

CABLE BAHAMAS LTD.

**Consolidated Financial Statements
For The Year Ended June 30, 2021
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, 2021, 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, 2021;
- 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.

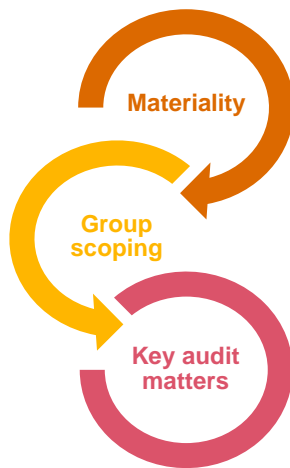
Independence

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: \$1.7 million, which represents approximately 5% of the three year average 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 financially significant subsidiary.
 - Recognition and Measurement of Revenue
-

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.

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 | \$1.7 million |
| How we determined it | We chose 5% of the three year average 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, profit/loss 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 and used average net loss from continuing operations over the last 3 years due to the historic volatility of earnings. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$84,700, 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>Recognition and Measurement of Revenue</i></p> <p><i>Refer to notes 3(r), 4(d), and 21 to the consolidated financial statements for disclosures of related accounting policies and balances.</i></p> <p>The Group's revenue consists of cable TV, fixed and wireless broadband, fixed-line telephone, mobile and data telephony services, and other ancillary services. The recognition and measurement of revenue from short-term contracts is not subject to significant judgment. However, the revenue streams comprise a large number of low value transactions, multiple products and services with varying pricing structures, and complex billing systems (and related Information Technology (IT) controls). In addition, the recognition and measurement of</p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none">• obtaining an understanding of and evaluating the design and implementation of controls over the revenue process.• evaluating the overall IT control environment and the IT controls in place, with the assistance of our information technology specialists. This included evaluating the design and testing the operating effectiveness of controls around access rights, system development, program changes, and IT-dependent business controls designed to establish that changes to the systems were appropriately authorized, |



revenue from long-term bundled contracts involves a number of key judgments and estimates. As such, recognition and measurement of revenue was an area that required significant audit attention.

developed and implemented, including those over customer account set-up, pricing data, usage data and segregation of duties.

- testing the end-to-end reconciliation from the billing systems to the general ledger and journal entries processed between them.
- evaluating the assumptions used by management to determine the allocation of the transaction price to telecom services and handsets and testing the stand-alone selling prices.
- obtaining a sample of customer contracts and comparing the contract terms to the revenue systems.
- assessing the adequacy of the Group's disclosures in respect of its accounting policies on revenue recognition.

No material misstatements were identified in the reported amounts of revenue.

Other information

Management is responsible for the other information. The other information comprises the Cable Bahamas Ltd. 2021 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. 2021 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

A handwritten signature in blue ink that reads 'Prince A. Rahming' in a cursive style.

Chartered Accountants
Nassau, Bahamas

November 3, 2021

CABLE BAHAMAS LTD.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021***(Expressed in Bahamian dollars)*

| | 2021 | 2020 |
|---|------------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 57,833,861 | \$ 174,902,357 |
| Term deposits | 6,596,996 | 5,618,667 |
| Short-term investments (Note 5) | 44,990,600 | - |
| Trade and other receivables (Notes 6, 19, 24) | 16,399,980 | 19,158,222 |
| Prepaid expenses and deposits | 6,476,559 | 6,209,684 |
| Inventory | 9,554,090 | 7,293,042 |
| Contract assets (Note 7) | 916,204 | 4,482,403 |
| Total current assets | <u>142,768,290</u> | <u>217,664,375</u> |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment (Note 8) | 319,241,510 | 329,942,312 |
| Intangible assets (Note 9) | 62,932,741 | 68,638,225 |
| Contract assets (Note 7) | 681,479 | - |
| Total non-current assets | <u>382,855,730</u> | <u>398,580,537</u> |
| TOTAL ASSETS | <u>\$ 525,624,020</u> | <u>\$ 616,244,912</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, 2021
(CONTINUED)**

(Expressed in Bahamian dollars)

| | 2021 | 2020 |
|---|------------------------------|------------------------------|
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued liabilities (Notes 10, 19, 24) | \$ 59,041,329 | \$ 66,046,749 |
| Deferred income | 6,129,895 | 5,444,473 |
| Preferred shares (Note 13, 19, 24) | 9,271,611 | 8,951,111 |
| Lease liabilities (Note 11) | 3,574,514 | 15,284,921 |
| Notes payable (Note 12) | - | 58,455,397 |
| Loans (Note 12) | 2,520,000 | 2,520,000 |
| Total current liabilities | <u>80,537,349</u> | <u>156,702,651</u> |
| NON-CURRENT LIABILITIES: | | |
| Subscriber deposits | 8,851,130 | 8,802,212 |
| Lease liabilities (Note 11) | 54,745,983 | 64,206,020 |
| Notes payable (Note 12) | 58,620,304 | - |
| Loans (Note 12) | 11,997,844 | 10,431,877 |
| Preferred shares (Note 13, 19) | 264,043,047 | 301,137,072 |
| Total non-current liabilities | <u>398,258,308</u> | <u>384,577,181</u> |
| TOTAL LIABILITIES | <u>478,795,657</u> | <u>541,279,832</u> |
| EQUITY: | | |
| Equity attributable to owners of the parent: | | |
| Ordinary share capital (Note 14) | 30,367,307 | 30,367,307 |
| Retained earnings | 86,864,594 | 92,894,200 |
| | <u>117,231,901</u> | <u>123,261,507</u> |
| Non-controlling interest (Note 23) | (70,403,538) | (48,296,427) |
| TOTAL EQUITY | <u>46,828,363</u> | <u>74,965,080</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 525,624,020</u> | <u>\$ 616,244,912</u> |

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 3, 2021, 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, 2021***(Expressed in Bahamian dollars)*

| | 2021 | 2020 |
|--|------------------------|----------------------|
| REVENUE (Notes 19, 21) | \$ 200,228,976 | \$ 192,909,153 |
| OPERATING EXPENSES (Notes 17, 18, 19, 21) | (142,444,443) | (150,187,757) |
| Impairment of financial and contract assets (Notes 6, 7) | (4,379,472) | (7,570,900) |
| Depreciation and amortization (Notes 8, 9, 21) | 53,405,061 | 35,150,496 |
| Other income | (48,421,524) | (47,935,432) |
| Net gain/(loss) on disposal of property, plant and equipment (Note 8) | 363,085 | 876,453 |
| | 356,390 | (2,554,745) |
| OPERATING INCOME/(LOSS) | 5,703,012 | (14,463,228) |
| Interest expense (Notes 11, 12, 21) | (14,855,240) | (15,861,339) |
| Dividends on preferred shares (Notes 13, 19) | (18,937,838) | (20,151,453) |
| NET LOSS FROM CONTINUING OPERATIONS | (28,090,066) | (50,476,020) |
| Profit from discontinued operations attributable to owners of the parent (Note 22) | - | 109,130,311 |
| NET AND COMPREHENSIVE (LOSS)/INCOME | \$ (28,090,066) | \$ 58,654,291 |
| Net and comprehensive (loss)/income for the year attributable to: | | |
| Owners of the parent | \$ (5,982,955) | \$ 85,227,753 |
| Non-controlling interest | (22,107,111) | (26,573,462) |
| | \$ (28,090,066) | \$ 58,654,291 |
| Basic earnings per share on profit or loss (Note 14) | \$ (0.14) | \$ 1.94 |
| Diluted earnings per share on profit or loss (Note 14) | \$ (0.14) | \$ 1.91 |
| Basic earnings per share on profit or loss from continuing operations (Note 14) | \$ (0.14) | \$ (1.15) |
| Diluted earnings per share on profit or loss from continuing operations (Note 14) | \$ (0.14) | \$ (1.13) |

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, 2021**

(Expressed in Bahamian dollars)

| | Attributable to owners of the Parent | | | | |
|---|--------------------------------------|----------------------|-----------------------|-----------------------------|----------------------|
| | Ordinary Share Capital | Retained Earnings | Total | Non-Controlling Interest | Total |
| Balance at June 30, 2019 | \$ 30,367,307 | \$ 7,823,460 | \$ 38,190,767 | \$ (21,722,965) | \$ 16,467,802 |
| Total net and comprehensive (loss)/income | - | 85,227,753 | 85,227,753 | (26,573,462) | 58,654,291 |
| Transactions with owners: | | | | | |
| Vested share based options (Note 18) | - | (157,013) | (157,013) | - | (157,013) |
| Total transactions with owners | - | (157,013) | (157,013) | - | (157,013) |
| Balance at June 30, 2020 | \$ 30,367,307 | \$ 92,894,200 | \$ 123,261,507 | \$ (48,296,427) | \$ 74,965,080 |
| Total net and comprehensive loss | - | (5,982,955) | (5,982,955) | (22,107,111) | (28,090,066) |
| Transactions with owners: | | | | | |
| Purchase of treasury shares (Note 15) | - | (908,069) | (908,069) | - | (908,069) |
| Vested share based options (Note 18) | - | 861,418 | 861,418 | - | 861,418 |
| Total transactions with owners | - | (46,651) | (46,651) | - | (46,651) |
| Balance at June 30, 2021 | \$ 30,367,307 | \$ 86,864,594 | \$ 117,231,901 | \$ (70,403,538) | \$ 46,828,363 |

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, 2021

(Expressed in Bahamian dollars)

| | 2021 | 2020 |
|--|------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss)/income for the year | \$ (28,090,066) | \$ 58,654,291 |
| Adjustments for: | | |
| Depreciation and amortization (Notes 8, 9) | 48,421,524 | 47,935,432 |
| Interest expense (Notes 11, 12, 21) | 14,855,240 | 15,861,339 |
| Dividends on preferred shares (Note 13) | 18,937,838 | 20,151,453 |
| Vesting of share based options (Note 18) | 861,418 | (157,013) |
| Net gain on lease modification | (411,784) | - |
| Net gain on disposal of property, plant & equipment (Note 8) | (356,390) | (535,071) |
| Profit from discontinued operations (Note 22) | - | (109,130,311) |
| Impairment of financial and contract assets (Notes 6, 7) | 4,379,472 | 7,570,900 |
| Impairment loss on property, plant and equipment (Note 8) | - | 3,153,320 |
| Unrealized gain on short-term investments | (25,343) | - |
| Amortization of transaction costs | - | 1,242,581 |
| Operating cash flows before working capital changes | 58,571,909 | 44,746,921 |
| Increase in trade and other receivables | (3,289,547) | (10,971,383) |
| Increase in prepaid expenses and deposits | (266,872) | (342,982) |
| (Increase)/Decrease in inventory | (2,261,047) | 828,895 |
| Decrease in contract assets | 3,056,422 | 1,672,126 |
| (Decrease)/Increase in accounts payable and accrued liabilities | (9,989,375) | 9,097,070 |
| Increase in deferred income | 685,422 | 2,075,223 |
| Increase in subscriber deposits | 48,919 | 187,364 |
| Net cash from operating activities | 46,555,831 | 47,293,234 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Placement of term deposits | (900,000) | (5,000,465) |
| Purchase of short-term investments (Note 5) | (69,953,782) | - |
| Proceeds from disposal of short-term investments (Note 5) | 24,988,525 | - |
| Purchases of property, plant and equipment (Note 8) | (30,924,861) | (33,906,712) |
| Payments for intangible assets (Note 9) | (2,451,590) | (2,636,548) |
| Proceeds from insurance claim (Note 8) | - | 4,500,000 |
| Reimbursement of indebtedness associated with sale of subsidiary | - | 3,708,969 |
| Proceeds from disposal of property, plant, and equipment | 1,798,325 | 882,508 |
| Proceeds from sale of subsidiary (Note 22) | 1,496,615 | 251,648,306 |
| Net cash (used in)/from investing activities | \$ (75,946,768) | \$ 219,196,058 |

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, 2021**

(CONTINUED)

(Expressed in Bahamian dollars)

| | 2021 | 2020 |
|---|----------------------|-----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of loans (Note 12) | \$ - | \$ (75,524,562) |
| Proceeds from loans (Note 12) | - | 3,750,000 |
| Repayment of lease liabilities (Note 11) | (21,114,616) | (14,451,411) |
| Interest paid (Notes 11, 12, 21) | (9,802,198) | (13,868,205) |
| Purchase of treasury shares (Note 15) | (908,069) | - |
| Redemption of preferred shares (Note 13) | (37,235,338) | - |
| Dividends paid on preferred shares (Note 13) | (18,617,338) | (19,819,565) |
| Net cash used in financing activities | (87,677,559) | (119,913,743) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (117,068,496) | 146,575,549 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 174,902,357 | 28,326,808 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 57,833,861 | \$ 174,902,357 |
| Cash and cash equivalents comprise: | | |
| Cash on hand and at banks | \$ 57,833,861 | \$ 174,902,357 |

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, 2021

(Expressed in Bahamian dollars)

1. GENERAL INFORMATION

Cable Bahamas Ltd. (the “Company”, the “Parent”) 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, 2021, the Group’s wholly-owned subsidiaries that are incorporated and domiciled in the The Bahamas include Cable Freeport Ltd. (“Cable Freeport”), Caribbean Crossings Ltd. (“Caribbean”), Maxil Communications Ltd. (“Maxil”), Systems Resource Group Limited (“SRG”), and Smart Term (Bahamas) Limited. 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; however, as further disclosed in Note 22, this entity was sold by the Group.

The Group has a 48.25% shareholding in Be Aliv Limited (“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 (“the Government”). Aliv 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, as modified by the revaluation of financial assets at fair value through profit or loss. 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, 2020 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 consolidated financial statements for the year ended June 30, 2021 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 reassesses 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 assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including;

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders, or other parties;
- rights arising from other contractual arrangements;
- 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 information of Aliv has 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, 2020, the Group had completed a disposal of its investment in SVI, previously a wholly-owned subsidiary. As such, net income from discontinued operations resulting from the disposal of the investment in SVI is included in the comparative 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 Parent and the non-controlling interest. 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 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 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 (in the case of customer premises equipment) or operating expenses accordingly, as they are either 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, and construction in progress are 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 non-financial assets** - At each consolidated statement of financial position date, management reviews the carrying amounts of its tangible and intangible assets, including right-of-use 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. **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.

- i. **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.

- j. **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.

Financial assets as at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or FVOCI, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes unrealized fair value gain or loss, and any dividend or interest earned on the financial asset, and would be included in profit or loss.

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 debtor.

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 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 period. 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.

Derecognition 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.

- k. 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.
- l. 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 and excluding treasury shares. 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.
- m. 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.
- n. 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 Scholes option pricing model. As the options vest over the term of the plan, an expense is recognized in profit or loss with a corresponding increase in equity.
- o. Treasury shares** – The Group may purchase its own ordinary shares in the open market. The amounts paid to purchase those shares are deducted from share capital and are recorded as treasury shares, which is a contra-equity account.

- p. 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.
- q. 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.

r. 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 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 principal portion of 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 lease 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.

- s. **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.

- t. **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.

- u. **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.
- v. **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 13.

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 61% (2020: 54%) of the Group's total assets. Intangible assets represent 12% (2020: 11%) 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 relative stand-alone selling prices. 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 cost 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. SHORT-TERM INVESTMENTS

During the year the Group purchased United States treasury bills and Bahamas Government bonds as a lower-risk investment. They each mature in one year or less, and the business model for managing these financial assets is to hold to trade within the near term rather than to hold to collect.

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

| | 2021 | 2020 |
|--|---------------------|-------------|
| Bahamas government registered stock | \$ 5,000,000 | \$ - |
| United States government debt securities | 39,990,600 | - |
| | <u>\$44,990,600</u> | <u>\$ -</u> |
| | 2021 | 2020 |
| Fair value gains on investments at FVPL recognized in other income | \$ 25,343 | \$ - |

Additional disclosures related to fair value measurement are included in Note 20.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

| | 2021 | 2020 |
|--------------------------------------|----------------------|----------------------|
| Subscribers | \$ 17,370,424 | \$ 21,184,969 |
| Other | 6,775,258 | 6,583,199 |
| | <u>24,145,682</u> | <u>27,768,168</u> |
| Allowance for expected credit losses | (7,745,702) | (8,609,946) |
| | <u>\$ 16,399,980</u> | <u>\$ 19,158,222</u> |

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

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Balance at the beginning of the year | \$ 8,609,946 | \$ 6,114,516 |
| Amounts written off during the year | (5,708,553) | (4,861,584) |
| Amounts recovered during the year | 293,135 | 191,670 |
| Allowance recognized in the consolidated statement of profit or loss and other comprehensive income | 4,551,174 | 7,165,344 |
| Balance at the end of the year | <u>\$ 7,745,702</u> | <u>\$ 8,609,946</u> |

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.

| June 30, 2021 | | Days past due | | | | | | | |
|--|----|---------------|--------------|------------|--------------|------------|------------|--------------|---------------|
| Corporate | | <30 | 31-60 | 61-90 | 91-120 | 121-150 | 151-180 | >181 | Total |
| Expected credit loss rate | | 19% | 58% | 66% | 57% | 59% | 89% | 83% | |
| Estimated total gross carrying amount at default | \$ | 3,493,199 | \$ 1,246,788 | \$ 766,109 | \$ 2,373,121 | \$ 913,745 | \$ 363,656 | \$ 1,094,166 | \$ 10,250,784 |
| Lifetime ECL | \$ | 666,891 | \$ 728,951 | \$ 506,428 | \$ 1,358,109 | \$ 542,852 | \$ 321,839 | \$ 904,850 | \$ 5,029,920 |

| June 30, 2021 | | Days past due | | | | | | | |
|--|----|---------------|--------------|------------|------------|------------|------------|------------|--------------|
| Residential | | <30 | 31-60 | 61-90 | 91-120 | 121-150 | 151-180 | >181 | Total |
| Expected credit loss rate | | 26% | 43% | 44% | 44% | 73% | 90% | 100% | |
| Estimated total gross carrying amount at default | \$ | 4,354,111 | \$ 1,307,515 | \$ 487,109 | \$ 214,650 | \$ 182,589 | \$ 164,303 | \$ 409,363 | \$ 7,119,640 |
| Lifetime ECL | \$ | 1,151,481 | \$ 564,877 | \$ 214,435 | \$ 95,032 | \$ 133,206 | \$ 147,388 | \$ 409,363 | \$ 2,715,782 |

| June 30, 2020 | | Days past due | | | | | | | |
|--|----|---------------|--------------|------------|--------------|------------|------------|--------------|---------------|
| Corporate | | <30 | 31-60 | 61-90 | 91-120 | 121-150 | 151-180 | >181 | Total |
| 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 | | | | | | | |
|--|----|---------------|--------------|--------------|------------|------------|------------|------------|---------------|
| Residential | | <30 | 31-60 | 61-90 | 91-120 | 121-150 | 151-180 | >181 | Total |
| 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 |

7. CONTRACT ASSETS

The table below provides a reconciliation of the change in the contract assets balance. The Group recognizes contract assets on subsidies given to customers in relation to bundled contracts, as well as costs to obtain contracts. A portion of each of these is included in current and in non-current assets on the consolidated statement of financial position. Where the right to consideration from the transfer of products or services to customers extends beyond twelve months, that portion of the contract asset is presented as non-current on the consolidated statement of financial position.

| | 2021 | 2020 |
|--|---------------------|---------------------|
| <i>Contract assets relating to bundled contracts</i> | | |
| Balance as at the beginning of the year | \$ 2,314,515 | \$ 2,997,406 |
| Revenue recognized | 917,961 | 2,382,487 |
| Transferred to trade receivables | (1,705,093) | (1,642,279) |
| Terminations | (584,751) | (1,423,099) |
| | <u>942,632</u> | <u>2,314,515</u> |
| Allowance for expected credit losses | (233,854) | (405,556) |
| Balance as at the end of the year | <u>708,778</u> | <u>1,908,959</u> |
| <i>Costs to obtain contracts</i> | | |
| Balance as at the beginning of the year | 2,573,444 | 3,157,123 |
| Incremental costs of new contracts | 631,915 | 1,956,240 |
| Amortization included in cost of sales | (2,132,307) | (2,415,663) |
| Charges included in operating expenses | (184,147) | (124,256) |
| Balance as at the end of the year | <u>888,905</u> | <u>2,573,444</u> |
| | <u>\$ 1,597,683</u> | <u>\$ 4,482,403</u> |

Movement in contract assets' expected credit loss allowance is as follows:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Balance as of the beginning of the year | \$ 405,556 | \$ - |
| Expected credit loss | - | 405,556 |
| Write-back adjustment | (171,702) | - |
| Balance as of the end of the year | <u>\$ 233,854</u> | <u>\$ 405,556</u> |

8. PROPERTY, PLANT AND EQUIPMENT

The movement in 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 June 30, 2019 | \$ 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 | - | - | - | - | - | - | - | - | - |
| Impairment loss | - | - | (40,358) | (18,761) | (9,942,179) | - | - | - | (10,001,298) |
| Modifications to right-of-use asset | - | (805,434) | - | - | - | - | - | - | (805,434) |
| ¹ Disposals | (215,103) | (5,246) | - | (265,834) | (148,298) | - | - | - | (634,481) |
| Balance at June 30, 2020 | \$ 24,790,099 | \$ 42,433,653 | \$ 3,575,220 | \$ 86,678,738 | \$ 329,937,485 | \$ 59,475,779 | \$ 430,844 | \$ 3,957,867 | \$ 551,279,685 |
| Additions | 147,697 | 2,471,962 | 847,274 | 8,854,903 | 17,861,766 | 550,217 | 27,207 | 4,266,698 | 35,027,724 |
| Transfer of assets | - | - | - | - | 1,066,034 | - | - | (1,066,034) | - |
| Modifications to right-of-use asset | 32,569 | 40,313 | - | - | (4,931,730) | - | - | - | (4,858,848) |
| Disposals | - | (306,554) | (52,550) | (25,273) | (2,041,893) | - | - | - | (2,426,270) |
| Balance at June 30, 2021 | \$ 24,970,365 | \$ 44,639,374 | \$ 4,369,944 | \$ 95,508,368 | \$ 341,891,662 | \$ 60,025,996 | \$ 458,051 | \$ 7,158,531 | \$ 579,022,291 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT: | | | | | | | | | |
| Balance at June 30, 2019 | \$ 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 | - | - | - | - | - | - | - | - | - |
| Impairment loss | - | - | (22,932) | (9,680) | (2,315,366) | - | - | - | (2,347,978) |
| Modifications to right-of-use asset | 43,849 | (507,760) | - | - | - | - | - | - | (463,911) |
| ¹ Disposals | - | (7,869) | - | (167,402) | (2,337) | - | - | - | (177,608) |
| Balance at June 30, 2020 | \$ 2,114,810 | \$ 16,921,551 | \$ 2,147,515 | \$ 42,133,495 | \$ 135,936,087 | \$ 21,739,662 | \$ 344,253 | \$ - | \$ 221,337,373 |
| Depreciation | 533,136 | 3,011,170 | 818,332 | 10,084,770 | 22,681,062 | 3,122,848 | 13,133 | - | 40,264,451 |
| Modifications to right-of-use asset | - | - | - | - | (1,289,048) | - | - | - | (1,289,048) |
| Disposals | - | (139,587) | (21,975) | (19,007) | (351,426) | - | - | - | (531,995) |
| Balance at June 30, 2021 | \$ 2,647,946 | \$ 19,793,134 | \$ 2,943,872 | \$ 52,199,258 | \$ 156,976,675 | \$ 24,862,510 | \$ 357,386 | \$ - | \$ 259,780,781 |
| CARRYING VALUE: | | | | | | | | | |
| As at June 30, 2021 | \$ 22,322,419 | \$ 24,846,240 | \$ 1,426,072 | \$ 43,309,110 | \$ 184,914,987 | \$ 35,163,486 | \$ 100,665 | \$ 7,158,531 | \$ 319,241,510 |
| As at June 30, 2020 | \$ 22,675,289 | \$ 25,512,102 | \$ 1,427,705 | \$ 44,545,243 | \$ 194,001,398 | \$ 37,736,117 | \$ 86,591 | \$ 3,957,867 | \$ 329,942,312 |

¹ The amount of disposals reported in the comparative information has been amended to conform with the current year approach of excluding the fully depreciated assets from the presentation.

In September 2019, the Group sustained significant physical damage to its network infrastructure and equipment following the passage of a Hurricane. As a direct result, in the 2020 fiscal year, 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 comparative consolidated statement of profit or loss and other comprehensive income, within Gain/(Loss) on disposal of assets.

As at June 30, 2021, 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.

| | 2021 | 2020 |
|-------------------------------------|-----------------------|-----------------------|
| Property, plant and equipment owned | \$ 271,675,151 | \$ 278,350,669 |
| Right-of-use assets | 47,566,359 | 51,591,643 |
| | <u>\$ 319,241,510</u> | <u>\$ 329,942,312</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.

| | Land | Commercial Buildings | Network Systems and Infrastructure | Total |
|---|---------------|-------------------------|--|---------------|
| Net carrying amount at | | | | |
| June 30, 2020 | \$ 20,788,315 | \$ 2,106,572 | \$ 28,696,756 | \$ 51,591,643 |
| June 30, 2021 | \$ 20,435,446 | \$ 2,108,471 | \$ 25,022,442 | \$ 47,566,359 |
| Depreciation expense for the year ended | | | | |
| June 30, 2020 | \$ 414,551 | \$ 1,051,883 | \$ 1,175,289 | \$ 2,641,723 |
| June 30, 2021 | \$ 533,135 | \$ 1,315,532 | \$ 1,157,036 | \$ 3,005,703 |
| | | 2021 | 2020 | |
| Total additions during the year | \$ 2,719,115 | \$ 450,959 | | |
| Total disposals during the year | \$ (168,893) | \$ (50,260) | | |

9. INTANGIBLE ASSETS

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

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 also 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. 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 5 to 10 years.

Acquired licenses

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.

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*.

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

| | Communications Licenses | Software and Licenses | Acquired Licenses | Total |
|--|----------------------------|--------------------------|----------------------|----------------|
| COST | | | | |
| Balance at June 30, 2019 | \$ 72,830,680 | \$ 14,555,775 | \$ 19,368,563 | \$ 106,755,018 |
| Additions | - | 2,636,548 | - | 2,636,548 |
| Balance at June 30, 2020 | 72,830,680 | 17,192,323 | 19,368,563 | 109,391,566 |
| Additions | - | 2,451,589 | - | 2,451,589 |
| Balance at June 30, 2021 | \$ 72,830,680 | \$ 19,643,912 | \$ 19,368,563 | \$ 111,843,155 |
| AMORTIZATION | | | | |
| Balance at June 30, 2019 | \$ 17,575,259 | \$ 2,851,556 | \$ 12,115,928 | \$ 32,542,743 |
| Amortization | 4,933,117 | 2,162,945 | 1,114,536 | 8,210,598 |
| Balance at June 30, 2020 | 22,508,376 | 5,014,501 | 13,230,464 | 40,753,341 |
| Adjustment to accumulated amortization | - | - | - | - |
| Amortization | 4,932,669 | 2,495,792 | 728,612 | 8,157,073 |
| Balance at June 30, 2021 | \$ 27,441,045 | \$ 7,510,293 | \$ 13,959,076 | \$ 48,910,414 |
| CARRYING VALUE: | | | | |
| As at June 30, 2021 | \$ 45,389,635 | \$ 12,133,619 | \$ 5,409,487 | \$ 62,932,741 |
| As at June 30, 2020 | \$ 50,322,304 | \$ 12,177,822 | \$ 6,138,099 | \$ 68,638,225 |

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

| | 2021 | 2020 |
|-----------------------------------|----------------------|----------------------|
| Trade payables | \$ 18,252,348 | \$ 23,083,982 |
| Government and statutory agencies | 32,339,299 | 35,253,779 |
| Other liabilities | 4,998,720 | 5,077,378 |
| Payroll & employee benefits | 3,450,962 | 2,631,610 |
| | <u>\$ 59,041,329</u> | <u>\$ 66,046,749</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.

11. LEASE LIABILITIES

Lease 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 2.9% to 4.5% (2020: 3.2% to 15.78%). As at June 30, 2021, the balance outstanding totaled \$548,968 (2020: \$19,290,768) included in lease liabilities on the consolidated statement of financial position, and the current lease principal payments due within one year was \$548,968 (2020: \$13,178,805). During the year, the Group settled its largest lease liability with one particular vendor totaling \$17,470,913 which previously made up the vast majority of the comparative balances mentioned here.

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, 2021, the balance outstanding totaled \$57,128,702 (2020: \$59,765,291) included in lease liabilities on the consolidated statement of financial position, and the current lease principal payments due within one year was \$3,025,546 (2020: \$2,106,116).

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

| | 2021 | 2020 |
|---------------------------------------|--------------|--------------|
| Depreciation on lease assets | \$ 3,005,703 | \$ 2,641,723 |
| Interest expense on lease liabilities | 4,459,996 | 6,646,042 |
| Expense relating to short-term leases | 1,595,436 | 635,723 |
| Expense relating to low-value leases | 5,810 | - |
| Cash outflows on lease liabilities | | |
| Interest paid | 2,995,371 | 6,646,042 |
| Principal paid | 21,114,616 | 14,451,411 |

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 \$642,827 is included in lease liabilities as of June 30, 2021 (2020: \$434,882).

12. NOTES PAYABLE AND LOANS

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 December 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 the last business day in June and December each year. Total interest recorded during the year was \$4,995,950 (2020: \$5,009,638).

The notes payable balance is comprised of the principal balance offset by unamortized borrowing costs of \$1,379,696 (2020: \$1,544,603).

During the 2020 fiscal year, 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 were classified as current liabilities in the comparative consolidated statement of financial position. During the year ended June 30, 2021, the trustee agreed with the Group to amend the notes' trust deed covenants. The amended covenants became effective as of June 30, 2021. As such, the notes were reclassified to non-current liabilities in the consolidated statement of financial position.

Loans

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, 2021 was \$2,520,000 (2020: 2,520,000).

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 was originally secured through a debenture over all the assets of Aliv excluding the Individual Spectrum License and assets pledged under lease obligations. Pursuant to an agreement dated December 7, 2020, these loans were amended to subordinate the related debenture, and to extend the maturity date to September 30, 2033, with no installment payments required prior to maturity. Interest on the outstanding principal balance is paid on a quarterly basis at the Bahamian Prime Lending Rate plus a margin of 3.5%. Total interest recorded for the year was \$1,609,027 (2020: \$1,603,771). As at June 30, 2021, the total outstanding balance was \$11,997,844 (2020: \$10,431,877).

Senior credit facility

In January 2020, following the conclusion of the sale of SVI, the senior credit facility was fully repaid, and the total amount owing was \$Nil as at June 30, 2021 and as at June 30, 2020.

13. PREFERRED SHARES

| | Maturity Date | 2021 | 2020 |
|---|---------------|-----------------------|-----------------------|
| 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 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 2024 | - | 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 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 2025 | - | 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 2023 | - | 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 2023 | - | 10,610,339 |
| Issued: 2,035 shares par value B\$0.01 | | | |
| 7.75% Series Twelve cumulative redeemable preferred shares at US\$1,000 | June 2026 | - | 2,035,000 |
| Issued: 26,000 shares par value B\$0.01 | | | |
| 6.25% Series Thirteen cumulative redeemable preferred shares at US\$1,000 | June 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 | October 2027 | 55,000,000 | 55,000,000 |
| Issued: 15,000 shares par value B\$0.01 | | | |
| 8.0% Series One cumulative redeemable amortizing preferred shares at US\$1,000 | October 2027 | 15,000,000 | 15,000,000 |
| | | <u>265,000,000</u> | <u>302,235,339</u> |
| Unamortized costs | | (956,953) | (1,098,267) |
| Preferred shares dividends payable | | 3,444,408 | 3,924,111 |
| Amount payable on Series Seven preferred shares | | 5,827,203 | 5,027,000 |
| Total | | <u>273,314,658</u> | <u>310,088,183</u> |
| Preferred shares - current portion | | 9,271,611 | 8,951,111 |
| Preferred shares - non-current portion | | <u>\$ 264,043,047</u> | <u>\$ 301,137,072</u> |

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

The Series Eleven preferred shares were listed and traded on the Jamaican Stock Exchange. On September 30, 2020, the Group exercised its option for early redemption effective as of December 29, 2020, and a payment was made to those preferred shareholders representing the sum of principal and interest owed. Upon the early redemption of the Series Eleven shares, the Group has ceased to be registered with the Jamaica Stock Exchange.

On September 21, 2020, the Group exercised its option for early redemption of the Series Eight, Ten, and Twelve preferred shares effective as of September 30, 2020, and a payment was made to those preferred shareholders representing the sum of principal and interest owed.

The Series Seven preferred shares matured in May 2016 and the unpaid balance of \$5,027,000 at June 30, 2020 was reclassified from accounts payable and accrued liabilities to preferred shares in the consolidated statement of financial position to correspond with the current year's presentation. A balance of \$5,827,203 at June 30, 2021 (2020: \$5,027,000) remained outstanding and subject to dispute as to the required payment thereof.

Dividends declared but not paid as at June 30, 2020 totaling \$2,988,221 were previously included in accounts payable and accrued liabilities have also been reclassified to preferred shares in the consolidated statement of financial position as at June 30, 2020.

Management has estimated that the fair value of the Group's redeemable preferred shares approximates its stated carrying amount.

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

14. ORDINARY SHARE CAPITAL

Ordinary share capital is comprised of the following:

| | 2021 | 2020 |
|---|----------------------|----------------------|
| 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, 2021 was 43,887,035 (2020: 43,887,035) and the weighted average number of ordinary shares was 43,809,528 (2020: 43,887,035).

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

| | 2021 | 2020 |
|---|----------------|-----------------|
| Earnings used in calculation of basic earnings per share on profit or loss - attributable to Ordinary Equity Holders of the Parent | \$ (5,982,955) | \$ 85,227,753 |
| Earnings used in calculation of basic earnings per share on profit or loss from continuing operations - attributable to Ordinary Equity Holders of the Parent | \$ (5,982,955) | \$ (50,476,020) |

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

| | 2021 | 2020 |
|--|-------------|-------------|
| Weighted average of ordinary shares used in calculation of basic earnings per share for continued operations | 43,809,528 | 43,887,035 |
| Shares deemed to be issued on vesting of share based option plan for continued operations | - | 661,594 |
| Weighted average of ordinary shares used in calculation of diluted earnings per share for continued operations | 43,809,528 | 44,548,629 |

15. TREASURY SHARES

Treasury shares are ordinary shares in the Group that are held by the Group in order to enable management's long-term capitalization strategy, in line with the Group's capital risk management structure. The movement in shares during the year is as follows:

| | 2021 | | 2020 | |
|------------------------------------|---------------|--------------|---------------|--------------|
| | No. of shares | Dollar value | No. of shares | Dollar value |
| Opening balance, beginning of year | - | \$ - | - | \$ - |
| Acquisition of shares by the Group | 260,772 | 908,069 | - | - |
| Ending balance, end of the year | 260,772 | \$ 908,069 | - | \$ - |

16. 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 (2020: \$700,000) held with its bank.

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. As at June 30, 2021 a provision has been recognized for what the Group considers to be a probable future outflow.

The Group through Be Aliv Ltd. has in place a letter of guarantee with its bank in the amount of \$100,000 (2020: \$100,000) which is considered restricted cash and is included in the cash balance; and capital commitments of \$5,900,872 (2020: \$5,594,045) in relation to the acquisition of network infrastructure.

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.

17. OPERATING EXPENSES

Operating expenses consist of the following:

| | 2021 | 2020 |
|--------------------------------|-----------------------|-----------------------|
| Programming costs | \$ 52,545,924 | \$ 52,539,572 |
| Engineering | 15,717,638 | 17,370,159 |
| Administrative | 31,864,811 | 31,264,680 |
| Marketing | 17,710,156 | 19,030,178 |
| Network operations | 15,066,152 | 18,297,718 |
| Government and regulatory fees | 9,539,762 | 11,685,450 |
| | \$ 142,444,443 | \$ 150,187,757 |

18. EMPLOYEE COMPENSATION

For the year ended June 30, 2021, employee compensation costs totaled \$38,461,221 (2020: \$41,531,851).

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 for the year amounted to \$1,191,533 (2020: \$934,763).

Share-based option plan

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. During calendar 2015 the Group granted additional options within the plan which also vest equally over five years. During calendar 2019 and 2020 the Group granted additional options within the plan which vest equally over four years. Options are granted under the plan for no consideration. The options carry no dividend or voting rights, and they are settled in shares.

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 as it relates to the options granted during October 2020 included the exercise price of \$2.99, the share price of \$2.99 on the grant date, expected price volatility of the Group's equity shares of 28.51%, the expiry date of the options, and the risk-free interest rate of 4.25%.

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 |
| (4) Granted on October 22, 2020 | 397,500 | 22-Oct-24 | \$2.99 | \$0.88 |

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

| | Movement in number of share-based options | | Weighted average exercise price | |
|---------------------------------|---|------------------|---------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Outstanding, beginning of year | 1,778,438 | 1,975,500 | \$ 2.36 | \$ 2.54 |
| Granted | 397,500 | - | \$ 2.99 | \$ - |
| Forfeited | (88,938) | (197,063) | \$ 2.22 | \$ 3.70 |
| Exercised | (25,000) | - | \$ 2.22 | \$ - |
| Outstanding, end of year | 2,062,000 | 1,778,438 | \$ 2.49 | \$ 2.36 |
| Exercisable | 1,065,869 | 661,594 | \$ 2.50 | \$ 2.59 |

The total number of shares vested as at June 30, 2021 was 1,065,869 (2020: 661,594). The increase in fair value of the shares vested during the year was \$861,418 (2020: \$157,013 decrease) 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, 2021 is \$2,353,256 (2020:\$1,491,838).

19. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of directors and key executive personnel:

| | 2021 | 2020 |
|--------------------------------------|---------------------|---------------------|
| Short-term benefits | \$ 3,078,447 | \$ 3,115,086 |
| Long-term benefit - share based plan | 558,587 | 585,583 |
| Post employment benefits | 163,428 | 144,147 |
| | <u>\$ 3,800,462</u> | <u>\$ 3,844,816</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 balances and transactions with related parties:

| | Key Management Personnel | Other Related Parties |
|--|--------------------------------|--------------------------|
| 2021 | | |
| Balances at the end of the year: | | |
| Trade and other receivables | \$ - | \$ 103,447 |
| Accounts payable and accrued liabilities | \$ 9,686 | \$ 469,239 |
| Notes payable and long-term debt | \$ - | \$ 11,997,844 |
| Preferred shares | \$ 1,027,500 | \$ 10,200,000 |
| Transactions during the year: | | |
| Revenue | \$ 11,283 | \$ 181,972 |
| Operating expenses | \$ 274,529 | \$ 846,015 |
| Dividends on preferred shares | \$ 2,511 | \$ 882,949 |
| 2020 | | |
| Balances at the end of the year: | | |
| Trade and other receivables | \$ - | \$ - |
| Accounts payable and accrued liabilities | \$ 9,686 | \$ 216,851 |
| Notes payable and long-term debt | \$ - | \$ 10,431,877 |
| Preferred shares | \$ 1,027,500 | \$ 10,950,000 |
| Transactions during the year: | | |
| Revenue | \$ 11,283 | \$ 119,178 |
| Operating expenses | \$ 380,947 | \$ 928,724 |
| Dividends on preferred shares | \$ 2,511 | \$ 953,069 |

The related party amounts within the accounts payable and accrued liabilities, preferred shares, and dividends on preferred shares lines comprise balances and transactions with Key Management Personnel (Officers and Directors of the Company), holders of 10% or more ordinary shares, and business entities closely affiliated with any of those persons. Refer to Note 12 for details of the Shareholder loan.

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 not carried at fair value, (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.

Recognized fair value measurements

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The Group holds United States treasury bills which are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group holds a Bahamas Government bond which is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group does not hold any level 3 investments.

The Group recognizes transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels for recurring fair value measurements during the year.

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.

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 or 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:

| 2021 | | | | | | | |
|----------------------------------|----------------|-------------------|-----------------|------------------|-------------------|------------------------|--|
| | Cable | Cable Freeport | Aliv | Eliminations | Segment Totals | Consolidated Totals | |
| Revenue from external customers | \$ 120,013,237 | \$ 14,428,536 | \$ 83,314,194 | \$ (17,526,991) | \$ 200,228,976 | \$ 200,228,976 | |
| Interest expense | \$ 4,278,907 | \$ - | \$ 19,885,845 | \$ (9,309,512) | \$ 14,855,240 | \$ 14,855,240 | |
| Depreciation and amortization | \$ 23,525,629 | \$ 2,744,909 | \$ 26,517,306 | \$ (4,366,320) | \$ 48,421,524 | \$ 48,421,524 | |
| Reportable segment profit (loss) | \$ 6,911,123 | \$ 5,157,274 | \$ (40,920,725) | \$ 762,262 | \$ (28,090,066) | \$ (28,090,066) | |
| Operating expenses | \$ 75,165,507 | \$ 6,916,205 | \$ 70,558,183 | \$ (10,195,452) | \$ 142,444,443 | \$ 142,444,443 | |
| Reportable segment assets | \$ 462,724,473 | \$ 62,771,354 | \$ 225,865,853 | \$ (225,737,660) | \$ 525,624,020 | \$ 525,624,020 | |
| Reportable segment liabilities | \$ 278,410,530 | \$ 4,304,220 | \$ 359,042,006 | \$ (162,961,099) | \$ 478,795,657 | \$ 478,795,657 | |
| 2020 | | | | | | | |
| | Cable | Cable Freeport | Aliv | Eliminations | Segment Totals | Consolidated Totals | |
| Revenue from external customers | \$ 116,921,974 | \$ 14,091,885 | \$ 76,811,115 | \$ (14,915,821) | \$ 192,909,153 | \$ 192,909,153 | |
| Intercompany charge | \$ 503,589 | \$ - | \$ - | \$ (503,589) | \$ - | \$ - | |
| Interest expense | \$ 4,709,408 | \$ - | \$ 17,611,709 | \$ (6,459,778) | \$ 15,861,339 | \$ 15,861,339 | |
| Depreciation and amortization | \$ 22,984,517 | \$ 2,752,523 | \$ 24,788,201 | \$ (2,589,809) | \$ 47,935,432 | \$ 47,935,432 | |
| Reportable segment profit (loss) | \$ 106,911,888 | \$ 5,001,582 | \$ (51,349,685) | \$ (1,909,494) | \$ 58,654,291 | \$ 58,654,291 | |
| Operating expenses | \$ 81,980,882 | \$ 6,439,292 | \$ 70,833,691 | \$ (9,066,108) | \$ 150,187,757 | \$ 150,187,757 | |
| Reportable segment assets | \$ 513,880,884 | \$ 57,837,824 | \$ 234,934,218 | \$ (190,408,014) | \$ 616,244,912 | \$ 616,244,912 | |
| Reportable segment liabilities | \$ 336,431,413 | \$ 4,527,963 | \$ 327,189,647 | \$ (126,869,191) | \$ 541,279,832 | \$ 541,279,832 | |

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 was a part of a strategic plan to deleverage the Group's financial position.

The sale of SVI was completed on January 21, 2020 and it is reported in the comparative financial statements 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, and cash flow information are for the period from July 1, 2019 through January 21, 2020. For the year ended June 30, 2021 there were no profit or loss or cash flows recognized from the discontinued operations.

Profit for the year from discontinued operations

| | 2021 | 2020 |
|--|-------------|-----------------------|
| REVENUE | \$ - | \$ 42,468,868 |
| OPERATING EXPENSES | - | (33,036,253) |
| | - | 9,432,615 |
| Depreciation and amortization | - | (11,595,857) |
| OPERATING LOSS | - | (2,163,242) |
| Interest expense | - | (1,198,896) |
| Loss on disposal of assets | - | (142,883) |
| Gain on joint venture | - | 287,036 |
| Net loss before income tax expense | - | (3,217,985) |
| Income tax expense | - | - |
| COMPREHENSIVE LOSS FOR THE PERIOD | - | (3,217,985) |
| Eliminations | | |
| Inter-company fees | - | 182,736 |
| Inter-company interest | - | - |
| Operating loss for the year from discontinued operations | - | (3,035,249) |
| Gain on sale | - | 112,165,560 |
| Profit for the year from discontinued operations | \$ - | \$ 109,130,311 |
| Basic earnings per share from discontinued operations | \$ - | \$ 2.49 |
| Diluted earnings per share from discontinued operations | \$ - | \$ 2.45 |

Cash flows from discontinued operations

| | 2021 | 2020 |
|--|-------------|-----------------------|
| Net cash from operating activities | \$ - | \$ 9,758,530 |
| Net cash used in investing activities | - | (9,237,652) |
| Net cash (used in)/from financing activities | - | (6,085,045) |
| NET (DECREASE)/INCREASE IN CASH | \$ - | \$ (5,564,167) |

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 during the year ended June 30, 2020.

A gain on disposal of discontinued operations was recognized in the amount of \$112,165,560 in the June 30, 2020 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. No further gain (or loss) on disposal of discontinued operations was recognized during the year ended June 30, 2021.

| | 2020 |
|--|-----------------------|
| Consideration received or receivable | |
| Cash received | \$ 251,648,306 |
| Deferred consideration | 1,487,046 |
| 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 | (243,479) |
| Gain on sale | <u>\$ 112,165,560</u> |

As of June 30, 2020, the deferred consideration was 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.

As of June 30, 2021, the deferred consideration has been received in cash of \$1,496,615 inclusive of the interest earned during the period it was held in escrow.

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. As at June 30, 2020 and at June 30, 2021, there are no assets held for sale.

| | January 21, 2020 |
|------------------------------------|-------------------------|
| CURRENT ASSETS: | |
| Cash | \$ 1,626,798 |
| Trade and other receivables, net | 1,877,810 |
| Prepaid expenses and deposits | 1,817,507 |
| Inventory | 2,958,487 |
| Contract costs | 1,169,361 |
| Total current assets | <u>9,449,963</u> |
| NON-CURRENT ASSETS: | |
| Investment in a joint venture | 7,298,119 |
| Property, plant and equipment, net | 150,295,445 |
| Goodwill | 13,074,165 |
| Contract costs | 2,731,017 |
| Intangible assets | 17,254,492 |
| Total non-current assets | <u>190,653,238</u> |
| TOTAL ASSETS | <u>\$ 200,103,201</u> |

| | January 21, 2020 |
|--|-------------------------|
| CURRENT LIABILITIES: | |
| Accounts payable and accrued liabilities | \$ 11,227,177 |
| Deferred income | 364,805 |
| Due to Parent | 3,775,806 |
| Current portion of other liabilities | 936,167 |
| Current portion of long-term debt | - |
| Total current liabilities | <u>16,303,955</u> |
| NON-CURRENT LIABILITIES: | |
| Other liabilities | 15,503,224 |
| Deferred income | 207,144 |
| Long-term debt | 31,138,371 |
| Note payable | - |
| Total non-current liabilities | <u>46,848,739</u> |
| TOTAL LIABILITIES | <u>63,152,694</u> |
| | |
| <i>Eliminations</i> | |
| Note payable to the parent | - |
| Intercompany fees and other accruals payable to the parent | <u>3,775,806</u> |
| | |
| NET ASSETS | <u>\$ 140,726,313</u> |

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, 2021 and at June 30, 2020 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:

| | 2021 | 2020 |
|------------------------------|------------------------|------------------------|
| Balance at beginning of year | \$ (48,296,427) | \$ (21,722,965) |
| Share of loss for the year | (22,107,111) | (26,573,462) |
| Balance, end of year | <u>\$ (70,403,538)</u> | <u>\$ (48,296,427)</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, liquidity, market (foreign exchange, interest rate, price), 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 its investment in short-term government debt securities. 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 90 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 assets, and non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets, and 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. 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 | \$ 57,833,861 | \$ - | \$ 6,596,996 | \$ - | \$ - | \$ 64,430,857 | \$ 64,430,857 |
| Short-term investments | - | 9,999,800 | 34,990,800 | - | - | 44,990,600 | 44,990,600 |
| Trade and other receivables | 22,321,542 | 1,824,140 | - | - | - | 24,145,682 | 16,399,980 |
| Financial assets at June 30, 2021 | \$ 80,155,403 | \$ 11,823,940 | \$ 41,587,796 | \$ - | \$ - | \$ 133,567,139 | \$ 125,821,437 |

| | 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 | \$ 8,258,119 | \$ 12,135,322 | \$ 18,418,893 | \$ 1,783,807 | \$ - | \$ 40,596,141 | 40,596,141 |
| Preferred shares and dividends payable | - | - | 23,097,203 | 288,677,855 | 36,423,014 | 348,198,072 | 273,314,658 |
| Notes payable | - | - | 4,995,950 | 42,941,728 | 41,227,722 | 89,165,400 | 58,620,304 |
| Loans | 29,925 | 29,925 | 125,044 | 1,902,379 | 23,635,106 | 25,722,379 | 14,517,844 |
| Lease liabilities | 1,949,894 | 1,117,194 | 4,793,128 | 21,320,437 | 138,019,445 | 167,200,098 | 57,677,669 |
| Financial liabilities at June 30, 2021 | \$ 10,237,938 | \$ 13,282,441 | \$ 51,430,218 | \$ 356,626,206 | \$ 239,305,287 | \$ 670,882,090 | \$ 444,726,616 |

Net liquidity gap as at June 30, 2021 **\$ 69,917,465** **\$ (1,458,501)** **\$ (9,842,422)** **\$ (356,626,206)** **\$ (239,305,287)** **\$ (537,314,951)**

| | 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 |
| Short-term investments | - | - | - | - | - | - | - |
| Trade and other receivables | 22,492,824 | 468,371 | 4,806,913 | - | - | 27,768,108 | 19,158,222 |
| Financial assets 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 |
|--|----------------------|---------------|-----------------------|----------------|----------------|----------------|--------------------|
| Accounts payable and accrued liabilities | \$ 12,087,973 | \$ 11,092,100 | \$ 25,259,327 | \$ 22,159,513 | \$ - | \$ 70,598,913 | \$ 70,598,913 |
| Preferred shares and dividends payable | - | - | 22,297,000 | 257,910,355 | 84,460,514 | 364,667,869 | 310,088,183 |
| Notes payable | 58,455,397 | - | - | - | - | 58,455,397 | 58,455,397 |
| Loans | 29,925 | 653,057 | 1,516,963 | 13,628,493 | 2,187,736 | 18,016,174 | 12,951,877 |
| Lease liabilities | 1,032,953 | 4,251,083 | 15,677,940 | 27,378,386 | 146,402,694 | 194,743,056 | 79,056,058 |
| Financial liabilities at June 30, 2020 | \$ 71,606,248 | \$ 15,996,240 | \$ 64,751,230 | \$ 321,076,747 | \$ 233,050,944 | \$ 706,481,409 | \$ 531,150,428 |

Net liquidity gap as at June 30, 2020 **\$ 125,788,933** **\$ (15,527,869)** **\$ (54,325,650)** **\$ (321,076,747)** **\$ (233,050,944)** **\$ (498,192,277)**

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 Group would be exposed to a cash flow risk. The effect on cash flows, and net and comprehensive income would be as follows:

| | | 2021 | | 2020 |
|-------|----|-------------|----|-------------|
| 0.75% | \$ | 80,625 | \$ | 211,657 |
| 0.50% | \$ | 53,750 | \$ | 141,105 |
| 0.25% | \$ | 26,875 | \$ | 70,552 |

Price risk – The Group's exposure to price risk arises from short-term investments held by the Group and classified in the consolidated statement of financial position as fair value through profit or loss. The Group mitigates this risk by investing in government debt securities which are regarded as conservative, low-risk investments.

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.

25. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, the Group's board of directors approved and paid a dividend on Series 6, 5.75% non-voting cumulative, redeemable preference shares on October 26th 2021 in the amount of \$3,000,082. The Group's board of directors approved and paid a dividend on Series 1, 8% cumulative, redeemable preference shares on October 27th 2021 in the amount of \$2,823,014.

On October 1st, 2021, the Group repaid its mortgage loan of \$2,520,000 fully extinguishing the balance due.