

Unlocking a World
of Connections

Six Month Report 2014



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Board of Directors, Company Officers & KeyTech Group Executives

Chief Executive Officer's Report



OUR RESULTS

During the six month reporting period ended September 30th, 2014, KeyTech was focused and worked diligently on transforming the future of its operating entities.

Management and the Board worked through multiple scenarios to improve shareholder value as the telecommunications markets in Bermuda and Cayman were both faced with technological obsolescence and competitive pricing pressure along with the Bermuda Regulatory Authority's constraints imposed upon KeyTech, its Bermuda subsidiaries and associates.

As a result, KeyTech sought to acquire BOTCAT Holdings Ltd. ("BOTCAT") which would consolidate the market in Cayman and increase Logic Cayman's customer base as they continue to build a fiber network island wide. In Bermuda, this transaction increased KeyTech's shareholding in Bermuda CableVision Limited (BCV) whose network is a coaxial fiber hybrid that can be upgraded more efficiently and more cost effectively than a copper network. The Bermuda Regulatory Authority's approval for this transaction was contingent upon KeyTech divesting ownership of The Bermuda Telephone Company Limited (BTC). The reason for this condition was to prohibit KeyTech from having a controlling interest in both of Bermuda's residential access providers for any period of time.

BOTCAT was acquired and BTC was sold on September 3rd, 2014. This has placed KeyTech in a formidable position to build on its foundation for quality networks and to deliver high performance products. Legacy on-island networks and cost prohibitive off-island capacity were outpaced by the demand for high speed bandwidth along with increased lifestyle applications. KeyTech understood the trend of data consumption and built the Challenger cable system in 2008 in order to reduce current and future off-island costs of meeting bandwidth demands. The BOTCAT acquisition is a continuation of this strategy for on-island "future-proofed" networks in both Bermuda and Cayman.

Since the acquisition of BOTCAT, much work has been done in Cayman to integrate WestStar with Logic Cayman with synergies now being realized. As the Cayman economy continues to progress and attracts more businesses and opportunities,

Logic Cayman will endure to bolster its fiber build across Cayman with the intent for increased penetration in the corporate and residential markets.

Bermuda's economy continues to be challenged, with the Bermuda Government now taking measures to work towards reducing Bermuda's debt position as was seen with the recent disclosure of the 2015/16 budget. With the impending and prestigious America's Cup just ahead of us, it is anticipated that Bermuda's economy could receive a much needed uplift. Local carriers, including KeyTech subsidiaries, are providing the event organizers and teams with information and proposals to meet their technical communications requirements.

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

KEYTECH LIMITED

On September 3rd, 2014 KeyTech executed two transactions, the sale of BTC and the acquisition of BOTCAT, a company that owned WestStar TV in Cayman and 32% of BCV. The accounting for these transactions will be complex and fully reported in KeyTech's audited annual report for 2014/15. The sale of BTC resulted in a loss of \$19.1 million which has been recorded in the unaudited six month report and detailed in the notes to the financial statements. The acquisition of BOTCAT was two-fold for the Company. In Cayman, Logic Cayman acquired WestStar TV whose results have been consolidated with Logic Cayman's financials. In Bermuda, KeyTech increased its shareholding in BCV, thus requiring an accounting change from recognizing a share of income in an associate to a full consolidation of BCV's results with the other KeyTech operating subsidiaries. This accounting change will be reflected in the annual report for 2014/15. For the six month reporting period, accounting for BCV will be reflected in the share of income in associates and not consolidated into the operating results.

Consolidated unaudited loss for the six month period ending September 30th, 2014 was \$19.9 million, a decrease of \$24.9 million over the prior year. This loss was related to the write-off of BTC's assets that resulted from the sale. As part of the sale of BTC, KeyTech reduced related current and non-current pension liabilities by

\$4.3 million in addition to de-risking the future liabilities of the Company related to market valuations and projected benefit obligations of the underlying pension fund which during the same period in 2013 was reported as a comprehensive loss of \$2.7 million.

Consolidated revenue for the period, not including BCV, is \$39.0 million. Declines in data and voice revenues reflect the sale of BTC and the price adjustment for Logic's residential ISP services in October 2013. Directory revenues are down as Bermuda Yellow Pages continues to face a tough economy in which to sell its marketing and digital media products. Fixed data revenues and other revenues increased from the acquisition of WestStar. Other revenues represent subscription television revenues and third party rents.

Operating Expenses increased by \$0.5 million. One-time expenses related to the sale and acquisition transactions totaled \$1.4 million with an additional \$0.4 million in staff termination costs. Decreases in the other expense lines are from the timing of the sale of BTC.

KeyTech increased its long term debt by \$44.1 million to acquire BOTCAT, resulting in increased interest payable of \$0.7 million. There is a loan receivable from the sale of BTC for \$5.0 million.

Earnings per share for the six month period ending September 30th, 2014 was a loss of \$1.31 compared to earnings per share of \$0.34 for the same period last year. The Company declared dividends of \$0.09 per share in March and June of 2014 which were paid in April 2014 and July 2014 respectively.

LOGIC

As at September 30, 2014 Logic's revenue declined \$1.9 million over the prior period. In October 2013, Logic reduced pricing on its residential internet service to respond to market conditions. During the reporting period, Logic was able to offset the full impact of this price adjustment by upselling customers to higher bandwidth speeds and with continued success in growing and retaining its corporate customer base. Net Income was \$1.6 million down \$0.8 million over the prior year. Increases in operating expenses and depreciation contributed to this decline as the Company required additional off-island capacity to meet existing and future bandwidth demands from customers. In addition,

increases in amortization expense are related to the intangible asset created by the amalgamation with North Rock.

In January 2015 Logic made the strategic decision to withdraw its LogicTV product from the market. Logic assessed the viability of this product compared with future plans of BCV to launch IPTV, in conjunction with KeyTech's increased investment in BCV. The KeyTech Group is moving towards combining the services of Logic and BCV to create a more robust and enhanced network that will offer improved triple play services.

Logic's strategy to expand its global footprint to offer multi-protocol label switching (MPLS) has been successful for both Bermuda and Cayman operations as international businesses in both jurisdictions have similar network requirements. Although the competition is fierce in the corporate data solutions market, Logic is fast becoming the provider of choice.

LOGIC CAYMAN

Logic Cayman's revenues increased \$2.1 million compared to the prior year. This increase in revenue is driven by growth in corporate data services and residential internet/television through both organic growth on their fiber network and from the acquisition of WestStar TV. Operating expenses increased by \$2.3 million as the company had to increase its off-island data capacity to meet existing customer demand for bandwidth and to provide for future growth. In addition, one-time expenses related to the acquisition of WestStar, such as legal fees and redundancies, contributed to the increase in operating expenses.

Logic Cayman continues to increase residential services penetration in fiber developed areas while expanding its fiber network island wide. The integration of WestStar TV with Logic Cayman is nearing completion and both networks have been combined to carry LogicTV and internet services on either infrastructure.

The economic outlook in Cayman continues to be favourable. There is significant investment in the development of new hotels and the Cayman Enterprise City initiative to attract international business has been and continues to be very successful. As a result, Logic Cayman's corporate data sales have been strong.

BERMUDA YELLOW PAGES (BYP)

BYP, at the end of the period, had a net income of \$0.9 million, which is \$0.4

million less than the prior year. Bermuda's economic conditions continue to depress local business marketing spend. Traditional print directory sales have declined, however, BYP has strategically grown its digital and on-line product offerings. These products offer local businesses ecommerce, social media, website, and advertising solutions that are able to target both local and international consumer markets.

CABLE CO. LTD (Cable Co.)

Cable Co. continues to provide KeyTech subsidiaries and other Bermuda telecommunications providers with robust and reliable off-island connectivity for both residential and corporate data services. Net income declined \$0.2 million over the prior period with increased depreciation associated with the purchase of redundant capacity on an alternate cable system.

THE BERMUDA TELEPHONE COMPANY LIMITED (BTC)

BTC results have been reported for the period April 1, 2014 to September 2nd, 2014. On September 3rd, 2014, KeyTech sold 100 percent of its interest in BTC to Barrie OpCo Limited, which included the BTC pension obligation and any related pension liabilities.

BTC's revenues decreased \$3.8 million over the prior period. Continued declines in local voice revenue and corporate data erosion were the contributing factors. Depreciation and amortization and operating expenses were less than prior year resulting in an increase in net income for the period of \$0.4 million.

ASSOCIATES

KeyTech's share of income in associates for the period, which includes its investments in Cablevision Holding Ltd., Bermuda Digital Communications Ltd. (CellOne) and QV Holding Ltd., were \$4.3 million, compared to \$4.7 million in the prior year. KeyTech's investment in CableVision Holding Ltd. will be fully consolidated into earnings for the fiscal year end and no longer reported as an associate.



LLOYD FRAY
CHIEF EXECUTIVE OFFICER

Consolidated Balance Sheet

(Unaudited) for the six months ended September 30, 2014 and March 31, 2014

	September 30, 2014	March 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents (excluding bank overdraft)	\$ 4,138,064	\$ 5,857,875
Accounts receivable	5,175,955	10,698,980
Materials	40,181	1,677,599
Prepaid expenses and other current assets	3,731,185	6,148,648
	13,085,385	24,383,102
Non-current assets		
Available-for-sale financial assets	1,462,387	1,451,833
Loan receivable	5,000,000	-
Property, plant and equipment	83,235,428	98,425,686
Investments in associates	51,018,636	33,938,579
Intangible assets	56,606,604	35,089,103
Total assets	\$ 210,408,440	\$ 193,288,303
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,647,608	\$ 10,899,135
Bank overdraft	-	155,921
Foreign tax liabilities	188,192	174,408
Interest payable	119,162	-
Dividends payable	-	1,310,727
Unearned income	3,988,170	8,759,555
Preferred share redemption amounts unclaimed	694,156	695,671
Pension plan	-	245,649
Loan payable	4,375,724	6,302,083
	21,013,012	28,543,149
Non-current liabilities		
Retirement augmentation plan	-	3,065,131
Pension plan	-	982,596
Loan payable	40,624,276	21,197,917
Subordinated debt	24,700,000	-
Total liabilities	\$ 86,337,288	\$ 53,788,793
EQUITY		
Equity attributable to owners of the parent		
Share capital	6,403,994	3,640,908
Share premium	83,413,733	83,413,733
Contributed surplus	20,920,454	20,920,454
Other comprehensive income (loss)	389,997	(2,724,868)
Retained earnings	12,492,512	33,714,417
	123,620,690	138,964,644
Non-controlling interests	450,462	534,866
Total equity	124,071,152	139,499,510
Total liabilities and equity	\$ 210,408,440	\$ 193,288,303

Consolidated Statement of Comprehensive Income

(Unaudited) for the six months ended September 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Data revenues	\$ 22,166,093	\$ 25,641,633
Voice revenues	7,626,372	9,602,027
Directory revenues	3,866,289	4,111,137
Fixed data revenues	1,319,703	1,148,449
Hardware and software revenues	550,604	706,189
Other revenues	3,447,063	1,797,718
	38,976,124	43,007,153
OPERATING EXPENSES		
Salaries and employee benefit expenses	13,354,012	14,090,339
Staff termination costs	452,352	667,980
Operations and maintenance expenses	11,112,626	11,287,956
Depreciation and amortization	8,152,587	8,195,274
Government taxes, fees and levies	1,791,790	1,908,052
Other operating expenses	7,899,315	6,098,314
	42,762,682	42,247,915
Operating (loss) profit	(3,786,558)	759,238
Share of income of associates	4,325,472	4,727,944
Investment income	39,568	30,666
Interest on long-term debt	(1,146,549)	(414,502)
Loss on sale	(19,307,523)	-
Net interest cost on pension plan	(70,000)	(69,256)
Net interest cost on retirement augmentation plan	(50,000)	(61,151)
Non-controlling interests	84,404	-
(Loss) Profit for the year	\$ (19,911,186)	\$ 4,972,939
(Loss) Profit attributable to:		
Equity holders of the company	\$ (19,826,782)	\$ 4,972,939
Non-controlling interests	(84,404)	-
Total comprehensive (loss) income for the year	\$ (19,911,186)	\$ 4,972,939
Earnings per share:		
Basic and diluted	\$ (1.31)	\$ 0.34

Consolidated Statement of Comprehensive Income (Continued)

(Unaudited) for the six months ended September 30, 2014 and 2013

	2014	2013
(LOSS) PROFIT FOR THE YEAR	\$ (19,911,186)	\$ 4,972,939
Other comprehensive (loss) income for the year:		
Items that will not be reclassified to profit or loss		
Re-measurement from gains (losses) in defined benefit pension plan	-	1,326,225
Actuarial gains and losses on retirement augmentation plan	-	37,087
	-	1,363,312
Items that may be subsequently reclassified to profit or loss		
Changes in fair value of available-for-sale investments	10,670	15,877
	10,670	1,379,189
Total comprehensive (loss) income for the year	\$ (19,900,516)	\$ 6,352,128
Total comprehensive (loss) income attributable to:		
Equity holders of the company	\$ (19,826,782)	\$ 6,352,128
Non-controlling interests	(84,404)	-
	\$ (19,911,186)	\$ 6,352,128

Consolidated Statement of Changes in Equity

(Unaudited) for the six months ended September 30, 2014 and 2013

Attributable to equity owners for the company

	Share capital	Share premium	Contributed surplus	Other comprehensive income	Retained earnings	Total	Non-controlling Interest	Total
Balance – April 1, 2013	\$ 3,640,908	\$ 83,413,733	\$ 20,920,454	\$ (5,390,215)	\$ 34,521,366	\$ 137,106,246	\$ 519,431	\$ 137,625,677
Profit for the period	–	–	–	–	4,972,939	4,972,939	–	4,972,939
Other comprehensive income:								
Changes in fair value of available-for-sale investments	–	–	–	15,877	–	15,877	–	15,877
Re-measurement of defined benefit pension plan	–	–	–	1,326,225	–	1,326,225	–	1,326,225
Re-measurement of retirement augmentation plan	–	–	–	37,087	–	37,087	–	37,087
Comprehensive income for the period	–	–	–	1,379,189	–	1,379,189	–	1,379,189
Non-controlling interests	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	(3,495,261)	(3,495,261)	–	(3,495,261)
Balance – September 30, 2013	\$ 3,640,908	\$ 83,413,733	\$ 20,920,454	\$ (4,011,026)	\$ 35,999,044	\$ 139,963,113	\$ 519,431	\$ 140,482,544
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
Sale of subsidiary - defined benefit pension plan	–	–	–	2,620,114	–	2,620,114	–	2,620,114
Sale of subsidiary - retirement augmentation plan	–	–	–	484,081	–	484,081	–	484,081
Comprehensive income for the period	–	–	–	3,114,865	–	3,114,865	–	3,114,865
Non-controlling interest	–	–	–	–	(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

Consolidated Statement of Cash Flow

(Unaudited) for the six months ended September 30, 2014 and 2013

	2014	2013
CASH FLOW PROVIDED BY (USED IN)		
Operating activities		
(Loss) Profit for the period	\$ (19,911,186)	\$ 4,972,939
Adjustments for:		
Depreciation and amortization	8,152,587	8,195,274
Bad debt expenses and impairment allowances	314,986	274,031
Share of income of associates	(4,325,472)	(4,727,944)
Net interest cost on pension plan	70,000	69,256
Net interest cost on post-retirement medical plan	50,000	61,151
Changes in items of working capital:		
Accounts receivable	1,785,391	768,730
Materials	(3,995)	(141,865)
Prepaid expenses and other current assets	1,366,898	1,606,555
Accounts payable and accrued liabilities	899,158	(2,971,738)
Foreign tax liabilities	13,784	50,000
Unearned income	(1,641,903)	(2,347,175)
Working capital acquired on business combinations	842,832	(357,661)
Working capital sold on business combinations	3,568,568	-
Net cash generated from operating activities	(8,818,352)	5,451,553
Investing activities		
Repayments received on loans to associates	704,983	4,943,186
Dividends received from associates	1,602,929	1,068,619
Sale of property, plant and equipment	33,244,400	(6,980,696)
Purchase of intangible assets	(8,369,571)	(251,582)
Property, plant and equipment acquired on business combinations	(27,466,705)	(3,056,406)
Intangible assets arising on business combinations	(27,038,613)	(13,708,382)
Loan receivable arising on business combinations	(5,000,000)	-
Goodwill arising on business combinations	-	(10,055,856)
Net cash used for investing activities	(32,322,577)	(28,041,117)
Financing activities		
Amount received on borrowing facility	69,700,000	27,500,000
Amount paid on borrowing facility	(27,500,000)	-
Redemption of preferred shares	(1,515)	-
Dividends paid on common shares	(2,621,446)	(3,495,261)
Net cash received for financing activities	39,577,039	24,004,739
(Decrease) Increase in cash and cash equivalents	(1,563,890)	1,415,175
Cash and cash equivalents and bank overdraft – Beginning of year	5,701,954	3,942,211
Cash and cash equivalents and bank overdraft – End of year	\$ 4,138,064	\$ 5,357,386

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014

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 operates in Bermuda. 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 and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, with the exception of available-for-sale financial assets and financial assets and financial liabilities, that which have been prepared 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 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.

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

For the six months ended September 30, 2014

(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%

(f) 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	8%

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.

Logic Communications Ltd. ("Logic") – provides a wide range of data internet products and services and long distance and local voice services.

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

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

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

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

The Bermuda Telephone Company Limited ("BTC") – note that the Company sold 100% of its interest in BTC to a third party September 3, 2014 (refer to Note 8). During the time BTC was owned by the Company, BTC provided a wide range of wireline voice and data services, data center services, and customer premise equipment rentals.

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014

	Logic	Logic Cayman	Cable Co.	BYP	Yabsta	BTC	Total
Six months ended September 30, 2014							
Revenues from external customers	\$ 11,631,875	\$ 6,264,876	\$ 171,602	\$ 3,839,062	\$ 27,000	\$ 16,873,631	\$ 38,808,046
Revenues from internal customers	700,208	26,760	855,671	138,804	27,000	1,888,198	3,636,641
Depreciation and amortization	1,808,412	1,938,199	1,045,988	12,693	125,867	3,714,344	8,645,503
Operating expenses	8,935,990	7,821,145	1,254,495	3,049,969	100,387	12,942,786	34,104,772
Segment income (loss)	1,587,681	(3,467,708)	(1,273,210)	915,204	(172,254)	2,104,699	(305,588)
Segment assets	\$ 38,575,597	\$ 70,965,731	\$ 19,308,444	\$1,814,179	\$1,132,800	\$ -	\$ 131,796,751

	Logic	Logic Cayman	Cable Co.	BYP	Yabsta	BTC	Total
Six months ended September 30, 2013							
Revenues from external customers	\$ 13,541,012	\$ 4,157,253	\$ 255,563	\$4,108,339	\$ 3,000	\$ 20,897,263	\$ 42,962,430
Revenues from internal customers	664,295	26,760	1,369,543	170,624	4,000	1,639,995	3,875,217
Depreciation and amortization	1,446,401	1,342,093	945,704	14,405	7,000	4,648,571	8,404,174
Operating expenses	10,309,060	5,548,596	1,748,832	2,932,872	-	16,155,163	36,694,523
Segment income (loss)	2,449,846	(2,706,676)	(1,069,430)	1,331,686	-	1,733,524	1,738,950
Segment assets	\$ 16,446,105	\$ 19,001,514	\$ 20,282,203	\$2,544,965	\$1,193,767	\$ 71,547,307	\$131,015,861

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014

Reconciliations

Revenues from external customers

	2014	2013
Total segment revenues from external customers	\$ 38,808,046	\$ 42,962,430
Non-segment other revenue	168,078	44,723
	<u>\$ 38,976,124</u>	<u>\$ 43,007,153</u>

Depreciation and amortization

	2014	2013
Total segment depreciation and amortization	\$ 8,645,503	\$ 8,404,174
Non-segment depreciation and amortization	73,236	8,316
Elimination of inter-company amounts	(566,152)	(217,216)
	<u>\$ 8,152,587</u>	<u>\$ 8,195,274</u>

Operating expenses

	2014	2013
Total segment operating expenses	\$ 34,104,772	\$ 36,694,523
Non-segment operating expenses	3,832,298	1,464,994
Elimination of inter-company amounts	(3,326,975)	(4,106,876)
	<u>\$ 34,610,095</u>	<u>\$ 34,052,641</u>

(Loss) Profit for the year

	2014	2013
Total (loss) income for reportable segments	\$ (305,588)	\$ 1,738,950
Share of income of associates	4,325,472	4,727,944
Investment income	39,568	30,666
Interest on long-term debt	(1,146,549)	(414,502)
Gain (loss) on business combinations	(19,307,523)	-
Net interest cost on pension plan	(70,000)	(69,256)
Net interest cost on retirement augmentation plan	(50,000)	(61,151)
Non-controlling interests	84,404	-
Non-segment other income	168,078	44,723
Non-segment amortization	(73,236)	(8,316)
Non-segment operating expenses	(3,832,298)	(1,464,994)
Elimination of inter-company amounts	256,486	448,875
	<u>\$ (19,911,186)</u>	<u>\$ 4,972,939</u>

5. Dividends

A dividend of \$0.09 per share, declared in March 2014 and again in June 2014, was paid in April 2014 and July 2014 (2013: \$0.12 per share). At the Board meeting held in September 2014, it was resolved that dividends would be temporarily suspended for the quarters ended September 2014 and December 2014.

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014

6. Disclosure of related party transactions

The following transactions were carried out with related parties:

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

	2014	2013
Receivables from related parties:		
- Associates	\$ 257,896	\$ 779,694
Payables to related parties:		
- Associates	\$ 10,560,478	\$ 31,196
Sales to related parties:		
- Associates	\$ 384,961	\$ 948,961
Purchases from related parties:		
- Associates	\$ 46,661	\$ 229,237

The payables relate mainly to a new Keytech director who is also a subordinate debt holder.

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 (2013: Nil).

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:

	2014	2013
Salaries and other short-term employee benefits	\$ 3,442,100	\$ 2,166,715

(c) Loans to related parties

	2014	2013
Loans to associates:		
At April 1	\$ 1,401,685	\$ 8,065,301
Loan repayments recieved	(680,462)	(4,761,239)
Interest charged	31,517	220,860
Intrest payments recieved	(24,520)	(265,280)
At September 30	\$ 728,220	\$ 3,259,642

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014

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.

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. 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.

No provision was required in 2014 (2013: Nil) for the loans made to associates.

7. Business combinations

On September 3, 2014 Logic Cayman, doing business in Cayman, acquired BOTCAT Holdings Ltd. ("BOTCAT"), a company incorporated in Cayman, for a total purchase price of \$66,294,750, plus 2,424,242 common shares of the Company issued out of the authorized share capital. Of these shares, 650,138 were issued September 3, 2014. The remaining shares will be issued 18 months from closing at the prevailing market rate, provided there are no claims made against the transaction indemnifications.

BOTCAT owns WestStar T.V. Limited (WestStar) in Cayman, which in turn owns an interest in Cablevision Holding Limited in Bermuda. Following completion of the acquisition, the Company, now has a controlling interest of 68% in Bermuda Cablevision and a 100% interest in WestStar.

For the interim period of September 3rd to 30th, 2015 the Company accounted for BCV as an equity-pick up in the respective subsidiaries and BCV is not consolidated as a subsidiary. This is presented on the consolidated balance sheet under Investment in associates to the value of \$24,291,229. At year-end BCV will be presented as a subsidiary and consolidated into the statements. At September 30, 2014, the net assets of BCV represent \$28,263,564.

The acquisition of BOTCAT was financed through debt and equity. The Company entered into a term loan facility agreement with a local bank for a total of \$45,000,000 (Tranche A and Tranche B). The term loan facility agreement is secured by the assets of Logic, Cable, Cedar, Chancery Holdings Limited, KeyTech Holdings Limited ("KHL"), Wansunt Company Limited, WestStar and Logic Cayman. The term loan facility has set terms of repayment and bears interest at the Libor rate plus 3.25% per annum. In the case of the Tranche A loan, annual principal repayments of \$4,375,725 are payable quarterly on each quarter end in equal amounts of \$1,093,931 commencing December 31, 2014. In the case of the Tranche B loan, annual principal repayments of \$2,052,846 are payable quarterly on each quarter end in equal amounts of \$513,212 per quarter commencing December 31, 2014. The maturity date of the loan is September 2021.

The remaining \$24,700,000 in debt financing was in the form of subordinated debt. The notes have a term of 3 years and may be repaid in part or in full at any time within the term without penalty or the prior approval. The note bears interest at a rate of 8% per annum for year 1, 9% per annum for year 2 and 10% per annum for year 3. Interest is payable on June 30th and December 31st each year.

Management has not yet completed the provisional analysis to determine an allocation of the purchase price to goodwill and intangible assets and therefore, management has allocated all of the excess of the fair value of consideration over identifiable net assets to goodwill and intangible assets on a provisional basis, as allowed under IFRS 3.

Notes to Consolidated Financial Statements

For the six months ended September 30, 2014

The following table summarizes the consideration paid for BOTCAT, the fair value of assets acquired and liabilities assumed.

Total cash consideration	\$ 41,594,750
Share consideration	2,763,087
Total subordinated debt	24,700,000
Total cash consideration	\$ 69,057,837
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	\$ 713,980
Property, plant and equipment	24,445,439
Intangible assets	2,059,478
Long-term investments	15,298,489
Trade and other receivables	1,015,657
Prepaid expenses	1,176,533
Trade and other payables	(3,751,683)
Total identifiable net assets	40,957,893
Goodwill and intangible assets	28,099,944
Total	\$ 69,057,837

Acquisition-related costs of \$1,448,333 have been charged to Other operating expenses in the consolidated statement of comprehensive income for the six months ended September 30, 2014.

8. Discontinued Operations

On September 3, 2014 BTC was sold to Barrie OpCo Limited for cash consideration of \$25,000,000 and a promissory note with face value of \$5,000,000 and elements of deferred payment; BTC results are presented in this interim financial information as a discontinued operation. The cash proceeds of this transaction were used to retire the Company's existing debt relating to the North Rock transaction.

The net accounting loss on sale was \$19,087,523 plus \$220,000 in foreign exchange fees, and was recognized in the consolidated statement of comprehensive income during the six months ended September 30, 2014.

Cash received	\$ 25,000,000
Loan receivable	5,000,000
Net assets of BTC	(49,087,523)
Net (Loss) Profit	(19,087,523)

9. Revenues

Included in Other Revenues are subscription television revenues generated in Weststar in September of \$1.4m. This television revenue stream will be classified individually for the audited annual report for 2014/15.

Board of Directors

CHAIRMAN

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

DEPUTY CHAIRMAN

Ms. Fiona E. Beck

The Hon. Jeanne J. Atherden, C.A., CPA, J.P., M.P.

Minister of Health,
Seniors and Environment

Director

Bermuda Commercial Bank Limited

Director

Paragon Brokers (Bermuda) Limited

Mr. Peter C. Durhager, J.P.

Executive Vice President,
Chief Administrative Officer
RenaissanceRe Holdings Limited

President

RenaissanceRe Services Limited

Chairman

Ascendant Group Limited

Mr. Roderick A. Ferguson III, MBA, J.P.

Chairman
Gorham's Ltd.

Chairman

Purvis Ltd.

Director

Neptune Ltd.

Alison Hill, FCMA

Chief Executive Officer
Argus Group Holdings Limited

Charles Jillings

Fund Manager
ICM Group

Mr. E. Michael Leverock,

B. Eng., P. Eng., MBA

Cofounder and Director,
Digital Communications Ltd.

Mr. Michael J. Mello, Q.C., J.P., T.E.P.

Counsel
Appleby

Mr. Glen C. Smith, J.P., M.P.

Managing Director
Auto Solutions Limited

Director

LOM Holdings Limited

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. Philip S. Harris

Chief Administrative Officer

Mr. Michael Tanglao

General Counsel

Secretary

Common shares held by Directors – 564,656.

Common shares held by KeyTech Executive Management – 3,680

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

Logic Communications Ltd.

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

Bermuda CableVision

19 Laffan Street
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