One

COMMUNICATIONS

ANNUAL REPORT 2017

Contents

Chairman & CEO's Report

A Key Aspect

Management and the Board have spent the past year working diligently on critical network infrastructure and product platform projects, as well as realizing efficiencies from the consolidation of prior acquisitions. We continue to focus on improving the quality and reliability of the network, and the overall customer experience, as we strive to become Bermuda's leading connectivity and entertainment service provider.

This year was a year of 'firsts' for One Communications Ltd. (the "Company" or "One Communications"). In December, we completed Bermuda's first-ever free speed boost upgrade for the vast majority of our internet customers. Enabled by our new FibreWire network and necessary upgrades in subsea capacity, One Communications' customers were provided significant improvements in internet performance for no additional cost. For example, customers previously on a 25Mbps plan were upgraded to a 200Mbps plan – the first 200Mbps plan ever offered in Bermuda.

On the wireless side of the business, the Company was the first to launch island-wide next generation services. The rollout of our high speed 4G LTE data services was completed in November through the deployment of new sites that expanded our LTE reach to over 99% of Bermuda.

This past year the Company was honoured to serve as the Official Local Telecoms Provider of the 35th America's Cup. We are pleased to report the successful deployment of our mobile and high resiliency data services on-water, at the events village, yacht marinas and at racing team base camps. Feedback received from event organizers and spectators alike was very positive, noting our successful performance proved critical to the event's success. The on-water wireless connectivity was a particularly notable global 'first' for the Company as that degree of performance on water had not been successfully provided by any other carrier in past America's Cup races.

Investment in our transformative FibreWire television product continues, with a planned launch in the middle of 2018. The new FibreWire TV experience will be another Bermuda 'first' as we seek to revolutionize customers' consumption of on-screen entertainment. In addition to providing subscribers 4K Ultra HD picture quality, FibreWire TV will provide On Demand access to the latest releases, Cloud DVR features as a standard offering, and the ability to watch from any connected device including laptops, smartphones and tablets.

Behind the scenes our focus on consolidation of systems is also working to improve the customer experience. By the middle of 2018, for the first time, we will be able to provide customers the optional convenience of receiving a single bill for all of their services. As well, we are implementing enhanced technician service standards and a new job scheduling system later in the year. These efforts will combine to significantly improve the customer experience when our staff visit the customer homes and offices.

With respect to the Company's operations in the Cayman Islands, we continue to benefit from growth in the national economy. To further leverage our investments, we continue to expand our fibre footprint on the island, offering customers advanced internet, IPTV, and corporate data products. In 2017, our investment of $6 million in the fibre network increased homes passed from 60% to 70% during the year, and the operating results demonstrate corresponding growth in both subscribers and revenue. With respect to brand, a recent independent island-wide satisfaction survey confirmed Logic Cayman's position as the overwhelming first choice amongst Cayman telecommunications companies. Our goal for 2018 is to continue this footprint growth and secure a corresponding increase in subscribers and revenue.

The regulatory environments in Cayman and Bermuda were challenging throughout the past year. In Cayman, we see an increasingly interventionist regulatory approach being taken. The Company believes this shift is predominantly aimed at curbing the behaviour of other market players, and our efforts have been spent ensuring our growing business is not penalized in the process. In Bermuda, we continue to await positive change through the completion of an updated market review. Our hope is that the process will remove outdated remedies found to be ineffective by the regulator in its own deliberations. The Company obtained a measure of success in judicial review at the Supreme Court of Bermuda and, as a result, the legal ground has 'shifted significantly'. As a result, the Company was able to launch the FibreWire Home Bundles sooner than would have otherwise been the case. Notably, these are the first true service bundles offered by the Company. We remain hopeful of positive regulatory change and look forward to providing customers new offers and innovative service bundles in the coming year.

The financial statements enclosed within this report represent the first full year of operations following our change in fiscal year end, covering the period January 1, 2017 – December 31, 2017. These financials are presented under U.S. GAAP accounting standards and continue to present total revenue, broken down into geographical segments within the notes, which is consistent with the way management administers the daily operations of the Company.

Comprehensive income attributable to equity holders of the Company for the period was $14.5 million, which includes a $0.9 million gain on disposal of shares. Operating income for the period was $15.7 million.

Consolidated revenue for the period is $127 million and total operating expenses (excluding depreciation and amortization) were $93.4 million.

On May 22, 2017 the Company amended and restated the Long Term Debt agreement to increase the facility to $37.5 million, and increased the limit of its overdraft from $5 million to $10 million. This facility is scheduled to mature on May 22, 2022. Following refinancing the Company has paid $1.9 million in principal repayments. The Company had no overdraft at December 31, 2017 and had $16.9 million in cash at the end of the period.

Earnings per share for continuing operations for the year ending December 31, 2017 was $0.36 per share.

The Management and Board thank all of the Company's employees for their focus and hard work as we continue to consolidate and improve our processes and products, and in turn increase long term value for our shareholders.

GARY L. PHILLIPS**, OBE, J.P., CIARB**
CHEVALIER DE LA LEGION D'HONNEUR
CHAIRMAN OF THE BOARD

FRANK AMARAL
CHIEF EXECUTIVE OFFICER

Board of Directors

CHAIRMAN
Mr. Gary L. Phillips, OBE, J.P., CIARB
Chevalier de la Legion d'Honneur

DEPUTY CHAIRMAN
Mr. Kurt Eve
Cofounder
Bermuda Digital Communications Ltd.

Ms. Fiona E. Beck
Director
Twilio IP Ltd

Mr. Charles Jillings
Director
Somers Limited

Director
ICM Limited

Mr. E. Michael Leverock, B. Eng., P. Eng., MBA
Cofounder
Bermuda Digital Communications Ltd.

Mr. Michael Prior
Chief Executive Officer
ATN International

Mr. Justin Benincasa
Chief Financial Officer
ATN International

Executives and Officers

Mr. Frank Amaral
Chief Executive Officer

Ms. Vicki Steele
Chief Financial Officer

Mr. Michael Tanglao
General Counsel
Secretary

Common shares held by Directors – 2,185,649

Common shares held by One Communications Ltd. Executive Management – 0

Five Year Financial and Statistical Summary

As of December 31, 2017

	For the Year Ending December 31, 2017	For the 8 months Period Ending December 31, 2016	For the Year Ending March 31, 2016	For the Year Ending March 31, 2015	For the Year Ending March 31, 2014*
Revenue & Expense Items ($000)					
Operating revenues	**127,027**	86,010	89,310	66,904	81,145
Total expenses excluding depreciation and amortization	**93,368**	70,909	80,696	149,708	64,843
Depreciation and amortization	**17,929**	10,741	15,507	15,821	17,381
Net Income / (Loss) for the period from continuing operations	**15,033**	2,085	(2,447)	(101,610)	5,747
Net Income / (Loss) for the period from discontinued operations	**-**	-	-	2,626	-
Net Income / (Loss) for the period	**15,033**	2,085	(2,447)	(98,984)	5,747
Cash dividends declared on Common shares	**-**	-	-	1,311	6,554
Balance Sheet ($000)					
Total assets	**198,254**	185,353	150,334	161,327	193,288
Shareholders' equity	**136,425**	123,177	66,907	72,953	139,500
Number of common shares (in '000)	**41,899**	42,346	15,225	14,949	14,564
Per Common Share ($'s)					
Basic (discontinued and continuing operations)	**0.36**	0.05	(0.15)	(6.37)	0.39
Basic (continuing operations)	**0.36**	0.05	(0.15)	(6.54)	0.39
Basic (discontinued operations)	**-**	-	-	0.17	-
Cash dividend	**-**	-	-	0.09	0.45
Net assets - basic	**3.26**	2.91	4.39	4.88	9.58
Items of Interest					
Capital expenditures ($000)	**30,623**	28,177	14,382	9,368	17,951
Number of employees (full-time)	**225**	248	199	249	239

The 5 Year Summary is not presented in accordance with U.S. GAAP Standards. It presents historical One Communications Ltd. (formerly KeyTech Limited) data for the years ended March 31, 2014-2016 under International Financial Reporting Standards. If presented in accordance with U.S. GAAP, historical BDC data would be presented on a standalone basis.

** including Bermuda Telephone Company Limited financial results* pwc

April 20, 2018

Report of Independent Auditors

To the Shareholders of One Communications Ltd.

We have audited the accompanying consolidated financial statements of One Communications Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows for the year ended December 31, 2017 and for the period from May 3, 2016 to December 31, 2016.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of One Communications Ltd. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the year ended December 31, 2017 and for the period from May 3, 2016 to December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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Consolidated Balance Sheets

December 31, 2017 and 2016

(in thousands, except per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 16,920	$ 15,636
Accounts receivable, net of allowances of $4,921 ($2,664 as of December 31, 2016)	8,570	8,615
Materials and supplies	1,139	596
Other current assets	2,844	1,851
	29,473	26,698
Non-current assets		
Fixed assets	140,659	126,394
Intangible assets	23,718	25,347
Goodwill	3,740	3,740
Other assets	664	3,174
Total assets	$ 198,254	$ 185,353
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 18,910	$ 22,660
Unearned income	4,643	4,854
Current portion of long term debt	4,688	8,036
Other current liabilities	2,296	1,903
	30,537	37,453
Non-current liabilities		
Long-term debt, excluding current portion	30,644	24,107
Other liabilities	648	616
Total liabilities	$ 61,829	$ 62,176
SHAREHOLDERS' EQUITY		
Common Stock, $0.25 par value per share; 58,000,000 shares authorized;41,899,475 shares issued and outstanding (42,346,127 as of December 31, 2016)	10,475	10,587
Additional paid in capital	95,935	96,921
Accumulated other comprehensive income	255	831
Retained earnings	29,760	14,838
Total equity	136,425	123,177
Total liabilities and shareholders' equity	$ 198,254	$ 185,353

Approved by the Board of Directors Director Director

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

Consolidated Statements of Comprehensive Income

For the periods ended December 31, 2017 and 2016

(in thousands, except per share data)

	Year ended December 31, 2017		May 3, 2016 to December 31, 2016	
TOTAL REVENUES	$	127,027	$	86,010
OPERATING EXPENSES				
Termination and access fees and equipment expense		42,250		30,761
Engineering and operations		20,728		11,741
Sales and marketing		11,860		6,284
General and administrative		18,401		16,120
Non cash stock based compensation		34		-
Depreciation and amortization		17,929		10,741
Restructuring charges		-		1,797
Transaction related charges		-		3,500
Loss on disposition of long lived assets		95		523
Gain on disposition of subsidiaries		-		(166)
Impairment of intangible assets		-		349
Total operating expenses	$	111,297	$	81,650
Operating income		15,730		4,360
OTHER INCOME / (EXPENSE)				
Gain on disposition of available for sale securities		880		-
Interest income		22		16
Interest expense		(1,563)		(967)
Loss in equity method investments		-		(1,134)
Other expenses, net		(36)		(190)
Other expense, net		(697)		(2,275)
Net Income	$	15,033	$	2,085
Net expense attributable to non-controlling interest		-		11
Net Income attributable to equity holders of the Company		15,033		2,096
Net Income per weighted average basic share attributable to One Communications Ltd. shareholders	**$**	**0.36**	**$**	**0.05**
Net Income per weighted average diluted share attributable to One Communications Ltd. shareholders	**$**	**0.36**	**$**	**0.05**
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		**42,219,194**		**42,346,127**
Net income		15,033		2,085
Other Comprehensive Income				
Net unrealized gains on available for sale securities		252		831
Net unrealized gains on derivatives		52		-
Reclassification of gains on sale of available for sale securities to net income		(880)		-
COMPREHENSIVE INCOME		**14,457**		**2,916**
Comprehensive loss attributable to non-controlling interests		-		11
Comprehensive income attributable to equity holders of the Company		14,457		2,927

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

Consolidated Statements of Changes in Shareholders' Equity

For the periods ended December 31, 2017 and 2016

(in thousands)

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity	Non-controlling Interest	Total Shareholders' Equity
Balance May 3, 2016	10,587	97,113	12,753	-	120,453	203	120,250
Net Income	-	-	2,085	-	2,085	(11)	2,096
Other comprehensive income	-	-	-	831	831	-	831
	10,587	97,113	14,838	831	123,369	192	123,177
Disposition of subsidiaries	-	(192)	-	-	(192)	(192)	-
Balance December 31, 2016	10,587	96,921	14,838	831	123,177	-	123,177
Balance January 1, 2017	10,587	96,921	14,838	831	123,177	-	123,177
Net Income	-	-	15,033	-	15,033	-	15,033
Other comprehensive income							
Changes in fair value of available-for-sale investments	-	-	-	252	252	-	252
Sale of available-for-sale investments	-	-	-	(880)	(880)	-	(880)
Changes in fair value of derivatives	-	-	-	52	52	-	52
	10,587	96,921	29,871	255	137,634	-	137,634
Share incentive plan	-	34	-	-	34	-	34
Purchase of common stock	(112)	(1,020)	(111)	-	(1,243)	-	(1,243)
Balance December 31, 2017	10,475	95,935	29,760	255	136,425	-	136,425

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

Consolidated Statements of Cash Flows

For the periods ended December 31, 2017 and 2016
(in thousands)

		Year ended December 31, 2017		May 3, 2016 to December 31, 2016
Cash flows from operating activities				
Net income	$	15,033	$	2,085
Adjustments to reconcile net income to net cash flows provided by operating activities:				
Depreciation and amortization		17,929		10,741
Gain on disposition of available for sale investments		(880)		-
Loss on disposition of long lived assets		95		523
Gain on disposition of subsidiaries		-		(166)
Impairment of intangible assets		-		349
Loss in equity method investments		-		1,134
Non cash stock based compensation		34		-
Amortization of debt issuance costs		33		-
Changes in operating assets and liabilities, excluding the effects of acquisitions and disposals:				
Accounts receivable		45		(538)
Materials and supplies		(543)		185
Other current assets		(993)		(80)
Accounts payable, accrued and other liabilities		(3,327)		6,626
Unearned income		(211)		675
Net cash generated from operating activities	$	27,215	$	21,534
Cash flows from investing activities				
Capital expenditures		(30,623)		(28,177)
Proceeds from dispositions of long-lived assets		14		4,819
Proceeds from dispositions of available for sale investments		1,757		-
Proceeds on disposition of subsidiaries		-		1,569
Proceeds from dispositions of investments in associates		1,008		-
Net cash disposed of on disposition of subsidiaries		-		(176)
Net cash used for investing activities	$	(27,844)	$	(21,965)
Cash flows from financing activities				
Principal repayments of long term debt		(5,089)		(3,214)
Proceeds from issuance of long term debt		8,245		-
Repayment of bank overdraft		-		(2,228)
Purchase of common shares		(1,243)		-
Net cash provided by (used in) financing activities	$	1,913	$	(5,442)
Net change in cash and cash equivalents	$	1,284	$	(5,873)
Cash and cash equivalents and bank overdraft, beginning of period	$	15,636	$	21,509
Cash and cash equivalents, end of period	$	16,920	$	15,636

During the year the Company paid $1.4 million in loan interest (2016: $0.6 million).

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

1. Nature of the Business

One Communications Ltd. (the "Company" or "One Communications") is incorporated in Bermuda under the Companies Act 1981. The Company through its subsidiaries, is a supplier of information and communication services, providing a wide range of data, internet, voice, and media services. On May 3, 2016, the Company issued shares of common stock to acquire Bermuda Digital Communications Ltd. ("BDC") a provider of wireless telecommunication services in Bermuda. The transaction was accounted for as a reverse acquisition under which BDC was treated as the accounting acquirer and the Company was treated as the accounting acquiree (refer to Note 3). Prior to February 2017, the Company operated under its former name KeyTech Limited.

The Company is listed on the Bermuda Stock Exchange ("BSX") and has operations in Bermuda and the Cayman Islands. The registered office is located at 30 Victoria Street, Hamilton, HM 12, Bermuda.

ATN International, Inc. (the "Parent" or "ATN") owns a controlling interest in the Company. The Parent is a listed company on the NASDAQ stock exchange.

The Company's following subsidiaries operate in Bermuda:

Logic Communications Ltd. (trading as One Communications) – following the merger of Logic and Bermuda Cablevision Limited ("BCL") in July 2015, this company now provides a wide range of data internet products and services, internet access, long distance and local voice services as well as subscription television services in Bermuda.

Bermuda Digital Communications Ltd. (trading as One Communications) – provides a range of cellular products and solutions in Bermuda.

Cable Co. Ltd. – provides international data services on its submarine cable system between Bermuda and the United States.

The following subsidiary operates in Cayman:

WestTel Limited (trading as Logic) – provides fixed wireless, wireline voice and data services, and subscription television services in the Cayman Islands.

These Consolidated Financial Statements were approved by the Directors of the Company on April 20, 2018.

2. Significant Accounting Policies

Basis of Preparation

The Company's Consolidated Financial Statements and accompanying notes were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Comparative information presented for 2016 represents the period May 3, 2016 to December 31, 2016. The following is a summary of the significant accounting policies adopted by the Company:

Consolidation
Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, income and expenses are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated.

The Consolidated Financial Statements include the financial statements of the Company and its wholly or majority owned subsidiaries: Logic Communications Ltd. (trading as One Communications), WestTel Limited (trading as Logic) ("Logic Cayman"), Bermuda Yellow Pages Limited ("BYP") and Yabsta (BVI) Limited ("Yabsta") through June 2016, Key Management Services Limited ("KMS"), Cable Co. Ltd. ("Cable") and Cedar Cable Ltd. ("Cedar"), (jointly "Cable Co."), and Bermuda Digital Communications Ltd. (trading as One Communications).

Business Combinations
The Company accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration obligations that are elements of the consideration transferred are recognized at the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with a business combination are expensed as incurred.

On May 3, 2016, the Company elected to apply pushdown accounting related to ATN's acquisition of BDC in order to align the Company reporting basis with that of its Parent. The election increased goodwill by $0.6 million, telecommunication licenses by $7.4 million and trade name by $0.4 million. The election had no impact on the consolidated statement of comprehensive income for the period ended December 31, 2016.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. The Company's most significant estimates relate to the allowance for doubtful accounts, useful lives of the Company's fixed and finite-lived intangible assets, allocation of purchase price to assets acquired and liabilities assumed in business combinations, fair value of indefinite-lived intangible assets, goodwill and fair value of available for sale securities. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original or remaining maturity at the time of purchase of three months or less to be a cash equivalent. The Company deposits cash and cash equivalents with financial institutions which management believes are of high credit quality. At December 31, 2017, cash equivalents included money market funds of $nil (2016: $13,000). The Company's cash and cash equivalents are not subject to any restrictions.

Allowance for Doubtful Accounts
The Company maintains an allowance for doubtful accounts for the estimated probable losses on uncollectible accounts receivable. The allowance is based upon the historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

Materials and Supplies
Materials and Supplies, which consist primarily of handsets, customer premise equipment and cables are recorded at the lower of cost or market being determined on the basis of specific identification and market determined using replacement cost.

Fixed Assets
The Company's fixed assets are recorded at cost and depreciated using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of fixed assets are capitalized. Repairs and replacements of minor items of property are charged to maintenance expense as incurred. The cost of fixed assets in service and under construction includes an allocation of indirect costs applicable to construction.

In accordance with the authoritative guidance for the accounting for the impairment or disposal of long-lived assets, the Company evaluates the carrying value of fixed assets in relation to the operating performance and future undiscounted cash flows of the underlying business whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss exists when estimated undiscounted cash flows attributable to an asset are less than its carrying amount. If an asset is deemed to be impaired, the amount of the impairment loss recognized represents the excess of the asset's carrying value as compared to its estimated fair value, based on management's assumptions and projections.

Management's estimate of the future cash flows attributable to its fixed assets and the fair value of its businesses involve significant uncertainty. Those estimates are based on management's assumptions of future results, growth trends and industry conditions. If those estimates are not met, the Company could have impairment charges in the future, and the amounts may be material.

Goodwill and Indefinite-lived Intangible Assets
Goodwill is the amount by which the cost of acquired net assets exceeded the fair value of those net assets on the date of acquisition. The Company allocates goodwill to reporting units at the time of the acquisition and bases that allocation on which reporting units will benefit from the acquired assets and liabilities. Reporting units are defined as operating segments or one level below an operating segment, referred to as a component. The Company has determined that its reporting units are its operating segments. The Company assesses goodwill for impairment on an annual basis on December 31st or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. The Company employs either a qualitative or quantitative test of its goodwill. Under the qualitative model, the Company assesses factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative test. Under the quantitative model, if the book value of the reporting unit, including goodwill, exceeds the fair value of the reporting unit an impairment charge is recorded equal to the excess, but not more than the total amount of goodwill allocated to the reporting unit.

The Company believes that its telecommunications licenses have an indefinite life based on the historical ability to renew such licenses, that such renewals may be obtained indefinitely and at little cost, and that the related technology used is not expected to be replaced in the foreseeable future. The Company has elected to perform its annual testing of its telecommunications licenses on December 31st of each year, or more often if events or circumstances indicate that there may be impairment. If the value of these assets were impaired by some factor, such as an adverse change in the Company's operating market, the Company may be required to record an impairment charge. Telecommunications licenses are tested for impairment using either a quantitative or a qualitative assessment.

Other Intangible Assets
Intangible assets resulting from business combinations are estimated by management based on the fair value of assets acquired. These include acquired customer relationships and tradenames. Customer relationships are amortized over their estimated lives, which is based on the pattern in which economic benefit of the customer relationship is estimated to be realized. Tradenames are amortized over the period which management expects them to contribute to the entity's future cash flows.

Debt
Debt is measured at amortized cost. Debt issuance costs on term loans and specified maturity borrowings are recorded as a reduction to the carrying value of the debt and are amortized as interest expense in the consolidated statements of comprehensive income over the period of the debt.

Earnings Per Share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held as treasury shares.

Stock-based Compensation
The Company applies the fair value recognition provisions of the authoritative guidance for the accounting for stock-based compensation and is expensing the fair value of the grants of options to purchase common stock over their vesting period of four years. Relating to grants of options, the Company recognized $34,000 of non-cash, share-based compensation expense during 2017 (2016 $nil).

Non-controlling interests
Until its sale on June 1, 2016, the Company owned a 51% controlling interest in Yabsta, which is an online search platform, specializing in digital advertising. The non-controlling interest presented in the consolidated statement of comprehensive income reflects the proportional share of the minority interest's share of losses for the period, until the Company sold its interest in Yabsta.

Available for sale securities
Available for sale securities consist of equity securities. Changes in unrealized gains and losses for available for sale securities are reported as net increases and decreases to accumulated other comprehensive income (loss) until realized. The estimated fair values of investments are based on quoted market prices as of the end of the reporting period. As at December 31, 2017, available for sale securities were recorded at cost of $0.4 million and fair value of $0.6 million (2016: cost of $0.9 million and fair value of $1.8 million).

Accounting for Associates
Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

Revenue Recognition

Service revenues are primarily derived from providing access to and usage of the Company's networks and facilities. Access revenues from postpaid customers are generally billed one month in advance and are recognized over the period that the corresponding service is rendered to customers. Revenues derived from usage of the Company's networks, including airtime, data, roaming, and long-distance revenues, are recognized when the services are provided and are included in unbilled revenues until billed to the customer. Prepaid airtime sold to customers is recorded as deferred revenue prior to the commencement of services and is recognized when the airtime is used or expires. Access and usage-based services are billed throughout the month based on the bill cycle assigned to a particular customer. As a result of billing cycle cut-off times, management must estimate service revenues earned but not yet billed at the end of each reporting period.

Sales of communications products including wireless handsets and accessories represent a separate earnings process and are recognized when the products are delivered to and accepted by customers. The Company accounts for transactions involving both the activation of service and the sale of equipment in accordance with the authoritative guidance for the accounting for revenue arrangements with multiple deliverables. Fees assessed to communications customers to activate service are not a separate unit of accounting and are allocated to the delivered item (equipment) and recognized as product sales to the extent that the aggregate proceeds received from the customer for the equipment and activation fee do not exceed the relative fair value of the equipment. Commissions paid to third parties are expensed as incurred and included in sales and marketing expenses.

Wholesale revenues are those revenues generated from providing voice or data services to the customers of other wireless carriers principally through "roaming" agreements, and the revenue is recognized over the period that the service is rendered to customers.

Sales and use and other taxes collected from customers that are remitted to the governmental authorities are reported on a net basis and excluded from the revenues and sales.

Expenses

Termination and access fees and equipment expense. Termination and access fee expenses are charges that are incurred for voice and data transport circuits (in particular, the circuits between the Company's wireless sites and its switches), internet capacity, other access fees incurred to terminate calls, customer bad debt expense, and telecommunication license fees. Equipment expenses include the costs of handset and customer resale equipment in the Company's retail businesses.

Engineering and operations expenses. Engineering and operations expenses include the expenses associated with developing, operating and supporting the Company's expanding telecommunications networks, including the salaries and benefits incurred to employees directly involved in the development and operation of the Company's networks.

Sales and marketing expenses. Sales and marketing expenses include salaries and benefits incurred to sales personnel, customer service expenses, sales commissions and the costs associated with the development and implementation of promotion and marketing campaigns.

General and administrative expenses. General and administrative expenses include salaries, benefits and related costs for general corporate functions including executive management, finance and administration, legal and regulatory, facilities, information technology and human resources.

Non cash stock based compensation. The Company applies the fair value recognition provisions of the authoritative guidance for the accounting for stock-based compensation and is expensing the fair value of the grants of options to purchase common stock over their vesting period of four years.

Transaction-related charges. Transaction-related charges include the external costs, such as legal, tax, accounting and consulting fees directly associated with acquisition and disposition-related activities. Transaction-related charges do not include internal costs, such as employee salary and travel-related expenses, incurred in connection with acquisitions or dispositions or any integration-related costs.

Restructuring charges. Restructuring charges include costs incurred in integrating our newly acquired companies.

Depreciation and amortization expenses. Depreciation and amortization expenses represent the depreciation and amortization charges recorded on our property and equipment and intangible assets. Land is not depreciated.

Gain or loss on disposal of assets. The Company sells assets from time to time. A gain or loss is recorded by comparing the carrying amount of the assets to the proceeds received.

Foreign Currency
The Company translates the assets and liabilities of our foreign subsidiary from its Cayman Dollar functional currency to Bermuda dollars at the appropriate spot rates as of the balance sheet date. Any changes in the carrying value of these assets and liabilities attributable to fluctuations in spot rates are recognized in foreign currency translation adjustment, a component of AOCI. Consolidated statement of comprehensive income accounts are translated using the monthly average exchange rates during the period.

Monetary assets and liabilities denominated in a currency that is different from a reporting entity's functional currency must first be remeasured from the applicable currency to the legal entity's functional currency. The effect of this remeasurement process is reported in other income on the consolidated statement of comprehensive income.

The Company's functional currency is the Bermuda dollar. The Company transacts in US Dollars and Cayman dollars. Historically the Company has not experienced foreign currency gains or losses because the Bermuda Dollar is pegged to the US Dollar at a 1:1 rate and the Cayman dollar is pegged to the US Dollar at an exchange rate of 1:1.19.

Fair Value of Financial Instruments
In accordance with the provisions of fair value accounting, a fair value measurement assumes that a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability and defines fair value based upon an exit price model. The fair value measurement guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset and liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities include money market funds, debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes corporate obligations and non-exchange traded derivative contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments and intangible assets that have been impaired whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The following table presents the Company's financial assets and liabilities measured at fair value at December 31, 2017:

($000)		Level 1		Level 2		Level 3		Total
Available for sale securities	$	561	$	11	$	-	$	572
Derivative instruments		-		52		-		52
Total	$	561	$	63	$	-	$	624

The following table presents the Company's financial assets and liabilities measured at fair value at December 31, 2016:

($000)		Level 1		Level 2		Level 3		Total
Money market funds	$	-	$	13	$	-	$	13
Available for sale securities		1,757		11		-		1,768
Total	$	1,757	$	24	$	-	$	1,781

As required by U.S. GAAP, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Other Fair Value Disclosures
The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable, accrued expenses and other current liabilities approximate their fair values because of the relatively short-term maturities of these financial instruments.

The Company held an investment in Quo Vadis Holdings Ltd., a privately held company, accounting for the investment using the equity method. During the period ended December 31, 2016, the Company determined the investment experienced a loss in value that was other than temporary and, as a result, recorded an impairment of $0.9 million. At December 31, 2016, management estimated the fair value of Quo Vadis Holdings Ltd. and approximated its carrying value at $1.4 million. The fair value was estimated using Level 3 inputs.

On April 7, 2017, the Company sold all of its equity interest in Quo Vadis Holdings Ltd. to WISeKey SA a company listed on the Swiss stock exchange. The Company received $1.0 million in cash and 88,800 shares of WISeKey, valued at $0.4 million for a total consideration value of $1.4 million on that date. The Company did not recognize a gain or loss on the transaction.

At December 31, 2017, management estimated the fair value of the long-term debt, including the current portion, approximated its carrying value of $35.3 million (2016: $32.1 million). The fair value was estimated using level 2 inputs.

Income Taxes
The Company makes no provision for Bermuda or Cayman income taxes since under both current legislations no income taxes are imposed upon the Company.

Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers", which provides a single, comprehensive revenue recognition model for all contracts with customers. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The FASB has since modified the standard with several ASU's which must be adopted concurrently. The Company's evaluation identified the impacted areas to include the following:

- The timing of revenue recognition and the allocation of revenue between equipment and services. The reallocation and timing impacts generally arise when bundle discounts are provided in a contract arrangement that includes equipment and service performance obligations. In these cases, the revenue will be allocated according to the relative stand-alone selling prices of the performance obligations included in the bundle and this may be different than how the products and services are billed to the customer and recognized under current guidance. The majority of the Company's revenues are earned from products and services which are sold to customers at stand-alone selling prices and bundle discounts are limited to certain products and services.

- Contract cost assets will be established to defer incremental contract acquisition costs. These costs generally relate to commissions paid to sales associates. The Company expects to utilize the practical expedient which allows expensing of contract acquisition costs when the expected amortization period is one year or less.

- The new standard will require certain amounts be recorded as contract assets, liabilities, and deferred contract acquisition assets on the balance sheet as well as enhanced disclosures around performance obligations.

- Overall, the adoption of the standard on January 1, 2018, will not result in a material change to the timing or amount of the Company's revenues.

The Company performed its assessment of the new standard based on products and services offered through December 31, 2017. The impacts noted above may change in future periods due to changes in contractual terms or new service and product offerings. The Company has implemented new processes and controls related to ASU 2014-09. The Company will use the modified retrospective adoption method which requires it to apply the standard only to the most current period presented with the cumulative effect of applying the standard being recognized through retained earnings at the adoption date.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40)," which requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016. Early application is permitted. The Company adopted this guidance on December 31, 2016. The adoption of this guidance did not impact the Company's Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement", which provides guidance about whether a cloud computing arrangement includes software and how to account for that software license. The new guidance does not change the accounting for a customer's accounting for service contracts. The adoption of ASU 2015-05 by the Company on January 1, 2017 did not have a material impact on the Company's financial position, result of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which provides comprehensive lease accounting guidance. The standard requires entities to recognize lease assets and liabilities on the balance sheet as well as disclosure of key information about leasing arrangements. ASU 2016-02 will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on its Consolidated Financial Statements.

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides further clarification on eight cash flow classification issues. The standard further clarifies the classification of several elements of the statement of cash flows with the following being relevant to the company:

- debt prepayment or debt extinguishment costs are classified as cash outflows from financing activities. This is consistent with the Company's current accounting policy.
- contingent consideration payments made three months or less after a business combination are classified as investing activities and those made after that time are classified as financing activities.
- proceeds from the settlement of insurance claims are classified on the basis of the nature of the loss. This is consistent with the Company's current accounting policy.
- distributions received from equity method investees are classified using either a cumulative earning or nature of distribution approach. The Company is currently evaluating both methods of adoption.
- separately identifiable cash flows and application of the predominance principle. This is consistent with the Company's current accounting policy.

ASU 2016-15 will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. ASU 2016-15 is to be applied using a retrospective transition method for each period presented. The Company will adopt this standard on January 1, 2018.

In January 2017, the FASB issued Accounting Standards Update 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," or ASU 2017-01. The amendments in ASU 2017-01 provide a screen to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. Under ASU 2017-01, an entity first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If it is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. ASU 2017-01 also narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. ASU 2017-01 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2017, with early adoption permitted. The Company adopted the guidance for the period ended December 31, 2016. The standard is expected to result in the Company accounting for more transactions as asset acquisitions as opposed to business combination.

In January 2017, the FASB issued Accounting Standards Update 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," or ASU 2017-04. The amendments in ASU 2017-04 simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities. Instead, under the amendments in ASU 2017-04, an entity performs its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but not more than the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2019, with early adoption permitted. The Company adopted this standard for the period ended December 31, 2016. Refer to Note 6 for discussion of impairment tests performed during 2017.

3. Acquisitions and Dispositions

Acquisitions

On October 5, 2015, the Company and ATN entered into a transaction agreement (the "Transaction"). Upon the closing of the Transaction, on May 3, 2016, ATN acquired a 51% controlling interest in the Company and in exchange the Company received $41.6 million in cash and ATN's 43% controlling interest in Bermuda Digital Communications Ltd. ("BDC"). In addition, the Company also acquired the remaining shares in BDC held by other minority shareholders in exchange for shares in the Company. As a result, the Company is the legal owner of 100% of BDC. Concurrent with the transaction the Company used a portion of the cash proceeds received to retire the Company's $24.7 million of subordinated debt and pay a dividend of $0.75 per share to the shareholders of the Company existing immediately prior to the closing of the Transaction.

While under the Transaction the Company legally acquired BDC, under ASC 805, Business Combinations, the transaction was required to be accounted for as a "reverse acquisition" under which BDC was required to be considered the "accounting acquirer". As such, these financial statements continue to be issued under the name of the legal acquirer, the Company, but represent a continuation of the accounting acquirer's financial statements.

The consideration transferred in a reverse acquisition is typically determined with reference to the value of the equity that the accounting acquirer would have had to issue to the owners of the accounting acquiree to give them the same percentage interest in the combined entity. However, as BDC is, and was not, itself a public company it was determined that the fair value of the Company's net assets provided a more reliable determination of the value of the consideration transferred.

The following table summarizes the allocation of the purchase consideration to the assets and liabilities assumed at their estimated fair values as of the date of the acquisition:

($000)		**Amount**
Consideration Transferred		
One Communications equity	$	74,528
Non-controlling interests		203
Total value to allocate		74,731
Purchase price allocation		
Cash	$	8,185
Accounts receivable		6,451
Other current assets		3,241
Property, plant and equipment		100,892
Intangible assets		10,590
Other assets		3,464
Accounts payable and accrued liabilities		(16,051)
Advance payments and deposits		(6,683)
Current debt		(6,429)
Long term debt		(28,929)
Net Assets Acquired	$	74,731

The property, plant and equipment was comprised of telecommunication equipment, land, and buildings located in Bermuda and the Cayman Islands. The property, plant and equipment was valued using the income and cost approaches. Cash flows were discounted at approximately 15% to determine fair value under the income approach. The property, plant and equipment have useful lives ranging from 2 to 35 years and the customer relationships acquired have useful lives ranging from 9 to 12 years. The fair value of the non-controlling interest was determined using the income approach and a discount rate of approximately 15%. The acquired receivables consist of trade receivables incurred in the ordinary course of business. The Company has collected the full amount of the receivables.

The Company incurred $3.5 million of transaction related charges pertaining to legal, accounting and consulting services associated with the transaction during the period ended December 31, 2016 and these were expensed in the consolidated statement of comprehensive income. No transaction related charges were incurred during the period ended December 31, 2017.

Dispositions

On June 1, 2016, the Company completed a transaction to sell its Bermuda Yellow Pages and Yabsta subsidiaries for $1.6 million recognizing a gain of $0.2 million on the transaction. This gain is recorded in the “Corporate and Other” segment in Note 11.

4. Accounts Receivable

As of December 31, 2017 and December 31, 2016 accounts receivable consisted of:

($000)		**2017**	**2016**
Accounts receivable	$	13,491	11,185
Less: allowance for doubtful accounts		(4,921)	(2,664)
Trade receivables – net		8,570	8,521
Other receivables		-	94
	$	8,570	8,615

The movement in allowance for doubtful accounts in respect of accounts receivables was as follows:

		2017	**2016**
Balance at beginning of the period	$	2,664	4,002
Change in allowance for doubtful accounts	$	4,189	1,096
Receivables written off during the period as uncollectible		(1,932)	(2,434)
Balance at end of period	$	4,921	2,664

5. Fixed Assets

Fixed assets consisted of the following at December 31, 2017 and December 31, 2016:

	Useful Life		**2017**	**2016**
		$		
Network equipment	2 - 20 years		139,973	100,563
Buildings	20 - 35 years		22,719	22,626
Land	N/A		4,806	4,805
Leasehold improvements & furniture, fixtures and equipment	2 - 10 years		12,041	11,474
Motor vehicles	2 - 5 years		1,610	1,354
Computer hardware	2 - 8 years		6,964	5,541
Computer software	2 - 5 years		3,963	3,516
Construction in progress	N/A		4,628	16,687
Less: accumulated depreciation			(56,045)	(40,172)
Total net book value		**$**	**140,659**	**126,394**

Depreciation and amortization of fixed assets, using the straight line method over the assets' estimated useful life, for the period ended December 31, 2017 was $16.6 million (2016: $9.5 million). Included within network equipment are assets related to Indefeasible Rights of Use ("IRUs") under capital lease with a cost of $3.5 million and net book value of $3.1 million as of December 31, 2017 (2016: cost of $3.5 million and net book value of $3.5 million) . Remaining amounts due under the IRUs are $0.4 million as of December 31, 2017 (2016: $0.4 million).

During the period ended December 31, 2017, motor vehicles in the Bermuda segment were sold and as such a loss on disposition of $0.1 million was recognized.

During the period ended December 31, 2016, certain buildings in the Bermuda segment were sold and as such a loss on disposition of $0.5 million was recognized.

6. Goodwill and Intangible Assets

Goodwill

The Company tests goodwill for impairment on an annual basis, which has been determined to be as of December 31 of each fiscal year. The Company also tests goodwill between annual tests if an event occurs or circumstances change that indicate that the fair value of a reporting unit may be below its carrying value.

In 2017, goodwill was evaluated using a qualitative model and in 2016 goodwill was evaluated using a quantitative model. The quantitative test for goodwill impairment is determined by comparing the estimated fair value of a reporting unit to its carrying amount, including goodwill. The Company determines the fair value of a reporting unit using a discounted cash flow ("DCF") analysis. Determining fair value requires the exercise of significant judgment, including judgments about appropriate discount rates, perpetual growth rates, and the amount and timing of expected future cash flows. Discount rates are based on a weighted-average cost of capital ("WACC"), which represents the average rate a business must pay its providers of debt and equity. The cash flows employed in the DCF analysis were derived from internal earnings and forecasts and external market forecasts. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. If the carrying amount of a reporting unit exceeds its estimated fair value, the Company recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

As of December 31, 2017 and December 31, 2016, the Company performed assessments of its goodwill and noted that no impairment existed.

The Company's goodwill balance was $3.7 million at December 31, 2017 (2016: $3.7 million), and relates to the Bermuda segment.

Telecommunications Licenses

The Company performed a qualitative assessment in 2017 and a quantitative assessment in 2016. The quantitative assessment calculated the fair values of licenses using a discounted cash flow model (the Greenfield Approach). The Greenfield Approach assumes a company initially owns only the telecommunications licenses, and then makes investments required to build an operation comparable to the one that currently utilizes the licenses. The projected cash flows are based on certain financial factors, including revenue growth rates, margins, and subscriber churn rates, and other operational data. The Company used a discount rate based on the optimal long-term capital structure of a market participant and its associated cost of debt and equity, to calculate the present value of the projected cash flows.

As of December 31, 2017 and December 31, 2016, the Company performed assessments of its telecommunications licenses and determined that no impairment existed.

The Company held $15.5 million of telecommunication licenses at December 31, 2017 (2016: $15.5 million). The licenses are expected to be available in perpetuity, and relate to the Bermuda segment.

Customer Relationships

The customer relationships all of which are held in the Bermuda segment are being amortized, on an accelerated basis, over the expected period during which their economic benefits will be realized. At December 31, 2017 the customer relationships had a cost of $11.0 million and accumulated amortization of $4.4 million (2016: cost of $11.0 million and accumulated amortization of $3.0 million). The Company recorded $1.4 million of amortization expense in the period (2016: $1.1 million).

Future amortization of customer relationships in the Bermuda segment is as follows (in thousands):

		Amortization
2018	$	1,178
2019		978
2020		806
2021		657
2022		538
Thereafter		2,411
Total	$	6,568

Trade Name
In its Bermuda segment, the Company holds trade name assets with a cost of $1.9 million and accumulated amortization of $0.3 million at December 31, 2017 (2016: cost of $1.9 million and accumulated amortization of $0.1 million). As a result of the Company's rebranding activities in 2016 it was determined the trade names have a finite life and will be amortized over that life. In conjunction with this determination, the Company, in 2016, assessed the value of its trade names and concluded its book value exceeded its fair value. As a result, the Company recorded a non-cash impairment charge of $0.3 million during the period ended December 31, 2016. The Company recorded $0.2 million of amortization expense for the period ended December 31, 2017 (2016: $0.1 million) and will record amortization of $0.2 million during each of the next five years and $0.6 million thereafter.

7. Long Term Debt

On May 22, 2017, the Company amended and restated the long term debt agreement with HSBC Bank Bermuda Limited to increase the facility to $37.5 million. The amended and restated debt is scheduled to mature on May 22, 2022 and bears interest at the three month LIBOR rate plus an applicable margin rate ranging between 2.5% to 2.75% paid quarterly. The amended and restated Debt contains customary representations, warranties and affirmative and negative covenants (including limitations on additional debt, guaranties, sale of assets and liens) and financial covenants that limit the ratio of tangible net worth to long term debt and total net debt to certain earnings metrics and require a minimum debt service coverage ratio (net cash generated from operating activities plus interest expense less net capital expenditures to debt repayments plus interest expense). The covenants are tested annually commencing the fiscal year ending December 31, 2017. The Company has pledged substantially all of the assets of the Company to guarantee the debt. As at December 31, 2017 the Company was in compliance with its covenants.

In connection with the amended and restated debt, the Company increased the limit of its overdraft facility from $5.0 million to $10.0 million. This facility has an interest rate of three month LIBOR plus 1.75%.

As a condition of the amended and restated agreement, the Company was required to enter into a hedging arrangement equal to at least 30% of the notional amount of the debt and a term equal to the maturity of the debt. On July 14, 2017, the Company entered into a swap transaction effective June 30, 2017 for a notional amount of $11.0 million with a fixed rate of 1.874%. This swap has been designated as a cash flow hedge. The fair value of the hedge was nil at inception and $52,000 at December 31, 2017.

The Company capitalized $0.3 million of fees associated with the debt, which is recorded as a reduction to the debt carrying amount and will be amortized over the life of the debt.

The principal balance outstanding at December 31, 2017 was $35.6 million (December 31, 2016 was $32.1 million) of which $4.7 million is payable within twelve months ($8.0 million as at December 31, 2016), and $0.3 million of the capitalized fees remain unamortized. Total interest expense in relation to the loan was $1.5 million for the year ended December 31, 2017 ($0.9 million for the period ended December 31, 2016) and is included in interest expense in the consolidated statement of comprehensive income.

The annual requirements for principal repayments on the loan are summarized below:

($000)		Principal Repayment
2018	$	4,688
2019		3,750
2020		3,750
2021		3,750
2022		19,687
Total	$	35,625

8. Related Party Transactions

The Company incurred management fees of $3.0 million for the period ended December 31, 2017, in respect of a management services contract entered into on May 3, 2016 with its Parent (2016: $1.7 million).

Management fees are calculated at 2.75% of gross revenues since August 1, 2017, and at 2% of gross revenues prior to that date. Pursuant to its management contract $0.9 million remained outstanding at December 31, 2017 (2016: $0.6 million).

The Company also purchased goods and other services from its Parent and its affiliates amounting to $3.3 million for the period ended December 31, 2017 (2016: $1.5 million) of which $1.3 million was payable at December 31, 2017 (2016: $1.1 million). These related party balances are unsecured, interest free, and are due on demand.

9. Commitments and Contingencies

Unexpired commitments under operating lease agreements for the Company's premises, telecommunications capacity and equipment are payable as follows (in thousands):

($000)		Amount
2018	$	4,130
2019		2,874
2020		1,974
2021		1,322
2022		784
Thereafter		2,513
	$	13,597

In 2013, the Company was issued licenses pursuant to the Electronic Communications Act 2011 ("the License") from the Government of Bermuda. The license fee is 4.25% of certain gross revenues. License fees are reviewed annually in April of each year by the Government of Bermuda.

The Company guaranteed performance of certain cellular network assets as part of a Bermuda Regulatory Authority application for certain spectrum. In November 2017, the Regulatory Authority performed its associated testing to confirm satisfaction of the Company's obligations. To date, the Regulatory Authority has not communicated any instances of non-compliance with these obligations.

There are no contingent liabilities to disclose relating to the fiscal year ended December 31, 2017 and the period ended 2016.

10. Share Capital

All common shares are recorded at a par value of $0.25 each with the excess of the proceeds received over the par value of the shares issued recorded as additional paid in capital. There were $nil dividends declared or paid in the period ended December 31, 2017 and December 31, 2016.

The Company's Board approved a share buy-back program in January 2017, effective from March 1, 2017 to December 31, 2017 and restricted to a maximum of 5% of the Company's outstanding Share Capital. During the year ended December 31, 2017 the Company repurchased 446,652 shares at an average cost of $2.78.

Basic net income per share is computed by dividing net income attributable to the Company's stockholders by the weighted-average number of common shares outstanding during the period and does not include any other potentially dilutive securities. Diluted net income per share gives effect to all potentially dilutive securities using the treasury stock method.

At December 31, 2017, under the treasury stock method, the options granted under the Company's stock-based compensation plan were not dilutive. Therefore the weighted average common stock outstanding for both diluted and basic earnings per share is 42,219,194.

11. Segment Reporting

Reportable segments correspond to the Company's internal organizational structure. The Company operates the following reportable segments, which are managed as separate business units, as they both operate in different geographic regions, and therefore require different market strategies.

The Company's Bermuda segment operates under the brand "One" providing a wide range of data internet products and services, cellular products and solutions, internet access, long distance and local voice services as well as subscription television services in Bermuda.

The Company's Cayman segment operates under the brand "Logic", providing fixed wireless, wireline voice and data services, and subscription television services in the Cayman Islands.

For the year ended December 31, 2017 (in $000)		**Bermuda**		**Cayman**		**Corporate and Other**		**Total**
Revenues	$	105,691	$	26,124	$	(4,788)	$	127,027
Depreciation and amortization		14,235		3,859		(165)		17,929
Operating expenses		68,546		20,635		4,187		93,368
Segment operating income / (loss)		22,910		1,630		(8,810)		15,730
Net fixed assets	$	97,190	$	38,425	$	5,044	$	140,659
Capital expenditures		23,419		6,761		443		30,623
Goodwill		3,740		-		-		3,740
Segment total assets		127,731		41,390		29,133		198,254

For the period ended December 31, 2016 (in $000)		**Bermuda**		**Cayman**		**Corporate and Other**		**Total**
Revenues	$	70,988	$	17,419	$	(2,397)	$	86,010
Depreciation and amortization		8,190		2,109		442		10,741
Operating expenses		48,432		15,128		7,349		70,909
Segment operating income / (loss)		14,047		316		(10,003)		4,360
Net fixed assets	$	63,659	$	35,523	$	27,212	$	126,394
Capital expenditures		19,642		8,535		-		28,177
Goodwill		3,740		-		-		3,740
Segment total assets		113,476		37,866		34,011		185,353

Corporate and Other includes the results of the Company's Bermuda Yellow Pages and Yabsta subsidiaries which were disposed of on June 1, 2016.

12. Change to prior year presentation

Certain prior year figures have been reclassified to conform to current year presentation.

13. Subsequent Events

As of April 20, 2017 the Company has no subsequent events to report.

PRINCIPAL SUBSIDIARIES

Logic Communications Ltd.
(trading as "One Communications")
30 Victoria Street
Hamilton HM 12
Bermuda
www.onecomm.bm

Bermuda Digital Communications Ltd.
(trading as "One Communications")
30 Victoria Street
Hamilton HM 12
Bermuda
www.onecomm.bm

Cable Co. Ltd.
30 Victoria Street
Hamilton HM 12
Bermuda

WestTel Limited
(trading as "Logic")
43 Eclipse Dr.
Grand Cayman
Cayman Islands
www.logic.ky

One Communications Ltd.
P.O. Box HM 2445
Hamilton HM JX
Bermuda

Tel: +1 441 295 5009

www.onecomm.bm