

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Bahamas Waste Limited
Six Months Ended June 30, 2016

Ernst & Young



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Bahamas Waste Limited

Interim Condensed Financial Statements (Unaudited)

Six Months Ended June 30, 2016

Contents

Interim Statement of Financial Position (Unaudited)	2
Interim Condensed Statement of Comprehensive Income (Unaudited)	3
Interim Statement of Changes in Shareholders' Equity (Unaudited)	4
Interim Statements of Cash Flows (Unaudited).....	5
Notes to Interim Condensed Financial Statements (Unaudited).....	6

Bahamas Waste Limited

Interim Statement of Financial Position (Unaudited)

(Expressed in Bahamian Dollars)

	June 30 2016	December 31 2015
Assets		
Current assets		
Cash	\$ 1,640,252	\$ 1,279,210
Accounts receivable, net	2,145,995	2,471,641
Inventories	738,212	700,085
Prepaid expenses and other receivables	412,295	175,064
Total current assets	<u>4,936,754</u>	<u>4,626,000</u>
Non-current assets		
Loan Receivable	173,388	–
Investment in associates	222,350	48,994
Property, plant, and equipment, net	6,010,453	6,253,825
Total non-current assets	<u>6,406,191</u>	<u>6,302,819</u>
Assets held for sale	–	369,598
Total assets	<u><u>\$ 11,342,945</u></u>	<u><u>\$ 11,298,417</u></u>
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 770,047	\$ 786,070
Total current liabilities	<u>770,047</u>	<u>786,070</u>
Non-current liabilities		
Security deposits	567,185	559,890
Total liabilities	<u>1,337,232</u>	<u>1,345,960</u>
Shareholders' equity		
Share capital and contributed surplus	2,794,113	2,794,113
Treasury shares	(566,929)	(550,465)
Retained earnings	7,778,529	7,708,809
Total shareholders' equity	<u>10,005,713</u>	<u>9,952,457</u>
Total liabilities and shareholders' equity	<u><u>\$ 11,342,945</u></u>	<u><u>\$ 11,298,417</u></u>

Commitments and contingencies (Note 6)

See accompanying notes to interim condensed financial statements (unaudited).

Bahamas Waste Limited

Interim Condensed Statement of Comprehensive Income (Unaudited)

(Expressed in Bahamian Dollars)

	Three Months Ended June 30	
	2016	2015
Sales and services rendered	\$ 5,270,817	\$ 5,542,905
Cost of sales and direct expenses	(3,479,373)	(3,680,354)
Gross profit	<u>1,791,444</u>	<u>1,862,551</u>
Expenses		
Operating	1,347,428	1,352,201
Interest and bank charges	13,173	13,640
Total operating expenses	<u>1,360,601</u>	<u>1,365,841</u>
Net income being comprehensive income for the period	<u>\$ 430,843</u>	<u>\$ 496,710</u>
Earnings per share (<i>Note 4</i>)	<u>\$ 0.11</u>	<u>\$ 0.12</u>

See accompanying notes to interim condensed financial statements (unaudited).

Bahamas Waste Limited

Interim Statement of Changes in Shareholders' Equity (Unaudited) (Expressed in Bahamian Dollars)

	Number of Shares Issued	Share Capital	Contributed Surplus	Treasury Shares	Retained Earnings	Total
Balance at December 31, 2015	\$ 4,200,000	\$ 42,000	\$ 2,752,113	\$ (550,465)	\$ 7,708,809	\$ 9,952,457
Purchase of treasury shares	—	—	—	(16,464)	—	(16,464)
Net income being comprehensive income for the period	—	—	—	—	430,843	430,843
Dividends paid					(361,123)	(361,123)
Balance at June 30, 2016	\$ 4,200,000	\$ 42,000	\$ 2,752,113	\$ (566,929)	\$ 7,778,529	\$ 10,005,713

	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
Purchase of treasury shares	—	—	—	(59,998)	—	(59,998)
Net income being comprehensive income for the period	—	—	—	—	496,710	496,710
Dividends paid					(203,711)	(203,711)
Balance at June 30, 2015	\$ 4,200,000	\$ 42,000	\$ 2,752,113	\$ (427,115)	\$ 7,692,542	\$ 10,059,540

See accompanying notes to interim condensed financial statements (unaudited)

Bahamas Waste Limited

Interim Statements of Cash Flows (Unaudited)

(Expressed in Bahamian Dollars)

	Six Months Ended June 30	
	2016	2015
Operating activities		
Net income being comprehensive income for the period	\$ 430,843	\$ 496,710
Adjustments for items not involving use of cash:		
Bad debt expense	43,500	80,404
Gain on disposal of property, plant, and equipment	—	(15,000)
Amortization of intangible assets	—	12,500
Depreciation	633,731	658,148
	<u>1,108,074</u>	<u>1,232,762</u>
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	282,146	(159,483)
(Increase) decrease in inventories	(38,127)	9,736
Increase in prepaid expenses and other receivables	(237,231)	(65,558)
Increase in loan receivable	(173,388)	—
Increase (decrease) in accounts payable and accrued liabilities	(16,022)	201,275
Increase in security deposits	7,295	3,328
Net cash flow provided by operating activities	<u>932,747</u>	<u>1,222,060</u>
Investing activities		
Purchases of property, plant, and equipment	(374,551)	(894,464)
Proceeds from sale of property, plant and equipment	—	15,000
Net cash flow used in investing activities	<u>(374,551)</u>	<u>(879,464)</u>
Financing activities		
Loan receivable Bahamas Sustainable Fuels Ltd.	180,433	—
Purchases of treasury stock	(16,464)	(59,998)
Dividends	(361,123)	(203,711)
Net cash flow used in financing activities	<u>(197,154)</u>	<u>(263,709)</u>
Net change in cash	361,042	78,887
Cash, at beginning of the period	1,279,210	793,612
Cash, at end of the period	<u>\$ 1,640,252</u>	<u>\$ 872,499</u>
Interest paid	\$ —	\$ 89

See accompanying notes to interim condensed financial statements (unaudited).

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited) (Expressed in Bahamian Dollars)

June 30, 2016

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 and disposal, 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 (BISX).

The quarter ends of the Company fall on March 31, June 30, and September 30, with the year-end of the Company being December 31. The latest audited accounts of the Company were prepared as at December 31, 2014, and the year then ended in its reporting currency Bahamian Dollars.

The interim condensed financial statements (unaudited) for June 30, 2016, were authorized for issue by the directors on August 9th, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

These interim condensed financial statements (unaudited) for June 30, 2016, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The interim condensed financial statements (unaudited) do not include all of the information and Company's disclosures required in the annual financial statements, and should be read in conjunction with the December 31, 2015, audited financial statements.

The accounting policies adopted in the preparation of the interim condensed financial statements (unaudited) are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015.

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited) (continued) (Expressed in Bahamian Dollars)

3. Earnings Per Share

Earnings per share of \$0.11 (June 2015 – \$0.12) were calculated based on the shares outstanding at the end of the period, which approximated average shares outstanding during the period.

	<u>2016</u>	<u>2015</u>
Shares outstanding at end of period/year	4,012,478	4,055,128

4. Related-Party Transactions and Balances

During the quarter, the Company entered into transactions with related parties. All transactions and balances were conducted at arm's length. There were significant obligations to the related parties for the three months ended June 30, 2016 and 2015.

5. Treasury Stock

On October 24, 2015, the Board of Directors authorized the purchase of up to 10% (420,000) of the Company's outstanding common shares over the 36 month period ending October 31, 2018. During the six months ended June 30, 2016, 3,700 common shares were repurchased (June 2015: 19,000).

6. Commitments and Contingencies

The Company guarantees its compactors sales for a 60-day period from the date of purchase. The Company is reimbursed by the manufacturer for any claims paid under such guarantees.

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited) (continued) (Expressed in Bahamian Dollars)

7. Segment Information

For management purposes, operating divisions are grouped into three reportable segments as follows, based on the general nature of services:

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

On December 31 the Company discontinued its WVO Recycling which entailed the collection of waste cooking oil and the conversion of same into biodiesel for use in various vehicles and equipment across the operating divisions. On January 7, 2016, the Company completed the transfer of all its operating equipment and vehicles relative to this segment to a new entity, Bahamas Sustainable Fuels Limited.

Management monitors 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. Administrative overheads are managed on a group basis and are, therefore, viewed separately and are not allocated to operating segments.

Three Months Ended June 30, 2016	Collections	WVO Recycling	OCC Recycling	Corporate	Total
Revenue					
External customers	\$ 5,206,889	\$ –	\$ 23,575	\$ 40,353	\$ 5,270,817
Total revenue	\$ 5,206,889	\$ –	\$ 23,575	\$ 40,353	\$ 5,270,817
Results					
Depreciation and amortization	\$ (465,932)	\$ –	\$ (30,628)	\$ (137,171)	\$ (633,731)
Operating expenses	(2,880,495)	–	(102,318)	(1,223,430)	(4,206,243)
Segment profit	\$ 1,860,462	\$ –	\$ (109,371)	\$ (1,320,248)	\$ 430,843
Operating assets	\$ 6,916,374	\$ –	\$ 433,394	\$ 3,993,177	\$ 11,342,945
Operating liabilities	\$ 1,013,348	\$ –	\$ –	\$ 323,883	\$ 1,337,231

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited) (continued) (Expressed in Bahamian Dollars)

7. Segment Information (continued)

Three Months Ended June 30, 2015	Collections	WVO Recycling	OCC Recycling	Corporate	Total
Revenue					
External customers	\$ 5,466,035	\$ –	\$ 23,089	\$ 53,781	\$ 5,542,905
Inter-segment	(100,281)	103,813	(3,532)	–	–
Total revenue	<u>\$ 8,365,754</u>	<u>\$ 103,813</u>	<u>\$ 19,557</u>	<u>\$ 53,781</u>	<u>\$ 5,542,905</u>
Results					
Depreciation and amortization	\$ (458,003)	\$ (59,150)	\$ (36,677)	\$ (116,818)	\$ (670,648)
Operating expenses	(2,822,661)	(212,503)	(91,360)	(1,249,023)	(4,375,547)
Segment profit	<u>\$ 2,085,090</u>	<u>\$ (167,840)</u>	<u>\$ (108,480)</u>	<u>\$ (1,312,060)</u>	<u>\$ 496,710</u>
Operating assets	<u>\$ 7,101,356</u>	<u>\$ 822,624</u>	<u>\$ 482,156</u>	<u>\$ 2,714,358</u>	<u>\$ 11,120,494</u>
Operating liabilities	<u>\$ 815,213</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 245,741</u>	<u>\$ 1,060,954</u>

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