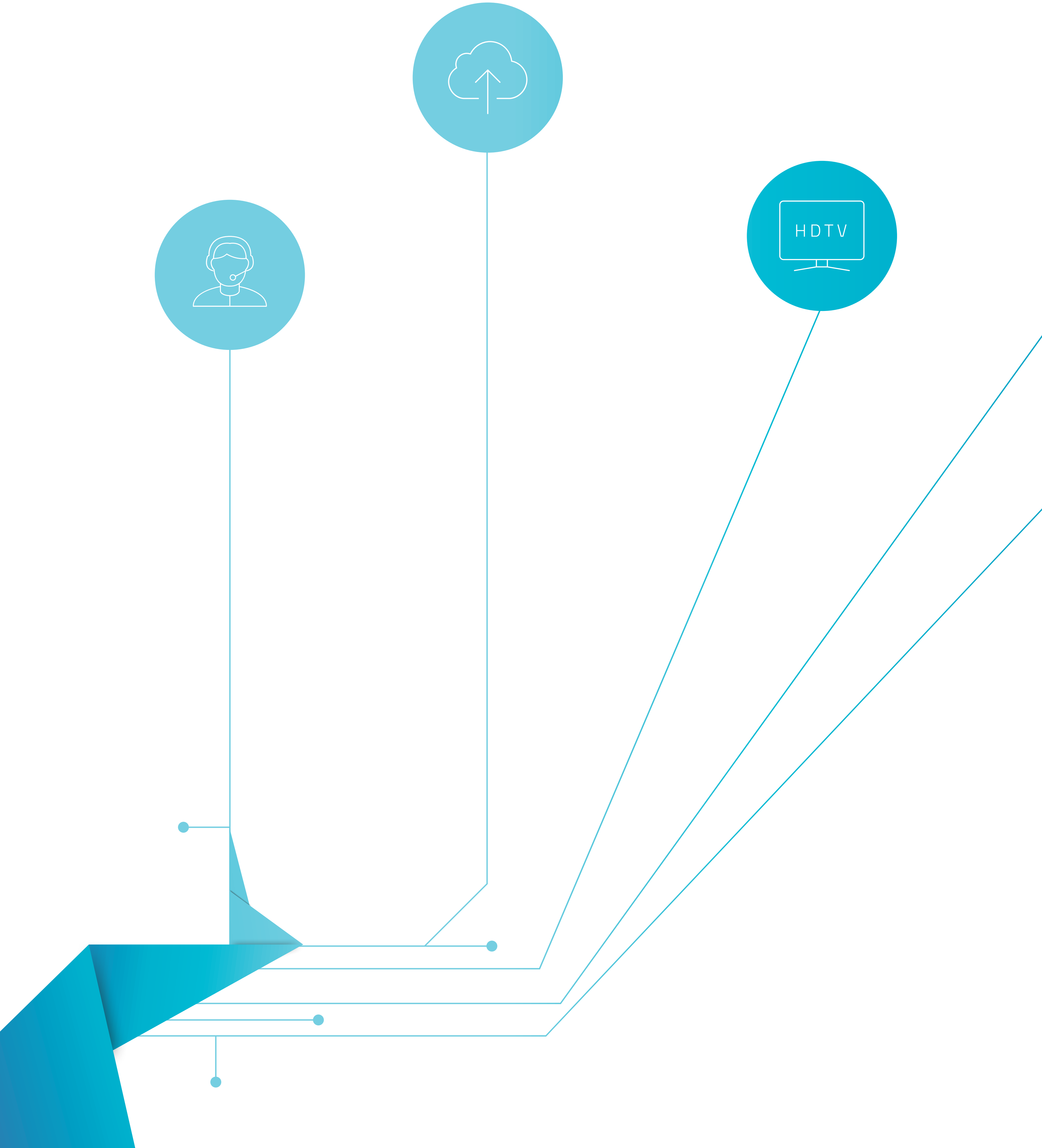
ANNUAL REPORT 2018

One

COMMUNICATIONS


HDTV

Contents

One Commitment

In order to maintain our position as Bermuda's leading connectivity and entertainment service provider, Management and the Board of Directors have spent the past year working hard on delivering our FibreWire internet and transformative FibreWire TV products, which have already and will continue to greatly improve customer satisfaction. We continue to realize synergies from the consolidation of prior acquisitions, with an improvement in margin over prior year reflected in current year results.

This year was spent delivering on a number of large capital-intensive projects designed to modernize the way Bermuda consumes technology. We completed our FibreWire network and our customers have had the benefit of a full year of faster internet as a result of our free speed boost upgrades. In 2019, we launched our transformative FibreWire TV experience that provides subscribers 4K Ultra HD capabilities, the largest HD channel lineup, Cloud DVR functionality and the ability to watch from any connected device including laptops, smartphones and tablets.

On the wireless side of the Bermuda business, our high speed 4G LTE network covers over 99% of the country. We have been able to maintain network integrity and performance even as data usage continues to dramatically increase. We have seen the addition of new customers month over month, in part as a result of the success of our popular NextOne device purchase program.

Behind the scenes we have now launched our single bill initiative, providing customers the optional convenience of receiving a single bill for all of their services. We have implemented a new scheduling system for home service calls that will improve customer experience and drive added efficiency.

We continue to innovate within the market with the launch of our One Home Wi-Fi solution. The seamless meshed Wi-Fi solution addresses the proliferation of connected devices in and around the home and the unique challenges arising from Bermuda's well-constructed homes. This offering is a first for any Bermuda internet service provider in terms of truly solving the issue of providing high performing Wi-Fi service beyond just the modem.

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 2018, our incremental investment of $6 million in the fibre network increased homes passed from 60% to 67% during the year, and the operating results demonstrated 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. In 2019, we intend to stay ahead of our competition by continuing our footprint growth, and continuing to secure corresponding increases in subscribers and revenue.

The regulatory environments in Cayman and Bermuda diverged in the past year. In Cayman, we saw an increasingly interventionist regulatory approach being taken. The willingness to intervene was sparked in large part by political concerns raised regarding the state of broadband coverage in Cayman. While these concerns did not focus on the Company in particular, we continue to work through the issues raised, and we are hopeful of resolution in the coming period. In Bermuda, there was little movement in the regulatory landscape during 2018. Early indications for 2019 suggest renewed efforts to complete the market review commenced in October 2017. In the Interim, the Company will remain focused on improving its value proposition to customers with new offers and innovative service bundles to be launched throughout the coming year.

The financial statements within this report are prepared in accordance with U.S. Generally Accepted Accounting Principles and cover the year ended December 31, 2018, compared with the same period in 2017. The income statement presents total revenue, which is further broken down into geographical segments within the notes, which is consistent with the way management administers the daily operations of the Company.

Consolidated revenue for the period is $128.9 million, which consists of $105.4 million in Bermuda revenues and $28.4 million in Cayman revenues. Total operating expenses were $112.4 million.

Comprehensive income attributable to equity holders of the Company for the period was $15.2 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. The Company has paid $3.75 million in principal repayments in the current financial year. The Company had no overdraft at December 31, 2018 and had $14.9 million in cash at the end of the period.

Earnings per share for continuing operations for the year ending December 31, 2018, was $0.36 per share.

The Management and Board of Directors 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

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Chevalier de la Legion d'Honneur

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Twilio IP Ltd

Mr. Alasdair Younie
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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 – 2,158,649
Common shares held by One Communications Ltd. Executive Management – 0

Five Year Financial and Statistical Summary

As of December 31, 2018

	For the Year Ending December 31, 2018	**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**
Revenue & Expense Items ($000)					
Operating revenues	**128,853**	127,027	86,010	89,310	66,904
Total expenses excluding depreciation and amortization	**91,560**	93,368	70,909	80,696	149,708
Depreciation and amortization	**20,809**	17,929	10,741	15,507	15,821
Net Income / (Loss) for the period	**15,110**	15,033	2,085	(2,447)	(98,984)
Cash dividends declared on Common shares	**1,675**	-	-	-	1,311
Balance Sheet ($000)					
Total assets	**205,613**	198,254	185,353	150,334	161,327
Shareholders' equity	**150,221**	136,425	123,177	66,907	72,953
Number of common shares (in '000)	**41,187**	41,899	42,346	15,225	14,949
Per Common Share ($'s)					
Net income - basic	**0.36**	0.36	0.05	(0.15)	(6.37)
Cash dividend	**0.04**	-	-	-	0.09
Net assets - basic	**3.65**	3.26	2.91	4.39	4.88
Items of Interest					
Capital expenditures ($000)	**28,341**	30,623	28,177	14,382	9,368
Number of employees (full-time)	**215**	225	248	199	249

The 5 Year Summary is not presented in accordance with accounting principles generally accepted in the United States of America. It presents historical One Communications Ltd. (formerly KeyTech Limited) data for the years ended March 31, 2015-2016 under International Financial Reporting Standards. If presented in accordance with U.S. GAAP, historical BDC (Bermuda Digital Communications Ltd. (trading as One Communications) data would be presented on a standalone basis.

March 22, 2019

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, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows for the years then ended.

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, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

PricewaterhouseCoopers Ltd., Chartered Professional Accountants, P.O. Box HM 1171, Hamilton HM EX, Bermuda
T: +1 (441) 295 2000, F:+1 (441) 295 1242, www.pwc.com/bermuda

Consolidated Balance Sheets

December 31, 2018 and 2017

(in thousands, except per share data)

		2018		2017
ASSETS				
Current assets				
Cash and cash equivalents	$	14,871	$	16,920
Accounts receivable, net of allowances of $4,816 ($4,921 as of December 31, 2017)		6,308		8,570
Materials and supplies		1,816		1,139
Other current assets		4,990		2,844
		27,985		29,473
Non-current assets				
Fixed assets		149,614		140,659
Intangible assets		22,343		23,718
Goodwill		3,740		3,740
Other assets		1,931		664
Total assets	$	205,613	$	198,254
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	18,034	$	18,910
Unearned income		3,165		4,643
Current portion of long-term debt		4,688		4,688
Other current liabilities		1,865		2,296
		27,752		30,537
Non-current liabilities				
Long-term debt, excluding current portion		26,959		30,644
Other liabilities		681		648
Total liabilities	$	55,392	$	61,829
SHAREHOLDERS' EQUITY				
Common Stock, $0.25 par value per share; 58,000,000 shares authorized; 41,186,876 shares issued and outstanding (41,899,475 as of December 31, 2017)		10,297		10,475
Additional paid in capital		94,344		95,935
Accumulated other comprehensive income		130		255
Retained earnings		45,450		29,760
Total equity		150,221		136,425
Total liabilities and shareholders' equity	$	205,613	$	198,254

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 years ended December 31, 2018 and 2017

(in thousands, except per share data)

		2018		2017
TOTAL REVENUES	$	128,853	$	127,027
OPERATING EXPENSES				
Termination and access fees and equipment expense		43,125		42,250
Engineering and operations		19,117		20,728
Sales and marketing		11,514		11,860
General and administrative		17,761		18,401
Stock based compensation		55		34
Depreciation and amortization		20,809		17,929
(Gain) loss on disposition of long lived assets		(12)		95
Total operating expenses	$	112,369	$	111,297
Operating income		16,484		15,730
OTHER INCOME / (EXPENSE)				
Gain on disposition of available for sale securities		-		880
Interest income		12		22
Interest expense		(1,529)		(1,563)
Other income (expenses), net		143		(36)
Other expense, net		(1,374)		(697)
Net Income	$	15,110	$	15,033
Net Income per weighted average basic share attributable to One Communications Ltd. shareholders	**$**	**0.36**	**$**	**0.36**
Net Income per weighted average diluted share attributable to One Communications Ltd. shareholders	**$**	**0.36**	**$**	**0.36**
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		**41,771,760**		**42,219,194**
Dividends per share applicable to common stock		**0.04**		**-**
Net income		15,110		15,033
Other Comprehensive Income				
Net unrealized gains on available for sale securities		-		252
Net unrealized gains on derivatives		78		52
Reclassification of gains on sale of available for sale securities to net income		-		(880)
COMPREHENSIVE INCOME	**$**	**15,188**	**$**	**14,457**

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

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2018 and 2017

(in thousands)

		Common Stock	Additional Paid In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
Balance January 1, 2017	$	10,587	96,921	831	14,838	123,177
Net Income		-	-	-	15,033	15,033
Other comprehensive income		-	-	(576)	-	(576)
	$	10,587	96,921	255	29,871	137,634
Purchase of common stock		(112)	(1,020)	-	(111)	(1,243)
Stock based compensation		-	34	-	-	34
Balance December 31, 2017	$	10,475	95,935	255	29,760	136,425

		Common Stock	Additional Paid In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
Balance January 1, 2018	$	10,475	95,935	255	29,760	136,425
Net Income		-	-	-	15,110	15,110
Other comprehensive income		-	-	78	-	78
	$	10,475	95,935	333	44,870	151,613
Purchase of common stock		(178)	(1,646)	-	(303)	(2,127)
Dividends		-	-	-	(1,675)	(1,675)
Stock based compensation		-	55	-	-	55
Cumulative effect adjustment due to adoption of new accounting pronouncements (notes 2 & 3)		-	-	(203)	2,558	2,355
Balance December 31, 2018	$	10,297	94,344	130	45,450	150,221

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

Consolidated Statements of Cash Flows

For the periods ended December 31, 2018 and 2017
(in thousands)

		2018		2017
Cash flows from operating activities				
Net income	$	15,110	$	15,033
Adjustments to reconcile net income to net cash flows provided by operating activities:				
Depreciation and amortization		20,809		17,929
Stock based compensation		55		34
Gain on disposition of available for sale securities		-		(880)
(Gain) loss on disposition of long lived assets		(12)		95
Amortization of debt issuance costs		65		33
Changes in operating assets and liabilities:				
Accounts receivable		2,262		45
Materials and supplies		(677)		(543)
Other current assets and other assets		(1,059)		(993)
Accounts payable, accrued and other current liabilities		(1,275)		(3,327)
Unearned income		(1,478)		(211)
Net cash generated from operating activities	$	33,800	$	27,215
Cash flows from investing activities				
Capital expenditures		(28,341)		(30,623)
Proceeds from sale of capital asset		44		14
Proceeds from dispositions of available for sale securities		-		1,757
Proceeds from dispositions of investments in associates		-		1,008
Net cash used for investing activities	$	(28,297)	$	(27,844)
Cash flows from financing activities				
Principal repayments of long-term debt		(3,750)		(5,089)
Proceeds from issuance of long-term debt		-		8,245
Dividends paid on common stock		(1,675)		-
Purchase of common shares		(2,127)		(1,243)
Net cash (used in) provided by financing activities	$	(7,552)	$	1,913
Net change in cash and cash equivalents	$	(2,049)	$	1,284
Cash and cash equivalents, beginning of period	$	16,920	$	15,636
Cash and cash equivalents, end of period	$	14,871	$	16,920

During the year the Company paid $1.5 million in loan interest (2017: $1.4 million).

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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.

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) – 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. ("BDC") (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 March 22, 2019.

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"). 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 owned subsidiaries: Logic Communications Ltd. (trading as One Communications), WestTel Limited (trading as Logic) ("Logic Cayman"), Key Management Services Limited ("KMS"), Cable Co. Ltd. ("Cable") and Cedar Cable Ltd. ("Cedar"), (jointly "Cable Co."), and Bermuda Digital Communications Ltd. ("BDC") (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.

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, 2018, cash equivalents included money market funds of $3 thousand (2017: $nil). 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. 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 31 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 31 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 qualitative or quantitative 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. Diluted earnings per share gives effect to all potentially dilutive securities using the treasury stock method.

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 $55 thousand of non-cash, share-based compensation expense during 2018 (2017: $34 thousand).

Available for sale securities
Available for sale securities consist of equity securities, carried at fair market value. Changes in the fair value of quity investments with readily determinable fair values are recorded in other income in the Company's statement of comprehensive income.

Revenue Recognition
The Company earns revenue from its telecommunication business and recognizes revenue through the following steps:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognize revenue when, or as, we satisfy performance obligations

The Company's revenues are primarily derived from providing customers with access to and usage of the Company's networks and facilities. Access revenues 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 over time as the services are provided. Revenue is also derived from selling equipment to customers, which is recognized when the equipment is delivered to the customer.

Management considers transactions where customers purchase subsidized or discounted equipment and mobile voice or data services to be a single contract. For these contracts, the transaction price is allocated to the equipment and mobile service based on their standalone selling prices. The standalone selling price is based on the amount the Company charges for the equipment and service to similar customers. Equipment revenue is recognized when the equipment is delivered to customers and service revenue is recognized as service is rendered.

The Company's contracts occasionally include promotional discounts such as free service periods or discounted products. If a contract contains a substantive termination penalty, the transaction price is allocated to the performance obligations based on standalone selling price resulting in accelerated revenue recognition and the establishment of a contract asset that will be recognized over the life of the contract. If a contract includes a promotional discount but no substantive termination penalty the discount is recorded in the promotional period and no contract asset is established. The Company's customers also have the option to purchase additional telecommunication services. Generally, these options are not performance obligations and are excluded from the transaction price because they do not provide the customers with a material right.

The Company may charge upfront fees for activation and installation of some of its products and services. These fees are reviewed to determine if they represent a separate performance obligation. If they are not a separate performance obligation, the contract price associated with them is recognized over the life of the customer relationship. If the fees represent a performance obligation they are recognized when delivered to the customer based on standalone selling price.

Taxes and charges collected from customers that are remitted to the governmental authorities are reported on a net basis and excluded from the revenues and sales.

Contract Acquisition Costs

The Company pays sales commissions to its employees and agents for obtaining customer contracts. These costs are incremental because they would not have been incurred if the contract was not obtained. The Company recognizes an asset for these costs and subsequently amortizes the asset on a systematic basis consistent with the pattern of the transfer of the services to the customer. The amortization period, which is between 2 and 6 years, considers both the original contract period as well as anticipated contract renewals as appropriate. The amortization period also includes renewal commissions when those commissions are not commensurate with new commissions. The Company estimates contract renewals based on its actual renewals in recent periods. When the expected amortization period is one year or less the Company utilizes the practical expedient and expenses the costs as incurred.

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.

Depreciation and amortization expenses. Depreciation and amortization expenses represent the depreciation and amortization charges recorded on the Company's property and equipment and certain 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 its 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 year.

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 also 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, 2018:

($000)	Level 1	Level 2	Level 3	Total
Money market funds	3	-	-	3
Available for sale securities	257	-	-	257
Derivative instruments	-	140	-	140
Total	$ 260	$ 140	$ -	$ 400

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

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.

On April 7, 2017, the Company sold all of its equity interest in Quo Vadis Holdings Ltd., a privately held company accounted for using the equity method, 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, 2018, management estimated the fair value of the long-term debt, including the current portion, approximated its carrying value of $31.6 million (2017: $35.3 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 FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), and subsequently issued related updates, (collectively known as ASC 606), 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 Company adopted this standard on January 1, 2018. Refer to Note 3 to the 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 customer's 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, results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments–Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets And Financial Liabilities (ASU 2016-01), which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. On January 1, 2018, the date ASU 2016-01 was adopted, the Company reclassified $0.2 million of unrealized gains to retained earnings. As at December 31, 2018, the Company held available for sale securities recorded at cost of $0.4 million and fair value of $0.3 million (2017: cost of $0.4 million and fair value of $0.6 million) and recorded $0.3 million in losses in other expenses for the year then ended.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" and subsequently issued related updates ("ASU 2016-02"), which provide 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 has implemented new systems, processes and controls to implement the guidance. The Company will adopt the standard on January 1, 2019, by applying the new lease requirements at the effective date and will recognize a cumulative-effect adjustment to the opening balance sheet retained earnings in the period of adoption with no adjustments to prior periods. The Company expects to adopt the package of practical expedients which allows it to not reassess: i) whether an arrangement contains a lease, ii) operating and capital lease classifications; and iii) previously recorded initial direct costs. The adoption will result in right to use assets and liabilities being recorded on the Company's balance sheet. The Company is finalizing quantitative information related to the impact of the guidance. The right of use asset and liability balances recorded will be material to the Company's 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.
- 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.
- separately identifiable cash flows and application of the predominance principle.

The Company adopted this standard on January 1, 2018 and it did not have a material impact to the Company's financial statements

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 and 2018.

3. Revenue Recognition

The Company adopted ASC 606 on January 1, 2018. The adoption of ASC 606 impacted the accounting for contract acquisition costs, multiyear retail wireless contracts with promotional discounts, and deferral of certain activation fees as further described below. As a result of the adoption, the Company established contract asset and liability balances and began capitalizing and subsequently amortizing contract acquisition costs.

Contract Assets and Liabilities
The Company recognizes contract assets and liabilities on its balance sheet. Contract assets represent unbilled amounts typically resulting from retail wireless contracts with both a multiyear service period and a promotional discount. In these contracts the revenue recognized exceeds the amount billed to the customer. The current portion of the contract asset is recorded in other current assets and the noncurrent portion is included in other assets on the Company's balance sheet. Contract liabilities consist of advance payments and billings in excess of revenue recognized. Retail revenue for postpaid customers is generally billed one month in advance and recognized over the period that the corresponding service is rendered to customers. To the extent the service is not provided by the reporting date the amount is recognized as a contract liability. Prepaid service, including mobile voice and data services, sold to customers is recorded as deferred revenue prior to the commencement of services. Contract liabilities are recorded in unearned income on the Company's balance sheet. Contract assets and liabilities consisted of the following (amounts in thousands):

	December 31, 2018	January 1, 2018	$ Change	% Change
Contract asset – current	$ 1,900	$ 1,179	$ 721	61%
Contract asset – noncurrent	802	449	353	79%
Contract liabilities	(1,951)	(3,549)	1,598	45%
Net contract asset (liability)	$ 751	$ (1,921)	$ 2,672	139%

The contract asset-current is included in other current assets, the contract asset – noncurrent is included in other assets, and the contract liabilities are included in unearned income on the Company's balance sheet. The increase in the Company's net contract liability was due to the timing of customer prepayments and contract billings. During the year ended December 31, 2018, the Company recognized revenue of $3.5 million related to its January 1, 2018 contract liability and amortized $1.2 million of the January 1, 2018 contract asset into revenue. The Company did not recognize any revenue in the year ended December 31, 2018 related to performance obligations that were satisfied or partially satisfied in previous periods.

Contract Acquisition Costs

The December 31, 2018 balance sheet includes current contract acquisition costs of $0.6 million in other current assets and long term contract acquisition costs of $0.7 million in other assets. During the year ended December 31, 2018 the Company amortized $0.6 million of contract acquisition costs.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price allocated to unsatisfied performance obligations of certain multiyear retail wireless contracts that include a promotional discount. The transaction price allocated to unsatisfied performance obligations was $12.1 million at December 31, 2018. The Company expects to satisfy the remaining performance obligations and recognize the transaction price within 24 months. The Company has certain contracts where transaction price is allocated to remaining performance obligations. However the Company omits these contracts from the disclosure by applying the right to invoice, one year or less, and wholly unsatisfied performance obligation practical expedients.

Disaggregation

The Company's revenue is presented on a disaggregated basis in Note 11, based upon an evaluation of disclosures outside the financial statements, information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments and other information that is used for performance evaluation and resource allocations. This disaggregation of revenue depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Impacts of adoption in the current period

The Company adopted ASC 606 on January 1, 2018, using the modified retrospective method. The Company elected the practical expedient to apply the new guidance only to contracts that were not substantially complete at the adoption date. The cumulative effect of adopting ASC 606 resulted in a contract asset of $1.6 million, of which $1.2 million was recorded in other current assets and $0.4 million was recorded in other assets, contract acquisition costs of $0.8 million, of which $0.4 million was recorded in other current assets and $0.4 million was recorded in other assets and the offset of $2.4 million recorded to retained earnings. Adoption of ASC 606 did not impact the Company's previously recorded liabilities. The tables below identify changes to the Company's financial statements as of December 31, 2018 and for the year then ended as a result of the adoption of ASC 606 as compared to previous revenue guidance (amounts in thousands):

Balance Sheet – December 31, 2018

		Reported	Change	Under previous guidance
Other current assets	$	4,990	(2,473)	2,517
Total current assets	$	27,985	(2,473)	25,512
Other assets	$	1,931	(1,493)	438
Total assets	$	205,613	(3,966)	201,647
Retained earnings	$	45,450	(3,966)	41,484
Total equity	$	150,221	(3,966)	146,255
Total liabilities and equity	$	205,613	(3,966)	201,647

Statement of Comprehensive Income - Year ended December 31, 2018

		Reported	Change	Under previous guidance
Revenue	$	128,853	(1,182)	127,671
Sales and marketing	$	11,514	428	11,942
Total operating expenses	$	112,369	428	112,797
Operating income	$	16,484	(1,610)	14,874
Net income	$	15,110	(1,610)	13,500
Comprehensive income	$	15,188	(1,610)	13,578

Statement of Cash Flows – Year ended December 31, 2018

		Reported	Change (1)	Under previous guidance
Net income	$	15,110	(1,610)	13,500
Other current assets and other assets	$	(1,058)	1,610	552

(1) The adoption of ASC 606 had no impact on operating cash flows, investing cash flows, financing cash flows and net change in total cash.

4. Accounts Receivable

As of December 31, 2018 and December 31, 2017 accounts receivable consisted of:

($000)		2018	2017
Accounts receivable	$	11,124	13,491
Less: allowance for doubtful accounts		(4,816)	(4,921)
Trade receivables – net		6,308	8,570
Other receivables		-	-
	$	6,308	8,570

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

		2018	2017
Balance at beginning of the year	$	4,921	2,664
Change in allowance for doubtful accounts	$	1,655	4,189
Receivables written off during the period as uncollectible		(1,760)	(1,932)
Balance at end of year	$	4,816	4,921

5. Fixed Assets

Fixed assets consisted of the following at December 31, 2018 and December 31, 2017:

	Useful Life		2018	2017
		$		
Network equipment	2 - 20 years		157,686	139,973
Buildings	20 - 35 years		22,719	22,719
Land	N/A		4,806	4,806
Leasehold improvements & furniture, fixtures and equipment	2 - 10 years		12,537	12,041
Motor vehicles	2 - 5 years		1,967	1,610
Computer hardware	2 - 8 years		6,889	6,964
Computer software	2 - 5 years		5,280	3,963
Construction in progress	N/A		13,117	4,628
Less: accumulated depreciation			(75,387)	(56,045)
Total net book value		**$**	**149,614**	**140,659**

Depreciation and amortization of fixed assets, using the straight line method over the assets' estimated useful life, for the period ended December 31, 2018, was $19.3 million (2017: $16.6 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 $2.8 million as of December 31, 2018 (2017: cost of $3.5 million and net book value of $3.1 million). Remaining amounts due under the IRUs are $0.5 million as of December 31, 2018 (2017: $0.4 million).

During the period ended December 31, 2018, motor vehicles in the Bermuda segment and motor vehicles and computer hardware in the Cayman segment were sold and as such a gain on disposition of respectively $5 thousand and $7 thousand was recognized.

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.

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.

The Company evaluated the goodwill using a qualitative model and determined that no impairment existed. The Company's qualitative goodwill impairment test includes, but is not limited to, assessing macroeconomic conditions, industry and market considerations, technological changes and trends, overall financial performance of the reporting unit.

As of December 31, 2018 and December 31, 2017, 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, 2018 (2017: $3.7 million), and relates to the Bermuda segment.

Telecommunications Licenses

The Company performed a qualitative assessment as of December 31, 2018 and December 31, 2017 and determined that no impairment existed. The Company's qualitative impairment test includes, but is not limited to, assessing macroeconomic conditions, industry and market considerations, technological changes and trends, overall financial performance, and legal and regulatory changes.

The Company held $15.5 million of telecommunication licenses at December 31, 2018 (2017: $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 over the expected period during which their economic benefits will be realized. At December 31, 2018, the customer relationships had a cost of $11.0 million and accumulated amortization of $5.6 million (2017: cost of $11.0 million and accumulated amortization of $4.4 million). The Company recorded $1.2 million of amortization expense in the period (2017: $1.4 million).

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

		Amortization
2019	$	978
2020		806
2021		657
2022		538
2023		452
Thereafter		1,959
Total	$	5,390

Trade Name
In its Bermuda segment, the Company holds trade name assets with a cost of $1.9 million and accumulated amortization of $0.5 million at December 31, 2018 (2017: cost of $1.9 million and accumulated amortization of $0.3 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. The Company recorded $0.2 million of amortization expense for the period ended December 31, 2018 (2017: $0.2 million) and will record amortization of $0.2 million during each of the next five years and $0.4 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, 2018 and 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 $140 thousand at December 31, 2018 (2017: $52 thousand).

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, 2018, was $31.9 million (December 31, 2017 was $35.6 million) of which $4.7 million is payable within twelve months ($4.7 million as at December 31, 2017), and $0.2 million of the capitalized fees remain unamortized ($0.3 million as at December 31, 2017). Total interest expense in relation to the loan was $1.5 million for the year ended December 31, 2018 ($1.5 million for the year ended December 31, 2017) 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
2019	$	4,688
2020		3,750
2021		3,750
2022		19,687
Total	$	31,875

8. Related Party Transactions

The Company incurred management fees of $3.5 million for the period ended December 31, 2018, in respect of a management services contract entered into on May 3, 2016 with its Parent (2017: $3 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 $0.6 million remained outstanding at December 31, 2018 (2017: $0.9 million).

The Company also purchased goods and other services from its Parent and its affiliates amounting to $4.2 million for the period ended December 31, 2018 (2017: $3.3 million) of which $1.0 million was payable at December 31, 2018 (2017: $1.3 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
2019	$	4,105
2020		2,997
2021		1,683
2022		1,060
2023		663
Thereafter		1,860
	$	12,368

In 2013, the Company was issued licenses pursuant to the Electronic Communications Act 2011 ("the Licenses") 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. The Regulatory Authority has confirmed compliance with these obligations.

There are no contingent liabilities to disclose relating to the fiscal year ended December 31, 2018 and 2017.

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 $1.7 million dividends declared and paid in the period ended December 31, 2018, (2017: $nil declared or paid).

The Company's Board approved a share buy-back program effective from March 1, 2017 to December 31, 2018 and restricted to a maximum of 5% of the Company's outstanding Share Capital. During the year ended December 31, 2018 the Company repurchased 712,599 shares at an average cost of $2.99 (2017: 446,652 shares at an average cost of $2.78). An extension to the program until December 31, 2019 has been approved by the Board, restricted to a maximum of 2 million common shares.

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, 2018 and 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 41,771,760 (2017: 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, 2018 (in $000)		**Bermuda**		**Cayman**		**Corporate and Other**		**Total**
Revenues	$	105,431	$	28,447	$	(5,025)	$	128,853
Depreciation and amortization		16,909		4,384		(484)		20,809
Operating expenses		67,081		20,856		3,623		91,560
Segment operating income / (loss)		21,441		3,207		(8,164)		16,484
Net fixed assets	$	102,065	$	41,594	$	5,955	$	149,614
Capital expenditures		20,390		7,553		398		28,341
Goodwill		3,740		-		-		3,740
Segment total assets		151,670		47,067		6,876		205,613

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

12. Change to prior year presentation

As of March 22, 2019 the Company has no subsequent events to report.

PRINCIPAL SUBSIDIARIES

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

Bermuda Digital Communications Ltd.
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Cable Co. Ltd.
30 Victoria Street
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WestTel Limited
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43 Eclipse Dr.
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