ARAWAK
PORT DEVELOPMENT

2012 ANNUAL REPORT

MISSION Operational excellence to maximize value through people development and technology

VISION Consistently delivering operational excellence

CONTENTS

APD LIMITED TIMELINE

"APD Limited opened the Nassau Container Port (NCP) on May 3, 2012 and Gladstone Freight Terminal (GFT) on August 13, 2012. As owner and operator of the NCP and the GFT, APD Limited has an inherent responsibility to efficiently, securely and safely serve the market while providing opportunities and value to all stakeholders."

2005

November 2005
Coastal Systems Development presented report to Government as part of EDAW master plan.

2006

April 20, 2006
Senator Dr. Marcus Bethel, Minister of the Environment invited Shipping stakeholders to participate in port relocation efforts.

May 18, 2006
Shipping Stakeholders pledged support to government as represented by Senator Dr. Marcus Bethel.

May 2006
Cabinet approved Master Plan for redevelopment of downtown Nassau and established SW Port Taskforce (Public/ Private Representation)

July 2006
SW Port Task Force conducted Port Consultant Interviews. RFP for the development of a Port business plan for SW New Providence. CH2MHILL, Cox Shal, Halcrow, KPMG and Ecorys-Liviense were shortlisted.

November 2006
Bahamas Government accepted recommendation from SW Port Task Force and awarded port consultancy contract to Ecorys-Liviense.

2007

January 2007
Government executed consultancy agreement with Ecorys. Private Sector Shipping interests and Government agreed to share in the cost of the port study.

May 2007
Following the General Election the Government advised that the SW Port option was cost prohibitive and that Arawak Cay was the viable alternative.

November 2007
Ecorys presented final hard copy SW Port report to Government and private stakeholders.

2008

February 2008
Government formally advised shipping sector that the new cargo port of Nassau would be located on Arawak Cay and that two business plans were under consideration.

May 21, 2008
Ministry of the Environment invited all shipping stakeholders to a meeting at Ministry of Works and advised that the Port proposal submitted by the broad base of shipping interests was the preferred proposal.

May 22, 2008
Shipping stakeholders met and it was determined that $1.1 million in seed capital had to be raised to fund the Port plan.

June 18, 2008
Arawak Cay Port Development Company (ACPDC) was formed.

June 18, 2008
Founder Shareholders Agreement was executed by each founding shareholder – agreement committed shareholder to support the project and not to compete with the company or its efforts.

June 2008
Higgs & Johnson and KPMG Corporate Finance retained to assist in legal and financial consultancies, respectively.

Founding Directors of ACPDC:
James Mosko- *Chairman/President/ Director*
Michael Maura Jr. – *Vice President & Secretary Director*
Donelle Taylor –*Vice President/ Director*
Christopher Lightbourn – *Vice President/ Director*
Jack Sands - *Director*

Shareholders:
Bahamas Marine Construction
Vakis Limited
Paradise Island Ready Mix Limited
The Mail Boat Association
The MailBoat Company Ltd
Arawak Cay Stevedoring Limited
C.C. Enterprise Bahamas Limited
Blue Flag Limited
Inter Island Feeder
Island Terminal Service
Container Terminals Limited/ Tropical
Bahamas Hot Mix Company Limited
Sea Truck
Betty K Agencies Limited
Bahamas Ferries Limited
Bethell Estates Limited
Tycoon Management Limited
Crowley Caribbean Services LLC
(Seaboard Marine and MSC join later)

July 2008
Private Sector Shipping Stakeholders conducted Port Consultant interviews – Shortlisted firms: DMJM Harris, Ecorys, Halcrow, Louis Berger Group.

September 2008
Halcrow awarded the Port Engineering and Operating Model project.

September 30, 2008
Halcrow Inc.: Introduction to the Shareholders, Government Department, etc. and stakeholder interviews initiated.

2009

February 24, 2009
APD Limited incorporated

March 16, 2009
MSC signed up as a Shareholder of ACPDC Limited.

April 2, 2009
Seaboard signed up as a Shareholder of ACPDC Limited.

August 6, 2009
Government Town Meeting was held to get the public's feedback on the Port Project.

September 24, 2009
ACPDC company name changed to Arawak Cay Port Development Holdings Limited "ACPDH"

2010

April 2010
APD Directors and AG Office finalized terms of MOU.

May 10, 2010
The MOU executed, with a groundbreaking at Arawak Cay by the Prime Minister Rt. Hon Hubert A. Ingraham.

June 2, 2010
Shareholders of ACPDH contributed $20MM representing full payment of their share of the $40MM in total company equity. The Government of The Bahamas committed to provide the remaining $20MM.

June 2010
Onsite construction activities began.

June 24, 2010
Government provided $10MM of a total commitment of $20MM due from the Government.

2011

February 24, 2011
Construction began on the Break Bulk Warehouse (for Betty K & MailBoat).

February 2011
Bulk Terminal Operator RFP placed in local papers.

March 2011
Government advised APD that Port must own and operate the container cranes.

March 2011
Common Terminal Operator RFP placed in local papers.

June 2, 2011
Government provided remaining funding to bring their total investment to $20MM.

June 27, 2011
Broke ground on Inland Terminal Building: CGT Construction.

July 2011
RFP placed in papers for Container Port civil works.

July 5, 2011
Final Design for Arawak Port completed by Halcrow.

August 2011
APD appointed PwC as auditors .

August 10, 2011
APD presented at the Chamber of Commerce seminar.

October 2011
Employment advertisements placed in local papers.

November 2011
APD awarded Port civil contract to Bahamas Hot Mix (BHM).

2012

January 2012
Port IPO completed – 996,915 additional ordinary shares issued to the investing public, bringing the total issued ordinary shares to 4,996,915 with the Government and the Founding Private Sector group each holding 2,000,000 ordinary shares. All shares were priced at $10 per share and afford the same rights and privileges to all shareholders.

April 1, 2012
All Bay Street carriers moved to Arawak Cay.

April 24, 2012
US Coast Guard Inspection International Ship and Port Facility Security (ISPS) Code inspection completed.

April 2012
KPMG submitted their Common Terminal and Bulk Terminal operator comparative analysis to the Board of Directors.

April 2012
Bulk and Common Terminal operators awarded license.

May 3, 2012
Grand Opening of Nassau Container Port.

May 12, 2012
NCP started operating on Saturdays 8:00am to 3:00pm.

May 2012
Government appointed directors (Anthony Allen and Anton Saunders) resign.

June 2012
KPMG completed Port Tariff benchmark exercise.

July 2012
Government revoked all transit sheds in New Providence and established two new transit sheds, one at the Nassau Container Port and one at Gladstone Freight Terminal.

July 9, 2012
All foreign Bay Street carriers relocated their less than container load (LCL) cargo to Gladstone Freight Terminal (Tropical, Crowley, MSC and ACL).

August 13, 2012
GFT Official Opening

October 2012
Government appointed directors – Michael Turner and Frank Forbes.

FINANCIAL HIGHLIGHTS

Income Statement	2012 $	2011 $
Total Revenue	7,236,453	-
Total loss for the period attributable to the equity shareholders	(2,239,349)	(1,147,353)
Basic and diluted loss per share	(0.51)	(1.21)

Balance Sheet	2012	2011
Assets		
Total Current Assets	5,498,070	10,289,742
Net PP&E	83,247,950	31,786,878
Total Other Assets	1,155,914	
Total Assets	89,901,934	42,076,620

Liabilities and Shareholders' Equity

Total Current liabilities	43,942,117	3,168,973
Non-current liabilities	104,242	
Total Liabilities	44,046,359	3,168,973
Total Equity	45,855,575	38,907,647
Total Liabilities & Shareholders Equity	89,901,934	42,076,620

Cash Flow	2012	2011
Net Cash Provided by Operating Activities	918,476	660,860
Net Cash (Used) by Investing Activities	(52,331,908)	(31,822,896)
Net Cash Used by Financing Activities	43,989,297	40,291,016
Bridge loan drawn down	35,203,199	-

Year end 2011 represents 11 months of construction commencing August 2010 with a complement of senior staff level.
Year end 2012 represents 12 months of construction and 3 months of operations with May 2012 considered substantial completion date

Debt to Equity	76.8%	-
Debt to total capital	39.2%	-
Gearing ratio (Net debt/total capital)	42.2%	
Cash dividends paid on common stock	-	-

INTRODUCING APD LIMITED

Major Ocean Carriers, Terminal Operators, and Stevedores operating from NCP at Arawak Cay.

- Abaco Shipping II
- Arawak Stevedoring Limited
- Bahamas Bulk Materials
- Bahamas Concrete Holdings
- Betty K
- Crowley
- MailBoat Company
- MSC (Mediterranean Shipping Company)
- Tropical Shipping

APD Limited opened the Nassau Container Port (NCP) on May 3, 2012 and Gladstone Freight Terminal (GFT) on August 13, 2012. As owner and operator of the NCP and GFT, APD Limited has an inherent responsibility to efficiently, securely and safely serve the market while providing opportunities and value to all stakeholders.

With a Memorandum of Understanding ("MOU") signed between Arawak Cay Port Development Holdings Limited, a consortium of 20 shipping concerns and the Bahamas Government, ownership of the port was vested in a partnership between the two signatories, each holding a 50 percent equity stake, representing 2,000,000 common shares each. By the terms of the MOU, Government gave APD Limited a 20-year exclusive control over international imports and exports to and from New Providence via sea. Also the MOU mandated that the company invite the general public to acquire 20% of the company's equity representing 1,000,000 common shares at a share price of $10 per share. In December 2011, APD Limited launched an initial public offering (IPO). The offering was oversubscribed by approximately $33 million and resulted in over 11,000 additional shareholders.

Nassau Container Port

Owned and operated by APD Limited, NCP is a comprehensive port facility built to the best international standards for container, general cargo and bulk material shipping in the region. Strategically sited, NCP is located at Arawak Cay, just two miles west of Downtown Nassau at the entrance to Nassau Harbour.

NCP comprises 56.55 acres:

Container Terminal (31.16 acres) includes 1,167ft of bulkhead and 28ft of draft. The terminal includes areas operated directly by APD, the designated Common Terminal Operator and Private Terminal Operators. The Container Terminal is intended to primarily serve Load On Load Off (LOLO) and Roll On Roll Off (RORO) carriers engaged in international trade.

Break Bulk Terminal (9.62 acres) includes 600ft of bulkhead and 21ft of draft and primarily serves those Bahamian-owned RORO and Break Bulk carriers engaged in international trade. The terminal includes a 25,000 square-foot warehouse which serves as a cargo transit shed for Bahamian-owned and operated shipping companies. Bahamas Customs and the Department of Agriculture serve the public from their offices within this terminal. The terminal includes areas operated directly by APD and the designated licensees of the port.

Bulk Terminal (8.52 acres) includes 800ft of bulkhead and 28ft of draft along the berth. The terminal handles primarily aggregate and cement. The terminal includes areas operated directly by APD and the designated Common Terminal Operator.

Additionally, NCP comprises administration facilities and access roads (7.25 acres) includes a 25,000 square - foot building, which will be renovated to accommodate

Nassau Container Port

Gladstone Freight Terminal

Bahamas Customs, Department of Environmental Health, Royal Bahamas Police Force, Royal Bahamas Defence Force, Department of Agriculture, APD Limited and other tenants.

Services: The port serves both domestic and international bulk, break bulk, container and project cargo clients. Importers can use several ocean carriers simultaneously and conduct all business at Arawak Cay.

International Ship and Port Facility Security (ISPS) Standards : NCP is compliant with the standards of the ISPS Code. The ISPS Code is a comprehensive set of measures to enhance the security of ships and port facilities, developed in response to the perceived threats to ships and port facilities in the wake of the 9/11 attacks in the United States. The ISPS Code is implemented through Chapter XI-2 Special measures to enhance maritime security in the International Convention for the Safety of Life at Sea (SOLAS), 1974. The Government of The Bahamas has identified the Port Department as the "designated authority" with the responsibility to approve all port facility security plans. NCP works in partnership with the Port Department, the RBDF, the RBPF, Bahamas Customs and other relevant organizations to ensure that the port maintains a safe and secure facility 365 days per year.

Gladstone Freight Terminal (GFT)

Developed at a cost of $15.2 million, the 15-acre GFT offers 90,000 square feet of cargo warehousing and deconsolidation space. The warehouse is presently home to Container Terminals Ltd and Gladstone Warehouse Services Limited. Each operates its own individual bonded warehouse. Additionally, Gladstone Warehouse Services Limited serves the needs of carriers and non-vessel operating common carriers "NVOCC", which choose not to lease warehouse space.

Situated in the centre of New Providence, GFT offers the ocean carrier and importer with a secure facility from which to process, distribute and collect imported goods. The facility includes a 10,000 square-foot administrative building that provides comprehensive Customs Services, including entry processing. Importers are able to pay their ocean freight, customs duties and collect their goods in a single trip, saving valuable time.

GFT, like NCP, is extensively monitored by surveillance cameras and supported by the Royal Bahamas Police Force.

GFT, like NCP, has backup power supply and fuel storage capabilities. In the event of a natural disaster, the two facilities have the means to become operational should key elements of the island's utility supply temporarily become unavailable and require additional time to come on-line.

APD LIMITED DIRECTORS

James Mosko

Chairman, nominated by ACPDH and approved by the Prime Minister

Mr. Mosko is the President of the Mosko Group of Companies with over 35 years of experience as a Civil Engineer. Mr. Mosko's extensive experience includes working on projects covering the length and breadth of The Bahamas, such as the Phase II & III development of Kerzner International on Paradise Island, Blue Lagoon on Salt Cay, the Barre Terre Causeway in Exuma, Bakers Bay in Abaco, the Disney cruise port on Gorda Cay and, most recently, the Albany Development and Nassau Airport Development projects in New Providence. Mr. Mosko graduated in 1975 with a Bachelor's degree in Civil Engineering from The Georgia Institute of Technology.

Christopher Lightbourn

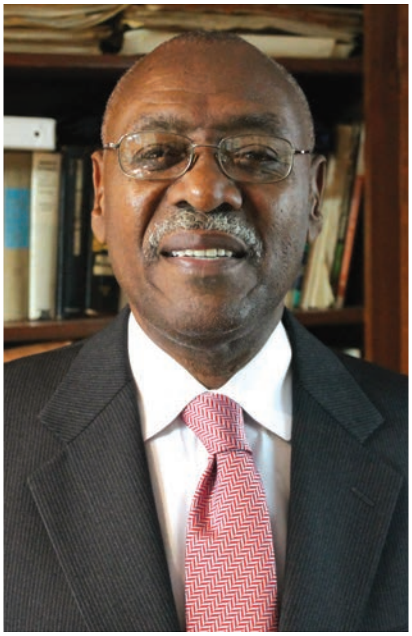
Secretary, appointed by ACPDH.

Mr. Lightbourn has been involved in construction, development, and shipping in The Bahamas for more than 25 years. He is the President and Director of both Cavalier Development Ltd. and Cavalier Shipping Ltd; Managing Director of Arawak Stevedoring Ltd; Chairman & Founding Developer of the Paradise Island Beach Club; Director of EFG Bank & Trust (Bahamas) Ltd.; Director and Founder of Ultimate Door & Window. Mr. Lightbourn was also appointed a member of the public/private SW Port Task Force in 2005, which ultimately resulted in the current project to relocate container port activities from Downtown Nassau. Mr. Lightbourn has a Bachelor of Science degree in Commerce from the University of Virginia, U.S.A. and is a licensed C.P.A.

Jack Sands

Appointed by ACPDH

Jack W.E. Sands has been in the shipping, building supply and mortgage businesses for over 50 years, starting his distinguished career at Kelly's Lumber Yard Limited in 1959. Mr. Sands currently serves as President and Director of Betty K Agencies Limited, positions that he has held from the company's inception over 35 years ago. He has served as President and Director of Betty K Agencies (USA), LLC for over 10 years. In addition, Mr. Sands serves as V.P., Secretary, and Managing Director of Kelly's Lumber Yard Limited, Secretary and Director of Kelly's Lumber Yard 2005 Limited, President of Import Export Brokers Limited, President and Director of Dorick Navigation SA, Secretary and Director of Rovert Properties Limited, and Director of APD Limited. Mr. Sands formerly served as Director on the boards of Bahamas First Holdings Limited, Nassau Underwriters Agency Limited, and Bahamas Telecommunications Corporation. He graduated from Queens College, Nassau, Bahamas in 1959.



Michael Turner

Deputy Chairman, appointed by Government

Mr. Turner was appointed to the Board of Directors of APD Limited as Deputy Chairman. He is the managing partner of the law firm of McKinney, Turner & Company. His varied practice includes corporate and commercial law with concentration in banking, trust, insurance, conveyancing, personal injury and other financial transactions.

At present, he is a director and/or officer of many companies in the Commonwealth of The Bahamas including the following: Security & General Insurance Company Limited –President and Director ; Nassau Insurance Brokers and Agents Limited – President and Director; Atlantic Medical Insurance Limited – Director and Assistant Secretary; Cunningham Lindsey (Bahamas) Limited – Director and Secretary; FedEx Bahamas Limited – Director; Helvetic Management Services Ltd. – Director; First Choice Services Ltd. – Director and Benchmark (Bahamas) Limited – Director.

Mr Turner holds an LL.B degree and is a Barrister-at-Law. He is a Fellow of the Institute of Chartered Secretaries and Administrators of London and possesses a Master's degree in Business Administration.

Frank Forbes

Appointed by Government

A native of New Providence, Bahamas, Frank Forbes was born in 1966. Recognized for academic excellence early on, he won a scholarship to attend St. Augustine's College for secondary studies. Later, he earned a degree in Business Administration & Finance from the University of Western Ontario School of Business.

Post-university, Mr Forbes successfully completed the necessary examinations and was licensed as a chartered public accountant. He was employed at PricewaterhouseCoopers as Senior Accountant for several years, then moved on to British American Holdings, where he held the position of Vice President of Finance. In 1996, armed with the wealth of knowledge and experience acquired in those posts, Mr Forbes launched Sigma Management Bahamas, his own accounting firm, a venture that has proved successful.

Creswell Sturrup

Appointed by Government

Mr. Sturrup has held the posts of Permanent Secretary since 1990 and deployed in that position in the Ministry of Agriculture, Marine Resources and Local Government, the Department of Public Service, the Ministry of Youth, Sports and Personal Development, the Ministry of Education, the Cabinet Office the Ministry of Health and the Ministry of Housing and Social Development. He currently serves as the Permanent Secretary in the Office of The Prime Minister.

He is a graduate of St. Augustine's College, Nassau, Bahamas, St. John's University, Minnesota with BA in Government, the University of the West Indies (Mona) with a Post Graduate Diploma in Public Administration and the University of London with an LLB (Hons.) degree.

CHAIRMAN'S MESSAGE

Mr James Mosko

The Bahamas has achieved many extraordinary advances, which tell the world of the resilience and ability of the Bahamian people when harnessed and channelled towards well-defined goals. These achievements have been all the more remarkable because, following the meltdown in the world of high finance in 2008 and the accompanying unpredictability of the global economic climate, new developments of any magnitude could not have been anticipated.

Out of such circumstances arose Nassau Container Port with a corporate and ownership profile, operational breadth, human, technical and material resources that are unique in the history of The Bahamas. One can only term 'historic' the public and private sector partnership, which underpinned the creation of the new port in response to a dire need to relocate bulk material and cargo shipping operations from the City of Nassau's main thoroughfare and tourist and business centre.

Undoubtedly, the most extraordinary aspect of the APD development was its early IPO that focused on drawing Bahamians from across the economic strata into the embrace of an unprecedented opportunity for ownership in the shipping industry, which was for generations vested in just a few families. The offering gave Bahamians from all walks of life access to buy into 20 percent of equity in APD Limited, with the shipping consortium and the Government of the Commonwealth of The Bahamas holding 40 percent each as founding shareholders.

It is this stable ownership base that makes the shareholding in APD a supremely valuable investment. It is also of significance because Bahamians could participate from the ground up, a privilege enshrined in the MOU, without the risks that had been borne by the original partners in meeting the challenges of the various levels of assessments and approvals. One million shares were put on the market at the original price of $10 each with a minimum purchase of 50 shares. It was a price that put ownership in APD Limited within the reach of over 11,000 Bahamian individuals and corporate entities.

Moreover, the value of shares in APD Limited is further enhanced by the fact that Bahamians have invested in all the imports and exports passing through Nassau, which represents the majority of the economic activity of this country. When it is considered that approximately 90 percent of what we use to service our economy is imported, and as much as 80 percent of world trade is still seaborne, it is easy to appreciate the vitality and continuing viability of the Company's economic base. Further boosting this position of strength is that APD Limited holds a 20-year exclusivity agreement with the Government whereby no other port can be established within 20 miles of New Providence or Paradise Island.

Yet another unique aspect of APD Limited is its executive management team composed of Bahamians, who bring a great range of talents, training and direct and experience in the shipping, finance, operations and legal professions.

I wish to extend my sincere thanks to my fellow directors who have tirelessly guided the company from concept development to receiving the first container. Their contribution can be seen in every aspect of the Nassau Container Port and Gladstone Freight Terminal.

APD Limited began formal operations and the shippers and related public agencies began to populate the Port late 2011/early in 2012, a period which proved to be another time of significant economic challenge for The Bahamas., The Company continued to meet all of the goals and milestones established in the founding Memorandum of Understanding or envisioned.

On behalf of the Board of Directors, I wish to acknowledge and thank our fine team of executives and the over 90 members of our dedicated staff who play such a dynamic and altogether praiseworthy role in the ongoing quality growth of the new port and of our core business. On every side, in every department, I and my fellow directors have seen manifested talents, professionalism, cooperation and zeal that will continue to deliver a rate and quality of productivity that will yield great benefits for all who depend on Nassau Container Port—shipping companies, importers, our shareholders, the Bahamian public in general and the national economy as a whole.

Again, on behalf of the Board of APD Limited, it is now my pleasure to thank the Bahamas Government and the more than 11,000 Bahamian individuals and institutional owners for your support and confidence in us.

J G Mosko

EXECUTIVE TEAM

MIKE MAURA, JR,
President & CEO

- Tropical Shipping 12 years at the highest levels of responsibility
- President, Tropical's Bahamas subsidiary, Container Terminal Ltd, producing $50 million in revenues
- Co-Chair, Southwest Port Task Force – 2006-2007
- Arawak Cay Port Development Holdings & APD Director – 2008-2010
- Director, Bahamas Chamber of Commerce.

DION BETHELL,
Vice President & CFO

- Tropical Shipping, 5 years as Regional Financial Controller
- Financial management of Abaco, Freeport, Nassau and Family Islands business units
- W & P Fund Services, 9 years
- Bahamasair Employees Provident Fund, 7 years; current trustee.

RICHARD McCOMBE,
Senior Manager Facility & Operations

- Tropical Shipping, Nassau Operations Manager
- Managing Director, Great Events and Programs
- Owner Windermere Day Spas and Salons
- Past Chairman of the Nassau Tourism and Development Board
- Past District Governor, Rotary International
- Chairman Bahamas 100- Day Challenge.

YVETTE RAHMING,
Senior Manager In-House Legal Counsel & Human Resources

- Legal Administrator, Harry B. Sands and Company – Property, Corporate and Commercial Law Departments - 6 years
- Owner Operator Business Consultant & Headhunting Firm, The Mobile Office Business Service Centre – 4 years,
- Associate, C.F. Butler & Associates Corporate and Commercial Litigation -2 years,
- LLB, (Hons.) - University of London, 2008
- Certificate of Legal Education – Eugene Dupuch Law School
- Member of The Bahamas Bar and a Notary, 2010,
- LLM in Maritime Law (in progress) – University of London

MANAGEMENT TEAM

ANTHONY COOKE	Financial Accounting Manager - Operations
COLLIN CLEARE	Port Facility Security Officer
BRANDO GLINTON	Gate & Interchange Manager
MARGARET MALONE	Administration Manager
CHARLES PINDER	Information Technology Manager
FELIX ROLLE	Facilities Manager
CRISPIN SEYMOUR	Planning Manager
CLORAN WATCHORN	Financial Accounting Manager-Reporting

CEO'S REVIEW

Beginnings

Several things made inevitable my decision to leave an executive post with an international shipping firm headquartered in the United States to return home to take up the post of Chief Executive Officer with APD Limited. Firstly, I, along with many Bahamians, believed that downtown Nassau offered tremendous economic potential for New Providence. The 20 acres of prime waterfront real estate, historically utilized by commercial shipping interests, offered the potential for a wide variety of commercial and residential development possibilities. Once redeveloped, downtown Nassau will have the potential to effect a significant increase in employment.

Secondly, the congested downtown waterfront prevented the shipping industry from operating to greatest productivity, owing to a limiting draft of 16ft, and very confining wharfs which inhibited efficient terminal operations. The narrow streets of downtown also introduced very real safety concerns, as large trucks with 40, 45 and 48ft containers challenged small-vehicle traffic and pedestrians.

Thirdly, the Government's economic plan included the development of the largest resort project in the western hemisphere, Baha Mar. The anticipated cargo volumes of this development and the future volumes associated with the hotel operations could not be safely and securely handled on the downtown wharfs.

Fourthly, the development of a new port, for the first time, offered the Government a greater share of the proceeds relating to shipping. In addition, the relocation of shipping to a single location improved Bahamas Customs efforts to collect duty on behalf of the Public Treasury, and afforded Bahamians the opportunity to join the Government and key shipping stakeholders in the ownership of the port. Of great importance was the fact that the board and senior management shared a vision that Bahamians would develop and operate the Nassau Container Port. The choices made to fill seats on the board and management posts brought together a group that has proved its worth in talent, experience, motivation, collegiality, teamwork and in achieving first class results. I offer highest commendation to the directors that have served the company over the past four years Jim Mosko, Christopher Lightbourn, Jack Sands, Donelle Taylor (emeritus), Ed Curling (emeritus), Anthony Allen (emeritus), Anton Saunders (emeritus), David Davis (emeritus), Frank Forbes, Michael Turner and Creswell Sturrup. I must also acknowledge members of the senior executive team Dion Bethell, Yvette Rahming and Richard McCombe.

The development of a 56.55 acre ISPS port facility not only required the leadership of a board and management team, but it also relied on the support and commitment of many Government departments and key stakeholders. APD is grateful to the Ministry of Works, Bahamas Customs, Royal Bahamas Police Force, Port Department, Department of Agriculture, Department of Environmental Health Services, Ministry of Finance, Bahamas Environmental Science and Technology (BEST) Commission, Royal Bahamas Defence Force, BEC, Water & Sewerage Corporation (WSC), Royal Bank of Canada, CFAL. Providence Advisors, BISX, KPMG, Higgs & Johnson, Cable Bahamas, Star General, Shipping Companies & Agents, Truckers, Stevedores, Harbour Pilots, the Arawak Cay Fish Fry Vendors' Association and TCL Group.

Together, we have helped to write a wonderful new page in the economic history of The Bahamas. The following review is intended to give evidence of this claim.


L2
TROPIC EXPRESS
PANAMA

DEVELOPMENT OF CONTAINER PORT AT ARAWAK CAY AND GLADSTONE FREIGHT TERMINAL

Funding

The principal assets of APD Limited, Nassau Container Port and Gladstone Freight Terminal, have been developed at a cost to date of $93 million. Funding for the construction phase of the project was derived initially from the $40 million in equity funding from the Government and ACPDH, along with a $43 million Royal Bank bridge loan and the proceeds from the $10 million IPO.

This highly successful $10 million public share offering not only enhanced APD equity, but also helped to defray start-up costs and made ownership in the local port sector truly Bahamian. A bottom-up approach ensured that smaller investors received first consideration for the one million ordinary shares offered. The minimum subscription was 50 shares or $500 in increments of 25 shares or $250 thereafter. The company plans to retire its short- term financing with RBC in the 3rd quarter of 2013 with a new and cost efficient financing structure.

Port Creation

The works engaged to build the new port consisted of but were not limited to the following:

Marine & Dredge Works

Creation of:

- A 28-foot draft at Arawak Cay
- Three container vessel berths of over 1,167 feet
- 2,468 feet of bulkhead; 1,768 feet of apron and 1,160 feet of crane rail

Repurposing & Refurbishment of Arawak Cay:

- Demolition of old Customs building
- WSC Reservoir Relocation
- Landscaping

Civil Works:

- Road Works
- Utilities and Fit-out
- Upland and Civil Works
- Site Works

Port Facility:

- Container Terminal (containerized cargo)
- Bulk Terminal (aggregate & bulk materials)
- Break Bulk Terminal (break bulk & palletized cargo)

Construction:

- Gladstone Freight Terminal - Inland Terminal
- Arawak Cay Break Bulk Warehouse
- Main Gate/Control Centre
- Canopy & Internal Road Work
- High mast lighting and perimeter fencing
- BEC Substation

Technology:

- NAVIS Terminal Operating System
- Fiber Backbone
- Surveillance System
- AccPac

Key Equipment:

- Manitwoc Mobile Harbour Crane (1)
- Liebherr 320 Mobile Harbour Crane (2)
- Stand-by Generators

Staffing:

- Administration/Accounts
- Gate Inspectors
- Planning
- Security
- Maintenance
- Crane Operators/Mechanic
- IT
- Training

Consultants:

- Financial Advisors
- Bankers
- Lawyers
- Project Monitors
- Architects
- Engineers
- Surveyors
- Auditors
- Building Contractors

Port Development Costs	Amount
Marine & Dredging Works (American Bridge)	28,518,279.
Upland Civil Works (BHM)	18,909,842.
Inland Terminal Construction (CGT)	15,238,074.
Crane Acquisition Costs	7,177,000.
Administrative Building (Pending)	4,310,000.
Soft Costs (Offer, Advisory & Working Capital)	3,991,101.
Reservoir Relocation (Island Site Development)	3,734,299.
Contingency - Marine/Dredging/Upland	2,500,000.
Arawak Cay Break-Bulk Warehouse	2,482,503.
Inland Terminal Road and Utility	1,564,634.
BEC Sub-station at Arawak Cay	1,500,000.
Cash Reserve	1,275,150.
Arawak Cay Gate Canopy Costs	780,000.
IPO Costs	517,000.
Arawak Cay Road Work Estimate	246,268.
Inland Terminal Furniture & Fit- out Costs	125,000.
Arawak Cay Temporary Office Fit-out Costs	100,000.
Total	92,969,150.

Development and Marketing of Initial Public Offering (IPO)

The APD IPO was the most successful IPO in the history of The Bahamas. The IPO was over-subscribed by approximately $33 million dollars and resulted in some 11,000 shareholders. To assist in the preparation and launch of the IPO, CFAL and Providence Advisors Limited, were engaged as Placement Agents and, in conjunction with the APD executive team and KPMG Corporate Finance (Financial Advisors), were entirely responsible for the planning and execution of the technical aspects of the IPO and its marketing. A prospectus was prepared and made widely available through the offices of such organizations as Bank of Bahamas, Colina, FamGuard, Providence Advisors Limited, etc. The Counsellors Ltd served as Marketing Agency, with responsibility for the planning and execution of public relations to support the marketing of the IPO.

The extensive public relations/marketing strategies included:

a. A newspaper supplement providing background to APD and subsidiaries and progress of development
b. Visits to a number of Family Islands, including the second and third largest population centres—Grand Bahama, Exuma, Eleuthera, Harbour Island, Long Island, Spanish Wells and Abaco;
c. Speaking engagements: civic clubs, the Business Outlook series
d. Guest appearances on television programmes and radio talk shows, the latter as available.

Keys to Port Management and Efficiency

1. NAVIS-Argo Terminal Operating System

One of the keys to Nassau Container Port's efficiency is the Navis Terminal Operating System. Its electronic solutions automate the tracking of containers through a port (between the ship and Port gate) maximizing efficiency of movements through the terminal and reducing the risk of security breaches and loss of freight equipment. Installed at Nassau Container Port, the system links APD, with the carriers calling at NCP, thereby enhancing these necessary and mutually beneficial relationships.

Shipside checker using electronic tablet to enter container data into system.

2. Specialized Equipment

In early 2012, at a cost of approximately B$4 million landed, APD acquired two giant Liebherr 320-ton mobile harbour cranes, a key to modern port operations to international standards. A mechanical marvel, the Liebherr 320 combines the three most desirable attributes in cargo movement-capacity, reach and speed. Weighing 370 tons, it has a capacity for lifting 100 tons, with a reach that can cover a ship of 13 containers wide. The top of the crane with its boom up is about 145 feet above ground, and the tower tops out at just over 100 ft.

3. Quality and Commitment of APD People

Still in the first phases of its planned development, NCP has already brightened the local employment picture considerably. By December 2012, the Port boasted a staff complement of 98 men and women, drawn from throughout our islands. Nassau Container Port has given them novel opportunities to enter the ever-growing shipping industry and acquire associated skills, which have international portability.

4. Employment and Training Opportunities

APD is providing opportunities for women in port operations, long considered a man's world exclusively. APD, an equal opportunity employer, has engaged women in many capacities, including dockside operations. At present, APD employs 38 women contributing in departments and capacities across the board: Accounts, Administrative Office; Shipside Checking; Planning; Maintenance; Security & Safety; Office and Gate Inspection.

When APD took the very necessary step to engage in-house legal counsel, Yvette Rahming, a talented professional, was chosen to fill this sensitive post. It proved to be an excellent decision.

To build new skill sets or enhance existing ones, APD Limited has conducted the following training programmes over the past year: Company Orientation & Policies; International Port Regulation & Rules; Department Training; Navis-Argo Terminal Operating System; ISPS - Authority governing security measures for ports worldwide; HAZWOPER training, which involved health and safety training and awareness and handling of hazardous material; Crane Certification & Training and training in Accpac.

Additionally, APD Limited engaged Edens Ltd, an internationally based company, to evaluate and make recommendations regarding its crane operation, stevedoring and other yard processes,. Edens Ltd. is accredited by the Road Transport Industry Training Board (RTITB), of the United Kingdom and is recognized by that country's Health and Safety Executive (HSE). This speaks to the commitment that APD Limited has toward ensuring that it maximizes efficiencies and improves upon methodology, all the while insisting on safety of its staff and customers.

5. The Relationship with APD Partners

A key to the success of ports worldwide is the quality of the relationships among port operators, shippers, importers, truckers and related government agencies such as the Customs services and the Port Department. The harmonization of their efforts is essential to the facilitation and growth of trade.

In initiating the operations of Nassau Container Port, APD has enjoyed good cooperation from all our partners in trade facilitation. APD Limited must highlight the relationship with the Customs Department.

The Comptroller has publicly acknowledged that the establishment of Nassau Container Port and its efficiencies has assisted Customs in its drive to improve import/export clearance, revenue and data collection and security. APD Limited pledges to continue to partner with Bahamas Customs in the Government's trade facilitation efforts. We will work tirelessly to aid the Government in its effort to combat the illegal import and or export of contraband and to identify illegal cargo operations.

During the process of relocating and consolidating international shipping operations stakeholders have been asked to learn and comply with new port procedures. Throughout the development of NCP and GFT, the importers, truckers, and shipping operators have faithfully supported APD's efforts and patiently worked with APD personnel to accomplish the many critical objectives. Developing a company and its supporting systems and procedures is a very challenging task. APD Limited will forever be grateful for the support of all of its partners in the course of this journey.

ADVISORS

Financial Advisors

KPMG CORPORATE FINANCE
5th Floor, Montague Sterling Centre
East Bay Street, P.O. Box N-123
Nassau, The Bahamas

Escrow Agents

CFAL LTD.
3rd Floor, 308 East Bay Street
P.O. Box CB-12407
Nassau, The Bahamas

Registrar & Transfer Agents

BAHAMAS CENTRAL SECURITIES DEPOSITORY
#50 Exchange Place, Bay Street
P.O. Box EE-15672
Nassau, The Bahamas

Auditors

PRICEWATERHOUSECOOPERS
Chartered Accountants
Providence House, East Hill Street
P.O. Box N-3910
Nassau, The Bahamas

Bankers

ROYAL BANK OF CANADA
East Hill Street
P.O. Box
Nassau, The Bahamas

Legal Counsel

HIGGS & JOHNSON
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P.O. Box N-3247
Nassau, The Bahamas

Registered Office

HIGGS & JOHNSON CORPORATE SERVICES
Ocean Centre, Montague Foreshore
P.O. Box N-3247
Nassau, The Bahamas

OUTLOOK FOR 2013

April 2012 marked the official relocation of all international shipping carriers to NCP. Concurrent with the arrival of the many carriers at NCP was the full implementation of the port tariff. The investment of over $90 million in the new NCP, along with the unprecedented Government landing fees and property tax assessments, resulted in an increase in port charges to the various carriers serving the market. As we look forward, NCP anticipates an increase in total container volumes, which offers the potential for a reduction in the port tariff and, therefore, a reduction in fees assessed to the various carriers.

The last of the first-phase construction projects at Arawak Cay, the erection of APD's 25,000 square- foot administration building on Arawak Cay, went out for bid in December 2012 with completion expected in late 2013. It is expected that Bahamas Customs will advance the development of its Customs Scanning Portal, which is intended to improve "surveillance, risk management and collection" for the Government's main revenue generator. A BEC sub-station at Arawak Cay also remains to be constructed in 2013.

As the Baha Mar resort development imports increase beyond its 2012 levels, the total container volumes handled through the Nassau Container Port will increase. The additional volumes may require NCP to expand its operating hours and encourage terminal operators to employ additional personnel to handle the increase in cargo. Additionally, the increase in business will trigger a great demand for trucks to haul the cargo.

APD will continue to work closely with its partners with the purpose of expanding port services, which will improve overall productivity, drive efficiency, ensure Government control and lower cost of operation. In the recent months, APD has successfully reduced vessel turn times by over 25%, which has provided carriers with the possibility for improved vessel utilization and/ or lower fuel consumption. The bulk material segment has seen improved efficiencies due to the NCP organizational structure and the elimination of the historic "free for all", which used to exist on Arawak Cay. The 30,000 ton bulk material vessels are able to access the berth on a timely basis, reducing the possibility of hefty demurrage charges. The break bulk operations of the Betty K has also realized tangible benefits in terms of a significant reduction in damage to cargo. Furthermore, vessel operations are far more productive and customers are able to collect their cargo in a more timely fashion.

During 2013 APD will work with the Government and Port Department to relocate bulk vehicle carriers from Prince George Wharf to NCP. Once accomplished, the traffic conflict between several hundred vehicles and arriving cruise passengers will no longer occur.

At the request of the Ministry of Finance, APD has offered the Government warehouse space in the GFT. The warehouse bay would allow Bahamas Customs to auction cargo that is not duty paid and has remained in the warehouse beyond an acceptable period of time. The close proximity of the Customs warehouse bay to warehouse operators serving Crowley, MSC, Tropical and other carriers provides each operator with the ability to regularly clear their warehouse of cargo older than one week and transfer this cargo to the Customs bay. The consistent adherence to this process would benefit the Public Treasury, in that importers would be encouraged to clear their goods within the permitted free time.

Long-Term Expectations

With more than 1,167 feet of berthing space, a 28-foot draft, and Liebherr 320 mobile harbour cranes, the Nassau Container Port offers carriers the ability to increase vessel utilization, expand the variety of vessels deployed to Nassau, maximize container utilization by loading to the unit capacity, and include Nassau in a vessel string dependent on ships, which historically were unable to berth along the wharfs in the Nassau harbour. Moreover, the introduction of the Liebherr cranes has afforded Baha Mar and its carrier of choice the ability to import specialized and or unique items that require cranes capable of lifting 100 tons from the ship. The combination of Port technology, Port design, Customs oversight, APD administration and carrier flexibility, offers a winning formula for years to come.

By moving all container port activities from Downtown Nassau to nearby Arawak Cay, APD Limited has set the stage for the redevelopment of the eastern end of Bay Street, making room for new business development, encompassing a wide range of opportunities for entrepreneurs, the creative community, and the community at large. The extensive acreage freed east of Rawson Square can now be redeveloped into a marina, restaurants, retail shops and entertainment, thereby creating new jobs. The multiplier effect will spread the benefits widely.

The company is well positioned to assist the Government with the development of ports throughout the Family Islands. In Nassau, our tourism stakeholders have demanded that improvements be made to our airport and port facilities, as these are essential to the viability of the resort industry. Similarly, in the islands the existence of efficient port and airport facilities capable of handling vessels and aircraft of various sizes is essential to their economic development. APD Limited can provide the funding, construction and operational expertise to bring island port infrastructure into the 21st century. In addition, as APD Limited is one of the largest public companies, the investing public participates in the business as equity owners.

According to projections contained in the Economic Impact Study[1] produced by KPMG Corporate Finance, Nassau Container Port is expected to generate $800 million in Bahamian gross domestic product (GDP), and more than 1,200 full-time jobs, over an initial 20-year period. These figures are based on NCP operations and the opportunities for new business development on Bay Street, arising from the freeing up of 20-acres of prime downtown property with the relocation of container port operations to Arawak Cay.

1 This plan was prepared by KPMG in 2010 and those projections were based on statistical information available prior to the publication of the study.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis (MD&A) should be read in conjunction with the audited financial statements of APD Limited for the year ending June 30, 2012 and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. This MD&A is dated January 23rd, 2013.

Overview

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

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 from December 16, 2011 to January 31, 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.

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 Surveys, acting on behalf of the Government, leased to NCP the Port Land and the Depot Land. In the same capacity, the Minister also licensed 27.88 acres of seabed for use of the Company for 45 years which became effective upon the substantial completion of the Port and Depot facilities.

The Company began construction of the port project in August 2010. The financial year ended June 30, 2012 represents 9 months of construction and 3 months of operations. The period ended June 30, 2011 represents port startup and development without any operations. As of June 30, 2012 the Company was in operational phase with some development projects to be completed. 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 will have the capability of handling at least 75,000 Twenty-foot Equivalent Units (TEUs) annually. The Depot comprises 90,000 square feet and 10,000 square feet of warehouse and administrative office space, respectively, and serves as a deconsolidation and distribution centre.

Financial Performance

Income Statement	2012 $	2011 $
Total Revenue	7,236,453	-
Total loss for the period attributable to the equity shareholders	(2,239,349)	(1,147,353)
Basic and diluted loss per share	(0.51)	(1.21)

Balance Sheet	2012	2011
Assets		
Total Current Assets	5,498,070	10,289,742
Net PP&E	83,247,950	31,786,878
Total Other Assets	1,155,914	
Total Assets	89,901,934	42,076,620
Liabilities and Shareholders' Equity		
Total Current liabilities	43,942,117	3,168,973
Non-current liabilities	104,242	
Total Liabilities	44,046,359	3,168,973

Substantial completion of the Port and the Depot facilities occurred on May 1, 2012 and August 13, 2012, respectively.

During 2011 the port development project was in the construction phase and the company was not engaged in any operation activities and did not generate revenues. The operating loss during 2011 consisted of project setup fees, insurance, utilities, office administrative costs and staff costs for four employees, who were ultimately responsible for the oversight and development of the port project.

The company began to hire personnel during the latter part of 2011 and throughout 2012. The staff size increased from 4 employees in 2011 to about 98 employees by the end of 2012. The operating loss as at June 2012 reflects operating expenses being incurred in preparation for a fully functional port with operating revenues only beginning in April 2012. The company began incurring operating expenses prior to generating operating income. This was necessary to ensure we had the necessary resources and staff, who were properly trained for the opening of the port facility. The company began operations during April 2012 and the project was deemed substantially complete on May 1, 2012. However, some key project works such as the BEC substation and the company's main administrative building and the high mast lighting are not yet complete. The BEC substation is well underway and the main administrative building is expected to be completed by December 2013.

In July of 2012 the Atlantic Caribbean Line (ACL) went out of business and discontinued service to The Bahamas and Turks & Caicos. In December of 2012 G&G discontinued service to Nassau preferring to concentrate on the Family Islands market. Both carriers represented about 7.5% of the containerized cargo volumes in the Nassau market. These volumes were absorbed by the remaining five (5) carriers serving the New Providence market.

The revenue for the period ended June 30, 2012 represents income from April 2012 to June 2012. Our actual revenues of $7,236,453 for the period ended June 30, 2012 were 1,221,044 or 20.3% higher than our forecasted revenues of $6,015,409. Our actual operating expenses of $9,074,623 for the period ended June 30, 2012 were $644,026 or 7.6% higher than our forecasted expenses of $8,430,597. Our overall net operating loss of $2,239,349 was 453,711 or 16.85% lower than our forecasted operating loss of $2,693,060.

The PP&E balance of $31,786,878 represents port development costs as at June 30, 2011, funded by the initial equity investment from the Bahamas Government and ACPDH. The PP&E balance of $83,247,950 as of June 30, 2012 represents port development costs from inception and funded by the RBC Bridge Loan and the proceeds from the IPO.

Total current assets decreased from $10,289,742 (2011) to $5,498,070 (2012). During 2011 the funds used to commence the port project were from the equity investments by the Government of The Bahamas and ACPDHL, the balance as at June 30, 2011 represented the unused portion of the equity proceeds from the two initial shareholders and consisted primarily of cash. The current assets balance as at June 30, 2012 represented accounts receivable, as well as cash, deferred borrowing costs, prepayments and inventory.

As of June 30, 2012, accounts receivable of $413,089 were impaired with a provision amounting to $213,089 being made against this amount. The impaired receivables mainly relate to a carrier that no longer makes vessel calls to The Bahamas.

Total current liabilities increased from $3,168,973 to $43,942,117, which was mainly attributable to the amount drawn down from the RBC Bridge Loan along with any retention payables related to port project works.

Management monitors the performance of our operations against our strategic objectives on a regular basis. Performance is assessed against the strategy, budget and forecasts, using financial and non-financial measures. Our actual TEU volumes during the operating period from April 2012 to June 2012 were 15,300 which were 7.7% higher than our forecasted volumes of 14,196 TEUs for the same period. Our actual bulk ton volumes during the operating period from April 2012 to June 2012 were 236,992 short tons, which were approximately 21% higher than our forecasted volumes of 196,078 short tons.

NCP's TEU volumes as at December 2012 are tracking about 10% above forecast. We expect that the Baha Mar volumes will result in additional TEU volumes that may translate into and contribute to positive returns. Management expects that the increased Baha Mar volumes will begin in March of 2013.

Liquidity & Capital Resources

APD's principal source of operating liquidity is cash flows generated from operations. We maintain what we consider to be an appropriate level of working capital liquidity. Once the project is fully complete, we may consider maintaining appropriate levels of liquidity through several sources, including maintaining appropriate levels of cash, access to funding sources, and a committed credit facility. As of June 30, 2012, our financing needs were supported by $7,796,801 of available capacity under our Bridge Loan credit facility with Royal Bank of Canada. The company plans to retire its short-term financing with RBC in the 3rd quarter and replace it with any combination of NIB institutional and/or longer-term bank debt. In the event additional funding is required, there can be no assurance that further funding will be available on terms favourable to us or at all.

APD's principal uses of cash are to fund planned operating expenditures, capital expenditures, interest payments on the bridge loan and any mandatory quarterly lease payments on port lands to the government. With the cash and cash equivalents on our balance sheet, our ability to generate cash from operations over the course of a year and through access to our bridge loan credit facility, we believe we have sufficient liquidity to meet our ongoing needs for at least the next 12 months.

Based on the company's current financial forecast, we believe we will continue to be in compliance with, or be able to avoid an event of default under the bridge loan agreement and meet our cash flow needs during the next six months. In the event of an unanticipated adverse variance compared to the financial forecast, which might lead to an event of default, we have the opportunity to take certain mitigating actions in order to avoid such a default, including: reducing or deferring discretionary expenditure; modifying our tariff rates; and securing additional sources of finance or investment.

We believe an important measure of APD's liquidity is unleveraged free cash flow. This measure is a useful indicator of our ability to generate cash to meet our liquidity demands. We believe unleveraged free cash flow provides investors a better understanding of how the company is performing and measures management's effectiveness in managing cash. We define unleveraged free cash flow as net cash, which is provided by (used in) operating activities of continuing operations, adjusted to remove the impact of interest payments, and deduct the impact of capital expenditures on property and equipment additions. We believe this measure gives management and investors a better understanding of the cash flows generated by our core business, as interest payments will be primarily related to our debt while capital expenditures are primarily related to the development and operation of the port.

Transaction with Related Parties

APD is 40% owned by Arawak Cay Port Development Holdings Limited (ACPDHL), a consortium of private companies operating in The Bahamas that are involved in shipping or maritime services. While NCP serves the wider industry, over 90% of the revenues of the company will be derived from the services that APD provides to companies that may have some ownership stake in ACPDHL. APD operates three terminals; the container terminal that provides services to related parties, such as Tropical Shipping, MSC and Crowley; the bulk terminal which provides services to Bahamas Bulk Materials and Tycoon Management; and the break bulk terminal that provides services to Betty K and MailBoat.

APD has awarded licenses to:

- Arawak Bulk Materials, which operates the Bulk Terminal
- Tropical Shipping, which has applied for a Private Terminal Operator's license in the Container Terminal
- Arawak Stevedore Limited, which provides stevedoring and terminal handling services to APD's customers

APD also sub-lets warehouse space to Betty K, Tropical Shipping and Gladstone Warehouse Services Limited at competitive market rates.

APD is also 40% owned by The Treasurer of The Bahamas. The company has a 45-year lease for 56.55 acres of land on Arawak Cay at a minimal annual rent of $2,000,000 or $40 per TEU.

The company has a 45 year-lease for 15 acres of Crown land at Gladstone Road, where the inland depot was constructed and leases the land for $1 per annum.

The company has a 45-year Seabed License for 27.88 acres of seabed for $1 per annum.

The company pays Real Property Tax on port lands at Arawak Cay and on lands at the inland depot at Gladstone Road.

The company pays Business License fees as required under the Business License Act.

The Company will pay the Government a dividend whenever one is declared for its 40% interest in the company.

The company provides Bahamas Customs, Department of Agriculture, Department of Environmental Health, and the Royal Bahamas Police Force with administrative offices at both NCP and GFT at no charge.

The company is conservatively forecasting that, after the first full year of operations, it will pay the Bahamas Government in excess of $3.8 million dollars for lease fees, licenses, and taxes. During 2009 the Government would have received minimal fees from the then licencees that used port lands from where APD currently operates.

Critical Accounting Estimates

Useful lives of property, plant and equipment

Management determines the estimated useful lives of the 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 utilization, 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.

Repayment of Bridge Loan

The existing bridge loan facility, outstanding as of June 30, 2012 of $35,203,199, was due to mature on November 30, 2012. Accordingly the loan was classified as a current liability as of that date.

In order to meet the Company's capital and operational requirements over the upcoming year, management has taken or will be taking the following actions:

(i) The bridge loan facility was extended to July 31, 2013.

(ii) The company plans to retire its short-term financing with RBC in the 3rd quarter.

(iii) Remaining capital works will be funded using the un-drawn portion of the bridge loan with Royal Bank of Canada.

Based on the mitigating factors as explained above, management believes that the Company has adequate resources to meet its obligations as they fall and continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Significant Agreements

Memorandum of Understanding (MOU)

The MOU required that 20% of the Company's ordinary shares be offered for sale to the general public. Accordingly, the Company held an IPO in December 16, 2011 to January 31, 2012. At the conclusion of the IPO, the Government and ACPDHL each owned 40% and the general public owns 20% of the ordinary share capital of the Company.

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 New Providence Island and Paradise Island, as well as within 20 miles of the shoreline of New Providence for a period of 20 years from the date of the substantial completion.

The MOU further states that the Company and any of its 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 recognizes the exemption in the financial statements as a government grant. The grant received during the period mainly related to acquisition of property, plant and equipment. Under the terms of the MOU, the above exemption will remain in effect so long as the Company fulfills its obligations under the MOU. During the reporting period, 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 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).

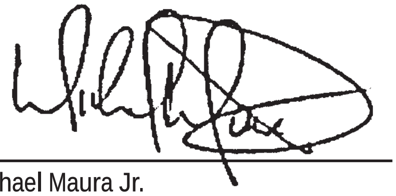
Controls and Procedures

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures. Based on the evaluation performed, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

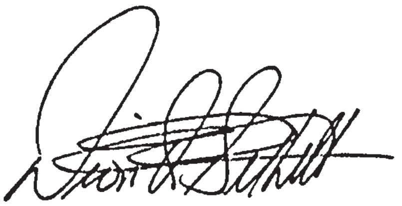
The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Industries Act of 2011 (the "Act") is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



Michael Maura Jr.
President, CEO



Dion Bethell
Vice President, CFO

APD LIMITED
FINANCIAL STATEMENTS

For the year ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of APD Limited

We have audited the accompanying financial statements of APD Limited (the Company), which comprise the statement of financial position as of June 30, 2011, and the statements of comprehensive income, changes in equity and cash flows for the period from February 24, 2009 (date of incorporation) to June 30, 2011, and 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.

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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, 2011, and its financial performance and cash flows for the period from February 24, 2009 (date of incorporation) to June 30, 2011 in accordance with International Financial Reporting Standards.

Pricewaterhouse Coopers

Chartered Accountants
Nassau, The Bahamas
October 25, 2011

APD LIMITED

(Incorporated under the of the Commonwealth of The Bahamas)

STATEMENT OF FINANCIAL POSITION

As of June 30, 2012

(Amounts expressed in Bahamian dollars)

	Notes	2011 $
ASSETS		
Current assets		
Cash and cash equivalents	3	9,128,980
Due from related parties	4	376,383
Deferred borrowing costs	6	579,485
Deposits, prepayments and other assets	5 & 11	204,894
Total current assets		**10,289,742**
Non-current assets		
Property, plant and equipment	7	31,786,878
Total assets		**42,076,620**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable		1,332,225
Retention payable	8	1,612,425
Accrued expenses and other liabilities		224,323
Total current liabilities		**3,168,973**
Equity		
Share capital	9	40,000
Share premium		40,015,000
Accumulated deficit		(1,147,353)
Total equity		**38,907,647**
Total liabilities and equity		**42,076,620**

Approved by the Board of Directors and signed on its behalf by:

Director **Director**

20 October 2011

Date

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2012
(Amounts expressed in Bahamian dollars)

	Notes	2012 $	2011 (Note 2u) $
Revenue			
Landing fees	5	2,682,419	-
Terminal handling fees	5	1,328,596	-
Security	5	1,000,769	-
Stevedoring fees	5	762,908	-
Subleases	5,8	484,819	-
Gate fees	5	513,090	-
Hazmat fees	5	140,450	-
Dockage	5	127,642	-
Storage fees	5	86,100	-
Reefer line	5	67,700	-
Line handling fees	5	40,400	-
Other income	5	1,560	-
Total revenue		**7,236,453**	**-**
Expenses			
Staff costs	5	(2,257,353)	(538,875)
Government lease	13	(1,962,967)	-
Terminal handling costs	5	(1,165,112)	-
Depreciation	8,9	(614,935)	(36,018)
Security		(598,033)	-
Legal and other professional fees	14	(544,866)	(611,282)
Insurance		(425,961)	(79,952)
Repairs and maintenance		(420,346)	-
Utilities		(298,915)	(20,324)
Bad debt expense	4	(241,101)	-
Real property tax		(134,930)	-
Office supplies, postage and delivery		(126,524)	(24,321)
Company meetings and events		(100,474)	(7,826)
Business license		(54,399)	(1,770)
Other operating expenses		(128,707)	(63,001)
Total expenses		**(9,074,623)**	**(1,383,369)**
Operating loss		**(1,838,170)**	**(1,383,369)**

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

STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the year ended June 30, 2012
(Amounts expressed in Bahamian dollars)

	Notes	2012 $	2011 (Note 2u) $
Finance costs			
Bridge loan interest		(430,368)	-
Interest income		29,189	236,016
Total finance (costs)/income, net		**(401,179)**	**236,016**
Total loss for the period attributable to the equity holders		**(2,239,349)**	**(1,147,353)**
Other comprehensive income		-	-
Total comprehensive loss for the year/period		**(2,239,349)**	**(1,147,353)**
Basic and diluted loss per share	12	**(0.51)**	**(1.21)**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2012
(Amounts expressed in Bahamian dollars)

	Share capital $	Share premium $	Accumulated deficit $	Total $
Total comprehensive loss for the period	-	-	(1,147,353)	(1,147,353)
Transactions with owners				
Issuance of ordinary shares (Note 11)	40,000	40,015,000	-	40,055,000
Balance at June 30, 2011	**40,000**	**40,015,000**	**(1,147,353)**	**38,907,647**
Balance at July 1, 2011	**40,000**	**40,015,000**	**(1,147,353)**	**38,907,647**
Total comprehensive loss for the year	-	-	(2,239,349)	(2,239,349)
Transactions with owners				
Issuance of ordinary shares (Note 11)	9,969	9,177,308	-	9,187,277
Balance at June 30, 2012	**49,969**	**49,192,308**	**(3,386,702)**	**45,855,575**

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

STATEMENT OF CASH FLOWS

For the year ended June 30, 2012
(Amounts expressed in Bahamian dollars)

	Notes	2012 $	2011 (Note 2u) $
Cash flows from operating activities			
Total comprehensive loss		(2,239,349)	(1,147,353)
Adjustments for:			
Depreciation	8,9	614,935	36,018
Provision for bad debts	4	241,101	(236,016)
Gain on sale of property and equipment	9	(12,160)	-
Interest income		(29,189)	-
Interest expense		430,368	-
Cash flow used in operating activities before changes in working capital		**(994,294)**	**(1,347,351)**
Increase in accounts receivable		(2,889,329)	(376,383)
Decrease/(increase) in deferred borrowing costs		250,000	(579,485)
Increase in deposits, prepayments and other assets		(16,418)	(204,894)
Increase in spare parts inventory		(217,817)	-
Increase in accounts payable		627,469	1,332,225
Increase in due to related parties		2,036,221	-
Increase in retention payable		1,688,064	1,612,425
Increase in accrued expenses and other liabilities		330,338	224,323
Increase in deposits held		104,242	-
Cash provided by operating activities		**918,476**	**660,860**
Cash flows from investing activities			
Increase in due to related parties - construction of port facilities		887,853	-
Construction of port facilities	9	(44,465,510)	(31,532,418)
Acquisition of property and equipment	9	(7,627,927)	(290,478)
Construction of investment properties	8	(1,163,729)	-
Proceeds from sale of property and equipment		37,405	-
Net cash used in investing activities		**(52,331,908)**	**(31,822,896)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net	11	9,187,277	40,055,000
Bridge loan principal drawdown	7	35,203,199	-
Interest income		29,189	236,016
Interest expense		(430,368)	-
Net cash from financing activities		**34,802,020**	**40,291,016**
(Decrease)/increase in cash and cash equivalents		**(7,424,135)**	**9,128,980**
Cash and cash equivalents, beginning of period		**9,128,980**	**-**
Cash and cash equivalents, end of year/period		**1,704,845**	**9,128,980**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 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.

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) (Note 13).

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.

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 (Note 20).

The Company commenced operations on the date of substantial completion of the Port facility on May 1, 2012. 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 will have 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 periods 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).

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying the Company's accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. 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.

Repayment of bridge loan

The existing bridge loan facility outstanding as of June 30, 2012 of $35,203,199 is due to mature on November 30, 2012. Accordingly the loan was classified as a current liability as of that date.

In order to meet the Company's capital and operational requirements over the upcoming year, management will be taking the following actions:

(i) The bridge loan facility was extended to July 31, 2013 (Note 20);

(ii) Management expects to repay the bridge loan using the proceeds from a private placement offering of the Company's shares and/or bonds prior to the revised maturity date (Notes 7 and 20); and

(iii) Remaining capital works will be funded using the un-drawn portion of the bridge loan with Royal Bank of Canada.

Based on the mitigating factors as explained above, management believes that the Company has adequate resources to meet its obligations as they fall and continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. If the expected private placement does not take place before 31 July 2013, the Company would be required to agree terms to extend the bridge loan in accordance with the conditions described in Note 7 or seek alternative sources of finance.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

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

Impairment of non-financial assets

Items of property, plant and equipment that are subject to depreciation 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 may show a significant decline from previous budgets and forecasts.

Capitalization of directly attributable costs related to the acquisition of property, plant & 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.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

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

Inception and commencement of leases

Under IAS 17 *'Leases'*, the lease classification is made at the inception of the lease which is the earlier of the date of the lease agreement and the date of the parties' commitment to the lease's principal provisions. Whereas, the commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset and represents the date from which lease payments made under operating leases are recognised as an expense on a straight-line basis over the lease term.

Determining the inception and commencement of the lease required significant judgment. In making the judgment, management reviewed the MOU and the lease agreements, and determined that the Company and the Government had in effect agreed to principal provisions of the lease on May 10, 2010 through the MOU. However, the commencement of the lease occurred on June 21, 2011 which is the date on which the lease agreements were signed and the Company's rights to use the leased assets were established. The lease payments began at "substantial completion" and is based on a minimum annual rent of two million dollars or forty dollars per TEU, whichever is greater, as outlined in the lease agreement and the MOU. The substantial completion dates of the Port facility and Depot facility were May 1, 2012 and August 13, 2012, respectively.

(b) Changes in applicable accounting policy and disclosures

(i) New and amended standards adopted by the Company

During the current year, the Company adopted IAS 24 (as revised), Related Party Disclosures that became effective for fiscal periods beginning on or after January 1, 2011. The revision to IAS 24 amended the definition of a related party and modified the disclosure requirements for certain related party transactions involving government-related entities. The impact of the adoption of the amendment to IAS 24 has been to expand the definition of related parties, which resulted in an increase in the balances and transactions qualifying as related party balances and transactions. Accordingly, disclosures regarding related party balances and transactions have been expanded. The remaining amendments and interpretations to published standards that became effective for fiscal periods beginning on or after July 1, 2011 were not relevant to the Company's operations and accordingly did not have a material impact on the Company's accounting policies or financial statements.

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

The application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Company's accounting policies or financial statements in the period of initial application.

2. **Summary of significant accounting policies (Continued)**

(c) Foreign currencies

(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 3 months or less.

(e) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one 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.

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

(f) Inventory

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

(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes 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.

2. Summary of significant accounting policies (Continued)

(g) Property, plant and equipment (continued)

No depreciation is charged on capital work in progress. Depreciation on all of the assets is calculated using the straight-line method to allocate their cost less residual values, over their estimated useful lives, as follows:

Container terminal	45 years
Freight handling equipment (cranes)	10 to 15 years
Other freight handling equipment	2 to 10 years
Buildings	45 years
Temporary office trailers	1 to 3 years
Motor vehicles	1 to 5 years
Furniture and fixtures, communications and office equipment	1 to 3 years

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 that are subject to depreciation/amortization 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 to sell 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)].

Value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates that do not exceed the long-term average growth rate for the CGU.

Non-financial assets that incurred impairment charges are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognised.

2. Summary of significant accounting policies (Continued)

(i) Trade payables

Trade payables 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 1 year or less. If not, they are presented as non-current liabilities.

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

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income 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 and recognized as part of the borrowings using the effective interest method. To the extent that it is not probable that some or all of the facility will be drawn down, the fee is expensed in the statement of comprehensive income.

(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.

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

Ordinary shares are classified as equity. Total value of shares issued in excess of the par value is recognised as share premium.

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

2. **Summary of significant accounting policies (Continued)**

(m) Revenue 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.

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.

Sales of services

Revenue from general cargo and vessel services comprise 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 recognized upon delivery of services.

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

Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

(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

Assets that are leased out under operating lease are included in the statement of financial position as investment property. Lease income on operating lease is recognized over the term of the lease on a straight-line basis.

2. Summary of significant accounting policies (Continued)

(o) Financial assets

(a) Classification

The Company classifies all its financial assets as ‘loans and receivables’. Management determines the classification of its financial assets at initial recognition.

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 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 and other assets (Note 6) included in the statement of financial position.

(b) Recognition

The Company recognises financial assets on the date it becomes a party to the contractual provisions of the instrument.

(c) Measurement

Financial assets are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

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.

(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 reorganization.

2. Summary of significant accounting policies (Continued)

(o) Financial assets (continued)

(e) Impairment (continued)

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 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.

(p) Investment properties

Property that is held for long-term rental income or for capital appreciation or both, and that is not occupied by the Company is classified as investment property. Investment properties comprise of self-constructed buildings and warehouse spaces leased to other related parties and third parties. These properties are carried under the "Cost Model" as per IAS 40, "Investment Property" and as such are carried at historical cost less accumulated depreciation. Depreciation on all investment properties is calculated using the straight-line method to allocate their cost less residual values, over their estimated useful lives, as follows:

Buildings and improvements	45 years

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

(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.

2. Summary of significant accounting policies (Continued)

(r) Income taxes

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.

(s) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with conditions attached to the grant.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are presented in the statement of financial position as a deduction from the carrying value. The grant is recognised in the statement of comprehensive income over the life of the depreciable assets as a reduced depreciation expense.

(t) Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares, if any.

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, if any.

(u) Corresponding figures

The corresponding figures cover the period from February 24, 2009 (date of incorporation) to June 30, 2011. Where necessary corresponding figures are adjusted to conform with changes in the presentation adopted in the current year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. Cash and cash equivalents

	2012 $	2011 $
Cash on hand	1,000	500
Cash held with bank	1,703,845	60,089
Short-term fixed deposits with bank	-	9,068,391
	1,704,845	**9,128,980**

Short-term fixed deposits with bank represent investments in one month call deposits.

4. Accounts receivable

	2012 $	2011 $
Customers' account - gross:		
Third parties	723,321	-
Related parties (Note 5)	2,514,379	376,383
	3,237,700	376,383
Less: Provision for doubtful accounts	(213,089)	-
Accounts receivable, net	**3,024,611**	**376,383**

Movements on the provision for doubtful accounts of accounts receivable are as follows:

	2012 $	2011 $
Balance at July 1, 2011	-	-
Provision for bad debts	(241,101)	-
Receivables written off during the year	28,012	-
Balance at June 30, 2012	**(213,089)**	-

As of June 30, 2012, accounts receivable of $413,089 was impaired with a provision amounting to $213,089 being made against this amount. The impaired receivables mainly relate to a carrier that no longer makes vessel calls to the Bahamas. It was assessed that a portion of the receivables is expected to be recovered within the next 12 months from the reporting date. The remaining balance of the receivables is considered by management to be collectible.

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

4. Accounts receivable (Continued)

As of June 30, 2012, the aging analysis of trade receivables is as follows:

	Total $	Current $	16-45 days $	46-75 days $	76-90 days $	More than 91 days $
2012	3,237,700	259,891	1,884,250	763,772	184,091	145,696
2011	376,383	-	376,383	-	-	-

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security. The credit quality of trade receivables that are neither past due nor impaired at reporting date can be assessed by reference to historical information about counterparty default rates. However, as this is the Company's first year of operations, all customers are considered as new customers. Credit risk is discussed in Note 16(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.

(a) Amounts due from related parties included in accounts receivable comprise:

	2012 $	2011 $
Due from Shareholder	1	352,307
Due from other related parties - affiliates	2,514,378	24,076
	2,514,379	**376,383**

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 Company providing services and the sale of dredged spoils related to the dredging of the Arawak Cay Channel by the Company [Note 5(c)]. The receivables are unsecured and bear no interest.

5. Related party balances and transactions (Continued)

(b) Amounts due to related parties comprise:

	2012 $	2011 $
Due to Shareholder	1,629,632	-
Due to other related parties - affiliates	1,294,442	-
	2,924,074	**-**

The due to Shareholder amount pertains to lease payable to the government relevant to 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 for the construction of the Port and Depot facilities and services rendered for terminal handling operations.

The amounts due to related parties are unsecured and interest-free liabilities. Settlement of the above liabilities is within the payment terms agreed in the agreements and invoices.

(c) Sale and purchases of services

	2012 $	2011 (Note 2u) $
Sale of services		
Other related parties - affiliates	**6,215,917**	**-**

Sale 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 recognized in the revenue section of the statement of comprehensive income.

In addition, other income from other related parties - affiliates during the year pertained to the sale of dredged spoils related to the dredging of the Arawak Cay Channel by the Company amounting to $189,144 (2011: $171,720). The sales have been credited to capital work in progress because they were realised as a direct result of activities associated with the construction of the Company's capital work.

	2012 $	2011 (Note 2u) $
Purchases of services		
Shareholder	-	3,759
Other related parties - affiliates	18,659,169	371,860
	18,659,169	**375,619**

The services purchased from other related parties - affiliates are mainly related to the construction of the Port and Depot facilities, and purchases of building and equipment that have been capitalised and included within property, plant and equipment aggregating to $16,660,531 (2011: Nil). All contracts awarded were as a result of a formal bidding process performed by the Company.

5. Related party balances and transactions (Continued)

(d) Key management compensation

Key management includes the directors of the Company, the Chief Executive Officer, the Chief Financial Officer and other Senior Management. The compensation paid or payable to key management for their services is shown below:

	2012 $	2011 (Note 2u) $
Salaries	550,650	251,115
Short-term employee benefits (Note 14)	285,235	133,150
	835,885	**384,265**

6. Deposits, prepayments and other assets

	2012 $	2011 $
Security deposits	192,590	1,500
Prepayments	28,722	10,400
Other assets	-	192,994
	221,312	**204,894**

Other assets in 2011 represented deferred costs paid in connection with the Initial Public Offering of the Company's ordinary shares to the general public as discussed in Notes 1 and 13.

7. Bridge loan; Deferred borrowing costs

(a) Demand Construction Bridge Loan Facility

	2012 $	2011 $
Bridge loan	**35,203,199**	**-**

On June 30, 2010, the Company entered into a two-year Demand Construction Loan Multi-Currency Facility agreement (the Facility) with Royal Bank of Canada, Nassau, Bahamas in the amount of $30 million, to be drawn in Bahamian dollars (B$) or United States dollars (US$). In September 2011, by mutual agreement of the parties the Facility was increased to $43 million and repayment term was extended to November 30, 2012. Subsequent to the reporting date, the maturity date of the loan was further extended to July 31, 2013 or until the Facility is repaid via a bond/preference share offering arranged by Royal Fidelity Merchant Bank & Trust Limited (Note 20). The Facility is being used for funding the construction and development of the Port and the Depot. The key terms of the agreement are as follows:

7. Bridge loan; Deferred borrowing costs (Continued)

- Amount	$43 million
- Arrangement fee	$328,000
- Interest on B$ loan	Nassau Prime + 1%
- Interest on US$ loan	New York Prime + 1%
- Repayment	Interest only until November 30, 2012. The Facility will be repaid via a bond/preference share offering arranged by Royal Fidelity Merchant Bank & Trust Limited, placement agent, prior to maturity date. In the event that the placement agent is unable to issue sufficient bonds/preference shares into the market to repay the Facility by the date contemplated above, and provided the Facility is not in default and that there has been no Material Adverse Change, the Facility will be extended on terms mutually agreed upon by both parties at that time until such bond/preference share issuance is completed or the debt is repaid or refinanced. As discussed in Note 20, the repayment term of the Facility was extended to July 31, 2013 or until the Facility is repaid via a bond/preference share offering arranged by the placement agent.
- Security/Collateral	▪ Loan agreement and associated documentation; ▪ Negative pledge on all owned assets; and ▪ Undertaking from the shareholders to fund all cost overruns.

The first draw-down under the facility occurred on September 30, 2011. As of June 30, 2012, the total amount drawn down under the Facility stood at B$35,383,599. Arrangement fees of B$328,000 have been offset against the total drawn-down amount, of which B$147,600 has been amortized using the effective interest method. It is expected that the Company will draw-down the remaining facility prior to the Facility's extended maturity date (Note 20).

The total interest expense related to the loan facility amounting to $682,899 (2011: Nil) was capitalized to property, plant and equipment for the year ended June 30, 2012 (Note 9).

(b) *Arrangement fee for Demand Construction Bridge Loan Facility*

	2012 **$**	**2011** **$**
Arrangement fee for Demand Construction Loan Facility	-	250,000
Financial advisory services for replacement financing	329,485	329,485
	329,485	**579,485**

7. Bridge loan; Deferred borrowing costs (Continued)

(c) Financial advisory services for replacement financing

This amount of $329,485 represents the cost of preparation of documentation for the financing exercise, including overall financing models, prospectus for equity and bond investors, sales/road show documentation and managing the offering process and timeline. The private placement of preference shares and/or bonds is expected to occur no later than July 31, 2013, the extended maturity date of the bridge loan facility (Note 20). The cost is unpaid as of June 30, 2012 and there will be no obligation to settle these expenses in the event that the replacement financing is not obtained.

8. Investment properties

Investment properties comprise newly constructed buildings and warehouses in the Port facility leased to other related parties and third parties. The cost of the investment properties were transferred from property, plant and equipment during the year (Note 9). The carrying amount of the investment property as of reporting date follows:

	2012 $	2011 $
Cost		
As of July 1, 2011	-	-
Additions (Note 9)	1,163,729	-
As of June 30, 2012	**1,163,729**	**-**
Less: Accumulated depreciation		
As of July 1, 2011	-	-
Depreciation during the year	7,815	-
As of June 30, 2012	**7,815**	**-**
Net book value as of June 30, 2012	**1,155,914**	**-**

As of reporting date, the fair market values of the investment properties approximate the carrying amount of the properties as they are newly constructed properties during the year.

During the year, the Company entered into three (3) lease agreements with various lessees. As per the lease agreements, the lease terms beginning in September 2011 range from three (3) to five (5) years with an option to renew for another three (3) to five (5) years. The annual rent from the above leases amounted to $709,452. The lease agreements also state that in the fourth year, the annual lease is to be adjusted based on the Bahamas Consumer Price Index. Deposits held as per the lease agreements totalled $104,242 (2011: Nil) as of June 30, 2012.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

8. Investment properties (Continued)

Income from the investment property amounting to $484,819 (2011: Nil) 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:

	2012 **$**	**2011** **$**
No later than one year	709,452	-
Later than one year and not later than 5 years	1,958,598	-
	2,668,050	**-**

9. Property, plant and equipment

	Container terminal $	Freight handling equipment $	Buildings & office trailers $	Motor vehicles $	Furniture & fixtures, communications and office equipment $	Capital work in progress $	Total $
Cost							
Additions	-	-	125,468	77,295	87,715	31,532,418	31,822,896
Balance as of June 30, 2011	**-**	**-**	**125,468**	**77,295**	**87,715**	**31,532,418**	**31,822,896**
Accumulated depreciation							
Depreciation	-	-	(15,767)	(9,177)	(11,074)	-	(36,018)
Balance as of June 30, 2011	**-**	**-**	**(15,767)**	**(9,177)**	**(11,074)**	**-**	**(36,018)**
Net book value as of June 30, 2011	**-**	**-**	**109,701**	**68,118**	**76,641**	**31,532,418**	**31,786,878**
Cost							
Balance as of July 1, 2011	-	-	125,468	77,295	87,715	31,532,418	31,822,896
Additions	-	6,498,650	96,337	198,522	834,418	45,629,239	53,257,166
Transfers	42,767,790	1,483,724	3,799,596	-	-	(48,051,110)	-
Reclassification (Note 8)	-	-	-	-	-	(1,163,729)	(1,163,729)
Disposals	-	-	-	(28,747)	-		(28,747)
Balance as of June 30, 2012	**42,767,790**	**7,982,374**	**4,021,401**	**247,070**	**922,133**	**27,946,818**	**83,887,586**
Accumulated depreciation							
Balance as of July 1, 2011	-	-	(15,767)	(9,177)	(11,074)	-	(36,018)
Depreciation	(122,480)	(92,731)	(277,519)	(28,653)	(85,737)	-	(607,120)
Disposals	-	-	-	3,502	-	-	3,502
Balance as of June 30, 2012	**(122,480)**	**(92,731)**	**(293,286)**	**(34,328)**	**(96,811)**	**-**	**(639,636)**
Net book value as of June 30, 2012	**42,645,310**	**7,889,643**	**3,728,115**	**212,742**	**825,322**	**27,946,818**	**83,247,950**

9. Property, plant and equipment (Continued)

Capital work in progress includes costs incurred as of June 30, 2012 in connection with the construction of the administration building at the Port, and construction of the inland terminal at the Depot. These projects are expected to be completed no later than the first fiscal quarter of 2013 (Note 20).

10. Retention payable

The balance represents amounts retained by the Company from the progress payments made to contractors in connection with the construction of the Port and Depot facilities. As of June 30, 2012, the retention payable comprises:

	2012 $	2011 $
Bahamas Hot Mix Co. Ltd.	1,845,348	-
American Bridge Bahamas Ltd.	697,957	1,564,432
CGT Contractors and Developers Ltd.	617,220	-
Island Pavers	63,547	-
SUNCO Builders and Developers Ltd.	54,653	-
Bahamas Marine Construction	18,000	-
General Fire and Mechanical Contractors	3,764	-
Inline Project Co. Ltd.	-	47,993
	3,300,489	**1,612,425**

(a) *Bahamas Hot Mix Co. Ltd., CGT Contractors and Developers Ltd., SUNCO Builders and Developers Ltd.*

Under the terms of each of the separate agreements, the Company withholds 5% of the progress payments payable to the contractor. Upon substantial completion of the entire work, the Company will make payments to the contractor up to 95% of the contract value, with the balance being withheld for incomplete work and unsettled claims. The final payment, constituting the entire unpaid balance of the contract sum, shall be made upon final completion of the project.

(b) *American Bridge Bahamas Ltd.*

Under the terms of the agreement, the Company withholds 10% of the progress payments payable to the contractor until the total amount withheld is equal to 5% of the total contract value. The final payment, constituting the entire unpaid balance of the contract sum, shall be made when the contractor has fulfilled all its commitments under the contract.

(c) *Island Pavers, Bahamas Marine Construction, General Fire and Mechanical Contractors*

Under the terms of each of the separate agreements, the Company withholds 10% of the progress payments payable to the contractor. Upon substantial completion of the entire work, the Company will make payments to the contractor up to 90% of the contract value, with the balance being withheld for incomplete work and unsettled claims. The final payment, constituting the entire unpaid balance of the contract sum, shall be made upon final completion of the project.

10. Retention payable (Continued)

(d) Inline Project Co. Ltd.

Under the terms of the agreement, the Company withholds 5% of the progress payments payable to the contractor. Upon substantial completion of the entire work, the Company will make payments to the contractor up to 97.50% of the contract value, with the balance being withheld for incomplete work and unsettled claims. The final payment, constituting the entire unpaid balance of the contract sum, shall be made upon final completion of the project.

11. Share capital

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

As of reporting date, the Company has issued 4,996,915 (2011: 4,000,000) ordinary shares that were fully paid for by the shareholders.

Incremental costs directly attributable to the issuance of 996,915 ordinary shares from the IPO exercise during the year amounted to $781,873. These costs were deducted from the total issuance proceeds aggregating to $9,969,150 and shown as a deduction to share premium in equity.

12. Basic and diluted loss per share

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

	2012 **$**	**2011 (Note 2u)** **$**
Total loss for the period attributable to the equity shareholders	(2,239,349)	(1,147,353)
Weighted average number of ordinary shares in issue	4,412,422	948,598
Basic and diluted loss per share	**(0.51)**	**(1.21)**

13. Significant agreements

(a) Memorandum of Understanding (MOU)

As discussed in Note 1, the MOU requires that 20% of the Company's ordinary shares must be offered for sale to the general public. Accordingly, the Company made an Initial Public Offering (IPO) of shares during the period November 2011 to 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.

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 20 years from the date of the substantial completion (Note 1).

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 recognized 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 reporting period, 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:

13. Significant agreements (Continued)

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

- 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 instrument carrying rights of conversion into ordinary shares;
- incurring financial indebtedness which would result in the secured debt exceeding 3 times the Earning Before Interest, Taxation, Depreciation and Amortization 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;
- 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 authorization 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 reorganization 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 20 business days after receipt of the matter by the Government, the Reserved Matter request shall be deemed to have been approved.

13 . Significant agreements (Continued)

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

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.

(b) Leases

Pursuant to the terms of the MOU, on June 21, 2011 the Company entered into 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 an 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, 2012, the total rent expense recognized in the statement of comprehensive income amounted to $1,962,967. As of reporting period, lease payable to the government amounted to $1,629,632 (2011: Nil) 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 45 years on the same terms and conditions but at an annual rent to be agreed between the parties. As of inception date of the lease, management is not reasonably certain that it will exercise the option to renew the lease for another 45 years and the lease was therefore classified as an operating lease.

Contemporaneously with the signing of the lease agreements on June 21, 2011, the Company was granted a 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 45 years but at an annual licence fee to be agreed between the parties.

13. Significant agreements (Continued)

(b) Leases (continued)

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

	2012 $	2011 (Note 2u) $
No later than one year	2,000,002	2,000,002
Later than one year and no later than 5 years	10,000,010	10,000,010
Later than 5 years	77,666,655	78,000,078
	89,666,667	**90,000,090**

14. Legal and other professional fees

Legal and other professional fees comprise the following:

	2012 $	2011 (Note 2u) $
Incorporation, registration and start-up related activities	226,738	337,352
Legal and other professional fees	203,636	159,500
Directors' fees	19,500	41,500
Economic impact study	-	65,870
Others	94,992	7,060
	544,866	**611,282**

Directors' fees are included within short-term employee benefits of key management in Note 5.

15. Commitments and contingencies

Outstanding capital commitments as of reporting date were as follows:

	2012 $	2011 $
Contracted but not yet incurred	333,420	4,817,386
Approved but not yet contracted	-	40,998,159
	333,420	**45,815,545**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

16. 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 BOD.

(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.

(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, 2012, the Company did not hold any fixed interest rate financial instruments which would have exposed it to any significant fair value or cash flow interest rate risk. The bridge loan facility is subject to the prevailing market interest rate and 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.

16. **Financial risk management (Continued)**

(b) **Credit risk (continued)**

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. As this is the first year of operations, all customers are still considered as new customers and management performs credit quality checks with its new customers. 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.

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, 2012. The amounts disclosed in the table are the contractual undiscounted cash flows.

As of June 30, 2012	**Carrying amount $**	**Three months or less $**	**Three months to one year $**	**More than one year $**
Liabilities				
Accounts payable	1,959,694	1,959,694	-	-
Due to related parties	2,924,074	916,401	2,007,673	-
Retention payable	3,300,489	-	3,300,489	-
Accrued expenses and other liabilities	554,661	-	554,661	-
Bridge loan	36,175,755	-	36,175,755	-
Deposits held	104,242	-	-	104,242
Total financial liabilities	**45,018,915**	**2,876,095**	**42,038,578**	**104,242**
Total financial assets	**4,922,046**	**-**	**4,922,046**	**-**
Net liquidity gap	**(40,096,869)**	**(2,876,095)**	**(37,116,532)**	**(104,242)**

16. Financial risk management (Continued)

(c) Liquidity risk (continued)

As of June 30, 2011	Carrying amount $	Three months or less $	Three months to one year $	More than one year $
Liabilities				
Accounts payable	1,332,225	1,332,225	-	-
Retention payable	1,612,425	-	1,612,425	-
Accrued expenses and other liabilities	224,323	224,323	-	-
Total financial liabilities	**3,168,973**	**1,556,548**	**1,612,425**	**-**
Total financial assets	**9,557,257**	**9,128,980**	**428,277**	**-**
Net liquidity cover/(gap)	**6,388,284**	**7,572,432**	**(1,184,148)**	**-**

The retention payable is to be paid using the available amount to be drawn from the bridge loan facility prior to the maturity date of the facility.

The bridge loan facility is being used to complete the construction of the Port and Depot facilities. As agreed with Royal Bank of Canada, the bridge loan will be repaid via the proceeds from the issuance of preference shares through a private placement to occur prior to the maturity date of the Facility (Notes 7 and 20).

As disclosed in Note 15, the Company has total capital commitments for provision of goods and services in the amount of $333,420 which mainly relates to the completion of the Port and the Depot facilities. These commitments are expected to be incurred and paid within 12 months of the reporting date. The Company expects to utilise the proceeds from issuance of ordinary shares [Note 13(a)] to meet these capital commitments with any excess commitments being covered by the Demand Construction Loan Facility (Notes 7 and 20).

17. Fair value of financial instruments

Financial instruments utilised by the Company include recorded financial assets and liabilities. 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.

18. 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.

18. Capital management (Continued)

The frequency of dividends and the dividend payout ratio are at the sole discretion of the BOD. 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. The gearing ratio is calculated as net debt divided by total capital.

The gearing ratios at June 30, 2012 were as follows:

	2012 $	2011 $
Total borrowings (Note 7)	35,203,199	-
Less: cash and cash equivalents (Note 3)	1,704,845	-
Net debt	33,498,354	-
Total equity	45,855,575	38,907,647
Total capital	**79,353,929**	**38,907,647**
Gearing ratio	**42%**	**0%**

The increase in gearing ratio during 2012 resulted primarily from the demand construction bridge loan facility used to complete the construction of the Port and Depot facilities.

19. 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*.

20. Subsequent events

(a) On August 29, 2012, the Company has drawn-down B$1,813,316 from the available amount of the Facility subsequent to the reporting date. Moreover, on October 29, 2012, the bank and the Company mutually agreed to extend the maturity date of the loan from November 30, 2012 to July 31, 2013 or until the Facility is repaid via a bond/preference share offering arranged by Royal Fidelity Merchant Bank & Trust Limited. All other terms and conditions as outlined in the Credit Agreement and first amendment letter discussed in Note 7 remain unchanged and in effect.

(b) As discussed in Notes 1 and 13, the Depot facility was substantially completed and management formally opened the facility to the public on August 13, 2012.

(c) As of the reporting date, the civil works of the Port facility was approximately 95% completed.

SAFETY AND ENVIRONMENTAL CONSERVATION

It is the duty of a good corporate citizen to protect the wellbeing of its staff, guests and the environment. APD Limited, being fully cognizant of its responsibility in this regard, is diligent in its efforts to properly train its workforce in all aspects of safety and environmental conservation.

Members of staff of APD Limited have been afforded a number of opportunities to enhance their knowledge and prepare the proper course of action to be taken to protect themselves, our guests and the environment against possible hazards. Training programmes have included:

HAZWOPER– Facilitator: China Construction America:

HAZWOPER is a 40-hour training programme on various aspects of safety in the workplace. The course covers among other areas of safety in the workplace, how to protect oneself by using personal protective equipment, chemical awareness, reducing risks of slip and fall, reporting near misses and exposure to hazardous materials. Certain aspects of the course are based on the regulations developed by the Occupational Safety and Health Administration (OSHA).

ISPS Code Training – Facilitator: Maritime Professional Training

The ISPS Code requires that particularized training be conducted for various categories of port facility staff, i.e. those with security functions and those with other functions. In this regard APD Limited engaged the services of the Maritime Professional Training (MPT) out of Ft. Lauderdale, Florida to train a complement of its staff in security and safety procedures relative to port operations. The various training sessions occurred over a span of three days. The result of the training – staff members are competent to deal with security issues, placarding and hazardous material.

IMDG Familiarization- Facilitator: Maritime Professional Training

This was an intense course which exposed staff members to what ought to be done if there is exposure to various types of hazardous materials.

COMMUNITY PARTNERSHIP AND OUTREACH

Bahamas Anti-Doping Commission
Bahamas Police Staff Association
Bahamas Speed Week Revival
Central Andros Youth Camp
The Counsellors Limited
The One Bahamas Foundation
The Red Ribbon Ball
Bahamas Contractors Association

PROJECT PARTNERS - DEVELOPMENT PHASE

Vendor

21st Century Welding Co Ltd
A & A Aircondition & Refrigeration
A & M Tours
A Nudda Production
A.G. Electric Co. Ltd.
A.I.D
ABC Security System
ABI- Absolute Innovative Inc.
Advanced Modular Structures Inc.
All Purpose Steel Company Limited
Alpha Training Service
American Bridge
American Machine Tools Corp.
AMP'd Wireless
Archimedia London Ltd
ARCOP Architects
Automated Services Ltd
B & R Welding Design Contractors
Bahama Health
Bahama Wall Systems
Bahamas Business Solutions Ltd.
Bahamas Contractor's Rental & Supplies
Bahamas Hot Mix Co. Ltd.
Bahamas Marine Construction
Bahamas Maritime Connexion Ltd
Bahamas Police Staff Association
Bahamas Safety Alliance
Bahamas Waste Limited
Bahamas Welding & Fire Co.
Bookworld & Stationers Ltd.
BOSS
Boulder Heavy Equipment & Construction Company
Bowline Group
Buchi Inc.
Burck Oil Company Inc
C&S Steel Building Supply Co. Ltd.
Cable Bahamas
Caribbean Concrete & Construction
CFAL Ltd.
CGT Contractors & Developers
Charlie Lightbourn
Comlink Technologies Bahamas
Commonwealth Building Supplies
Compass Solutions Int'l Ltd.
Consolidated Rigging & Marine Supply Co. Inc
Crane Parts Inc.
Crane Tech
Crown Intl. Steel Building Systems Inc.
Crystal Technology Limited
Custom Computers
DC Technology
DEB Enterprise & Associates
Demetry Ferguson
DHP Associates

Vendor

E. Services
Ecellencescape Ltd.
Engineering and Technical Services
Enviro Technologies Ltd.
Enviromanagers
Fiber Electrical Co. Ltd.
First Step Development Co. Ltd.
Florida Air Technologies LLC.
Florida Aquastore
FYP
General Fire & Mechanical Contractors
Gen-Tech Electric
George T. Sands & Company
George V. Cox & Company Ltd.
Global Metal Bahamas
Gold Rock Corp Ltd
Grainger
Grasholm Limited
Guardian Traffic System
Hadley Construction Company Inc.
Halcrow Inc.
Harding Security
Heavy Marine & Foundation Ltd.
Henry F. Storr Electric Co. Ltd.
Hibiz Solutions LLC.
Higgs & Johnson
High-Tech Design & Drafting Studio
Hydro Electric Company
IDNET
ILS Ltd.
Inline Project Co. Ltd.
Integrated Building Services
Interforce Inc.
Intermodal Equipment Exchange
Isaac Shafran
Island By Design Limited
Island Pavers
Island Site Development
JBR Building Supplies
JD Crane & Heavy Equipment Rental
Jolly Technologies
Jose Fundora
K-9 Trucking & Customs Brokerage
Kelly's Lumber Yard
Kenuth's Electric Co.
KPMG
L & S Diversified LLC
Laplace Maritime Consulting
LaRue Consulting
Lee Interiors
Liebherr Nenzing Crane Co.
M&E Limited
Maritime Professional Training
Mechanical Troubleshooters Limited

Vendor

Micronet Business Technology
MSC Waterworks
N.P. Building Supplies Ltd
Napco Printing Services
Nassau Glass Company Ltd.
Nassau Motor Company
Nassau Paper Company
National Fencing co.
National Lift Equipment
National Plumbing
Nature's Way
NAVIS LLC
Neil Barrow
Neil Behagg & Associates Co. Ltd
Northern Tools & Equipment
Pacetti (Architects) Inc.
Palm Beach Hose & Fittings Inc.
Paul Thompson & Associates
PC Consultants Limted
PIBC Management Ltd.
Pinder Enterprises Ltd.
Pine Island Towing Company Inc
Pineridge Construction & Development Co. Ltd.
Plasco
Premier Importers Ltd.
PricewaterhouseCoopers
Qualified Security & Investigations Ltd.
Quantum Technologies Limited
Reliable Fencing Co. Ltd
Rodson Heavy Equipment Limited
Roland Rose
Rugged Notebooks
Shal Consulting Engineers Limited
Shirley Enterprise Ltd.
Solo Petroleum
Spartan eTechnology
Speed Tech Lights Inc
SSI
Sun Oil
Sun Tee Embroidme
SUNCO
Target Surveying & Engineering Ltd
The Belding Group Of Companies
The Counsellors Limited
TOPS Lumber & Plumbing
Two Way Solutions
Walker's Industries Ltd.
Wayde McCartney
Wells Service Station
Wild Seed Designs
Wildy & Sons Ltd
Woslee Construction
Y.S.G Motors
Yudit Design

Nassau Container Port hours of operation: Monday - Saturday, 8:00 am - 4:00 pm

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