

APD LIMITED

**Financial Statements
For the year ended June 30, 2016**



INDEPENDENT AUDITORS' REPORT

To the Shareholders of APD Limited

We have audited the accompanying financial statements of APD Limited, which comprise the statement of financial position as of June 30, 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Auditors' Responsibility (continued)

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 accompanying financial statements present fairly, in all material respects, the financial position of APD Limited as of June 30, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

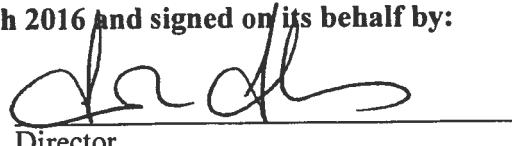
PricewaterhouseCoopers
Chartered Accountants
Nassau, Bahamas

October 27, 2016

APD LIMITED**(Incorporated under the laws of the Commonwealth of The Bahamas)****Statement of Financial Position****As of June 30, 2016****(Amounts expressed in Bahamian dollars)**

	Notes	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	3	5,689,676	6,040,249
Accounts receivable	4	1,950,066	1,839,018
Tax receivable		159,882	162,974
Deposits, prepayments and other assets	6	816,652	777,760
Spare parts inventory		693,498	878,928
Total current assets		9,309,774	9,698,929
Non-current assets			
Property, plant and equipment	9	88,819,789	89,989,383
Total assets		98,129,563	99,688,312
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable		408,136	524,298
Due to related parties	5	2,330,346	2,577,247
Retention payable		2,911	93,826
Accrued expenses and other liabilities	10	1,058,445	1,132,512
Current portion of long term debt	7	425,532	425,532
Total current liabilities		4,225,370	4,753,415
Non-current liabilities			
Redeemable preference shares	8	35,470,825	35,439,722
Long term debt	7	3,510,638	3,936,170
Deposits held	13	259,194	236,992
Total non-current liabilities		39,240,657	39,612,884
Total liabilities		43,466,027	44,366,299
Equity			
Share capital	11	49,969	49,969
Share premium		49,192,308	49,192,308
Retained earnings		5,421,259	6,079,736
Total equity		54,663,536	55,322,013
Total liabilities and equity		98,129,563	99,688,312

Approved by the Board of Directors on October 26th 2016 and signed on its behalf by:

Director

 Director

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

APD LIMITED

Statement of Comprehensive Income
For the year ended June 30, 2016
(Amounts expressed in Bahamian dollars)

	Notes	2016	2015
		\$	\$
Revenue			
Landing fees	5	11,613,469	12,151,894
Terminal handling fees	5	4,248,570	4,513,180
Stevedoring fees	5	2,868,114	3,164,181
Gate fees	5	2,036,578	2,229,484
Security	5	1,973,851	1,924,424
Subleases	5,13	1,655,575	1,337,907
Storage fees	5	1,174,306	2,915,986
Hazmat fees	5	581,200	636,650
Reefer line	5	572,430	406,454
Dockage	5	272,530	278,317
Line handling fees	5	78,378	86,028
Other income	5	4,902	24,489
Total revenue		27,079,903	29,668,994
Expenses			
Salaries, employee benefits and training	5,15	5,076,901	4,913,891
Terminal handling costs	5	3,531,378	4,597,443
Government lease	13	2,559,290	2,799,160
Government fees and taxes		1,423,123	1,365,095
Repairs and maintenance		1,231,633	826,961
Utilities		1,029,631	1,044,020
Legal and other professional fees	14	686,260	463,706
Bad debt expense	4	513,000	135,168
Insurance		389,403	510,413
Security		343,379	308,364
Other operating expenses		230,534	227,639
Office supplies, postage and delivery		115,341	134,073
Company meetings and events		77,678	123,182
Gain on disposal of assets		(5,577)	(49,528)
Total expenses		17,201,974	17,399,587
Earnings before interest, depreciation and amortisation		9,877,929	12,269,407

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

Statement of Comprehensive Income (Continued)
For the year ended June 30, 2016
(Amounts expressed in Bahamian dollars)

	Notes	2016 \$	2015 \$
Depreciation	9	3,321,379	3,243,544
Amortisation of preference share issue cost		<u>31,103</u>	<u>61,779</u>
Total depreciation and amortisation		<u>3,352,482</u>	<u>3,305,323</u>
Earnings before interest		<u>6,525,447</u>	<u>8,964,084</u>
Finance costs			
Preference share dividends		(1,980,000)	(1,980,000)
Interest expense		(210,711)	(231,419)
Interest income		<u>3,702</u>	<u>413</u>
Total finance costs, net		<u>(2,187,009)</u>	<u>(2,211,006)</u>
Total earnings for the year attributable to the equity holders		<u>4,338,438</u>	<u>6,753,078</u>
Total comprehensive income for the year		<u>4,338,438</u>	<u>6,753,078</u>
Basic and diluted earnings per share	12	<u>0.87</u>	<u>1.35</u>

APD LIMITED

Statement of Changes in Equity
For the year ended June 30, 2016
(Amounts expressed in Bahamian dollars)

	Share capital \$	Share premium \$	Retained earnings \$	Total \$
Balance at July 1, 2014	49,969	49,192,308	2,424,745	51,667,022
Total comprehensive income for the year	-	-	6,753,078	6,753,078
Dividends paid (Note 11)	-	-	(3,098,087)	(3,098,087)
Balance at June 30, 2015	49,969	49,192,308	6,079,736	55,322,013
Balance at July 1, 2015	49,969	49,192,308	6,079,736	55,322,013
Total comprehensive income for the year	-	-	4,338,438	4,338,438
Dividends paid (Note 11)	-	-	(4,996,915)	(4,996,915)
Balance at June 30, 2016	49,969	49,192,308	5,421,259	54,663,536

Statement of Cash Flows
For the year ended June 30, 2016
(Amounts expressed in Bahamian dollars)

	Notes	2016	2015
		\$	\$
Cash flows from operating activities			
Total comprehensive income for the year		4,338,438	6,753,078
Adjustments for:			
Depreciation	9	3,321,379	3,243,544
Amortisation of preference share issue cost		31,103	61,779
Bad debt expense	4	513,000	135,168
Gain on disposal of assets	9	(5,577)	(49,528)
Interest income		(3,702)	(413)
Preference share dividends		1,980,000	1,980,000
Loan interest expense		210,711	231,419
Operating profit before changes in working capital		10,385,352	12,355,047
Increase in accounts receivable		(624,048)	(246,076)
Increase in deposits, prepayments and other assets		(38,892)	(93,038)
Decrease / (Increase) in spare parts inventory		185,430	(363,363)
Decrease / (Increase) in tax receivable		3,092	(162,974)
Decrease in accounts payable		(116,162)	(171,742)
(Decrease) / Increase in due to related parties		(246,901)	184,849
Decrease in retention payable		(90,915)	(58,095)
Decrease in accrued expenses and other liabilities		(74,067)	(27,483)
Increase in deposits held		22,202	61,250
Net cash provided by operating activities		9,405,091	11,478,375
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(2,159,708)	(2,028,444)
Proceeds from sale of property, plant and equipment		13,500	66,846
Net cash used in investing activities		(2,146,208)	(1,961,598)
Cash flows from financing activities			
Principal payments on long term debt	7	(425,532)	(425,532)
Dividends paid to ordinary shareholders	11	(4,996,915)	(3,098,087)
Preference share dividends		(1,980,000)	(1,980,000)
Interest income received		3,702	413
Interest expense paid		(210,711)	(231,419)
Net cash used in financing activities		(7,609,456)	(5,734,625)
(Decrease) / Increase in cash and cash equivalents		(350,573)	3,782,152
Cash and cash equivalents, beginning of year		6,040,249	2,258,097
Cash and cash equivalents, end of year		5,689,676	6,040,249

APD LIMITED

Notes to Financial Statements June 30, 2016

1. General information

APD Limited (the Company) was incorporated on February 24, 2009, under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas). The Company is 40% owned by The Treasurer of The Bahamas, 40% owned by Arawak Cay Port Development Holdings Limited (ACPDHL) and 20% owned by the general public, hereinafter collectively referred to as the Shareholders. ACPDHL is owned by a consortium of private companies operating in The Bahamas. The principal activity of the Company is to manage, operate and maintain a commercial port at Arawak Cay known as Nassau Container Port (the Port) and an inland terminal on Gladstone Road, known as Gladstone Freight Terminal (the Depot) (Note 13).

The Company is a public company, which was listed on the Bahamas International Securities Exchange effective April 11, 2012. The Company's registered office is located at Ocean Centre, Montagu Foreshore, East Bay Street, New Providence, The Bahamas.

Operations of the Port include a break bulk, a bulk and a container terminal that has 1,167 linear feet of berthing. The container terminal has the capability of handling at least 75,000 Twenty-foot Equivalent Units (TEUs) annually. The Depot is comprised of 100,000 square feet and 10,000 square feet of warehouse and administrative office space respectively, and serves as a deconsolidation and distribution centre.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The Company's financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations (hereinafter collectively referred to as IFRS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

(i) Critical accounting estimates and assumptions

Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The Company annually reviews the estimated useful lives of property, plant and equipment based on factors that include, but are not limited to, asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of assets. It is possible that the future results of operations could be materially affected by changes in these estimates brought about by changes in the above-mentioned factors.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

(i) *Critical accounting estimates and assumptions (continued)*

Impairment of non-financial assets

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Identifying and assessing circumstances that indicate that the carrying amount of an item of property, plant and equipment may not be recoverable requires significant judgment. In determining whether circumstances indicating impairment exist, management, at a minimum, considers the following factors:

- A decline in the asset's market value that is significantly greater than would be expected as a result of the passage of time or normal use;
- Significant adverse changes in the technological, market, economic or legal environment;
- Increases in interest rates or other market rates of return;
- Obsolescence or physical damage affecting the asset;
- Significant adverse changes that have taken place or are expected in the way that an asset is used or expected to be used;
- Deterioration in the expected level of the asset's performance; and
- Management's own forecasts of future net cash inflows or operating profits showing a significant decline from previous budgets and forecasts.

(ii) *Critical judgment in applying the entity's accounting policies*

Capitalisation of directly attributable costs related to the acquisition of property, plant and equipment

International Accounting Standard (IAS) 16 'Property, Plant and Equipment' requires that the cost of an item of property, plant and equipment should include directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Determining directly attributable costs requires significant judgment. Management determines directly attributable costs as those that are incremental in nature and/or would be necessarily incurred by a third party in bringing the asset to the location and condition necessary for it to be used for the intended purpose.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

(iii) Alternative performance measures

Management has determined that earnings before interest, depreciation and amortisation is the most useful performance measure to the users of the financial statements as it can be useful in comparing companies with different debt profiles and depreciation policies and is a widely accepted performance measure. Earnings before interest, depreciation and amortisation as presented on the statement of comprehensive income reconciles to operating profit as follows:

	2016	2015
	\$	\$
Earnings before interest, depreciation and amortisation	9,877,929	12,269,407
Depreciation	(3,321,379)	(3,243,544)
Amortisation of preference share issue cost	<u>(31,103)</u>	<u>(61,779)</u>
 Operating profit	 <u>6,525,447</u>	 <u>8,964,084</u>

(b) Changes in applicable accounting policy and disclosures

(i) New and amended standards adopted by the Company

There are no IFRS that are effective for the first time for the financial year beginning on or after July 1, 2015 that would be expected to have a material impact to the Company.

(ii) New standards and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after July 1, 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The determination is made at initial recognition, and the classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss model that replaces the incurred loss impairment model required by IAS 39.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(b) Changes in applicable accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Company (continued)

For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for financial liabilities designated at fair value through profit or loss. The Company has not yet assessed the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after January 1, 2018.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018, and replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The Company has not yet assessed the full impact of adopting IFRS 15.

IFRS 16, 'Leases' results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The standard is effective for annual period beginning on or after January 1, 2019. The Company has not yet assessed the full impact of adopting IFRS 16.

(c) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency, as it represents the currency of the primary economic environment in which the Company operates.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash held with banks and other short-term highly liquid investments with original maturities of three (3) months or less.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(e) Accounts receivable

Accounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one (1) year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Impairment of accounts receivable is discussed in Note 2(o).

(f) Inventory

Inventory primarily includes spare crane parts that are valued at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory is derecognised when the parts are used in operations.

(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Buildings under construction, termed capital work in progress, are carried at cost and not depreciated until construction is complete and the assets are ready for their intended use. At that time, the accumulated cost is transferred from capital work in progress to the appropriate asset category.

All other items of property, plant and equipment are depreciated using the straight-line method to allocate their cost less residual values, over their estimated useful lives, as follows:

Container terminal	10 to 45 years
Freight handling equipment (cranes)	10 to 15 years
Other freight handling equipment	1.5 to 10 years
Buildings and improvements	45 years
Motor vehicles	1.5 to 10 years
Furniture and fixtures, communications and office equipment	1.5 to 10 years

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(g) Property, plant and equipment (continued)

The assets' residual values and estimated useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount [Note 2(h)].

At the time of disposal or retirement of assets, the cost and related accumulated depreciation are eliminated, and any resulting gain or loss is reflected in the statement of comprehensive income.

(h) Impairment of non-financial assets

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [Cash Generating Units (CGUs)]. Non-financial assets that incurred impairment charges are reviewed for possible reversal of the impairment at each reporting date.

(i) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one (1) year or less. If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as finance costs.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(j) Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

(k) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(l) Share capital and share premium

Ordinary shares are classified as equity. Total value of shares issued in excess of the par value is recognised as share premium. Mandatorily redeemable preference shares are classified as liabilities [Note 2(j)].

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

(m) Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services provided in the ordinary course of the Company's activities. Revenue is shown net of returns, rebates and discounts.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(m) Revenue and expense recognition (continued)

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below:

Revenue from services

Revenue from general cargo and vessel services comprises landing fees, terminal handling fees, security, stevedoring fees, hazmat fees, dockage, and line handling fees. Revenue from port services includes gate fees, storage fees and reefer line. The above revenues are recognised upon delivery of services.

Revenue from rental and other fixed-term contracts is recognised using a straight-line basis over the term of the contract.

Interest income and expense

Interest income and expense for all interest-bearing financial assets and liabilities are recognised in the statement of comprehensive income using the effective interest method.

All other costs and expenses are recognised in the statement of comprehensive income as incurred.

(n) Leases

Accounting as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Accounting as lessor

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

(o) Financial instruments

(a) Classification

Financial instruments include financial assets and financial liabilities. The Company classifies all its financial assets as 'loans and receivables'. Management determines the classification of its financial assets at initial recognition. The Company classifies all its financial liabilities as financial liabilities at amortised cost.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(o) Financial instruments (continued)

(a) *Classification (continued)*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the reporting date in which case, these are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents (Note 3), accounts receivable (Note 4) and deposits, prepayments and other assets (Note 6) included in the statement of financial position.

Financial liabilities at amortised cost comprise accounts payable, due to related parties (Note 5), retention payable (Note 10), accrued expenses and other liabilities, long term debt (Note 7), redeemable preference shares (Note 8), and deposits held.

(b) *Recognition*

The Company recognises financial assets and financial liabilities initially on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

(c) *Measurement*

Financial instruments are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities are amortised over the life of the instrument.

Subsequent to the initial recognition, financial assets classified as loans and receivables are carried at amortised cost using the effective interest method, less a provision for impairment losses.

(d) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(o) Financial instruments (continued)

(e) *Impairment*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of a loss event include:

- significant financial difficulty of the customer;
- a breach of contract, such as a default or delinquency in payments; or
- it becomes probable that the customer will enter bankruptcy or other financial reorganisation.

Individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognised in the statement of comprehensive income and the carrying amount of the asset is reduced through the use of an allowance account. Individual insignificant financial assets are grouped together.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(f) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

2. Summary of significant accounting policies (Continued)

(p) Retirement benefit costs

The Company has a defined contribution pension plan for all eligible employees whereby the Company makes contributions to a privately administered pension plan. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior years. The Company and employees make contributions based on eligible earnings, and the Company's contributions are recognised in the statement of comprehensive income in the financial period to which they relate. Enrolment in the defined contribution pension plan is at the discretion of the employee.

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management that makes strategic decisions.

(r) Taxation

Under the current laws of The Bahamas, the Company is not subject to income, capital or other corporate taxes. The Company's operations do not subject it to taxation in any other jurisdiction.

On January 1, 2015, the Government of The Bahamas introduced the Value Added Tax (VAT) Act, 2014 which implemented a consumption tax assessed at a rate of 7.5%. As such, the Company is required to assess VAT on all commercial leases and other services, to be payable to the Government. The Company will also incur VAT on certain goods and services acquired during the normal course of business to be offset against this payable.

(s) Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing:

- the earnings attributable to the equity shareholders, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares, if any.

APD LIMITED

Notes to Financial Statements
June 30, 2016
(Continued)

2. Summary of significant accounting policies (Continued)**(s) Earnings per share (continued)****(b) Diluted**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, if any.

(t) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

(u) Corresponding figures

Where necessary, certain corresponding figures have been adjusted to conform with changes in presentation in the current year.

3. Cash and cash equivalents

	2016	2015
	\$	\$
Cash on hand	2,107	2,487
Cash held with bank	<u>5,687,569</u>	<u>6,037,762</u>
	<u>5,689,676</u>	<u>6,040,249</u>

4. Accounts receivable

	2016	2015
	\$	\$
Customers' account - gross:		
Third parties	794,410	290,019
Related parties (Note 5)	<u>1,855,824</u>	<u>1,736,167</u>
	<u>2,650,234</u>	<u>2,026,186</u>
Less: Provision for bad debts (third party)	<u>(700,168)</u>	<u>(187,168)</u>
	<u>1,950,066</u>	<u>1,839,018</u>

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

4. Accounts receivable (Continued)

Movements in the provision for doubtful accounts are as follows:

	2016 \$	2015 \$
Balance at beginning of year	(187,168)	(52,000)
Provision for bad debts	(513,000)	(135,168)
Receivables written off during the year	-	-
Balance at end of year	(700,168)	(187,168)

As of June 30, 2016, accounts receivable of \$700,168 (2015: \$187,168) was impaired with a provision amounting to \$700,168 (2015: \$187,168) being made against this amount. The remaining balance of the receivables is considered by management to be collectible.

The other classes within accounts receivable do not contain impaired assets.

As of reporting date, the aging analysis of trade receivables is as follows:

	Total \$	Current \$	1-30 days \$	31-60 days \$	61-90 days \$	More than 90 days \$
2016	2,650,234	1,347,189	601,780	106,173	17,448	577,644
2015	2,026,186	1,363,036	444,234	200,931	450	17,535

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit quality of accounts receivable that are neither past due nor impaired at reporting date can be assessed by reference to historical information about counterparty default rates. Credit risk is discussed in Note 17(b).

5. Related party balances and transactions

A party is related to the Company if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Company;
 - (ii) has an interest in the Company that gives it significant influence over the Company;
- (b) the party is a member of the key management personnel, including directors and officers, of the Company or its shareholders;
- (c) the party is a close member of the family of any individual referred to in (b) above; and
- (d) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entities resides with, directly or indirectly, any individual referred to in (b) or (c) above.

APD LIMITED

Notes to Financial Statements
June 30, 2016
(Continued)

5. Related party balances and transactions (Continued)*(a) Amounts due from related parties included in accounts receivable comprise:*

	2016	2015
	\$	\$
Due from Shareholder	1	1
Due from other related parties - affiliates	<u>1,855,823</u>	<u>1,736,166</u>
	<u>1,855,824</u>	<u>1,736,167</u>

The amount due from Shareholder represents amounts paid on behalf of the Shareholder. The amount due from other related parties - affiliates arise mainly from the services provided by the Company. The receivables are unsecured and bear no interest.

(b) Amounts due to related parties comprise:

	2016	2015
	\$	\$
Due to Shareholder	2,198,305	2,321,095
Due to other related parties - affiliates	<u>132,041</u>	<u>256,152</u>
	<u>2,330,346</u>	<u>2,577,247</u>

The due to Shareholder includes real property taxes payable, business license fees payable, and lease payable to the government relevant to the lease of the Port and Depot Lands (Note 13). The amounts due to other related parties - affiliates arise mainly from services provided to the Company and services obtained for terminal handling operations.

The amounts due to related parties are trade payables for services in the ordinary course of business. Settlement of the above payables is within the payment terms agreed in the agreements and invoices.

(c) Sales and purchases of services:

	2016	2015
	\$	\$
<i>Sales of services</i>		
Other related parties - affiliates	<u>24,162,482</u>	<u>28,476,147</u>

Sales of services to other related parties - affiliates pertains to the various general cargo and vessel services, port services, and rental income with terms as agreed in the invoices and agreements and are recognised as revenues in the statement of comprehensive income.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

5. Related party balances and transactions (Continued)

(c) *Sales and purchases of services: (continued)*

Revenue from transactions with two customers amount to 10% or more of the Company's total revenues. Transactions with these two customers included in sales of services account for 80% (2015: 83%) of total revenues during the year, amounting to \$11,496,391 (2015: \$13,186,801) and \$10,436,014 (2015: \$11,505,339) respectively.

	2016	2015
	\$	\$
<i>Purchases of services</i>		
Other related parties - affiliates	<u>3,823,451</u>	<u>4,760,695</u>

The services purchased from other related parties - affiliates are related to services provided by the common terminal operator at the Port facilities.

(d) *Key management compensation*

Key management includes the directors of the Company and senior management. The compensation paid or payable to key management for their services is shown below:

	2016	2015
	\$	\$
Salaries	752,427	763,019
Short-term employee benefits	493,622	474,872
Retirement benefits	<u>37,388</u>	<u>30,066</u>
	<u>1,283,437</u>	<u>1,267,957</u>

6. Deposits, prepayments and other assets

	2016	2015
	\$	\$
Security deposits	424,075	423,265
Prepayments	<u>392,577</u>	<u>354,495</u>
	<u>816,652</u>	<u>777,760</u>

7. Long term debt

Facility 1: Long term debt being a \$5,000,000 non-revolving reducing term loan. The loan of \$3,936,170 (2015: \$4,361,702) is for a five (5) year period, amortised over twelve (12) years with interest payable quarterly in arrears at a rate of Bahamian dollar prime rate plus 0.25% commencing December 31, 2013. Principal payments are payable quarterly in instalments of \$106,383 with a balloon payment of \$2,978,723 at maturity. The current portion of long term debt is \$425,532 (2015: \$425,532).

APD LIMITED**Notes to Financial Statements
June 30, 2016
(Continued)****7. Long term debt (Continued)**

Facility 2: \$3,000,000 revolving demand operating line of credit payable on demand at a rate of Bahamian dollar prime rate plus 0.25% on the outstanding balance. There have been no drawdowns against this facility.

The above facilities are secured by the following:

- Security/Collateral
 - Loan agreement and associated documentation;
 - Promissory note for the facility amount.

The Company has complied with the financial covenants of its borrowing facilities during the years ended June 30, 2016 and 2015.

8. Redeemable preference shares

The Company has 150,000 series A 5.5% fixed rate, non-voting redeemable preference shares of which 72,000 shares were issued on July 5, 2013. The net proceeds of the offer totalled \$35,377,943. The shares have an issue price of \$500 per share, with par value of \$0.10 per share and have a maturity date of June 30, 2033. The shares are entitled to dividends at the rate of 5.5% per annum. If insufficient profits are available in a particular financial year, the dividends accumulate and are payable when sufficient profits are available.

Since the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

APD LIMITED

Notes to Financial Statements
June 30, 2016
(Continued)

9. Property, plant and equipment

	Container terminal \$	Freight handling equipment \$	Buildings, improvements & office trailers \$	Motor vehicles \$	Furniture & fixtures, communications and office equipment \$	Capital work in progress \$	Total \$
Year ended June 30, 2015							
Opening net book value	41,693,359	8,680,458	37,166,407	246,072	1,561,538	1,873,967	91,221,801
Additions	-	-	87,758	114,842	59,227	1,781,076	2,042,903
Transfers	123,472	11,642	197,771	26,525	721,321	(1,080,731)	-
Reclassifications	-	-	(2,000)	-	(13,861)	1,402	(14,459)
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Disposals	-	(6,535)	-	(40,268)	-	-	(46,803)
Cost	-	-	-	29,485	-	-	29,485
Accumulated depreciation	-	-	-	(80,598)	(623,658)	-	(3,243,544)
Depreciation charge for the year	(1,001,794)	(639,013)	(898,481)	<u>296,058</u>	<u>1,704,567</u>	<u>2,575,714</u>	<u>89,989,383</u>
Closing net book value	40,815,037	8,046,552	36,551,455				
At June 30, 2015							
Cost	43,953,253	9,643,059	38,887,923	502,579	3,261,689	2,575,714	98,824,217
Accumulated depreciation	(3,138,216)	(1,596,507)	(2,336,468)	(206,521)	(1,557,122)	-	(8,834,834)
Net book value	40,815,037	8,046,552	36,551,455	296,058	1,704,567	2,575,714	89,989,383

APD LIMITED

Notes to Financial Statements
June 30, 2016
(Continued)

9. Property, plant and equipment (Continued)

	Container terminal \$	Freight handling equipment \$	Buildings, improvements & office trailers \$	Motor vehicles \$	Furniture & fixtures, communications and office equipment \$	Capital work in progress \$	Total \$
Year ended June 30, 2016							
Opening net book value	40,815,037	8,046,552	36,551,455	296,058	1,704,567	2,575,714	89,989,383
Additions	4,925	-	7,876	-	8,715	2,147,522	2,169,038
Transfers	4,925	492,292	2,148,243	30,759	326,470	(3,002,689)	-
Reclassifications							
Cost							
Accumulated depreciation							
Disposals		(7,577)					
Cost							
Accumulated depreciation							
Depreciation charge for the year	(1,005,594)	(688,623)	(934,771)	(85,073)	(607,318)		
Closing net book value	<u>39,819,293</u>	<u>7,842,644</u>	<u>37,772,803</u>	<u>241,744</u>	<u>1,432,088</u>	<u>1,711,217</u>	<u>88,819,789</u>
 At June 30, 2016							
Cost	43,963,103	10,127,774	41,044,043	533,338	3,596,332	1,711,217	100,975,807
Accumulated depreciation	(4,143,810)	(2,285,130)	(3,271,240)	(291,594)	(2,164,244)		(12,156,018)
Net book value	<u>39,819,293</u>	<u>7,842,644</u>	<u>37,772,803</u>	<u>241,744</u>	<u>1,432,088</u>	<u>1,711,217</u>	<u>88,819,789</u>

Capital work in progress includes costs incurred as of June 30, 2016 in connection with ongoing construction and special projects at the Port. These projects are expected to be completed no later than the third fiscal quarter of 2017.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

10. Accrued expenses and other liabilities

	2016 \$	2015 \$
Accrued real property tax	546,092	633,858
General accruals	<u>512,353</u>	<u>498,654</u>
	<u>1,058,445</u>	<u>1,132,512</u>

11. Share capital

The Company has an authorised capital of \$65,000 divided into 5,000,000 ordinary shares and 150,000 cumulative preference shares with a par value of \$0.01 and \$0.10 each, respectively.

As of reporting date, the Company has issued 4,996,915 (2015: 4,996,915) ordinary shares that were fully paid for by the shareholders.

During the year, the Company declared and paid dividends to ordinary shareholders of \$ 4,996,915 (2015: \$3,098,087) representing \$1.00 (2015: \$0.62) per share.

12. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to the equity shareholders divided by the weighted average number of ordinary shares outstanding during the period.

	2016 \$	2015 \$
Total earnings for the year attributable to the equity shareholders	<u>4,338,438</u>	<u>6,753,078</u>
Weighted average number of ordinary shares in issue	<u>4,996,915</u>	<u>4,996,915</u>
Basic and diluted earnings per share	<u>0.87</u>	<u>1.35</u>

13. Significant agreements

(a) *Memorandum of Understanding (MOU)*

On May 10, 2010, the Company and the Government of The Bahamas (the Government) entered into a Memorandum of Understanding (MOU), whereby the Government initiated the relocation of the freight, cargo and port handling activities from downtown Bay Street on the island of New Providence to Arawak Cay, New Providence, and the Company agreed to design, develop, construct, manage, operate and maintain a new commercial port at Arawak Cay to be known as Nassau Container Port (the Port) and an inland terminal on Gladstone Road, to be known as Gladstone Freight Terminal (the Depot).

In accordance with the MOU, 20% of the Company's ordinary shares were offered for sale to the general public through an Initial Public Offering (IPO) held in February 2012. At the conclusion of the IPO, the Government and ACPDHL each owned 40% and the general public owned 20% of the ordinary share capital of the Company.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

13. Significant agreements (Continued)

(a) *Memorandum of Understanding (MOU) (continued)*

The Port and Depot facilities were developed on 56.55 acres of land on Arawak Cay, New Providence (the Port Land) and 15 acres of land at Gladstone Road, New Providence (the Depot Land). On June 21, 2011, the Minister responsible for the Lands and Survey, acting on behalf of the Government leased the Port Land and Depot Land and licensed 27.88 acres of seabed for use of the Company for 45 years which became effective May 1, 2012 and August 13, 2012, respectively, when the Port and Depot facilities were substantially completed.

The MOU states that the Government will allow the Company to make such adjustments to fees and tariffs as may be required from time to time to maintain an Internal Rate of Return (IRR) of no less than 10%.

Under the MOU, the Government has granted the Company an exclusive arrangement whereby no other port (including sufferance wharfs) or container terminals (whether inland or not) can be established on the islands of New Providence and Paradise Island as well as within 20 miles of the shoreline of New Providence for a period of twenty (20) years from the date of the substantial completion.

The MOU further states that the Company and any of its licensees, tenants and contractors employed during the Port and Depot build-out period, will be exempt from any customs duty and excise taxes on the importation of certain material and equipment that will be used in the construction, equipping, furnishing, completing, opening and operation of the Port and Depot. This exemption was later notified by the Ministry of Finance through its letter to the Company dated June 21, 2011. The Company recognises the exemption in the financial statements as the acquisition of property, plant and equipment recognised net of customs duty. Under the terms of the MOU, the above exemption will remain in effect so long as the Company fulfils its obligations under the MOU. During the year, the Company did not default on any of its obligations under the MOU.

The MOU also provides that so long as the Government will hold at least 40% of the Company's issued capital, no action or decision shall be taken by the Board of Directors (BOD) in relation to specific matters in the MOU (hereinafter referred to as the Reserved Matters) unless prior approval from the Government has been obtained. Where the context provides, the Reserved Matters are applicable to the Company and its subsidiaries, if any, from time to time (the Company and its subsidiaries are hereinafter referred to as the Group Members). The Reserved Matters are summarised as follows:

- adopting or altering the Memorandum of Association, Articles of Association or other constitutive documents;
- changing the authorised or issued share capital, granting share options or issuing instruments carrying rights of conversion into ordinary shares;
- incurring financial indebtedness which would result in the secured debt exceeding 3 times the Earnings Before Interest, Taxation, Depreciation and Amortisation or Debt Service Coverage Ratio that is less than 1.5 times;
- making loans or advances to any person other than in the ordinary course of the business;

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

13. Significant agreements (Continued)

(a) *Memorandum of Understanding (MOU) (continued)*

- selling, transferring, leasing, assigning or otherwise disposing of a material part of undertaking, property and/or assets except for sub-leases made in the ordinary course of business;
- creating encumbrances over all or a material part of undertaking, property and/or assets, or giving guarantees or indemnities for any purpose other than as security in respect of the financial indebtedness which is not otherwise prohibited under the terms of the MOU;
- entering into any contract, liability or commitment which (a) is unusual or onerous or outside the ordinary course of business, or (b) is other than at commercial arm's length terms, except where such contract, liability or commitment satisfies authorisation criteria agreed between the Company and the Government;
- awarding of contracts, transactions or arrangements, other than contracts for provision of goods and services being at arm's length whose value does not exceed B\$5 million in a 12 month period, with (a) ACPDHL (b) a Director of ACPDHL and/or (c) an affiliate of ACPDHL, or any director or employee of such affiliate, except where such contracts, transactions or arrangements are awarded in compliance with procedures governing the awards of such that may be agreed between the Company and the Government;
- imposing fees and charges, save for such charges and fees preapproved by the Government, which are required to maintain a minimum IRR of 10% per annum;
- taking of any corporate action, legal proceedings or other procedures or steps in relation to (a) suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, liquidation, administration or reorganisation of Group Members (b) a composition, compromise, assignment or arrangement with, or for the benefit of, any creditor of the Group Members or (c) appointment of liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Group Members or any of its assets.

The consent and approval of the Government to a Reserved Matter will only be deemed to have been given where a document confirming such consent or approval has been delivered to the Company's registered office. If a consent or refusal of a Reserved Matter is not delivered within twenty (20) business days after receipt of the matter by the Government, the Reserved Matter request shall be deemed to have been approved.

The Company's financial statements shall be subject to annual audits. The auditor of the Company shall also review and report on the Company's compliance with the provisions of the MOU relating to the Reserved Matters.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

13. Significant agreements (Continued)

(b) *Leases*

Pursuant to the terms of the MOU, on June 21, 2011 the Company entered into forty-five (45) year lease agreements for 56.55 and 15 acres of the Port Land and the Depot Land, respectively, with the Minister responsible for Lands and Survey. The above lease payment terms commenced upon Substantial Completion of the Port and Depot which was deemed to have occurred at such time as all works necessary for the full operation of the Port and the Depot were duly completed and evidenced by (i) the issuance of performance certificates or taking over certificates pursuant to the construction contracts and (ii) certificates of occupancy. Substantial Completion of the Port and Depot were achieved on May 1, 2012 and August 13, 2012, respectively.

Under the terms of the lease agreement for the Port land, the Company shall pay an annual rent of \$40 per TEU until such time as the Substantial Completion is achieved. Once Substantial Completion is achieved, the Company will pay a minimum annual rent of \$2,000,000 or \$40 per TEU, whichever is greater. The fixed rent is payable quarterly in advance during the term and any adjustments based on the rent per TEU is payable within 14 days from the end of each quarter. The rent is subject to annual increases based on the increases in the cost of living. For the year ended June 30, 2016, the total rent expense recognised in the statement of comprehensive income amounted to \$2,559,290 (2015: \$2,799,160). As of reporting period, lease payable to the government amounted to \$487,790 (2015: \$752,320) which is included in due to related parties in the statement of financial position (Note 5).

The annual rent on the Depot Land is \$1, payable annually in advance.

Under the provision of Item 2 of the Second Schedule of the Stamp Act (revised), the leases of the Port Land and Depot Land were exempt from imposition of stamp tax as the leases were issued on behalf of the Government of the Commonwealth of The Bahamas.

Upon expiration of the term of the above leases, the Company shall have an option to renew the same for another term of forty-five (45) years on the same terms and conditions but at an annual rent to be agreed between the parties.

Contemporaneously with the signing of the lease agreements on June 21, 2011, the Company was granted a forty-five (45) year license by the Minister responsible for Lands and Survey to use the 27.88 acres of seabed for purposes ancillary to the adjacent Port facility, for an annual license fee of \$1, payable annually in advance. Upon expiration of the term of the license, the Company can apply for renewal of the license for another term of forty-five (45) years but at an annual license fee to be agreed between the parties.

APD LIMITED

Notes to Financial Statements
June 30, 2016
(Continued)

13. Significant agreements (Continued)*(b) Leases (continued)*

The future aggregate minimum lease payments under non-cancellable operating leases above are as follows:

	2016	2015
	\$	\$
No later than one year	2,000,002	2,000,002
Later than one year and no later than 5 years	8,000,008	8,000,008
Later than 5 years	<u>70,000,070</u>	<u>72,000,072</u>
	<u>80,000,080</u>	<u>82,000,082</u>

(c) Subleases

The lease terms for existing lease agreements began in September 2011 and range from less than a year to ten (10) years with options to renew for monthly to ten (10) year periods. The lease agreements provide at varying terms for the annual lease to be adjusted based on the Bahamas Consumer Price Index. Deposits held as per the lease agreements totalled \$259,194 as of June 30, 2016 (2015: \$236,992). Additionally, during the year the Company executed certain short term leases, which are on a month to month basis.

Income amounting to \$1,655,575 (2015: \$1,337,907) is shown as subleases income in the statement of comprehensive income. At year end, the analysis of the Company's aggregate future minimum lease payments receivable under the lease is as follows:

	2016	2015
	\$	\$
No later than one year	853,990	980,712
Later than one year and no later than 5 years	<u>1,081,027</u>	<u>1,141,402</u>
	<u>1,935,017</u>	<u>2,122,114</u>

14. Legal and other professional fees

Legal and other professional fees comprise the following:

	2016	2015
	\$	\$
Legal and other professional fees	478,846	257,921
Regulatory fees	<u>207,414</u>	<u>205,785</u>
	<u>686,260</u>	<u>463,706</u>

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

15. Retirement benefits

Pension costs for the year which are included in salaries, employee benefits and training in the statement of comprehensive income totalled \$122,363 (2015: \$95,115). The Company's contributions to the pension plan vest 50% with the employees upon completion of five (5) years of employment, incrementally vesting annually, with full vesting upon completion of ten (10) years of employment.

16. Commitments and contingencies

Outstanding capital commitments as of reporting date were as follows:

	2016	2015
	\$	\$
Contracted but not yet incurred	<u>560,735</u>	<u>1,119,442</u>
	<u>560,735</u>	<u>1,119,442</u>

As of June 30, 2016, the Company is contingently liable to its banker in respect of customs bonds issued to the Bahamas Government and corporate credit cards in the total amount of \$574,000 (2015: \$574,000). There is an annual bank charge of 1.25% on the face value of each bond.

17. Financial risk management

The Company's activities expose it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Company's overall risk management framework seeks to minimise potential adverse effects of these risks on the Company's financial performance by understanding and effectively managing these risks.

Risk management is carried out by senior management of the Company under policies approved by the Board of Directors.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's objective when managing market risk is to maintain risk exposure at a level that would optimise return on risk. The Company is exposed to the following types of market risks:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from future transactions, recognised assets and liabilities.

In the normal course of the business, the Company is exposed to foreign exchange risk arising primarily with respect to the United States dollar.

The exchange rate between the Bahamian dollar and the United States dollar is fixed at 1:1 and therefore, the Company's exposure to currency risk is considered minimal.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

17. Financial risk management (Continued)

(a) Market risk (continued)

(ii) *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of the financial interest will fluctuate because of changes in the market interest rates.

As of June 30, 2016, the Company held variable interest rate financial instruments which could possibly expose it to significant fair value or cash flow interest rate risk. The long term debt is subject to the prevailing market interest rate. In addition, the preference share dividend rate has a fixed yield to maturity. Management does not foresee cash flow and fair value rate risks on the financial liability to be significant.

(b) Credit risk

Credit risk arises from the potential failure of a counterparty to perform according to the terms of the contract. The Company's exposure to credit risk is concentrated in its cash and deposits with bank and accounts receivable. The carrying amount of these financial assets represents the maximum credit exposure to the Company.

The Company seeks to mitigate such risk from its cash and cash equivalents by placing its cash with financial institutions in good standing with the Central Bank of The Bahamas. The credit risk from accounts receivable is mitigated by monitoring the payment history of the counterparties before continuing to extend credit to them. The Company does not have a significant concentration of credit risk as it transacts and deals with various customers and counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset.

Management monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs at all times so that the Company does not default on its contractual obligations.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

17. Financial risk management (Continued)

(c) Liquidity risk (continued)

The table below analyses the Company's financial liabilities in relevant maturity groupings based on the remaining period at the contractual maturity date as of June 30, 2016. The amounts disclosed in the table are the contractual undiscounted cash flows.

As of June 30, 2016	Carrying amount	Contractual cash flows	0-12 months	1-5 years	More than 5 years
	\$	\$	\$	\$	\$
Liabilities					
Accounts payable	408,136	408,136	408,136	-	-
Due to related parties	2,330,346	2,330,346	2,330,346	-	-
Retention payable	2,911	2,911	2,911	-	-
Accrued expenses and other liabilities	1,058,445	1,058,445	1,058,445	-	-
Long term debt	3,936,170	4,331,507	614,398	3,717,109	-
Redeemable preference shares	35,470,825	69,660,000	1,980,000	7,920,000	59,760,000
Deposits held	259,194	259,194	-	238,292	20,902
Total financial liabilities	43,466,027	78,050,539	6,394,236	11,875,401	59,780,902

As of June 30, 2015	Carrying amount	Contractual cash flows	0-12 months	1-5 years	More than 5 years
	\$	\$	\$	\$	\$
Liabilities					
Accounts payable	524,298	524,298	524,298	-	-
Due to related parties	2,577,247	2,577,247	2,577,247	-	-
Retention payable	93,826	93,826	93,826	-	-
Accrued expenses and other liabilities	1,132,512	1,132,512	1,132,512	-	-
Long term debt	4,361,702	4,967,750	636,243	4,331,507	-
Redeemable preference shares	35,439,722	71,640,000	1,980,000	7,920,000	61,740,000
Deposits held	236,992	236,992	-	236,992	-
Total financial liabilities	44,366,299	81,172,625	6,944,126	12,488,499	61,740,000

The retention payable is to be paid using the available cash flows from operations.

The Company has sufficient cash flows from operations to meet its liquidity needs. In addition, the Company has an undrawn line of credit with the Royal Bank of Canada totalling \$3,000,000 as described in Note 7.

As disclosed in Note 16, the Company has total capital commitments for provision of goods and services in the amount of \$560,735 (2015: \$1,119,442) which mainly relates to the completion of the Break Bulk Terminal administrative building. These commitments are expected to be incurred and paid within twelve (12) months of the reporting date.

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

18. Fair value of financial instruments

Financial instruments utilised by the Company include recorded financial assets and liabilities. Except for long term debt, redeemable preference shares and deposits held, the Company's financial instruments are principally short term in nature. Due to the short term nature of these instruments, management does not consider the estimated fair values of financial instruments to be materially different from the carrying values of each major category of the Company's financial assets and liabilities as of the reporting date.

For long term debt, redeemable preference shares and deposits held, the respective market interest rates have not experienced significant changes since origination and therefore fair values approximate carrying values. The Bahamian dollar prime rate has not experienced any changes since the year ended June 30, 2011.

Fair value hierarchy and measurements

The Company ranks its financial instruments based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset.

The determination of what constitutes 'observable' requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

APD LIMITED

Notes to Financial Statements
June 30, 2016
(Continued)

18. Fair value of financial instruments (Continued)

	June 30, 2016			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents	5,689,676	-	-	5,689,676
Accounts receivable	-	1,950,066	-	1,950,066
Total financial assets	5,689,676	1,950,066	-	7,639,742
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Accounts payable	-	408,136	-	408,136
Due to related parties	-	2,330,346	-	2,330,346
Retention payable	-	2,911	-	2,911
Accrued expenses and other liabilities	-	1,058,445	-	1,058,445
Current portion of long term debt	-	425,532	-	425,532
Redeemable preference shares	-	35,470,825	-	35,470,825
Long term debt	-	3,510,638	-	3,510,638
Deposits held	-	259,194	-	259,194
Total financial liabilities	-	43,466,027	-	43,466,027
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents	6,040,249	-	-	6,040,249
Accounts receivable	-	1,839,018	-	1,839,018
Total financial assets	6,040,249	1,839,018	-	7,879,267
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Accounts payable	-	524,298	-	524,298
Due to related parties	-	2,577,247	-	2,577,247
Retention payable	-	93,826	-	93,826
Accrued expenses and other liabilities	-	1,132,512	-	1,132,512
Current portion of long term debt	-	425,532	-	425,532
Redeemable preference shares	-	35,439,722	-	35,439,722
Long term debt	-	3,936,170	-	3,936,170
Deposits held	-	236,992	-	236,992
Total financial liabilities	-	44,366,299	-	44,366,299

APD LIMITED

Notes to Financial Statements June 30, 2016 (Continued)

18. Fair value of financial instruments (Continued)

The Company does not have a Level 3 classification at June 30, 2016 and 2015. There were no transfers between levels during the year.

19. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to achieve the above objective, the Company may adjust the amount of dividends paid to shareholders, raise additional capital through equity and/or debt financing, return capital to shareholders and/or sell assets to reduce debt.

The frequency of dividends and the dividend payout ratio are at the sole discretion of the Board of Directors. The Company will seek to distribute free cash flows after maintenance of the minimum capital reserve, and meeting its capital and other financial commitments.

In addition to the above, the MOU has imposed other restrictions on the Company as it relates to capital management, which are detailed in Note 13.

Total capital represents equity shown in the statement of financial position plus net debt.

Long term debt covenants

Under the terms of the borrowing facilities (Note 7), the Company is required to comply with the following financial covenants:

- to maintain a debt service coverage ratio of at least 1.25X.
- to maintain a total debt to tangible net worth ratio of not more than 1.5:1.

The Company has complied with these covenants throughout the reporting period. As at June 30, 2016, the debt service coverage ratio was 3.73 (2015: 5.16) and the total debt to tangible net worth ratio was 0.72:1 (2015: 0.72:1).

20. Segment reporting

Management determines the operating segments based on the information reported to the Company's operating decision maker. The executive management is identified as the chief operating decision maker of the Company. The Company is engaged in the operation of a commercial port facility in Arawak Cay and an inland depot terminal on Gladstone Road located in Nassau, Bahamas. Resources of the Company are allocated based on what is beneficial to the Company in enhancing the value of both the Port and Depot facilities rather than any specific unit. The executive management considers that the performance assessment of the Company should be based on the results of both facilities as a whole. Therefore, management considers the port operations to be only one operating segment under the requirements of IFRS 8, *Operating Segments*.