations represent significant economic incentives to continue to exercise extension options:

- A known impediment such as high costs to remove or relocate the assets,
- the possibility of an unsustainable reduction in revenue based on the removal of a necessary piece of the service network, or
- the inability to conduct business or provide revenue-generating services to customers.

The Group is typically reasonably certain of exercising extension options on its leases, especially those related to its network assets, primarily due to the significant cost that would be required to relocate the network towers and related equipment.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

g) Incremental Borrowing Rate

To determine the incremental borrowing rate, the Group where possible uses recent third-party financing rates as a starting point to establish a reference rate, and adjusts this rate to reflect the disparity in financing conditions under leases.

5. RESTATEMENT OF PRIOR YEAR COMPARATIVE FIGURES

During the current year, the Group discovered a computational error in its calculation of the interest expense on its lease liabilities. The error resulted in an understatement of interest expense recognized for the 2019 fiscal year and a corresponding understatement of the lease liabilities as of June 30, 2019.

The Group also discovered an error in the elimination of balances and transactions associated with intercompany leases between the Company and Aliv at the initial adoption of IFRS 16 as well as at June 30, 2019. This error resulted in: i) an understatement of operating expenses and overstatement of depreciation expense recognized for the 2019 fiscal year, ii) an overstatement of the lease liabilities and right-of-use asset balances as at June 30, 2019; and iii) an understatement of the opening retained earnings at July 1, 2018 resulting from the IFRS 16 transition adjustment.

Basic and diluted earnings per share, as previously reported in the consolidated statement of profit or loss and other comprehensive income, incorrectly excluded the net loss from discontinued operations attributable to owners of the parent. In addition, as part of the restatement, the Group has now separately presented basic and diluted earnings per share and basic and diluted earnings per share from continuing operations on the face of the consolidated statement of profit or loss and other comprehensive income.

These errors have been corrected by restating each of the affected line items and reported amounts for the prior period, as shown in the accompanying table below.

Certain other changes to prior year amounts were made to conform to a change in presentation in the current year. These changes and the related cash flow impacts are presented separately in the table below and are made to improve the understandability and comparability of the following items in the consolidated financial statements:

- Presentation in the consolidated statement of financial position of term deposits that did not meet the Group's definition of cash and cash equivalents;
- Classification of unpaid lease rentals in the consolidated statement of financial position previously recorded within accounts payable and accrued liabilities;
- Presentation of impairment on financial assets in the consolidated statement of profit or loss and other comprehensive income to distinguish these losses from operating expenses;
- Presentation of loss on disposal of assets to distinguish these as operating losses from finance costs (that is, interest expense and dividends on preferred shares) in the consolidated statement of profit or loss and other comprehensive income;
- Classification of dividends on preferred shares in the consolidated statement of profit or loss and other comprehensive income that were previously recorded as interest expense; and
- Classification in the consolidated statement of cash flows of vesting of share based options, a non-cash item that was reported as a cash flow from financing activities, to cash flows from operating activities.

Consolidated statement of financial position (extract)	June 30, 2019	Correction of Error	Reclassification	June 30, 2019 Restated
Cash and cash equivalents	\$ 28,945,010	\$ -	\$ (618,202)	\$ 28,326,808
Term deposits	-	-	618,202	618,202
Total current assets	<u>269,821,695</u>	<u>-</u>	<u>-</u>	<u>269,821,695</u>
Property, plant and equipment	402,865,860	(59,104,669)	-	343,761,191
Total non-current assets	<u>479,834,455</u>	<u>(59,104,669)</u>	<u>-</u>	<u>420,729,786</u>
Total assets	749,656,150	(59,104,669)	-	690,551,481
Accounts payable and accrued liabilities	66,442,488	-	(732,229)	65,710,259
Current portion of other liabilities	14,806,249	(222,743)	732,229	15,315,735
Total current liabilities	<u>152,675,577</u>	<u>(222,743)</u>	<u>-</u>	<u>152,452,834</u>
Other liabilities	135,721,170	(57,094,553)	-	78,626,617
Total non-current liabilities	<u>578,725,398</u>	<u>(57,094,553)</u>	<u>-</u>	<u>521,630,845</u>
Total liabilities	731,400,975	(57,317,296)	-	674,083,679
Retained earnings	5,715,172	2,108,288	-	7,823,460
Non-controlling interest	(17,827,304)	(3,895,661)	-	(21,722,965)
Total equity	<u>\$ 18,255,175</u>	<u>\$ (1,787,373)</u>	<u>\$ -</u>	<u>\$ 16,467,802</u>
Consolidated statement of profit or loss and other comprehensive income (extract)				
Operating expenses	\$ (136,637,753)	\$ (5,100,255)	\$ 3,156,031	\$ (138,581,977)
Impairment of financial assets	-	-	(3,156,031)	(3,156,031)
Depreciation and amortization	(45,941,397)	1,553,974	-	(44,387,423)
Loss on disposal of assets, net	-	-	(1,568,099)	(1,568,099)
Operating loss	<u>(682,269)</u>	<u>(3,546,281)</u>	<u>(1,568,099)</u>	<u>(5,796,649)</u>
Interest expense	(19,794,493)	(2,724,503)	4,515,587	(18,003,409)
Dividends on preferred shares	(14,332,490)	-	(4,515,587)	(18,848,077)
Net and comprehensive loss	<u>(37,658,890)</u>	<u>(6,270,784)</u>	<u>-</u>	<u>(43,929,674)</u>
Net and comprehensive loss for the year attributable to:				
Owners of the parent	(10,920,041)	(2,375,123)	-	(13,295,164)
Non-controlling interests	(26,738,849)	(3,895,661)	-	(30,634,510)
	<u>\$ (37,658,890)</u>	<u>\$ (6,270,784)</u>	<u>\$ -</u>	<u>\$ (43,929,674)</u>
Basic earnings per share	\$ (0.22)	\$ (0.08)	\$ -	\$ (0.30)
Diluted earnings per share	\$ (0.22)	\$ (0.08)	\$ -	\$ (0.30)

	June 30, 2019	Correction of Error	Reclassification	June 30, 2019 Restated
Consolidated statement of cash flows (extract)				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss for the year	\$ (37,658,890)	\$ (6,270,784)	\$ -	\$ (43,929,674)
Adjustments for:				
Depreciation and amortization	65,506,294	(1,553,972)	-	63,952,322
Interest expense	21,590,120	2,724,501	-	24,314,621
Vesting of share based options	-	-	692,553	692,553
Impairment of financial assets	-	-	3,156,031	3,156,031
Operating cash flows before working capital changes	<u>64,773,690</u>	<u>(5,100,255)</u>	<u>3,848,584</u>	<u>63,522,019</u>
Decrease in trade and other receivables	11,765,463	-	(3,156,031)	8,609,432
Increase in accounts payable and accrued liabilities	<u>870,254</u>	<u>5,100,255</u>	<u>(732,229)</u>	<u>5,238,280</u>
Net cash from operating activities	<u>75,791,198</u>	<u>-</u>	<u>(39,676)</u>	<u>75,751,522</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in term deposits	<u>-</u>	<u>-</u>	<u>(618,202)</u>	<u>(618,202)</u>
Net cash used in investing activities	<u>(59,229,971)</u>	<u>-</u>	<u>(618,202)</u>	<u>(59,848,173)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of lease liabilities	(19,374,653)	-	732,229	(18,642,424)
Vesting of share based options	<u>692,553</u>	<u>-</u>	<u>(692,553)</u>	<u>-</u>
Net cash (used in) from financing activities	<u>(23,265,867)</u>	<u>-</u>	<u>39,678</u>	<u>(23,226,189)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(6,704,638)</u>	<u>-</u>	<u>(618,202)</u>	<u>(7,322,840)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 28,945,010</u>	<u>\$ -</u>	<u>\$ (618,202)</u>	<u>\$ 28,326,808</u>

These corrections further affected some of the comparative amounts disclosed in Notes 8, 10, 11, 14, 17, 21, and 24.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2020	2019
Subscribers	\$ 21,184,969	\$ 15,971,730
Other	6,583,199	5,900,525
	<hr/>	<hr/>
	27,768,168	21,872,255
Allowance for expected credit losses	(8,609,946)	(6,114,516)
	<hr/>	<hr/>
	\$ 19,158,222	\$ 15,757,739

Allowance for expected credit losses and movement in allowance for expected credit losses is as follows:

	2020	2019
Balance at beginning of year	\$ 6,114,516	\$ 5,582,772
Amounts written off during the year	(4,861,584)	(2,477,623)
Amounts recovered during the year	191,670	395,281
Allowance recognized in the consolidated statement of profit or loss and other comprehensive income	7,165,344	3,156,031
Reclassified as held for sale	-	(541,945)
	<hr/>	<hr/>
Balance at the end of the year	\$ 8,609,946	\$ 6,114,516

The following table details the risk profile of trade receivables based on the Group's provision matrix. The Group's allowance for credit losses based on past due status is further distinguished between the Group's customer segments, as different loss patterns have been historically observed. In the current period, the Group further analyzed the over 120 day aging bucket by introducing an over 150 and an over 180 day assessment to its aging buckets analysis. The additional aging buckets did not result in a significant change in the overall allowance.

June 30, 2020	Days past due							Total
	<30	31-60	61-90	91-120	121-150	151-180	>181	
Corporate								
Expected credit loss rate	13%	39%	51%	60%	65%	75%	93%	
Estimated total gross carrying amount at default	\$ 3,498,794	\$ 1,524,889	\$ 919,290	\$ 2,276,007	\$ 688,967	\$ 528,776	\$ 1,537,408	\$ 10,974,131
Lifetime ECL	\$ 462,042	\$ 587,377	\$ 467,389	\$ 1,358,670	\$ 448,282	\$ 397,908	\$ 1,422,561	\$ 5,144,229

June 30, 2020	Days past due							Total
	<30	31-60	61-90	91-120	121-150	151-180	>181	
Residential								
Expected credit loss rate	16%	40%	46%	74%	89%	86%	100%	
Estimated total gross carrying amount at default	\$ 5,393,719	\$ 2,136,854	\$ 1,279,238	\$ 650,867	\$ 212,398	\$ 161,853	\$ 375,909	\$ 10,210,838
Lifetime ECL	\$ 839,931	\$ 849,872	\$ 588,473	\$ 482,910	\$ 188,694	\$ 139,928	\$ 375,909	\$ 3,465,717

June 30, 2019	Days past due					Total
	<30	31-60	61-90	91-120	>120	
Corporate						
Expected credit loss rate	12%	19%	39%	79%	92%	
Estimated total gross carrying amount at default	\$ 3,142,302	\$ 1,282,208	\$ 600,823	\$ 904,040	\$ 2,420,656	\$ 8,350,029
Lifetime ECL	\$ 389,239	\$ 248,772	\$ 237,316	\$ 713,436	\$ 2,215,313	\$ 3,804,076

June 30, 2019	Days past due					Total
	<30	31-60	61-90	91-120	>120	
Residential						
Expected credit loss rate	19%	36%	72%	90%	100%	
Estimated total gross carrying amount at default	\$ 5,326,823	\$ 1,408,088	\$ 342,055	\$ 193,307	\$ 351,428	\$ 7,621,701
Lifetime ECL	\$ 1,037,255	\$ 501,999	\$ 246,089	\$ 173,671	\$ 351,426	\$ 2,310,440

7. CONTRACT ASSETS

The table below provides a reconciliation of the change in the contract assets balance:

	2020	2019
<i>Contract assets relating to bundled contracts</i>		
Balance at beginning of year	\$ 2,997,406	\$ -
Increase in contract assets from revenue recognized during the year	2,382,487	4,727,932
Contract assets transferred to trade receivables	(1,642,279)	(1,730,526)
Contract terminations	(1,423,099)	-
Loss allowance	(405,556)	-
Balance at end of year	<u>1,908,959</u>	<u>2,997,406</u>
<i>Costs to obtain contracts</i>		
Balance at beginning of year	3,157,123	2,925,098
Incremental costs of obtaining a contract	1,956,240	3,451,510
Amortization included in cost of sales	(2,415,663)	(2,989,216)
Charges included in operating expenses	(124,256)	(230,269)
Balance at end of year	<u>2,573,444</u>	<u>3,157,123</u>
	<u>\$ 4,482,403</u>	<u>\$ 6,154,529</u>

8. PROPERTY, PLANT AND EQUIPMENT

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

	Land	Commercial Buildings	Vehicles	Equipment	Network Systems and Infrastructure	Fiber Optic Network	Web Hosting Systems	Construction in Progress	Total
COST:									
Balance at July 1, 2018 ²	\$ 24,535,883	\$ 48,093,741	\$ 4,971,982	\$ 94,985,628	\$ 326,055,373	\$ 197,087,780	\$ 447,702	\$ 11,438,567	\$ 707,616,656
Additions	1,027,596	1,167,845	645,965	10,779,135	24,184,840	2,433,608	626	22,576,721	62,816,336
Transfer of assets	-	-	-	2,801,911	3,573,615	8,727,586	-	(15,103,112)	-
Disposals	-	(176,490)	(764,915)	(6,613,921)	(11,778,873)	-	(51,264)	-	(19,385,463)
Reclassified as assets held for sale	(558,277)	(6,652,094)	(2,177,780)	(25,095,125)	(14,828,281)	(154,460,569)	-	(18,912,176)	(222,684,302)
Balance at June 30, 2019 ²	\$ 25,005,202	\$ 42,433,002	\$ 2,675,252	\$ 76,857,628	\$ 327,206,674	\$ 53,788,405	\$ 397,064	\$ -	\$ 528,363,227
Additions	-	811,331	940,326	10,105,705	12,821,288	5,687,374	33,780	3,957,867	34,357,671
Transfer of assets	(3,091,040)	-	-	-	3,091,040	-	-	-	-
Impairment loss	-	-	(40,358)	(18,761)	(9,942,179)	-	-	-	(10,001,298)
Modifications to right-of-use asset	-	(805,434)	-	-	-	-	-	-	(805,434)
Disposals	(215,103)	-	(570,620)	(11,013,840)	(5,681,931)	-	(640)	-	(17,482,134)
Balance at June 30, 2020	\$ 21,699,059	\$ 42,438,899	\$ 3,004,600	\$ 75,930,732	\$ 327,494,892	\$ 59,475,779	\$ 430,204	\$ 3,957,867	\$ 534,432,032
ACCUMULATED DEPRECIATION AND IMPAIRMENT:									
Balance at July 1, 2018 ²	\$ 951,604	\$ 13,179,008	\$ 2,718,897	\$ 46,368,502	\$ 105,740,154	\$ 49,724,924	\$ 383,695	\$ -	\$ 219,066,784
Depreciation ^{1,2}	538,485	3,407,024	1,041,670	9,130,221	28,148,492	12,063,383	8,851	-	54,338,126
Transfer of assets	-	-	-	(1,054,068)	1,075,030	(20,962)	-	-	-
Disposals	-	(13,218)	(754,016)	(5,056,322)	(11,778,870)	-	(51,264)	-	(17,653,690)
Reclassified as assets held for sale	-	(1,874,523)	(1,563,223)	(16,848,372)	(7,938,433)	(42,924,633)	-	-	(71,149,184)
Balance at June 30, 2019 ²	\$ 1,490,089	\$ 14,698,291	\$ 1,443,328	\$ 32,539,961	\$ 115,246,373	\$ 18,842,712	\$ 341,282	\$ -	\$ 184,602,036
Depreciation	580,872	2,738,889	727,119	9,770,616	23,007,417	2,896,950	2,971	-	39,724,834
Transfer of assets	(209,106)	-	-	-	209,106	-	-	-	-
Impairment loss	-	-	(22,932)	(9,680)	(2,315,366)	-	-	-	(2,347,978)
Modifications to right-of-use asset	43,849	(507,760)	-	-	-	-	-	-	(463,911)
Disposals	-	(2,623)	(570,620)	(10,915,408)	(5,535,970)	-	(640)	-	(17,025,261)
Balance at June 30, 2020	\$ 1,905,704	\$ 16,926,797	\$ 1,576,895	\$ 31,385,489	\$ 130,611,560	\$ 21,739,662	\$ 343,613	\$ -	\$ 204,489,720
CARRYING VALUE:									
As at June 30, 2020	\$ 19,793,355	\$ 25,512,102	\$ 1,427,705	\$ 44,545,243	\$ 196,883,332	\$ 37,736,117	\$ 86,591	\$ 3,957,867	\$ 329,942,312
As at June 30, 2019 ²	\$ 23,515,113	\$ 27,734,711	\$ 1,231,924	\$ 44,317,667	\$ 211,960,301	\$ 34,945,693	\$ 55,782	\$ -	\$ 343,761,191

¹Depreciation of \$17,444,142 on property, plant and equipment held by discontinued operations is included in the total depreciation as of June 30, 2019.

²The amounts disclosed are after the restatement for the correction of the error disclosed in Note 5.

In September 2019, the Group sustained significant physical damage to the network infrastructure and equipment following the passage of a Hurricane. As a direct result, the Group recognized an impairment charge to its property plant and equipment of \$7,653,320 and received \$4,500,000 in insurance proceeds. The resulting net loss of \$3,153,320 is recorded in the consolidated statement of profit or loss and other comprehensive income, within Loss on disposal of assets.

As at June 30, 2020, management has analyzed the Group's property, plant and equipment and concluded that there were no indicators of impairment of the remaining assets as at that date. 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 indicators.

Property, plant and equipment on the consolidated statement of financial position comprises both owned and leased assets that do not meet the definition of investment property.

	2020	2019
		Restated
Property, plant and equipment owned	\$ 278,350,669	\$ 289,415,750
Right-of-use assets	51,591,643	54,345,441
	<u>\$ 329,942,312</u>	<u>\$ 343,761,191</u>

The following table provides information on the right-of-use assets included in property, plant and equipment on the consolidated statement of financial position.

Leases (Group as a lessee) - Right-of-use Assets

	Land	Commercial Buildings	Network Systems and Infrastructure	Total
Net carrying amount at				
June 30, 2019, Restated	\$ 21,539,231	\$ 3,162,127	\$ 29,644,083	\$ 54,345,441
June 30, 2020	\$ 17,906,381	\$ 2,106,572	\$ 31,578,690	\$ 51,591,643
Depreciation expense for the year ended				
June 30, 2019, Restated	\$ 538,486	\$ 1,275,094	\$ 995,459	\$ 2,809,039
June 30, 2020	\$ 414,551	\$ 1,051,883	\$ 1,175,289	\$ 2,641,723

Total net additions to right-of-use assets during the year were \$450,959 (2019: \$1,122,501)

9. INTANGIBLE ASSETS

Intangible assets included in the consolidated statement of financial position consist of the following:

Acquired franchise license

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. This license is being amortized on a straight-line basis through the term of the license.

SRG has also been licensed by the Grand Bahama Port Authority to provide telecommunications services in the Freeport area.

Communications licenses

The Company has an Individual Operating License (“IOL”) and an Individual Spectrum License (“ISL”) issued by The Utilities Regulation and Competition Authority to provide any network or carriage services in accordance with the conditions of the licenses. This allows the Group to provide telephony, cable television, and internet services in The Bahamas. In 2010, the Group began the recognition of costs required to fully utilize its communications licenses as an intangible asset. These costs are being amortized over the remaining term of the licenses which expire on October 14, 2024.

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

The Group recognized all costs associated with the issuance of the IOL and ISL to Aliv, which totaled \$65,169,890. These costs are being amortized on a straight-line basis over the term of the licenses.

Software and licenses

All costs associated with internally developed and purchased software and licenses are capitalized including all costs associated with placing the software into service and all costs are depreciated on a straight-line basis over their estimated useful lives, which is 3 to 10 years.

Acquired licenses

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 October 28, 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 expire in the year 2024 on the anniversary of their grant dates. As these licenses are of a similar nature and have the same term for reporting and disclosure purposes, they are classified together as the Acquired Licenses. This

treatment follows the guidelines of IAS 38 *Intangible Assets*.

Acquired communications and spectrum licenses are being amortized on a straight-line basis over the term of the licenses.

The movement in intangible assets during the year consists of the following:

	Acquired Franchise License	Communications License	Software and Licenses	Acquired Licenses	Total
COST					
Balance at June 30, 2018	\$ 5,221,248	\$ 72,823,180	\$ 12,706,206	\$ 12,947,315	\$ 103,697,949
Additions	-	7,500	1,849,569	-	1,857,069
Balance at June 30, 2019	5,221,248	72,830,680	14,555,775	12,947,315	105,555,018
Additions	-	-	2,636,548	-	2,636,548
Balance at June 30, 2020	\$ 5,221,248	\$ 72,830,680	\$ 17,192,323	\$ 12,947,315	\$ 108,191,566
AMORTIZATION					
Balance at June 30, 2018	\$ 3,025,392	\$ 12,642,238	\$ 1,405,674	\$ 6,776,000	\$ 23,849,304
Amortization	130,536	4,933,021	1,445,882	984,000	7,493,439
Balance at June 30, 2019	3,155,928	17,575,259	2,851,556	7,760,000	31,342,743
Amortization	130,536	4,933,117	2,162,945	984,000	8,210,598
Balance at June 30, 2020	\$ 3,286,464	\$ 22,508,376	\$ 5,014,501	\$ 8,744,000	\$ 39,553,341
CARRYING VALUE:					
As at June 30, 2020	\$ 1,934,784	\$ 50,322,304	\$ 12,177,822	\$ 4,203,315	\$ 68,638,225
As at June 30, 2019	\$ 2,065,320	\$ 55,255,421	\$ 11,704,219	\$ 5,187,315	\$ 74,212,275

The above table was corrected for an internal classification error between communications license and software and licenses in the prior year.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

	2020	2019 Restated
Trade payables	\$ 26,646,731	\$ 21,366,917
Government and statutory agencies	25,299,901	13,779,972
Shareholder obligations	8,015,221	15,981,677
Network and customer related obligations	7,124,097	6,258,733
Other operational obligations	5,280,301	5,914,103
Payroll & employee benefits	2,631,609	2,408,857
	<u>\$ 74,997,860</u>	<u>\$ 65,710,259</u>

Amounts payable to the Government and statutory agencies as of year-end include liabilities owed for value added tax, customs duties, and regulatory and licensing fees. Included in shareholder obligations are unpaid balances related to Series Seven preferred shares as outlined in Note 13 and preferred dividends payable as at year-end.

11. OTHER LIABILITIES

Other liabilities include the following:

Lease Liabilities (Group as a lessee)

The Group has in place capital lease contracts for network equipment, and other equipment included in property, plant, and 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, 2020, the balance outstanding totaled \$19,290,768 (2019: \$32,365,455) included in other liabilities on the consolidated statement of financial position, and the current lease principal payments due within one year was \$13,178,805 (2019: \$12,953,291).

The lease liabilities corresponding to the right-of-use assets covered in Note 8 carry terms ranging from 5 to 40 years and are discounted using the incremental borrowing rate. As at June 30, 2020, the balance outstanding totaled \$59,765,291 (2019: \$61,337,874 as restated per Note 5) included in other liabilities on the consolidated statement of financial position, and the current lease principal payments due within one year was \$2,106,116 (2019: \$2,362,444 as restated per Note 5).

As at June 30, 2020 the Group is committed to \$Nil (2019: \$39,190) for short-term leases.

This note provides information on the amounts recognized in profit or loss related to leases.

	2020	2019
		Restated
Depreciation on lease assets	\$ 2,641,723	\$ 2,809,039
Interest expense on lease liabilities	6,646,042	7,322,268
Expense relating to short-term leases	635,723	95,180

Asset Retirement Provision

The Group recorded a provision for an asset retirement obligation in accordance with IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*. The amount of \$434,882 is included in other liabilities as of June 30, 2020 (2019: \$239,023).

12. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable

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

The notes are designated as 10-year 8.00% Series A and 15-year 8.50% Series B and 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 coupons semi-annually on June 30 and December 31. Total interest paid during the year was \$5,009,638 (2019: \$4,995,950). The remaining balance as at June 30, 2020 was \$58,455,397 (2019: \$58,290,490).

The notes payable balance is comprised of the principal balance offset by unamortized borrowing costs of \$1,544,603 (2019: \$1,709,510).

During the year, and as at June 30, 2020, the Group was not in compliance with the financial covenants of the notes as set out in the trustee agreement. As a result, the notes have been reclassified this year to current liabilities in the consolidated statement of financial position. Subsequent to year-end the breach remained unresolved, and while no waiver had been received, the notes have not been called by the trustee.

Long-term debt

Property mortgage

In February 2020, the Group entered into a mortgage agreement for \$2,520,000 to facilitate the purchase of a property to be used in its operations. The loan is secured by the mortgaged property, and bears interest at an annual rate of 4.75% payable quarterly. The loan has a maturity date of January 1, 2030, but the lender may at its sole discretion demand payment. As a result, the loan has been classified within current liabilities in the consolidated statement of financial position. As per the loan agreement, the first 24 months of the loan term are the interest only period. Thereafter, blended payments of principal and interest are to be made until maturity. The balance of the loan as at June 30, 2020 was \$2,520,000 (2019: \$Nil).

Shareholder loan

In 2019, the Group authorized the issuance of a secured promissory note to HoldingCo for a total of \$10,750,000, proportionate to HoldingCo's equity shareholding in Aliv. Of this amount, \$7,000,000 was received from HoldingCo by June 30, 2019 and the remaining \$3,750,000 was received on July 12, 2019. The note is secured through a debenture over all the assets of Aliv excluding the Individual Spectrum License and assets pledged under lease obligations.

The note matures on December 31, 2024 with equal monthly installment payments commencing January 31, 2021 through to maturity. Interest on the outstanding principal balance is paid on a quarterly basis at Bahamian Prime Lending Rate plus a margin of 3.5%. As at June 30, 2020, the total outstanding balance was \$10,750,000 (2019: \$7,000,000).

The proceeds of the note are being used to fund both working capital and operating expenditures. The notes outstanding balance is comprised of the principal balance offset by unamortized transaction costs of \$318,123 (2019: \$388,616).

Senior credit facility

In January 2020, following the conclusion of the sale of SVI, the senior credit facility was fully repaid. The Senior Credit Facility was a syndicated, fully secured loan with two Bahamian and two US domicile banks. The Senior Credit Facility was secured by a First Registered Demand Debenture creating a fixed and floating charge over all assets of the Group. The facility was also secured by guarantees and postponement of claims from all subsidiaries and assignment of insurance policies over the assets of the Group. The total amount owing is \$Nil as at June 30, 2020 (2019: \$107,169,330).

The 2019 balance was inclusive \$30,000,000 which was directly funded to SVI and excluded unamortized transaction costs of \$480,314, which was being amortized over a five-year period. This balance was settled through a deduction of the outstanding loan from the gross proceeds of the sale of SVI.

13. PREFERRED SHARES

	Issue Date	Maturity Date	2020	2019
Authorized:				
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	May 25, 2014	May 2024	\$ 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	May 25, 2014	May 2024	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	April 10, 2015	April 10, 2025	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	April 10, 2015	April 10, 2025	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	June 30, 2016	June 30, 2023	4,090,000	4,090,000
Issued: 1,349 shares par value B\$0.01				
8% Series Eleven cumulative redeemable preferred shares dominated in JMD indexed to USD at J\$1,000,000	June 30, 2016	June 30, 2023	10,610,339	10,610,338
Issued: 2,035 shares par value B\$0.01				
7.75% Series Twelve cumulative redeemable preferred shares at US\$1,000	July 27, 2016	June 30, 2026	2,035,000	2,035,000
Issued: 26,000 shares par value B\$0.01				
6.25% Series Thirteen cumulative redeemable preferred shares at US\$1,000	July 27, 2016	June 30, 2026	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 US\$1,000	February 2018	October 2027	54,196,837	54,028,336
Issued: 15,000 shares par value B\$0.01				
8.0% Series One cumulative redeemable amortizing preferred shares at US\$1,000	February 23, 2019	October 31, 2027	14,704,896	14,732,041
TOTAL			<u>\$ 301,137,072</u>	<u>\$ 300,995,715</u>

Preference shares issued by the Group do not carry voting rights and pay dividends semi-annually. Proceeds from the issuance of these shares are used to either settle short-term debt commitments or fund capital investments. The Series Six preferred shares were also used to partially redeem the Group's Series Four and Five Preferred Shares.

The Series 11 preferred shares are listed and traded on the Jamaican International Securities Exchange.

The proceeds of the Series One Shares were used to fund working capital requirements of Aliv and the continued build out of the its mobile network throughout The Bahamas.

Since the preference shares are mandatorily redeemable on a specific date, they are recognized as financial liabilities in these consolidated financial statements.

Management has estimated that the fair value of the Group's redeemable preferred shares approximates its stated amount of \$301,137,072 (2019: \$300,995,715). The preference share balance is comprised of the principal balance offset by unamortized transaction costs of \$1,098,267 (2019: \$1,239,623).

The Series Seven preferred shares matured in May 2016 and the unpaid balance was reclassified to accounts payable and accrued liabilities. As of the date of the approval of the consolidated statement of financial position, a balance of \$5,027,000 at June 30, 2020 (2019: \$13,310,000) remained outstanding and subject to dispute as to the required payment thereof. A portion of the prior year balance was settled during the year.

14. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

	2020	2019
Issued and fully paid ordinary shares of no par value	<u>43,887,035</u>	<u>43,887,035</u>
Ordinary share capital	<u>\$ 30,367,307</u>	<u>\$ 30,367,307</u>

The number of ordinary shares outstanding as at June 30, 2020 was 43,887,035 (2019: 43,887,035) and the weighted average number of ordinary shares was 43,887,035 (2019: 43,887,035).

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

	2020	2019
		Restated
Earnings used in calculation of basic earnings per share on profit or loss	<u>\$ 85,227,753</u>	<u>\$ (13,295,164)</u>
Earnings used in calculation of basic earnings per share on profit or loss from continuing operations	<u>\$ (50,476,020)</u>	<u>\$ (42,648,135)</u>

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

	2020	2019
Weighted average of ordinary shares used in calculation of basic earnings per share for continued operations	43,887,035	43,887,035
Shares deemed to be issued on vesting of share based option plan for continued operations	661,594	460,969
Weighted average of ordinary shares used in calculation of diluted earnings per share for continued operations	44,548,629	44,348,004

15. COMMITMENTS AND CONTINGENT LIABILITIES

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 also has a facility for Corporate credit cards and letters of guarantee in the amount \$700,000 (2019: \$300,000).

The Group through Be Aliv Ltd. has in place a letter of guarantee in the amount of \$100,000 which is considered restricted cash and is included in the cash balance.

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 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.

16. LICENSES AND AGREEMENTS

Federal Communications Commission license (FCC)

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

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

17. OPERATING EXPENSES

Operating expenses consist of the following:

	2020	2019
		Restated
Programming	\$ 50,833,605	\$ 52,507,378
Technical	31,854,333	27,320,578
Administrative	23,568,998	16,355,259
Marketing	19,030,179	19,360,434
Network services	13,215,192	14,028,326
Government and regulatory fees	11,685,450	9,010,002
	<u>\$ 150,187,757</u>	<u>\$ 138,581,977</u>

18. EMPLOYEE COMPENSATION

For the year ended June 30, 2020, employee compensation costs totaled \$41,531,851 (2019: \$37,305,161).

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 \$934,763 (2019: \$1,061,466).

In 2014, the Group implemented a share-based option plan for key executives of the Group. The plan commenced on April 23, 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 five years. Options are granted under the plan for no consideration and carry no dividend or voting rights. In 2015 and in 2019, the Group granted additional options within the plan. These tranches vest equally over 5 years and 4 years, respectively.

The options are recorded at the fair value on the grant date, which was determined using the Black Scholes options pricing model. The inputs to this model included the exercise price, the share price on the grant date, expected price volatility of the Group's equity shares, the expiry date of the options, and the risk-free interest rate.

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

	Number	Vesting date	Exercise price	Fair value at grant date
(1) Granted on April 23, 2014	1,927,500	23-Apr-19	\$3.72	\$2.36
(2) Granted on January 1, 2015	150,000	1-Jan-20	\$4.67	\$2.68
(3) Granted on March 27, 2019	1,615,500	27-Mar-23	\$2.22	\$2.22

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

	Movement in number of share-based options		Weighted average exercise price	
	2020	2019	2020	2019
Outstanding, beginning of year	1,975,500	1,498,500	\$ 2.54	\$ 3.79
Granted	-	1,615,500	-	2.22
Forfeited	(197,063)	(1,138,500)	3.70	3.72
Outstanding, end of year	1,778,438	1,975,500	2.36	2.54
Exercisable	661,594	460,969	\$ 2.59	\$ 3.58

The total number of shares vested as at June 30, 2020 was 661,594 (2019: 460,969). The decrease in fair value of the shares vested during the year was \$157,031 (2019: \$692,553 increase) 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, 2020 is \$1,491,838 (2019:\$1,648,851).

19. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

	2020	2019
Short-term benefits	\$ 3,155,086	\$ 2,938,398
Long-term benefit - share based plan	585,583	127,396
Post employment benefits	144,147	179,791
	<u>\$ 3,884,816</u>	<u>\$ 3,245,585</u>

Total remuneration of directors and key executive personnel is determined by the compensation committee of the Board of Directors having regard to qualifications, performance and market trends. These balances are included in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Other related party balances and transactions:

	2020	2019
Trade and other receivables	\$ -	\$ 172,875
Accounts payable and accrued liabilities	\$ 15,712,221	\$ 16,749,039
Preferred shares	\$ 11,977,500	\$ 11,977,500
Revenue	\$ 203,622	\$ 294,387
Operating expenses	\$ 1,382,833	\$ 1,177,221
Dividends on preferred shares	\$ 955,580	\$ 955,580

The related party amounts within the accounts payable and accrued liabilities, preferred shares, and dividends on preferred shares lines comprise balances and transactions with Officers of the Company, Directors, holders of 10% or more ordinary shares, and business entities closely affiliated with any of those persons.

Refer to Note 12 for details of other related party balances and transactions.

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, term deposits, accounts receivable, 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 identifies its operating segments as the business components that have an appointed segment manager who is accountable to the chief operating decision maker, and that have discrete financial information from which reports are produced for the benefit of review and assessment of its operating activities, financial results, and resource allocation by the chief operating decision maker.

All reportable segments operate in The Bahamas (except SVI which operates in Central and South West Florida, and is not included within the 2020 segment information). In the comparative segment information, SVI is presented separately from the segment total as it was classified as a discontinued operation.

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.

The details of the various operating segments are as follows:

2020

	Cable	Cable Freeport	Aliv	Eliminations	Segment Totals	Held for Sale SVI
Revenue from external customers	\$ 116,921,974	\$ 14,091,885	\$ 76,811,115	\$ (14,915,821)	\$ 192,909,153	\$ -
Intercompany charge	\$ 503,589	\$ -	\$ -	\$ (503,589)	\$ -	\$ -
Interest expense	\$ 4,709,408	\$ -	\$ 17,611,709	\$ (6,459,778)	\$ 15,861,339	\$ -
Depreciation and amortization	\$ 22,984,517	\$ 2,752,523	\$ 24,788,201	\$ (2,589,809)	\$ 47,935,432	\$ -
Reportable segment profit (loss)	\$ 106,911,888	\$ 5,001,582	\$ (51,349,685)	\$ (1,909,494)	\$ 58,654,291	\$ -
Operating expenses	\$ 81,980,882	\$ 6,439,292	\$ 70,833,691	\$ (9,066,108)	\$ 150,187,757	\$ -
Reportable segment assets	\$ 513,880,884	\$ 57,837,824	\$ 234,934,218	\$ (190,408,014)	\$ 616,244,912	\$ -
Reportable segment liabilities	\$ 336,431,413	\$ 4,527,963	\$ 327,189,647	\$ (126,869,191)	\$ 541,279,832	\$ -

2019 Restated

	Cable	Cable Freeport	Aliv	Eliminations	Segment Totals	Held for Sale SVI
Revenue from external customers	\$ 121,729,547	\$ 13,404,001	\$ 59,172,067	\$ (12,408,734)	\$ 181,896,881	\$ 73,748,634
Interest expense	\$ 6,768,118	\$ -	\$ 16,758,589	\$ (5,523,298)	\$ 18,003,409	\$ 10,256,686
Depreciation and amortization	\$ 20,199,054	\$ 2,657,514	\$ 23,084,829	\$ (1,553,974)	\$ 44,387,423	\$ 19,564,897
Reportable segment profit (loss) ¹	\$ 21,000,278	\$ 3,146,078	\$ (59,197,120)	\$ (8,878,910)	\$ (43,929,674)	\$ (10,135,971)
Operating expenses	\$ 65,973,463	\$ 7,280,320	\$ 72,642,688	\$ (7,314,494)	\$ 138,581,977	\$ 54,338,556
Reportable segment assets	\$ 581,749,650	\$ 51,679,848	\$ 269,428,036	\$ (212,306,053)	\$ 690,551,481	\$ 207,732,098
Reportable segment liabilities	\$ 413,583,999	\$ 3,371,569	\$ 310,333,779	\$ (53,205,668)	\$ 674,083,679	\$ 61,505,134

¹The reportable segment profit (loss) line in the above table was corrected for an internal classification error between the Cable, Aliv, and Eliminations columns in the prior year.

22. DISCONTINUED OPERATIONS

On March 7, 2019 the Board of Directors resolved to carry out a plan to dispose of 100% of the Group's equity in the subsidiary SVI. The plan was consistent with the Group's long term objective to focus its activities and resources on its Bahamas based operations, and is a part of a strategic plan to deleverage the Group's financial position. As at June 30, 2019, the Group began to execute the formal plan to sell. Consequently, the associated assets and liabilities were presented as held for sale in the 2019 consolidated financial statements.

The sale of SVI was completed on January 21, 2020 and is reported in the current and prior year as a discontinued operation. Financial information relating to the discontinued operation for the period up to the date of disposal is set out below.

Analysis of financial performance and cash flow from discontinued operations

The results of discontinued operations included in profit or loss for the year, and cash flow information are for the period from July 1, 2019 through January 21, 2020, and for the year ended June 30, 2019.

Profit for the year from discontinued operations

	2020	2019
REVENUE	\$ 42,468,868	\$ 73,748,634
OPERATING EXPENSES	<u>(33,036,253)</u>	<u>(54,338,556)</u>
	9,432,615	19,410,078
Depreciation and amortization	<u>(11,595,857)</u>	<u>(19,564,897)</u>
OPERATING LOSS	(2,163,242)	(154,819)
Interest expense	(1,198,896)	(10,256,686)
Loss on disposal of assets	(142,883)	(5,515)
Gain on joint venture	<u>287,036</u>	<u>281,049</u>
Net loss before income tax expense	(3,217,985)	(10,135,971)
Income tax expense	-	-
COMPREHENSIVE LOSS FOR THE PERIOD	<u>(3,217,985)</u>	<u>(10,135,971)</u>
Eliminations		
Inter-company fees	182,736	540,407
Inter-company interest	<u>-</u>	<u>8,314,025</u>
Operating profit for the year from discontinued operations	(3,035,249)	(1,281,539)
Gain on sale	112,165,560	-
Profit/(loss) for the year from discontinued operations	<u>\$ 109,130,311</u>	<u>\$ (1,281,539)</u>
Basic earnings per share from discontinued operations	\$ 2.49	\$ (0.03)
Diluted earnings per share from discontinued operations	\$ 2.45	\$ (0.03)

Cash flows from discontinued operations

	2020	2019
Net cash from operating activities	\$ 9,758,530	\$ 23,211,721
Net cash used in investing activities	(9,237,652)	(30,997,058)
Net cash (used in)/from financing activities	<u>(6,085,045)</u>	<u>13,621,875</u>
NET (DECREASE)/INCREASE IN CASH	<u>\$ (5,564,167)</u>	<u>\$ 5,836,538</u>

Details of the sale of the discontinued operations

The negotiated base price for the sale of SVI was \$301,500,000. This amount was adjusted and is presented in the table below after deductions as set out in the sale agreement for: (i) closing net working capital adjustments, (ii) the closing indebtedness of the subsidiary and (iii) other transaction costs. The consideration following the adjustments totaled \$253,135,352 of which \$251,648,306 was received in cash.

A gain on disposal of discontinued operations was recognized in the amount of \$112,165,560 in the consolidated statement of profit or loss and other comprehensive income, calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of SVI at the date of the sale. Upon the closure of the sale, no interest in SVI was retained.

2020

Consideration received or receivable	
Cash received	\$ 251,648,306
Deferred consideration	<u>1,487,046</u>
Fair value of consideration received	<u>253,135,352</u>

Carrying amount of Investment in SVI prior to sale	140,726,313
Costs to sell	<u>(243,479)</u>
Gain on sale	<u>\$ 112,165,560</u>

The deferred consideration is held in a separate escrow account that was established to indemnify the buyer or the seller against any future losses arising out of or as a result of any breaches of any representations or warranties made by each in the purchase and sales agreement, or breaches by SVI of its covenants and agreements contained therein for a period of one year from the date of closing, subject to certain limitations as outlined in Section VII of the agreement.

According to the terms of the agreement, the aggregate amount that would be required to be paid by the seller in respect of any losses incurred by the buyer in respect of the indemnifications shall in no event exceed \$4,500,000.

Assets and liabilities previously classified as held for sale

The following is the net asset position of SVI at the beginning of the date of sale along with comparative information as at June 30, 2019. As of June 30, 2020 there are no assets held for sale.

	January 21, 2020	June 30, 2019
CURRENT ASSETS:		
Cash	\$ 1,626,798	\$ 7,190,965
Trade and other receivables, net	1,877,810	2,599,185
Prepaid expenses and deposits	1,817,507	1,668,656
Inventory	2,958,487	2,573,575
Contract costs	<u>1,169,361</u>	<u>1,106,806</u>
Total current assets	<u>9,449,963</u>	<u>15,139,187</u>
NON-CURRENT ASSETS:		
Investment in a joint venture	7,298,119	7,011,083
Property, plant and equipment, net	150,295,445	151,535,118
Goodwill	13,074,165	13,074,164
Contract costs	2,731,017	2,456,639
Intangible assets	<u>17,254,492</u>	<u>18,515,907</u>
Total non-current assets	<u>190,653,238</u>	<u>192,592,911</u>
TOTAL ASSETS	<u>\$ 200,103,201</u>	<u>\$ 207,732,098</u>
Assets classified as held for sale	<u>\$ -</u>	<u>\$ 207,732,098</u>

	January 21, 2020	June 30, 2019
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 11,227,177	\$ 9,865,453
Deferred income	364,805	291,285
Due to parent	3,775,806	28,701,239
Current portion of other liabilities	936,167	1,770,935
Current portion of long-term debt	-	4,686,524
Total current liabilities	<u>16,303,955</u>	<u>45,315,436</u>
NON-CURRENT LIABILITIES:		
Other liabilities	15,503,224	15,239,402
Deferred income	207,144	248,425
Long-term debt	31,138,371	27,678,716
Note payable	-	2,450,000
Total non-current liabilities	<u>46,848,739</u>	<u>45,616,543</u>
TOTAL LIABILITIES	<u>\$ 63,152,694</u>	<u>\$ 90,931,979</u>
 <i>Eliminations</i>		
Note payable to the parent	-	25,174,988
Intercompany fees and other accruals payable to the parent	<u>3,775,806</u>	<u>4,251,857</u>
 Liabilities directly associated with assets classified as held for sale	 <u>\$ -</u>	 <u>\$ 61,505,134</u>
 NET ASSETS	 <u>\$ 140,726,313</u>	 <u>\$ 146,226,964</u>

The intercompany fees payable to the parent of \$3,775,806 were settled in cash as a part of the transaction.

23. NON-CONTROLLING INTEREST

On July 1, 2016 the Shareholders Agreement was executed between the Group and HoldingCo as it relates to the ownership of Be Aliv Limited. The agreement provides guidance and specific requirements and commitments to each of the parties inclusive of ownership structure, capitalization, change of control, reporting and strategic initiatives, investments and related party transactions, and the structure of the Board of Directors. In accordance with the agreement, 51.75% of the capital requirements of the Group of \$70,167,306 was provided by HoldingCo and the remaining 48.25% in the amount of \$65,421,691 was provided by the Group. As at June 30, 2020 and at June 30, 2019 there were no outstanding capital commitments from the shareholders.

The non-controlling interest relates to the 51.75% of ordinary shares in Be Aliv Limited, held by The Government of The Bahamas through its special purpose holding company, HoldingCo. The Group has a 48.25% shareholding in Be Aliv Limited, and has board and management control.

The movement in non-controlling interest is as follows:

	2020	2019 Restated
Balance at beginning of year	\$ (21,722,965)	\$ 14,046,409
Impact of change in accounting policy	<u>-</u>	<u>(5,134,864)</u>
Beginning balance after change in accounting policy	(21,722,965)	8,911,545
Share of loss for the year	<u>(26,573,462)</u>	<u>(30,634,510)</u>
Balance, end of year	<u>\$ (48,296,427)</u>	<u>\$ (21,722,965)</u>

24. RISK MANAGEMENT

There are a number of risks inherent in the telecommunications industry that the Group manages on an ongoing basis. Among these risks, the more significant are credit, foreign exchange, liquidity, interest rate risk and capital risks.

Credit risk - Credit risk arises from the failure of a 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, and balances due from related parties. Subscriber 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 180 days are disconnected depending on their credit history. Cash and cash equivalents are predominantly in Bahamian or United States dollars and have been placed with high quality financial institutions.

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.

	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Total	Carrying Amount
Accounts payable and accrued liabilities	\$ 12,087,973	\$ 11,092,100	\$ 25,259,357	\$ 22,159,513	\$ -	\$ 70,598,913	\$ 70,598,913
Notes payable	58,455,397	-	-	-	-	58,455,397	58,455,397
Long-term debt	-	653,057	7,266,588	65,237,513	288,258,352	361,415,510	314,407,071
Lease liabilities	1,032,953	4,251,083	15,677,940	27,378,386	146,402,694	194,743,056	79,056,058
Balance at June 30, 2020	\$ 71,576,323	\$ 15,996,240	\$ 48,203,855	\$ 114,775,412	\$ 434,661,046	\$ 685,212,876	\$ 522,517,439

	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Total	Carrying Amount
Accounts payable and accrued liabilities ¹	\$ 9,927,358	\$ 19,967,241	\$ 34,869,975	\$ -	\$ -	\$ 64,764,574	\$ 64,764,574
Notes payable	-	-	5,002,831	27,146,989	67,007,480	99,157,300	58,290,490
Long-term debt	-	3,161,020	16,519,083	129,762,578	311,660,612	461,103,293	160,896,323
Lease liabilities ²	1,241,764	1,429,248	17,998,038	44,226,515	152,171,542	217,067,107	93,703,329
Balance at June 30, 2019	\$ 11,169,122	\$ 24,557,509	\$ 74,389,927	\$ 201,136,082	\$ 530,839,634	\$ 842,092,274	\$ 377,654,716

¹Accounts payable and accrued liabilities presented for 2019 have been adjusted to remove certain non-financial liabilities.

²Lease liabilities presented for 2019 are after the restatement for the correction of the error disclosed in Note 5.

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.

	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Total	Carrying Amount
Cash and term deposits	\$ 174,902,357	\$ -	\$ 5,618,667	\$ -	\$ -	\$ 180,521,024	\$ 180,521,024
Trade and other receivables	22,492,824	468,371	4,806,913	-	-	27,768,108	19,158,222
Balance at June 30, 2020	\$ 197,395,181	\$ 468,371	\$ 10,425,580	\$ -	\$ -	\$ 208,289,132	\$ 199,679,246

	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Total	Carrying Amount
Cash and term deposits	\$ 28,326,808	\$ -	\$ 618,202	\$ -	\$ -	\$ 28,945,010	\$ 28,945,010
Trade and other receivables	15,927,455	-	1,250,639	-	-	17,178,094	15,757,739
Balance at June 30, 2019	\$ 44,254,263	\$ -	\$ 1,868,841	\$ -	\$ -	\$ 46,123,104	\$ 44,702,749

Market risk

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 utilizing funds received in US dollars to pay the US dollar invoices.

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 certain financial liabilities. 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 effective interest rates increase or decrease, the effect on net and comprehensive income would be as follows:

	2020	2019
0.75%	\$ 211,657	\$ 816,581
0.50%	\$ 141,105	\$ 544,388
0.25%	\$ 70,552	\$ 272,194

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 maximize the return to shareholders through optimization 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 Group is not subject to any externally imposed capital requirements.

The Directors promote revenue generating activities that are consistent with the Group's risk appetite, policies and the maximization 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 share repurchase, and the restructuring of the capital base. The Group's strategy is unchanged from 2019.

Corporate tax management - The Group is subject to taxes and tax regulations in The Bahamas. The Board of Directors ensures that adequate internal controls and financial reporting guidelines are established and monitored in the preparation 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.

25. SUBSEQUENT EVENTS

Early redemption of preference shares

On September 21, 2020, the Group issued notice to the holders of its United States dollar Series 8, 10, and 12 preference shares pursuant to Section 99 of the 2011 Securities Industry Act, stating its intent to exercise its option for early redemption. The early redemption was effective as of September 30, 2020, and a payment of \$23,280,268 was made to those shareholders on October 5, 2020 representing the sum of principal and interest owed.

On September 30, 2020, the Group issued notice to the holders of its United States dollar and Jamaican dollar Series 11 preference shares under the terms and conditions of its Confidential Private Placement Memorandum, stating its intent to exercise its option for early redemption. The early redemption will be effective as of December 29, 2020, and a payment of \$15,286,741 is expected to be made to those shareholders by January 2021 representing the sum of principal and interest owed. Upon the early redemption of the Series 11 shares, the Group will cease to be registered with the Jamaica International Securities Exchange.

CABLE BAHAMAS LTD.

DIRECTORS AND OFFICERS

DIRECTORS	TITLE	SERIES 11 SHARES
Ross McDonald	Chairman	Nil
Franklyn Butler II	Executive Vice-Chairman	Nil
Gary Kain	Director	Nil
Michael Maura Jr.	Director	Nil
Michele Merrell	Director	Nil
Elma Campbell	Director	Nil
Dr. Ranford Patterson	Director	Nil

OFFICERS	TITLE	SERIES 11 SHARES
Franklyn Butler II	CEO & President	Nil
John Gomez	COO	Nil
Felicity Johnson	Corporate Secretary	Nil

CONNECTED PERSONS

This is to confirm that the Directors, Officers and their Connected Persons hold no interest in Cable Bahamas Ltd. Series 11 Redeemable Cumulative USD and JMD Preference Shares.

CABLE BAHAMAS LTD SERIES 11 REDEEMABLE CUMULATIVE USD PREFERENCE SHARES:

Top Ten (10) Shareholders	Address	Shares	Currency
NCB (CAYMAN) LIMITED	Jamaica	3000	USD
SAGICOR BARBADOS	Barbados	750	USD
PWL	Jamaica	340	USD

CABLE BAHAMAS LTD SERIES 11 REDEEMABLE CUMULATIVE JMD PREFERENCE SHARES:

Top Ten (10) Shareholders	Address	Shares	Currency
NCB INSURANCE CO. LTD	Jamaica	590	JMD
GRACEKENNEDY LIMITED PENSION SCHEME	Jamaica	330	JMD
SJIML	Jamaica	205	JMD
ATL GROUP PENSION FUND TRUSTEES NOMINEE	Jamaica	125	JMD
SJLIC FOR SCOTIABRIDGE RETIREMENT SCHEME	Jamaica	24	JMD
I.C.W.I PENSION PLAN	Jamaica	20	JMD
THE STAFF PENSION FUND OF RADIO JA. LTD.	Jamaica	20	JMD
PROVEN WEALTH LIMITED FOR PROVEN EQUITY POOLED FUND	Jamaica	19	JMD

DB&G PENSION FUND	Jamaica	5	JMD
D. C. & O. SERVICES LIMITED PENSION SCHEME	Jamaica	5	JMD
MF & G ASSET MANAGEMENT LTD. – NCB CM	Jamaica	5	JMD
UNIT TRUST SCHEME (JMD CARIBBEAN EQUITY			

AUDIT COMMITTEE COMPENSATION

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

Chairman Gary Kain chairs the Audit Committee.

Members of the Audit Committee include:

Gary Kain – Chairperson
 Ross McDonald – Member
 Michael J. Maura Jr. – Member

CORPORATE GOVERNANCE GUIDELINES

Our governance and internal control framework helps the Board to exercise proper oversight of the company’s governance policies and procedures whilst retaining overall accountability. The Guidelines can be found at the bottom of our webpage under Corporate - Company Profile.

<https://www.rev.bs/about>