

# Annual Report 2016



towards a cleaner tomorrow, today







# Mission Statement


**To provide the highest level  
of waste collection  
and related services  
to public and private customers  
nationwide  
by transporting, processing  
and disposing of waste  
in an  
environmentally responsible  
manner  
while protecting  
the public interest**

# Table of Contents

	Page
Message from the Chairman	3
Managing Director's Report	4
Independent Auditors' Report	6
Statement of Financial Position	9
Statement of Comprehensive Income	10
Statement of Changes in Shareholders' Equity	11
Statement of Cash Flows	12
Notes to Financial Statements	12 - 32







# Message from the Chairman

As you can see this has been a year of steady as you go. For most of the period your Company performed in its normal way-reliable and efficient in spite of the various impediments encountered. Our residential services are as reliable as anywhere else in the world with most customers reporting that they can set their watches when they hear our vehicles in the neighborhood. This may not give us increased numbers with our Government contracts but it does help increase the optional business by having a great reputation.

And then came Matthew, the first major hurricane to put a direct hit on New Providence in eighty-seven years. The damage was massive for the entire island and our response was equal to the task. Once the roads were passable at all, our crews went forth, and for the next six weeks performed like the professionals that they are. From scheduling to maintaining the fleet to operating under adverse conditions, Bahamas Waste was there at the forefront of the cleanup efforts. I am so extremely proud of our ENTIRE staff.

The after effects of Matthew continued until the end of our year and certainly contributed to our income statements. And so at year-end we are able to report a record high stock price and record high dividends for the shareholders, and also that your shares have the second highest yield of any Bahamian stock listed by the Bahamas International Stock Exchange (5.9%). I once again congratulate the Managing Director, the Chief Financial Officer, the Board of Directors and our entire staff for a job really well done.



Peter Andrews  
Chairman



# Managing Director's Report

I am pleased to report that the 2016 results came in far better than expected, and certainly better than forecasted. Our top line revenues increased over FY 2015, which were mainly due to Post Hurricane Mathew activity, several out island clean-up jobs and the spring and summer festivals.

While our total direct revenue increased by 1% over 2015 totals, and 8% over budgeted amounts, our Direct Expenses also increased across the Board. One of the main factors driving this increase was directly linked to the failures at the landfill. To make matters worse, immediately Post Hurricane Mathew, the landfill operations were taken over by the Department of Environmental Health (DEHS) which unfortunately was put in a very difficult situation, having to get teams and equipment in place to run the landfill. As a result of reduced and/or unknown operating hours, limited landfill equipment, no cover material, and inexperienced personnel, we suffered major delays and damages on a consistent basis. I would like to thank all of my customers who endured these unacceptable delays, and their continued patience.

In 2016, we were very proud to introduce 2 new themed trucks – one, recognizing the efforts of the Bahamas Humane Society (BHS), and BAARK, and the second one, recognizing the amazing efforts of the Bahamas National Trust (BNT).

We are extremely proud and continue our support of our Nation's youth through our sustained sponsorships of all the sporting venues that fall under the umbrella of the National Sport Authority, as well as Freedom Farms and The Junior Baseball League of Nassau's youth baseball/softball programs. Our hardship cases, clean-up initiatives and community service programmes continue to grow, and we, as leading corporate citizens and being a Publically Traded Company realize and understand that there are many people and groups who are less fortunate and need our assistance.

I would like to again give thanks to all of our customers, especially after the great landfill fire of 2017. Your patience and understanding on the closures and delays has been amazing. We know you have a choice and we appreciate the fact that you have chosen us to service your waste collection needs.

To our employees – the drivers, helpers, mechanics, service technicians, office staff, managers – Our entire team who work very hard, every day, and especially over the last 6 months, to get the job done, thank you!

Finally I would like to thank our shareholders and Directors for their continued trust in me and the Management Team.



Francisco deCardenas  
Managing Director





# FINANCIAL STATEMENTS

**BAHAMAS WASTE LIMITED  
2016**

## Independent Auditors' Report

### The Shareholders and Directors Bahamas Waste Limited

#### Opinion

We have audited the financial statements of Bahamas Waste Limited (the Company), which comprise the statement of financial position as at December 31 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### *Determination of the provision for bad debts*

A proportion of Bahamas Waste Limited's customers do not or cannot pay their bills which results in the need for provisions to be made for non-payment of the customer balance. There is significant judgement involved in calculating the bad debts provision, particularly regarding the estimation of future cash collection. Provisions are made against Bahamas Waste Limited's trade accounts receivable based on management judgement. Refer to Note 2 in the financial statements which discusses the accounting policy for provisions for accounts receivable.

We identified the "Determination of the provision for bad debts" is the key audit matter because it requires a high level of management judgement and due to the materiality of the amounts involved.

## Independent Auditors' Report continued

We performed the following audit procedures to address the key audit matter:

We obtained the Company's trade accounts receivable ageing report and provision for bad debts assessment as at December 31, 2016 and assessed whether the provision was adequate.

We tested the data used in the provision for bad debts analysis by selecting a sample of accounts from the ageing report and agreeing the balances and due dates to the customer billing statements and accounting for any payments made. We also recalculated the days past due for a sample of accounts.

We compared the listing of accounts fully provided for against the ageing report as at December 31, 2016 to agree the outstanding balances that had been fully provided for. In order to evaluate the appropriateness of these judgements we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and discussion on the credit status of significant counterparties where available.

We also selected a sample of the outstanding balances from the ageing report as at December 31, 2016 that were not provided for and evaluated the explanations from the client regarding why no provision has been booked and obtained evidence such as whether the Company holds a security deposit or where subsequent payments were made, we agreed amounts to batch deposits and confirmed clearance in the bank statements.

In assessing the appropriateness of the overall provision for bad debts we considered the consistency of management's application of policy for recognising provisions for accounts receivable with the prior year. Specifically we considered: i) the trend of historical cash collection against the level of provision of bad debts; and ii) prior year provision amounts released where a customer had paid.

### Other information included in The Company's 2016 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## Independent Auditors' Report continued

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Tiffany Norris-Pilcher.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

April 5, 2017



## STATEMENT OF FINANCIAL POSITION

(Expressed in Bahamian Dollars)

	December 31	
	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash (Note 3)	\$ 1,462,647	\$ 1,279,210
Accounts receivable, net (Note 4)	2,266,354	2,471,641
Inventories, net (Note 5)	772,013	700,085
Other assets (Notes 6)	168,406	175,064
Total current assets	<b>4,669,420</b>	4,626,000
<b>Non-current assets</b>		
Loan Receivable (Note 9)	166,165	–
Investments in associates (Note 7)	247,877	48,994
Property, plant, and equipment, net (Note 8)	6,003,469	6,253,825
Total non-current assets	<b>6,417,511</b>	6,302,819
Assets held for sale (Note 9)	–	369,598
Total assets	<b>\$ 11,086,931</b>	\$ 11,298,417
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 425,331	\$ 738,958
Value added tax payable	54,787	47,112
Total current liabilities	<b>480,118</b>	786,070
<b>Non-current liabilities</b>		
Security deposits	595,296	559,890
Total liabilities	<b>1,075,414</b>	1,345,960
<b>Shareholders' equity</b>		
Share capital and contributed surplus (Note 10)	2,794,113	2,794,113
Treasury shares (Note 10)	(584,515)	(550,465)
Retained earnings	7,801,919	7,708,809
Total shareholders' equity	<b>10,011,517</b>	9,952,457
Total liabilities and shareholders' equity	<b>\$ 11,086,931</b>	\$ 11,298,417

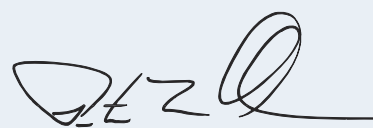
See accompanying notes

Commitments and contingencies (Note 15)

Approved By The Board:



Director



Director



# STATEMENT OF COMPREHENSIVE INCOME

BAHAMAS WASTE LIMITED

(Expressed in Bahamian Dollars)

	Year ended December 31	
	2016	2015
<b>Continuing operations</b>		
<b>Income</b>		
Sales and services rendered	\$ 10,992,869	\$ 10,906,942
Less: cost of sales and direct expenses (Note 11)	(7,280,436)	(7,140,613)
Gross profit	<b>3,712,433</b>	3,766,329
<b>Expenses</b>		
Salaries and related expenses (Notes 12 and 17)	1,398,867	1,242,478
General and administrative	665,421	640,978
Repairs and maintenance	184,060	164,780
Professional fees	184,732	142,266
Business license	142,785	141,922
Directors' fees (Note 12)	53,000	54,000
Advertising and promotion	57,156	53,392
Registration and transfer agent fees	42,054	42,468
Bad debts (Note 4)	43,500	129,577
Donations	35,702	41,754
Office supplies	39,804	34,323
Interest and bank charges	30,195	23,694
Total operating expenses	<b>2,877,276</b>	2,711,632
Income from operations	835,157	1,054,697
Other income	218,669	75,124
Share in income (loss) of associates (Note 7)	25,527	(14,717)
Total other income	244,196	60,407
Profit from Continuing Operations	<b>1,079,353</b>	1,115,104
<b>Discontinued operations</b>		
Loss from discontinued operations (Note 9)	(143,623)	(159,687)
Net income for the year, being total comprehensive income for the year	<b>\$ 935,730</b>	\$ 955,417
Earnings per share (Note 13)	<b>\$ 0.23</b>	<b>\$ 0.24</b>

See accompanying notes



## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Bahamian Dollars)

	Number of Shares Issued	Share Capital	Contributed Surplus	Treasury Shares	Retained Earnings	Total
Balance at December 31, 2014	4,200,000	\$ 42,000	\$ 2,752,113	\$ (367,117)	\$ 7,399,543	\$ 9,826,539
Total comprehensive income (Note 10)	–	–	–	–	955,417	955,417
Purchase of treasury shares	–	–	–	(183,348)	–	(183,348)
Dividends (Note 14)	–	–	–	–	(646,151)	(646,151)
Balance at December 31, 2015	4,200,000	\$ 42,000	\$ 2,752,113	\$ (550,465)	\$ 7,708,809	\$ 9,952,457
Total comprehensive income	–	–	–	–	935,730	935,730
Purchase of treasury shares	–	–	–	(34,050)	–	(34,050)
Dividends (Note 14)	–	–	–	–	(842,620)	(842,620)
Balance at December 31, 2016	<b>4,200,000</b>	<b>\$ 42,000</b>	<b>\$ 2,752,113</b>	<b>\$ (584,515)</b>	<b>\$ 7,801,919</b>	<b>\$ 10,011,517</b>

See accompanying notes

# STATEMENT OF CASH FLOWS

BAHAMAS WASTE LIMITED

(Expressed in Bahamian Dollars)

	Year ended December 31	
	2016	2015
<b>Operating activities</b>		
Net income from continuing operations	\$ 1,079,353	\$ 1,115,104
Net loss from discontinued operations	(143,623)	(159,687)
Net income being comprehensive income for the year	935,730	955,417
Adjustments for items not involving use of cash:		
Bad debts expense (Note 4)	43,500	129,577
Write-down of obsolete inventory	20,536	–
Amortization of intangible assets	–	25,000
Depreciation (Note 8)	1,273,060	1,325,045
Share of (gain) loss from investments in associates (Note 7)	(25,527)	14,717
Gain on disposal of property, plant, and equipment	(42,729)	(17,000)
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	161,787	(404,927)
(Increase) decrease in inventories	(56,925)	3,836
(Increase) decrease in other assets	6,658	91,484
(Decrease) increase in accounts payable and accrued liabilities	(313,627)	423,303
Increase in value added tax payable	7,675	47,112
Increase in security deposits	35,406	19,195
Net cash flow provided by operating activities	2,045,543	2,612,759
<b>Investing activities</b>		
Purchases of property, plant, and equipment (Note 8)	(1,030,862)	(1,314,662)
Proceeds from sale of property, plant, and equipment (Note 8)	45,426	17,000
Net cash flow utilized by investing activities	(985,436)	(1,297,662)
<b>Financing activities</b>		
Purchase of treasury shares	(34,050)	(183,348)
Dividends paid (Note 14)	(842,620)	(646,151)
Net cash flow utilized by financing activities	(876,670)	(829,499)
Net change in cash	183,437	485,598
Cash at beginning of the year	1,279,210	793,612
Cash at end of the year (Note 3)	\$ 1,462,647	\$ 1,279,210
<b>Supplemental cash flow information</b>		
Interest paid	\$ –	\$ 324
Non-cash financing transaction: Loan receivable (Note 9)	\$ 166,165	\$ –
Non-cash investing transaction: Investment in Bahamas Sustainable Fuels Limited	\$ 173,356	–
Non-cash investing transaction: Disposal of Assets Held for Sale	\$ (369,598)	–

See accompanying notes



**1. CORPORATE INFORMATION**

Bahamas Waste Limited (the Company) was incorporated under the laws of the Commonwealth of The Bahamas on August 18, 1987. It is engaged in the business of solid and medical waste collection, disposal, and recycling, including the sale, installation, rental, and maintenance of waste compactors and containers. The Company has publicly traded shares which are registered on the Bahamas International Stock Exchange.

The registered office of the Company is located at Alexiou Knowles & Company, St. Andrews Court, Frederick Street, P. O. Box N-4805, Nassau, Bahamas. These financial statements were authorized for issuance by the Company's Board of Directors on March 30, 2017.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

**Basis of Preparation**

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Certain prior period amounts have been reclassified to conform to the current year's presentation.

**Significant Accounting Judgments, Estimates, and Assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

*Going Concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*(Expressed in Bahamian Dollars)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Estimates and Assumptions

The key assumptions employed concerning a future event that may have a significant effect on the amounts disclosed in the financial statements are described below. Key assumptions and estimates used are based on information available when the financial statements were prepared. Existing circumstances may change for several reasons which are beyond the Company's control. Such changes are reflected as they occur.

#### *Provisions for Accounts Receivables*

The Company estimates its bad debt based on historical relationships with its customers and specifically reviews all balances that remain outstanding beyond normal credit terms and/or after relationships have been terminated. These balances are provided for in full after all attempts to collect the amounts have been exhausted and it is likely that they will not be collected.

### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial Assets

#### *Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### *Subsequent Measurement*

At December 31, 2016, the Company's financial assets include cash, loans and receivables. After initial measurement loans and receivables are measured as follows:

#### *Loans and Receivables*

Loans and receivables include accounts receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable, which generally have 30-90 day terms, are recognized and carried at the original invoice amount less an allowance for impairment.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial Assets (continued)***Loans and Receivables (continued)*

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Receivables from affiliated companies are recognized and carried at the original invoice amount.

*Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Impairment of Financial Assets*

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset may be impaired. If such evidence exists, the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the consolidated statement of comprehensive income.

**Financial Liabilities***Initial Recognition and Measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities and security deposits.

*(Expressed in Bahamian Dollars)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial Liabilities (continued)***Subsequent Measurement*

The measurement of financial liabilities depends on their classification.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

**Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

**Impairment of Non-Financial Assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. No such impairment was recorded during the year ended December 31, 2016 (2015 – \$Nil).

**Cash and Short-Term Deposits**

Cash in the statement of financial position comprises cash at banks and on hand. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks and on hand as defined above, net of outstanding bank overdrafts.

**Inventories**

Inventories are valued at the lower of cost and net realizable value.

Parts and supplies are valued based on costs incurred in bringing each product to its present location and condition are accounted using the first-in, first-out method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Inventories (continued)****Other Assets**

Other assets are carried at cost which is the fair value of the consideration to be received in the future.

**Investment in Associates**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investment in its associates is accounted for using the equity method. Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date.

The statement of comprehensive income reflects the Company's share of the results of operations of the associates. Any change in Other Cumulative Income (OCI) of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associates, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside of operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

When the financial statements of an associate is prepared as at alternative dates, adjustments are made, when necessary, to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associates. At each reporting date, the Company determines whether there is objective evidence that the investments in the associates are impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as "share of profit/loss of an associate" in the statement of comprehensive income. No impairment charges were recorded at December 31, 2016, or 2015.

**Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of such intangible assets is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

(Expressed in Bahamian Dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible Assets (continued)

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes to the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate and are treated as changes in accounting estimates. Amortization expense relative to intangibles with finite useful lives is recognized in the statement of comprehensive income.

### Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets and operating segments whose carrying amounts will be recovered through a sale within one year from the date of the classification are classified in the statement of financial position as held for sale. These non-current assets and operating segments classified as held for sale are measured at the lower of their carrying amount which approximates fair value. Assets are classified as held for sale only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition and it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

An operating segment is classified as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and is part of a plan to dispose of a separate major line of business. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss from discontinued operations in the statement of comprehensive income. Additional disclosures are provided in Note 9. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

### Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on the straight-line basis from the date of acquisition over the estimated useful lives of the assets which are as follows:

Buildings	20 years
Compactors and containers	5 – 7 years
Collection vehicles	3 – 7 years
Office vehicles	3 – 7 years
Furniture and Equipment	6 years
Computer equipment	3 years
Operating equipment	5 – 10 years





**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, Plant and Equipment (continued)**

The residual values, useful lives and methods of depreciation of property, plant, and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset. No such impairment was recorded during 2016 and 2015.

**Accounts Payable and Accrued Liabilities**

Liabilities classified as accounts payable and accrued liabilities which are normally settled on 30-60 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to affiliated companies are carried at the original invoice amount.

**Security Deposits**

Security deposits represent amounts received as deposits from customers at the signing of a customer service contract. The deposits do not bear interest and are either returned to the customer or applied to outstanding billings when service is terminated.

**Share Capital**

Ordinary share capital is recognized at the fair value of the consideration received by the Company.

**Treasury Shares**

The Company's ordinary shares which have been repurchased and held as Treasury Shares are recognized at cost and deducted from Shareholders' Equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale or cancellation of the Treasury Shares. Voting rights related to the Treasury Shares are nullified and no dividends are allocated to them.

**Revenue and Expense Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is to be made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

**Taxes**

There are no income taxes imposed on the Company in the Commonwealth of The Bahamas; however, a Value Added Tax (VAT) of 7.5% is billed on all services rendered and paid on all goods and services consumed. The difference between amounts billed and paid in connection with VAT is reflected in the statement of financial position as Value-added tax payable. Such amount is payable monthly in accordance with the Company's filing requirements. The Company is also required to pay a business license fee of 1.25% of total turnover.

*(Expressed in Bahamian Dollars)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Related Parties**

Related parties include companies under the control of the major shareholders of the Company. All balances and transactions with related parties have been disclosed in the financial statements and are stated at cost.

**Changes in Accounting Policies and Disclosures Adoption of New and Revised****International Financial Reporting Standards**

The accounting policies adopted are consistent with those used in the previous financial year. Amendments to certain International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Interpretations Committee (IFRIC) are relevant to the Company. Amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

*Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

*Amendments to IAS 27: Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

*Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

**New Standards, Interpretations and Amendments to Published Standards Relevant to the Company That are Not Yet Effective**

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Company's accounting but which the Company has not early adopted are as follows:

**Standards issued by not yet effective:***IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

*IFRS 15 Revenue From Contracts With Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted.

The Company is currently assessing the impact of the new and revised standards and the impact on the results of its operations from the implementation of these new standards when they become effective.



# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(Expressed in Bahamian Dollars)

## 3. CASH

For the purpose of the statement of cash flows, cash comprises cash on hand and at the bank at the date of the statement of financial position.

The Company has an agreement with the RBC Royal Bank (Bahamas) Limited for an overdraft facility of \$300,000. The facility is unsecured and bears interest at a rate of Nassau Prime interest rate +3.00% or 7.25% (2015 – 7.75). The Company also maintains an overdraft facility at CIBC FirstCaribbean International Bank (Bahamas) Limited of \$100,000. The facility is unsecured and bears interest at a rate of Nassau Prime interest rate +3.00% or 7.25% (2015 – 7.75%). At December 31, 2016 and 2015, the Company had \$400,000 of undrawn funds available from its approved overdraft facilities.

The Company also has an unsecured Corporate VISA facility from RBC Royal Bank (Bahamas) Limited with a limit of \$50,000. As of December 31, 2016, none of this amount was used (2015 – \$Nil).

## 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the following:

	2016	2015
Receivables from related parties	\$ 12,842	\$ 35,350
Trade receivables	2,812,012	2,951,291
	2,824,854	2,986,641
Less: provision for doubtful accounts	(558,500)	(515,000)
	<b>\$ 2,226,354</b>	<b>\$ 2,471,641</b>

For terms and conditions relating to receivables from related parties, refer to Note12.

Accounts receivable are non-interest bearing and are generally on terms of 30 to 90 days.

As at December 31, 2016, accounts receivable with a carrying value of \$103,466 (2015 – \$129,577) were impaired and fully provided for. No accounts were written off in 2016 or 2015, and movements in the provision for impairment include \$59,966 in restored balances (2015 – \$Nil).

The ageing analysis of trade receivables as at December 31, 2016, follows:

	Total	Neither Past Due Nor Impaired	Past Due But Not Impaired		
			30 Days	60 Days	90 Days or More
2016	2,266,354	1,136,972	531,445	181,279	416,658
2015	2,471,641	886,263	673,170	299,822	612,386

# NOTES TO FINANCIAL STATEMENTS

(Expressed in Bahamian Dollars)

## 5. INVENTORIES

Spare parts and supplies (at cost)  
Less: Provision for obsolete inventory  
Inventories (net)

	2016		2015
\$	792,549	\$	700,085
	(20,536)		–
<b>\$</b>	<b>772,013</b>	<b>\$</b>	<b>700,085</b>

## 6. OTHER ASSETS

Prepaid expenses and other receivables  
Employee advances  
Security deposits

	2016		2015
\$	107,398	\$	120,313
	48,108		41,851
	12,900		12,900
<b>\$</b>	<b>168,406</b>	<b>\$</b>	<b>175,064</b>

Employee advances are carried at cost which is the fair value of consideration to be received in the future. The amounts are interest free and are repaid via salary deductions.

## 7. INVESTMENT IN ASSOCIATES

The Company holds a 19% interest in the shares of Green Systems Ltd., a company incorporated under the laws of the Commonwealth of The Bahamas and engaged in the business of green waste recycling for the manufacture of mulch, compost, and soil. The Company's interest in Green Systems Ltd. is accounted for using the equity method. During 2016 and 2015, the Company made no additional investment in the Associate.

**Investment in Green Systems Limited**  
Beginning balance  
Share in net income (loss) of Green Systems Limited

	2016		2015
\$	48,994	\$	63,711
	48,482		(14,717)
<b>\$</b>	<b>97,476</b>	<b>\$</b>	<b>48,994</b>

On January 7, 2016, the Company transferred the equipment, inventory and vehicles used in the WVO Recycling Division to Bahamas Sustainable Fuels Ltd. (BSF). The Company owns a 49% non-controlling interest in Bahamas Sustainable Fuels, Ltd. which is engaged in the business of recycling waste cooking oil into biodiesel, but comprises a minority of BSF's Board of Directors and is not involved in the day-to-day operation of BSF. As such, the Company does not have significant influence over Bahamas Sustainable Fuels Ltd. and its interest in BSF is accounted for using the equity method.

(Expressed in Bahamian Dollars)

## 7. INVESTMENT IN ASSOCIATE (continued)

### Investment in Bahamas Sustainable Fuels Ltd.

Beginning balance  
Investment in Bahamas Sustainable Fuels Ltd.  
Share in net (loss) of Bahamas Sustainable Fuels Ltd.

	2016	2015
\$	–	\$ –
	173,356	–
	(22,955)	–
<b>\$</b>	<b>150,401</b>	<b>\$ –</b>

As at December 31, 2016, the Company had entered into the following contractual agreements with Bahamas Sustainable Fuels Ltd.:

- An operating lease over buildings housing the recycling equipment. The initial term of the lease is for 7 years, with the option to renew for two additional terms of 5 years each. Lease payments are \$500.00 per month for the first six months of the lease. Thereafter, lease payments will be \$1,197.50 per month for the remaining term of the initial lease. The lease commenced on January 7, 2016.
- An exclusive agreement for the purchase of renewable fuels, with a monthly minimum of 15,000 gallons of B50 biodiesel, subject to production volumes. The biodiesel is priced at 5% below the Diesel Benchmark Price as published by the Company's supplier, and the agreement is for a period of 12 months and is renewable annually. Biodiesel purchased under this agreement in 2016 totaled \$308,952 (2015 - \$Nil) and is included in the statement of other comprehensive income as cost of sales and direct expenses.

Additionally, during the year, the Company extended a line of credit to Bahamas Sustainable Fuels Ltd. for the purposes of settling operating expenses totaling \$295,905, lease payments of \$6,000; and payments against the loan receivable of \$22,968. These payments were offset against the fuel purchases from BSF of \$308,952, resulting in a net receivable from Bahamas Sustainable Fuels Ltd. of \$15,885 (Notes 9 and 12).



# NOTES TO FINANCIAL STATEMENTS

(Expressed in Bahamian Dollars)

## 8. PROPERTY, PLANT, AND EQUIPMENT

The movement of property, plant, and equipment for the year ended December 31, 2016, was as follows:

	Opening Balance	Additions	Disposals	Ending Balance
<b>Cost</b>				
Land	\$ 986,508	\$ –	\$ –	\$ 986,508
Buildings	4,408,296	150,238	–	4,558,534
Compactors and containers	9,133,830	399,840	–	9,533,670
Collection vehicles	7,800,991	399,806	(263,616)	7,937,181
Office vehicles	127,731	3,929	–	131,660
Furniture and equipment	536,554	41,699	–	578,253
Computer equipment	305,203	6,833	–	312,036
Operating equipment	605,439	28,517	(171,668)	462,288
Assets held for sale	745,364	–	(745,364)	–
	24,649,916	1,030,862	(1,180,648)	24,500,130
<b>Depreciation</b>				
Land	–	–	–	–
Buildings	2,421,202	250,125	–	2,671,327
Compactors and containers	7,868,382	438,135	–	8,306,517
Collection vehicles	6,067,759	474,649	(256,161)	6,286,247
Office vehicles	107,434	17,950	–	125,384
Furniture and equipment	419,715	55,541	–	475,256
Computer equipment	265,386	14,838	–	280,224
Operating equipment	500,847	21,822	(170,963)	351,706
Assets held for sale	411,245	–	(411,245)	–
	18,061,970	1,273,060	(838,369)	18,496,661
2016 book value	\$ 6,587,946	\$ (242,198 )	\$ (342,278)	\$ 6,003,469

The movement of property, plant, and equipment for the year ended December 31, 2015, was as follows:

	Opening Balance	Additions	Disposals	Ending Balance
<b>Cost</b>				
Land	\$ 986,508	\$ –	\$ –	\$ 986,508
Buildings	4,353,134	55,162	–	4,408,296
Compactors and containers	8,708,810	565,170	(140,150)	9,133,830
Collection vehicles	7,880,490	583,715	(663,214)	7,800,991
Office vehicles	127,731	–	–	127,731
Furniture and equipment	496,238	40,316	–	536,554
Computer equipment	278,993	26,210	–	305,203
Operating equipment	566,109	39,330	–	605,439
Assets held for sale	740,605	4,759	–	745,364
	24,138,618	1,314,662	(803,364)	24,649,916
<b>Depreciation</b>				
Land	–	–	–	–
Buildings	2,183,526	237,676	–	2,421,202
Compactors and containers	7,558,093	450,439	(140,150)	7,868,382
Collection vehicles	6,294,952	436,021	(663,214)	6,067,759
Office vehicles	92,462	14,972	–	107,434
Furniture and equipment	356,570	63,145	–	419,715
Computer equipment	253,584	11,802	–	265,386
Operating equipment	479,384	21,453	–	500,847
Assets held for sale	321,708	89,537	–	411,245
	17,540,289	1,325,045	(803,364)	18,061,970
2015 book value	\$ 6,598,329	\$ (10,383 )	\$ –	\$ 6,587,946

**8. PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)**

Depreciation expense is allocated to cost of sales and direct expenses (Note 11) in the amount of \$952,862 (2015 – \$999,082) and general and administrative expenses in the amount of \$320,198 (2015 – \$236,427), and none to assets held for sale (Note 9) (2015 – \$89,536). Fully depreciated property and equipment that are still being used by the Company as of December 31, 2016, amounted to \$11,004,845 (2015 – \$10,952,170).

**9. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

On April 27, 2016, the Board of Directors approved the winding up of the old corrugated cardboard (OCC) recycling division. The closure was completed December 6, 2016, with the sale of the fully depreciated operating equipment to independent third parties and the redeployment of employees to other divisions within the Company. As at December 31, 2016, the division is classified as discontinued operations and realized gains on the sale of such equipment of \$42,729 are included in Other Income in the Statement of Comprehensive Income. Obsolete inventory relating to the OCC operations with a carrying value of \$8,840 were provided for at December 31, 2016. Buildings with a net book value of \$345,706, which previously housed the OCC Recycling Division, will be repurposed during 2017 to accommodate the Company's equipment maintenance activities.

On December 15, 2015, the Board of Directors approved the transfer of the equipment and vehicles used in the WVO Recycling Division to Bahamas Sustainable Fuels, Ltd. The transfer was completed on January 7, 2016, and the Company sold 51% of its interest in these assets to 700 Islands Energy Limited, a Bahamian Company, for the sum of \$180,433.03, and retains a 49% non-controlling interest in Bahamas Sustainable Fuels, Ltd. The purchase of the equipment by 700 Islands Energy Limited is financed through a 10 year loan facility, with interest of 5% per annum and monthly payments of \$1,914.00. The loan is secured by a pledge of the Borrower's shares in Bahamas Sustainable Fuels Ltd. made in favor of Bahamas Waste Limited and the current balance on the loan receivable is \$166,165 (2015 – Nil). In addition to the transfer of assets, the Company entered into an operating lease with Bahamas Sustainable Fuels Ltd. over the building which previously housed the Company's waste vegetable oil recycling operations.

The assets classified as held for sale are comprised of the following:

	2016	2015
Equipment	\$ –	\$ 328,288
Inventories	–	35,479
Vehicles	–	5,831
Assets held for sale	\$ –	\$ (369,598)

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(Expressed in Bahamian Dollars)

## 9. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

The results of operations of discontinued operations are as follows:

	2016	2015
Inter-segment revenue	\$ 30,522	\$ 356,163
Repairs and maintenance	(52,277)	(342,418)
Salaries and related benefits	(76,240)	(83,895)
Depreciation expense	(45,628)	(89,537)
Loss on discontinued operations	<b>\$ (143,623)</b>	<b>\$ (159,687)</b>

2016 losses from discontinued operations relate to the OCC Recycling Division, while 2015 losses relate to the WVO Recycling Division.

## 10. SHARE CAPITAL

	2016	2015
Authorized: 10,000,000 ordinary shares of \$0.01 (2015 – 10,000,000 shares of \$0.01 each)	<b>100,000</b>	100,000
Issued and fully paid: 4,200,000 ordinary shares (2015 – 4,200,000 shares)	<b>\$ 42,000</b>	<b>\$ 42,000</b>

On October 24, 2012, the Company's Board of Directors approved a program for the repurchase of up to 10% (420,000) of its outstanding ordinary shares over the 36-month period ending October 31, 2015. As at the date of the statement of financial position, the Company had repurchased 192,474 (2015 – 182,822) ordinary shares for a total of \$584,515 (2015 - \$550,465). The repurchased shares are held in Treasury and cannot be released without the consent of the Board.

On October 24, 2015, the Board of Directors approved the extension of the share repurchase program for a further 36-month period ending October 31, 2018.

At December 31, share capital and contributed surplus was comprised of the following:

	2016	2015
Share capital	\$ 42,000	\$ 42,000
Contributed surplus	2,752,113	2,752,113
Treasury shares	(584,515)	(550,465)
	<b>\$ 2,209,598</b>	<b>\$ 2,243,648</b>



## NOTES TO FINANCIAL STATEMENTS

*(Expressed in Bahamian Dollars)***11. COST OF SALES AND DIRECT EXPENSES**

Cost of sales and direct expenses comprise the following:

	<b>2016</b>	<b>2015</b>
Salaries and related expenses	\$ 3,561,160	\$ 3,241,150
Repairs and maintenance	1,740,997	1,709,287
Depreciation expense (Note 9)	952,862	999,082
Fuel	707,956	922,063
Landfill fees	209,027	196,941
Other	108,434	72,090
	<b>\$ 7,280,436</b>	<b>\$ 7,140,613</b>

**12. RELATED-PARTY BALANCES AND TRANSACTIONS**

The following is a summary of the balances at December 31, 2016 and 2015, and the transactions during the year then ended with related parties:

	<b>2016</b>	<b>2015</b>
Accounts receivable	\$ 13,558	\$ 35,350
Other assets	\$ 15,885	\$ –
Purchases of property, plant, and equipment	\$ 47,395	\$ 9,274
Accounts payable and accrued liabilities	\$ 1,644	\$ 600
Sales and services rendered	\$ 62,291	\$ 91,851
Repairs and maintenance – cost of sales	\$ 308,952	\$ –
Chairman's compensation	\$ 67,671	\$ 58,758

Compensation of key management personnel of the Company:

	<b>2016</b>	<b>2015</b>
Short-term employee benefits	\$ 765,558	\$ 768,290
Defined contribution pension and medical insurance expense	115,008	107,464
Total compensation paid to key management personnel	<b>\$ 880,566</b>	<b>\$ 875,754</b>

Pursuant to an approval from the Board of Directors, the Chairman of the Board also provides consulting services to the Company. Amounts paid relative to this agreement for the year ended December 31, 2016, include fees of \$48,360 (2015 – \$48,360) and incidentals of \$19,311 (2015 – \$10,396), inclusive of telephone and medical insurance expenses. These fees are included in professional fees, salaries and related expenses, and general and administrative expenses. The Chairman of the Board is also a major shareholder of the Company. The other non-executive directors were paid directors fees of \$53,000 (2015 – \$54,000) for services rendered and travel expenses and do not receive any other types of benefits from the Company.

**13. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	<b>2016</b>	<b>2015</b>
Net income attributable to ordinary shares	\$ 935,730	\$ 955,417
Weighted average number of ordinary shares outstanding	4,013,774	4,053,686
Earnings per share	<b>\$ 0.23</b>	\$ 0.24

Earnings per share of \$0.23 is comprised of net income per share from continuing operations of \$0.26 and net loss per share from discontinued operations of \$0.03 (2015 – \$0.28 and \$0.04, respectively).

There were no dilutive securities outstanding during the 2016 and 2015.

**14. DIVIDENDS**

Dividends are declared at the discretion of the Board of Directors. A dividend payout ratio of 50% – 70% of net income is used as a basis for declared amounts, subject to the capital requirements and liquidity of the Company. During 2016, dividends totaling \$842,620 (2015 – \$646,151) were declared by the Board of Directors and paid on May 30, 2016 (\$0.09 per share) and November 18, 2016 (\$0.12 per share).

**15. COMMITMENTS AND CONTINGENCIES**

The Company guarantees all compactors sold for a 60-day period from the date of sale. Any claims pursuant to these guarantees are reimbursable by the manufacturer.

**16. SEGMENT INFORMATION**

As at December 31, 2016, the company had divested itself of all recycling divisions and engaged only in waste management, including all solid and wet waste collection, treatment, and disposal, including roll-on/roll-off and rear load collections, medical waste collections, and portable toilet services.

Prior to the closure of the recycling divisions, for purposes of management discussions, operating divisions were grouped into three reportable segments, as follows, based on the general nature of services:

# NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(Expressed in Bahamian Dollars)

## 16. SEGMENT INFORMATION (CONTINUED)

- Collections include all solid and wet waste collection, treatment, and disposal, including roll-on/roll-off and rear load collections, medical waste collections, and portable toilet services.
- OCC Recycling collects and bales various paper products for export.
- Corporate Administration provides oversight and administrative support to all divisions.

Management monitored the operating results of its various divisions for the purpose of performance assessment, particularly with respect to the start-up and growth of its new recycling ventures. The cost of the biodiesel was allocated to the various operating divisions based on the quantity dispensed to each division and the average market prices of premium diesel. Administrative overheads are managed on a group basis and are, therefore, viewed separately and are not allocated to operating segments.

December 31, 2015	Collections	WVO Recycling	OCC Recycling	Corporate Administration	Total
<b>Revenue</b>					
External customers	\$ 10,832,413	\$ —	\$ 74,529	\$ 60,407	\$ 10,967,349
Inter-segment revenue (expense)	—	—	—	—	—
Total revenue	\$ 10,832,413	\$ —	\$ 74,529	\$ 60,407	\$ 10,967,349
Segment profit	\$ 3,949,682	\$ —	\$ (183,357)	\$ (2,651,221)	\$ 1,115,104
Operating assets	\$ 7,221,727	\$ —	\$ 464,969	\$ 3,242,123	\$ 10,928,819
Operating liabilities	\$ 947,742	\$ —	\$ —	\$ 398,218	\$ 1,345,960
<b>Other segment information</b>					
Depreciation and amortization	\$ 928,455	\$ —	\$ 66,864	\$ 236,427	\$ 1,231,746
Salaries and related expenses	\$ 3,112,764	\$ —	\$ 128,390	\$ 1,242,478	\$ 4,483,632
Repairs and maintenance and fuel	\$ 2,841,512	\$ —	\$ 62,632	\$ 1,232,724	\$ 4,136,868

## 17. EMPLOYEE PENSION PLAN

The Company began a defined contribution pension plan on July 1, 2004. The manager of the plan is Colina Financial Advisors Ltd. The Company matches up to 5% of the contributions of the participants of the plan. Contributions to the plan for 2016 amounted to \$160,973 (2015 – \$160,188). Participants are entitled upon termination, retirement, disability, or death, to redeem their portion of the plan's assets, and are entitled to a portion of the Company's contributions after participation in the plan for a minimum of 5 years, with complete vesting after 10 years of participation.



**18. FINANCIAL RISK MANAGEMENT****General**

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits, and other controls. The process of risk management is critical to the Company's ongoing profitability and each individual within the Company is accountable for the risk exposures related to their responsibilities. The Company is exposed to credit risk, liquidity risk, interest rate risk, and market risk. The Company is also subject to general operating risk.

The risk control process does not include business risks such as changes in the environment, technology, and industry. These risks are managed through the Company's strategic management processes.

**Risk Management Structure**

The Board of Directors is ultimately responsible for identifying and controlling risk. The Company does not have a significant amount of financial risk due to its operations and as such, separate committees on the Board of Directors are not considered necessary. The Company does not have any trading positions.

**Risk Measurement and Reporting Systems**

The Company's risks are measured using a method which reflects both expected and unexpected losses. The risk measurements are based on historical experiences. Based on historical experience there are no significant risks of loss from credit risks, liquidity risks, interest rate risks, or market risks.

**Risk Concentrations and Credit Risk**

The Company does not have any significant concentrations of general risk or credit risk as the majority of its customers do not have business with the Company that is material to its operations; however, the top five of the Company's customers contributed to 15% (2015 – 20%) of the Company's outstanding accounts receivable and 27% (2015 – 32%) of the Company's annual sales and services rendered. The Company has experienced credit losses which are in line with management's expectations and are reasonable as its customers are primarily small businesses.

**Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. This risk is mitigated due to management's ability to temporarily borrow funds from its bankers and the monitoring of cash flow needs by management on a daily basis.

*(Expressed in Bahamian Dollars)***18. FINANCIAL RISK MANAGEMENT (continued)****Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Company's exposure to interest rate risk relates primarily to the overdraft facility.

Interest rate risk on the Company's overdraft facilities is not material.

**Net Fair Value of Financial Instruments and Market Risk**

Financial instruments utilized by the Company include recorded assets and liabilities. The Company's financial instruments are either short-term in nature or have interest rates that automatically reset to market on a periodic basis. Where financial assets and liabilities have fixed rates, those rates approximate market interest rates in its operating environment. Accordingly, the estimated fair value is not significantly different from the carrying value for each major category of the Company's recorded assets and liabilities.

**19. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. No changes were made in the objectives, policies, or processes during the years ended December 31, 2016 and 2015.

The Company monitors capital uses ratios which compare income, assets, and liabilities to capital. The Company does not have any statutory or regulatory capital requirements and as such, management adjusts capital levels as required for the Company's future development plans and returns the remainder of its capital to its shareholders.

**20. SUBSEQUENT EVENTS**

There were no significant events occurring after the reporting period that require adjustment to or disclosure in the financial statements.