



KeyTech
LIMITED

**UNLOCKING A WORLD
OF CONNECTIONS**

Six Month Report 2015

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Board of Directors, Company Officers & KeyTech Group Executives

Chief Executive Officer's Report

OUR RESULTS

KeyTech remains steadfast in the execution of its strategy to strengthen its market position through acquisitions, mergers and investment in fiber networks in Bermuda and Cayman.

The Bermuda telecommunications market has undergone a major transformation as the industry reacts to economic climates, technological advancements and consumer demand for bandwidth. From these challenges, KeyTech sought the opportunity to attract an equity injection to strengthen the balance sheet and to reinforce product offerings to expand from triple-play services to quad-play services. In October 2015, KeyTech entered into an agreement with Atlantic Tele-Network, Inc., ("ATN") for KeyTech to acquire ATN's 42.79 percent of CellOne in exchange for a \$42 million equity injection and a controlling interest of 51 percent in KeyTech. ATN is a NASDAQ listed company with substantial experience in telecommunications globally. KeyTech will be able to draw upon ATN's international experience and assets in the operation of digital wireless, wire-line and both terrestrial and submarine fiber optic networks.

KeyTech shareholders approved the ATN transaction on October 20, 2015 which is pending regulatory approval in both Bermuda and Cayman. Upon closing, KeyTech will declare a special dividend of \$0.75 per share to shareholders of record immediately prior to closing.

In July 2015, KeyTech acquired the remaining shares in Bermuda Cablevision Limited ("Cablevision") and subsequently merged Cablevision with Logic Communications Ltd. The combined entity operates as Logic and now offers customers internet access, ISP, subscription television and long distance voice. Local voice will be launched in the first quarter of 2016. Investment in the coaxial-fiber access network will increase bandwidth and improve the overall customer experience

by pushing fiber closer to the home in the coming months.

Logic increased its off-island bandwidth and is expanding its Hamilton fiber footprint. These investments will allow us to offer end to end corporate solutions that now include the local loop portion for dedicated internet and MPLS services. Innovative voice services will be added in 2016.

The America's Cup Series held in October was an astounding success for the Island. Logic was the premier provider of communications services for the event providing both on-island and off-island connectivity. Some of the services that were supported were IPTV, CCTV, and the America's Cup web application for live video feed internationally. Logic's engineering design has been adopted as the standard for future America's Cup events worldwide.

Ample access to off-island capacity, which is the sub-sea cable system that links Bermuda to the US to provide internet service, is an essential component to Logic's success, as demonstrated by the America's Cup. As such, Cable Co. completed its planned capacity upgrade in August 2015 and will do a further 100Gbps upgrade in 2016.

Logic Cayman has completed its integration after the acquisition of WestStar TV. Networks have been converged and operations and workforces have been streamlined. Additional off-island capacity has been acquired and the buildout of the on-island fiber network continues. The assets of the broadcast portion of the business were sold in July 2015.

Upon the completion of the ATN deal, which is anticipated to be completed before the end of the fiscal year, KeyTech will retire a portion of the long term debt, have access to investment capital and be well positioned to compete in both jurisdictions.

KeyTech will continue to seek opportunities to leverage its assets, create efficiencies, and drive revenue growth through consolidation and investment in infrastructure in its operating subsidiaries in both Bermuda and Cayman.



Lloyd Fray
Chief Executive Officer

KEYTECH LIMITED

In accordance with IFRS, BTC results were removed from the Statement of Operations for the comparative financials. Prior year numbers include 27 days of results for WestStar in the income statement and Cablevision as investment in associate, as the BOTCAT transaction closed on September 3, 2014 whereas current results show the full impact of six months of earnings for both of these entities.

Consolidated unaudited loss for continuing operations for the six month period ending September 30th, 2015 was \$3.1 million, an improvement of \$16.8 million over the same period in the prior year or \$0.1 million better when normalized for the loss on the sale of BTC. The loss is related to increases in depreciation and amortization from the various acquisitions, one-time costs associated with the merger of Bermuda Cablevision and Logic and increased finance costs.

Consolidated revenue for the period is \$46.0 million, which is \$24.0 million more than the prior year. Television revenues in both Bermuda and Cayman are as a result of the BOTCAT acquisition in September 2014 (Cablevision and WestStar). Data revenue growth is being primarily driven by the success of Logic's bundled product of internet access and ISP in Bermuda. Voice revenues declined \$0.1 million as customers continue to move towards cellular and internet based voice services. Directory revenues from Bermuda Yellow Pages declined \$0.1 million as the company continues with its strategy to expand its digital directory and search engine products in a challenging media and advertising market. Other revenues include the broadcast television revenues and third party rents.

The Company sold its broadcast television assets in Cayman for a gain of \$0.6 million in July 2015.

Operating Expenses increased by \$22.8 million. The increase is directly due to the addition of both Bermuda Cablevision and WestStar operations. One-time staff termination costs were \$0.9 million. In October 2015, Logic made an additional 13 redundancies

at a cost of \$0.4 million. The annualized savings of redundancies made in Logic this fiscal year is \$2.1 million. Operations and maintenance expenses have increased primarily due to programming content costs for subscription television services in both Bermuda and Cayman as well as international connectivity investment for MPLS services. Depreciation and amortization increases are driven by both purchase price accounting and increased depreciable assets from the BOTCAT acquisition. Government taxes for telecommunications providers are based on revenues for both Bermuda and Cayman. The increase in taxes is directly correlated to the increase in revenues.

KeyTech's share of income of associates for the period, which includes its investments in QuoVadis Holding Ltd. and Bermuda Digital Communications Ltd. (CellOne) were \$3.4 million compared to \$4.3 million in the prior year. The prior year comparative includes KeyTech's investment in Cablevision Holding Ltd. which is now fully consolidated in KeyTech's earnings.

KeyTech reduced its long term debt by \$3.2 million. The Company purchased the minority shares of Cablevision for \$3.4 million of which \$1.6 million has been claimed at September 30, 2015. At the close of the ATN transaction, the Company will retire the \$24.7 million of subordinated debt.

Earnings per share for the six month period ending September 30th, 2015 was a loss per share of \$0.20 compared to a loss per share of \$1.20 for the same period last year.



LLOYD FRAY
CHIEF EXECUTIVE OFFICER

Consolidated Balance Sheet

(Unaudited) as at September 30, 2015 and March 31, 2015

	September 30, 2015	March 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents (excluding bank overdraft)	\$ 4,303,586	\$ 3,717,631
Accounts receivable	6,613,952	8,413,539
Materials	52,601	33,269
Assets held for sale	-	948,471
Prepaid expenses and other current assets	2,161,654	4,014,261
	<u>13,131,793</u>	<u>17,127,171</u>
Non-current assets		
Available-for-sale financial assets	982,179	1,109,546
Loan receivable	-	5,000,000
Property, plant and equipment	116,038,215	117,527,905
Investments in associates	27,504,468	25,760,775
Intangible assets	78,314,456	80,419,866
	<u>235,971,111</u>	<u>246,945,263</u>
Total assets	\$ 235,971,111	\$ 246,945,263
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,056,947	\$ 13,547,836
Bank overdraft	1,966,982	779,450
Foreign tax liabilities	187,444	168,500
Interest payable	534,634	522,578
Unearned income	4,557,127	6,099,098
Preferred share redemption amounts unclaimed	652,637	687,116
Loan payable	6,428,571	6,428,571
Liabilities held for sale	-	83,333
	<u>25,384,342</u>	<u>28,316,482</u>
Non-current liabilities		
Loan payable	32,142,858	35,357,143
Sub-ordinated debt	24,700,000	24,700,000
Other long-term liabilities	1,868,230	-
	<u>84,095,430</u>	<u>88,373,625</u>
Total liabilities	\$ 84,095,430	\$ 88,373,625
EQUITY		
Equity attributable to owners of the parent		
Share capital	3,806,197	3,806,197
Share premium	86,058,361	86,058,361
Contributed surplus	22,196,339	20,994,716
Shares held for issue	7,493,110	7,493,110
Other comprehensive income	14,281,695	14,389,751
Retained earnings	15,801,573	18,915,295
	<u>149,637,275</u>	<u>151,657,431</u>
Non-controlling interests	<u>2,238,406</u>	<u>6,914,207</u>
Total equity	<u>151,875,681</u>	<u>158,571,638</u>
Total liabilities and equity	\$ 235,971,111	\$ 246,945,263

Consolidated Statement of Comprehensive Loss

(Unaudited) for the six months ended September 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Television revenues	\$ 20,224,563	\$ -
Data revenues	18,326,891	13,863,853
Voice revenues	1,334,207	1,425,017
Directory revenues	3,750,004	3,866,289
Hardware and software revenues	26,337	59,188
Other revenues	2,355,412	2,793,516
	<u>\$ 46,017,414</u>	<u>\$ 22,007,863</u>
OPERATING EXPENSES		
Salaries and employee benefit expenses	11,084,009	7,758,431
Staff termination costs	873,555	307,786
Operations and maintenance expenses	18,523,903	8,100,055
Depreciation and amortization	10,631,510	4,438,243
General and administrative expenses	8,140,533	7,019,294
Government taxes, fees and levies	2,088,704	917,053
	<u>\$ 51,342,214</u>	<u>\$ 28,540,862</u>
Operating loss	(5,324,800)	(6,532,999)
Share of income of associates	3,350,209	4,325,472
Finance income	52,662	39,535
Finance costs	(1,794,376)	(1,146,549)
Gain (loss) on sale	595,174	(19,307,523)
Loss on revaluation of investment	(19,300)	-
Non-controlling interests	26,708	84,404
	<u>\$ (3,113,723)</u>	<u>\$ (22,537,660)</u>
DISCONTINUED OPERATIONS		
Profit for the period from discontinued operations	-	2,626,474
Loss for the period	\$ (3,113,723)	\$ (19,911,186)
Loss attributable to		
Equity holders of the company	(3,087,015)	(19,826,782)
Non-controlling interests	(26,708)	(84,404)
	<u>\$ (3,113,723)</u>	<u>\$ (19,911,186)</u>
Earnings per share from continuing and discontinued operations attributable to owners of the parent		
From continuing operations	\$ (0.20)	\$ (1.54)
From discontinued operations	-	0.18
From loss for the period	<u>\$ (0.20)</u>	<u>\$ (1.36)</u>

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

Consolidated Statement of Comprehensive Loss (Continued)

(Unaudited) for the six months ended September 30, 2015 and 2014

	2015	2014
Loss for the period	\$ (3,113,723)	\$ (19,911,186)
Other comprehensive (loss) income for the period:		
Discontinued operations		
Sale of subsidiary – defined benefit pension plan	-	2,620,114
Sale of subsidiary – retirement augmentation plan	-	484,081
	-	3,104,195
Items that may be subsequently reclassified to profit or loss		
Realized loss on available-for-sale-investments	6,300	-
Changes in fair value of available-for-sale investments	(114,356)	10,670
Other comprehensive (loss) income for the period	\$ (108,056)	\$ 3,114,865
Total comprehensive loss for the period	\$ (3,221,779)	\$ (16,796,321)
Total comprehensive loss attributable to:		
Equity holders of the company	(3,195,071)	(16,711,917)
Non-controlling interests	(26,708)	(84,404)
	\$ (3,221,779)	\$ (16,796,321)
Total comprehensive loss attributable to:		
Continuing operations	\$ (3,221,779)	\$ (22,526,990)
Discontinued operations	-	5,730,669
	\$ (3,221,779)	\$ (16,796,321)

Consolidated Statement of Changes in Equity

(Unaudited) for the six months ended September 30, 2015 and 2014

Attributable to equity owners for the company

	Share capital	Shares held for issue	Share premium	Contributed surplus	Other comprehensive income (loss)	Retained earnings	Total	Non-controlling Interest	Total
Balance - April 1, 2014	\$ 3,640,908	\$ -	\$ 83,413,733	\$ 20,920,454	\$ (2,724,868)	\$ 33,714,417	\$ 138,964,644	\$ 534,866	\$ 139,499,510
Loss for the period	-	-	-	-	-	(19,826,782)	(19,826,782)	(84,404)	(19,911,186)
Other comprehensive income:									
Changes in fair value of available-for-sale investments	-	-	-	-	10,670	-	10,670	-	10,670
Re-measurement of defined benefit pension plan	-	-	-	-	2,620,114	-	2,620,114	-	2,620,114
Re-measurement of retirement augmentation plan	-	-	-	-	484,081	-	484,081	-	484,081
Comprehensive loss for the period	-	-	-	-	3,114,865	-	3,114,865	-	3,114,865
Non-controlling interest arising on business combination	-	-	-	-	-	(84,404)	(84,404)	-	(84,404)
Issue of Shares	2,763,086	-	-	-	-	-	2,763,086	-	2,763,086
Dividends	-	-	-	-	-	(1,310,719)	(1,310,719)	-	(1,310,719)
Balance - September 30, 2014	\$ 6,403,994	\$ -	\$ 83,413,733	\$ 20,920,454	\$ 389,997	\$ 12,492,512	\$ 123,620,690	\$ 450,462	\$ 124,071,152
Balance - April 1, 2015	\$ 3,806,197	\$ 7,493,110	\$ 86,058,361	\$ 20,994,716	\$ 14,389,751	\$ 18,915,296	\$ 151,657,431	\$ 6,914,207	\$ 158,571,638
Loss for the period	-	-	-	-	-	(3,087,015)	(3,087,015)	(26,708)	(3,113,723)
Other comprehensive income:									
Realized loss	-	-	-	-	6,300	-	6,300	-	6,300
Changes in fair value of available-for-sale investments	-	-	-	-	(114,356)	-	(114,356)	-	(114,356)
Comprehensive income for the period	-	-	-	-	(108,056)	-	(108,056)	-	(108,056)
Non-controlling interests	-	-	-	-	-	(26,708)	(26,708)	-	(26,708)
Purchase of non-controlling interest	-	-	-	1,201,623	-	-	1,201,623	(4,649,093)	(3,447,470)
Balance - September 30, 2015	\$ 3,806,197	\$ 7,493,110	\$ 86,058,361	\$ 22,196,339	\$ 14,281,695	\$ 15,801,573	\$ 149,637,275	\$ 2,238,406	\$ 151,875,681

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

Consolidated Statement of Cash Flow

(Unaudited) for the six months ended September 30, 2015 and 2014

	2015	2014
CASH FLOW PROVIDED BY (USED IN)		
Operating activities		
Loss for the period	\$ (3,113,723)	\$ (19,911,186)
Adjustments for:		
Depreciation and amortization	10,631,511	4,438,243
Bad debt expenses and impairment allowances	638,820	314,986
Share of income of associates	(3,350,209)	(4,325,472)
Net interest cost on pension plan	-	70,000
Net interest cost on post-retirement medical plan	-	50,000
Profit for the year from discontinued operations	-	(2,626,474)
Changes in items of working capital:		
Accounts receivable	1,439,675	1,581,732
Materials	(19,332)	172,716
Prepaid expenses and other current assets	1,857,040	837,890
Accounts payable and accrued liabilities	(2,562,166)	1,589,499
Foreign tax liabilities	18,944	13,784
Unearned income	(1,541,971)	(1,699,234)
Working capital acquired on business combinations	-	4,649,782
Net cash generated from discontinued activities	-	6,025,382
Net cash generated from (used in) operating activities	\$ 3,998,589	\$ (8,818,352)
Investing activities		
Repayments received on loans to associates	-	704,983
Dividends received from associates	1,606,517	1,602,929
Sale (purchase) of available-for-sale financial assets	19,311	(10,554)
(Purchase) sale of property, plant and equipment	(6,130,583)	33,254,954
Purchase of intangible assets	(240,697)	(8,369,571)
Property, plant and equipment acquired on business combinations	-	(27,466,705)
Intangible assets arising on business combinations	-	(27,038,613)
Purchase of non-controlling interest	(1,605,949)	-
Loan repaid (arising) on business combinations	5,000,000	(5,000,000)
Net cash used for investing activities	\$ (1,351,401)	\$ (32,322,577)
Financing activities		
Amount received on borrowing facility	-	45,000,000
Amount paid on borrowing facility	(3,214,286)	(27,500,000)
Amount received as subordinated debt	-	24,700,000
Redemption of preferred shares	(34,479)	(1,515)
Dividends paid on common shares	-	(2,621,446)
Net cash (used) received for financing activities	\$ (3,248,765)	\$ 39,577,039
Decrease in cash and cash equivalents	\$ (601,577)	\$ (1,563,890)
Cash and cash equivalents and bank overdraft - Beginning of period	\$ 2,938,181	\$ 5,701,954
Cash and cash equivalents and bank overdraft - End of period	\$ 2,336,604	\$ 4,138,064

Notes to Consolidated Financial Statements

(Unaudited) for the six months ended September 30, 2015

1. The Company and its regulatory framework

KeyTech Limited (the “Company”) is incorporated in Bermuda with limited liability under the Companies Act 1981. The Company, through its subsidiaries and associates, is a supplier of information and communications 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.

2. Accounting policies

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, with the exception of land and buildings, which were revalued to market value on March 31, 2015, available-for-sale financial assets and financial assets and financial liabilities, which are recorded at fair value through profit or loss. The financial statements are presented in Bermuda dollars (\$), which is the functional currency of the Company.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

In accordance with IFRS, BTC results were removed from the Statement of Operations for 2014/15 comparative financials.

3. Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Allowance for impairment losses on receivables*

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. 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.

(b) *Net realizable value of materials*

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the materials are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realizable value also take into consideration the purpose for which the materials are held.

Notes to Consolidated Financial Statements

(Unaudited) for the six months ended September 30, 2015

(c) *Residual value and expected useful life of property, plant and equipment*

The residual value and the expected useful life of an asset are reviewed at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Company and its subsidiaries. The recoverable amount of property, plant and equipment is dependent upon management's internal assessment of future cash flows from the individual asset or from the cash generating units to which the asset belongs. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rate used.

(d) *Impairment of investments in associates*

The carrying value of investments in associates is assessed for impairment using benchmark multiples of earnings before interest, depreciation and amortization ("EBIDA") and discounted cash flows of the Company, based on actual and forecasted results over a period of up to five years. The discount rate and benchmark multiples are assessed individually for each investment depending on the nature of its business, maturity of the business and expected future revenue growth rates. If the recoverable value is less than the carrying value of the investment in associate, an impairment expense is recognized in the period to reduce carrying value to its recoverable value. The following are key assumptions used in the impairment assessment calculations:

Benchmark multiples of EBIDA	5¾ - 12
Discount rate applied in cash flow projections	8%

(e) *Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable value using value in use, of the cash-generating units to which the goodwill and intangible assets have been allocated. The cash generating unit fair value is assessed using the discounted cash flows of the cash generating unit, based on financial budgets approved by management over a period of up to five years with a terminal value at the end of the five year period. Tangible assets are deducted from the estimated enterprise value and the residual value is compared to the carrying value of goodwill and intangible assets. If the residual value is less than the book carrying value of goodwill and intangible assets, an impairment expense is recognized in the period to reduce the carrying value to its recoverable amount. The following are key assumptions used in the impairment assessment calculations:

Benchmark multiples of EBIDA	5.0 - 6.5
Discount rate applied in cash flow projections	9.5%

4. Segment information

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 operate in different industries and require different market strategies and technologies. The Company evaluates each segment's performance based on its contribution to consolidated net income. The accounting policies of the reportable segments are the same as those described in note 2.

Bermuda Cablevision Limited (trading as Logic Communications Ltd.) ("Logic") – the company provides internet access and data internet products as well as long distance and local voice services and subscription television services in Bermuda through its coaxial and fiber network services. On July 16, 2015 the companies Logic Communications Ltd. and Bermuda Cablevision Limited merged.

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

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

Bermuda Yellow Pages Limited ("BYP") – provides print, on-line directory and digital marketing services.

Yabsta (BVI) Limited ("Yabsta") – provides on-line search capabilities, specializing in digital advertising.

Notes to Consolidated Financial Statements

(Unaudited) for the six months ended September 30, 2015

Segment information						
CONTINUING OPERATIONS	Logic	Logic Cayman	Cable Co.	BYP	Yabsta	Total
Six months ended September 30, 2015						
Revenues from external customers	\$27,742,245	\$13,785,571	\$243,253	\$3,758,622	\$24,000	\$45,553,691
Revenues from internal customers	556,992	26,760	1,013,171	49,804	30,000	1,676,727
Depreciation and amortization	4,911,364	4,047,241	1,053,017	14,301	125,867	10,151,790
Operating expenses	22,479,755	12,139,669	1,415,560	3,050,585	73,197	39,158,766
Segment income (loss)	908,118	(2,374,579)	(1,212,153)	743,540	(145,064)	(2,080,138)
Segment assets	\$70,633,728	\$70,753,355	\$17,370,356	\$1,865,199	\$881,067	\$161,503,705
	Logic	Logic Cayman	Cable Co.	BYP	Yabsta	Total
Six months ended September 30, 2014						
Revenues from external customers	\$11,631,875	\$6,264,876	\$171,602	\$3,839,062	\$27,000	\$21,934,415
Revenues from internal customers	700,208	26,760	855,671	138,804	27,000	1,748,443
Depreciation and amortization	1,808,412	1,938,199	1,045,988	12,693	125,867	4,931,159
Operating expenses	8,935,990	7,821,145	1,254,495	3,049,969	100,387	21,161,986
Segment income (loss)	1,587,681	(3,467,708)	(1,273,210)	915,204	(172,254)	(2,410,287)
Segment assets	\$38,575,597	\$70,965,731	\$19,308,444	\$1,814,179	\$1,132,800	\$131,796,751

5. Dividends per share

There were no dividends declared during the reporting period. See note 8 for a potential future special dividend, subject to Regulatory Authority approval of the ATN business transaction.

6. Related parties

The following transactions were carried out with related parties:

(a) Half year-end balances arising from sales / purchases of goods / services

	2015		2014	
Receivables from related parties:				
- Associates	\$	204,537	\$	257,896
Payables to related parties:				
- Associates	\$	10,596,816	\$	10,560,478
Sales to related parties:				
- Associates	\$	189,305	\$	384,961
Purchases from related parties:				
- Associates	\$	142,102	\$	46,661

The payables relate mainly to a KeyTech Director who is a principal of one of the subordinated debt holders.

The receivables from related parties arise mainly from sales transactions and are due one month after the date of sale. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2014: Nil).

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014

Goods are sold based on the price lists in force and terms that would be available to third parties.

(b) Key management compensation

Key management includes Directors (executive and non-executive) and members of Senior Management. The compensation paid or payable to key management for employee services is shown below:

	2015		2014
Salaries and other short-term employee benefits	\$ 2,897,637	\$	3,442,100

(c) Loans to related parties

	2015		2014
Loans to associates:			
At April 1	\$ 740,685	\$	1,401,685
Loan repayments received	-		(680,462)
Interest charged	12,534		31,517
Interest payments received	-		(24,520)
At September 30	\$ 753,219	\$	728,220

The loans to associates were considered capital contributions to the associates and are included as 'investments in associates' on the face of the consolidated balance sheet.

Advances under the loan facility to QuoVadis bear interest at 5% and are secured on the fixed and floating assets of QuoVadis. Interest relating to all associates loans is included as a component of 'share of income of associates' in the consolidated statement of comprehensive income. The promissory note to Cablevision Holding Limited was paid in full during the six months ended September 30, 2014. The promissory note was unsecured, had no set terms of repayment and bore interest at 9% per annum.

No provision was required in 2015 (2014: Nil) for the loans made to associates.

7. Business combinations

On July 15, 2015 the Company completed a transaction through one of its subsidiaries which resulted in the Company now owning 100% of Bermuda Cablevision Limited. As a result, the Company acquired the minority interest for \$3.4 million. The liability was due upon completion of the transaction and payments are made as the previous shareholders present their share certificates for settlement. As at September 30, 2015 \$1.6 million of the liability has been claimed and paid.

8. Events after the reporting period

On October 5, 2015, the Company entered into an agreement with Atlantic Tele-Network, Inc. ("ATN"), whereby ATN will acquire a controlling interest in KeyTech of at least 51% of KeyTech's share capital. In exchange, KeyTech will receive \$42 million in cash and ATN's 42.79% of Bermuda Digital Communications Limited, operating in Bermuda as "CellOne". Subject to legal and financial requirements, KeyTech intends to declare a special dividend of \$0.75 per share to the KeyTech shareholders of record immediately prior to the closing of the transaction. Following the acquisition, it is expected that KeyTech will acquire the remaining shares of CellOne by way of merger and the issuance of KeyTech shares in the aggregate of approximately 8.9%. Certain required legal steps for the proposed transaction were approved by KeyTech shareholders at a special general meeting on October 20, 2015. The transaction is subject to legal and regulatory consents and approvals in both Bermuda and the Cayman Islands.

Board of Directors

CHAIRMAN

Mr. Gary L. Phillips, OBE, J.P., CIArb

DEPUTY CHAIRMAN

Ms. Fiona E. Beck

ACBDA - Telecommunication Chair

Charles Jillings

Director
Somers Limited

Director
ICM Limited

Ms. Alison Hill, FCMA

Chief Executive Officer
Argus Group Holdings Limited

Mr. E. Michael Leverock, B. Eng., P. Eng., MBA

Cofounder and Director,
Digital Communications Ltd.

Mr. Douglas B. Trussler

Partner & Managing Partner
Bison Capital Asset Management, LLC

Mr. S. Sean Tucker, J.P., B.A. (Hons), LL.B. (Hons), G.D.P.A

Head of Property & Estates
Terra Law Limited, Barristers and Attorneys

Chairman
Bermuda National Sports Centre

Director
Island Petroleum Limited

Executives and Officers

Mr. Lloyd Fray

Chief Executive Officer

Ms. Leslie Rans, CPA

Chief Financial Officer

Mr. Michael Tanglao

General Counsel
Secretary

Mr. Richard Lau

Chief Technology Officer

Mr. Philip S. Harris

Director of Human Resources

Common shares held by Directors – 368,307

Common shares held by KeyTech Executive Management – 3,239

No rights to subscribe to shares or debt securities in the Company have been granted to, or exercised by, any Director, Officer or member of KeyTech Executive Management. There are no contracts of significance subsisting during or at the end of the financial year in which a Director was materially interested either directly or indirectly.

PRINCIPAL SUBSIDIARIES

Bermuda Cablevision Limited

(trading as "Logic")

30 Victoria Street
Hamilton HM 12
Bermuda

www.logic.bm

WestTel Limited

(trading as "Logic")

43 Eclipse Dr
Grand Cayman
Cayman Islands

www.logic.ky

Cable Co. Ltd.

30 Victoria Street
Hamilton HM 12
Bermuda

Bermuda Yellow Pages Limited

Swan Building
26 Victoria Street
Hamilton HM 12
Bermuda

www.bermudayp.bm

KeyTech Limited

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