

APD LIMITED ANNUAL REPORT 2014

# CONTINUING TO STEER A TRUE COURSE



OUR MISSION:

**OPERATIONAL  
EXCELLENCE TO  
MAXIMIZE VALUE  
THROUGH PEOPLE  
DEVELOPMENT AND  
TECHNOLOGY**

VISION:  
**CONSISTENTLY DELIVERING  
OPERATIONAL EXCELLENCE**

**APD LIMITED ANNUAL REPORT 2014**

**TABLE OF CONTENTS**

Arawak Port Development Limited (APD Limited).....	4
Gladstone Freight Terminal (GFT).....	4
Nassau Container Port (NCP).....	5
Financial Highlights.....	6
APD Limited Board of Directors .....	7
Chairman's Message .....	9
Salute to James Mosko, Immediate Past Chairman, APD Board .....	10
Financial Advisors .....	10
Executive & Senior Management Team .....	11
Management Team .....	12
CEO'S Review .....	13
2013/2014 Goals.....	15
Achievements.....	15
Management Discussion & Analysis .....	26
AUDITED FINANCIAL STATEMENTS.....	31
Independent Auditors' Report .....	32
Statement of Financial Position.....	34
Statement of Comprehensive Income.....	35
Statement of Changes in Equity.....	37
Statement of Cash Flows.....	38
Notes of Financial Statements.....	39



## ARAWAK PORT DEVELOPMENT



APD Limited was formed in 2009 to design, develop, construct, manage, operate and maintain the Nassau Container Port (NCP) and the Gladstone Freight Terminal (GFT) as a container port and warehousing complex.

Ownership of the port resides with a partnership between the Government of The Bahamas and Arawak Cay Port Development Holdings Limited (ACPDH), each holding a 40 percent equity stake and 11,500 Bahamians, who, collectively, hold the remaining 20 percent equity.

By the terms of a Memorandum of Understanding with the Government of The Bahamas, APD Limited holds a 20-year exclusive control over international

containerized imports and exports to and from New Providence via sea. In its role as owner and operator of NCP and GFT, APD Limited has an inherent responsibility to efficiently, securely and safely serve the market while providing opportunities to all stakeholders.

NCP celebrated its formal opening on May 10, 2012 and GFT was officially launched on August 15, 2012.



## GLADSTONE FREIGHT TERMINAL (GFT)





## NASSAU CONTAINER PORT (NCP)



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

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

Nassau Container Port is a strategically located port facility for container and general cargo shipping in the Caribbean, and beyond to North America and the world. The 56-acre port facility is located on Arawak Cay, just two miles west of Downtown Nassau at Nassau Harbour entrance.

The port provides facilities for both domestic and international bulk, break bulk, container and project cargo clients. Importers can use several ocean carriers simultaneously and conduct all business via NCP or GFT.

#### Port Advantages

- Three container vessel berths, with a draft of 28 feet
- General cargo, container, bulk and break bulk operations
- Dedicated deconsolidation LCL (less than container load) facilities
- Compliance with the standards of the International Ship and Port Facility Security (ISPS) code
- NAVIS Terminal Operating System
- One-stop shop onsite featuring Customs Department to provide entry processing and freight inspection, Department of Agriculture and Department of Environmental Health Services facilitating faster cargo delivery
- Greater Bahamas Customs control
- Culture of Safety: Dedicated Safety Committee, First-Aid trained and certified personnel, HAZMAT & HAZWOPER trained staff, HAZMAT Response Team
- Around-the-clock security guards, perimeter fencing, surveillance cameras and Royal Bahamas Police support to ensure the highest level of security
- Backup power and emergency fuel storage in the event of natural disaster



The 15-acre GFT is APD's inland terminal, situated in the centre of New Providence. The facility offers 90,000 square feet of cargo warehousing and deconsolidation space.

With comprehensive Customs services available at GFT, importers have access to entry processing and can pay their freight, customs duties and collect their goods in a single trip, saving valuable time.

GFT is extensively monitored by surveillance cameras. Additionally, the facility is supported by the Royal Bahamas Police Force and has a backup power supply and fuel storage capabilities. In the event of a natural disaster, both Nassau Container Port and Gladstone Freight Terminal have the means to become operational should key elements of the island's supply temporarily become unavailable and require additional time to come on-line.



# FINANCIAL PERFORMANCE

<b>INCOME STATEMENT</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
Total Revenue	25,757,728	25,227,526	7,236,453	-
Total Operating Expenses	19,597,165	19,356,799	9,074,623	1,383,369
EBITDA	9,080,297	8,327,391	(1,223,235)	
Total income (loss) for the period attributable to equity shareholders	3,615,837	3,494,808	(2,239,349)	(1,147,353)
Basic and diluted income (loss) per share	0.72	0.70	(0.51)	(1.21)

<b>BALANCE SHEET</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>				
Total Current Assets	5,186,494	4,529,978	5,498,070	10,289,742
Net PP&E	91,221,801	88,130,513	83,247,950	31,786,878
Investment Property			1,155,914	
<b>Total Assets</b>	<b>96,408,295</b>	<b>92,660,491</b>	<b>89,901,934</b>	<b>42,076,620</b>
<b>Liabilities and Shareholder's Equity</b>				
Total Current liabilities	4,825,886	43,178,866	43,942,117	3,168,973
Non-current liabilities	39,915,387	131,242	104,242	
<b>Total Liabilities</b>	<b>44,741,273</b>	<b>43,310,108</b>	<b>44,046,359</b>	<b>3,168,973</b>
<b>Total Equity</b>	<b>51,667,022</b>	<b>49,350,383</b>	<b>45,855,575</b>	<b>38,907,647</b>

# APD LIMITED BOARD OF DIRECTORS



**JACK SANDS** - *Appointed by ACPDH and confirmed by the Prime Minister*

The Board of APD Limited welcomed a new chairman at the end of February of this year. A respected name in the shipping, building supply and mortgage businesses for over 50 years, Jack W.E. Sands began 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 for 35 years. He has served as President and Director of Betty K Agencies (USA), LLC since its inception.

In addition, Mr. Sands serves as Vice President, 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 Queen's College, Nassau, Bahamas in 1959.



**MICHAEL C. E. TURNER** – *Deputy Chairman, appointed by Government*

Michael Turner 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.

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; FedEx Bahamas Limited – Director; Helvetic Management Services Ltd. – Director and Swiss Atlantic S. A. – 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.



**CHRISTOPHER LIGHTBOURN** – *Secretary, appointed by ACPDH*

Christopher Lightbourn has been involved in construction, development, and shipping in The Bahamas for more than 25 years. He is 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 Capital Union Bank; Director and Founder of Ultimate Door & Window.

Mr. Lightbourn was appointed a member of the public/private SW Port Task Force in 2006, which ultimately resulted in the relocation of container port activities from Downtown Nassau to Arawak Cay, a mile or so to the west. 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. He has served as a Director of APD Limited since inception.



**FRANKLYN A BUTLER II** – *Appointed by ACPDH*

Franklyn Butler II serves as an independent director. He is President and Managing Director of Milo B Butler & Sons Co. Ltd. Mr. Butler managed the company's Sales and Operations units for ten (10) years previously. He also serves as a director of several companies, including Tuscan Shores Developments Company, AML Foods Limited, Vice-Chairman, Cable Bahamas and Chairman, Milo B Butler & Sons Limited.

Mr. Butler is a graduate of St. Anne's High School, Fox Hill, New Providence. He furthered his education in England at Trent College in Nottingham, England, where he studied for and received his A levels. He attended the University of Warwick in Coventry, England, graduating with a Bachelor of Science degree in Accounting and Finance.



**FRANK FORBES** – *Appointed by Government*

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

Mr. Forbes is a licensed CPA. 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.



**R. CRAIG SYMONETTE** – *Appointed by ACPDH*

R. Craig Symonette is a member of a distinguished Bahamian family which has made significant contributions to the shipping industry and to governance. His father, Sir Roland Symonette, was the first premier of The Bahamas and his brother, Hon. Brent Symonette, a former deputy prime minister.

Born in Nassau Mr. Symonette attended St. Andrew's School before completing his education in Canada. When he returned home, he began working in the family business and soon branched off into ventures of his own. He launched Bahamas Ferries, an inter-island passenger and cargo transportation company, which provides invaluable services between the capital and such islands as Eleuthera, Harbour Island, Spanish Wells, Abaco, Andros, Exuma and Long Island. Bahamas Fast Ferries is an enterprise that also touches upon tourism, The Bahamas principal industry.

Mr. Symonette's involvements and experience are spread across a number of economic sectors. He is a director on several boards, including Commonwealth Bank, RBC Trust Bahamas Ltd., AML Foods and Bahamas Hot Mix. He is a member of the Honorary Consular Corps, representing Norway and is an active member of the Nassau community.



**CRESWELL STURRUP** – *Appointed by Government*

Creswell Sturrup, a Bahamian, is a public service professional, who has occupied positions of considerable responsibility in the course of his career. Since 1990, Mr Sturrup has held the rank of Permanent Secretary and has been deployed in that capacity 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. Currently, he holds the post of Permanent Secretary in the Office of the Prime Minister.

Mr Sturrup received his secondary education at St. Augustine's College, Nassau, Bahamas. He was graduated from St. John's University, Minnesota with a BA in Government. He also earned a Post Graduate Diploma in Public Administration from the University of the West Indies (Mona) and an LLB (Hons.) degree from the University of London, United Kingdom.





# CHAIRMAN'S MESSAGE

I must first thank APD Limited and the Government for doing me the honour of selecting me to succeed James Mosko as Chairman of the Board. I count it a privilege to lead a board comprising so many distinguished Bahamians and take this opportunity to welcome R. Craig Symonette to the team. I am certain that his long years of experience in the shipping industry and other successful business ventures will add significantly to the quality of the Board's deliberations and decisions.

Mr Mosko's tenure will be a hard act to follow. For myself and on behalf of the Board I congratulate and thank him for his leadership during the construction phase of a project that converted a practically derelict cay to the Nassau Container Port, a modern, efficient enterprise, which has already been recognized internationally for its productivity.

It is to my great advantage that my leadership will be supported by Board members who are all Bahamians of proven ability in their various fields, as well as by APD's talented, experienced and highly professional team of managers and staff led by CEO & President Michael Maura, Jr and Dion Bethell, CFO & Vice President.

I commend Messrs Maura and Bethell and the entire Executive for excellent leadership in assembling teams that are united in purpose and willingness to get the job done efficiently and safely. At the same time, these frontrunners recognize Nassau Container Port's essential importance to the well-being and progress of The Bahamas. They have striven successfully to make NCP a facility lauded internationally for quality. The fact that the Florida Shipowners Group has named the Port the highest in productivity out of the 24 ports they serve in the region underscores the validity of this commendation.

Now, it is the task of the Board, Executive, Management and Staff of APD to approach the new fiscal year by implementing well-selected initiatives to maintain the momentum achieved this past year. In this regard, the work of the Board's Audit Committee will prove highly beneficial to financial planning and progress in the months to come. I thank Committee Chairman Frank Forbes for all his efforts.

As Board Chairman, I am committed to lending the best of my skills and professional experiences to the forward movement of APD, which I am anticipating. In this endeavour, I look forward to the support of the Board, whose equal dedication I can attest to from shared hours of planning and deliberation. I thank you all.



# SALUTE TO JAMES MOSKO

## IMMEDIATE PAST CHAIRMAN, APD BOARD

The Board of Directors, management and staff of APD Limited salute James Mosko, immediate past Chairman of the Board, who has retired from the Board. Mr Mosko led the Board from the inception of APD and saw the company through the construction of Nassau Container Port and Gladstone Freight Terminal, a challenging yet exciting undertaking. There could not have been a better choice for this position of leadership. A seasoned civil engineer and the President of the Mosko Group of Companies, he brought over 35 years of professional experience, which has included demanding projects throughout the islands of The Bahamas. Among the ventures to which he contributed his expertise were Phase II & III of the Atlantis Resort on Paradise Island.

With the knowledge and support of James Mosko and equally talented fellow Board members allied to that of the APD team, there developed an enterprise, which plays a central role in national development and is already winning accolades. We thank Mr Mosko for his contributions and wish him well in his future endeavors.

### FINANCIAL ADVISORS

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

### REGISTRAR & TRANSFER AGENTS –

#### PREFERENCE SHARES

Royal Fidelity Merchant Bank & Trust Ltd  
Fidelity House  
Frederick Street  
P.O. Box N-4853  
Nassau, The Bahamas

### REGISTRAR & TRANSFER AGENTS –

#### COMMON SHARES

Bahamas Central Securities Depository  
2nd Floor, Fort Nassau Centre,  
Suite 202, British Colonial Hilton  
P.O. Box N 9307  
Nassau, The Bahamas

### AUDITORS

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

### BANKERS

RBC Royal Bank (Bahamas) Ltd  
Bahamas Regional Office  
East Hill Street  
P.O. Box N-7549  
Nassau, The Bahamas

### LEGAL COUNSEL

Higgs & Johnson  
Ocean Centre, Montagu Foreshore  
East Bay Street  
P.O. Box N-3247  
Nassau, The Bahamas

### REGISTERED OFFICE

HJ Corporate Services  
Ocean Centre, Montagu Foreshore  
East Bay Street  
P.O. Box N-3247  
Nassau, The Bahamas

# EXECUTIVE & SENIOR MANAGEMENT TEAM



## MIKE MAURA, JR

President & Chief Executive Officer

Michael Maura Jr brings to this challenging post over 16 years of industry experience. Mr. Maura was a key driver in the port relocation initiative. He was initially Co-chair of the Southwest Port Task Force, which in 2006 was commissioned to explore the feasibility of locating container port operations from Downtown Nassau to Clifton in Southwest New Providence. Mr. Maura is credited with drafting the Arawak Port conceptual plan.

He served previously as a founding director of Arawak Cay Port Development Holdings Limited and APD Limited, a post he relinquished upon assuming his current role as president of the APD Team.

Additionally, he has held key management positions within Tropical Shipping and the retail and wholesale grocery sector. He has also served as a Director of the Bahamas Chamber of Commerce and as a member of the Bahamas Trade Commission and the Caribbean Chamber of Commerce.

Mr. Maura has a Bachelor of Arts degree in Economics with a minor in Business Administration from Rollins College in Winter Park, Florida, U.S.A.

## DION BETHELL

Vice President/Chief Financial Officer

Before joining APD, Dion Bethell had previously accumulated over eight years' experience in international shipping, having served as Regional Financial Controller at

Container Terminals Ltd, a subsidiary of Tropical Shipping Ltd. Prior to this, Mr. Bethell spent over 16 years working in the financial services industry with his last role being that of Director, Vice President and CFO at W&P Fund Services Ltd. /The St. James Bank & Trust Company Ltd.

Mr. Bethell is also Chairman of the Bahamasair Employees Provident Fund. He holds a Bachelor of Business Administration degree in Accounting from Tiffin University in Ohio, U.S.A. and is a licensed Chartered Accountant with the Bahamas Institute of Chartered Accountants.

## RICHARD MCCOMBE

Senior Manager, Operations & Facilities

Before his promotion to his current post, Mr. McCombe served as the Stevedore & Heavy Equipment Manager. His career experiences in shipping include a period with Tropical Shipping, where he was Operations Manager. Mr. McCombe's business acumen has helped to build a solid foundation in trade and commerce. In 1987, he became the Managing Director for Jacharic Holdings, which operated Blue Lagoon Island, Sting Ray City, Divers Haven, Holland America's Half Moon Cay, and Splash. In 2002, Mr. McCombe left Jacharic to start his own businesses — Gussie Mae Ltd., Esso's On The Run, and GEP Destination Management Company.

His strong entrepreneurial and managerial background helped to prepare Mr. McCombe for his varied responsibilities at the new Nassau Container Port and GFT, the Inland Freight Terminal. While McCombe's impact on the local business community has been significant, some of his greatest accomplishments are associated with his term

as District Governor of Rotary International's District 7020, which encompassed 14 countries and territories.

### YVETTE RAHMING

Senior Manager In-House Legal Counsel,  
Human Resources and Health & Safety

Before embarking upon studies in law, Yvette C. Rahming, LL.B, CLE worked at a leading Bahamian law firm, where she gained years of experience in property, corporate and commercial law. In 2008, she obtained a Bachelor of Laws degree (LL.B) with honours from the University of London, following which she successfully pursued Bar studies at the Eugene Dupuch Law School, Nassau. Admitted to The Bahamas Bar in 2010, Mrs. Rahming practiced in the commercial and corporate department at the law firm of C. F. Butler and Associates. She was previously the principal of The Mobile Office, a headhunting and business consultant firm. A native of New Providence Island, Mrs. Rahming is currently pursuing an LLM with multiple specializations in Maritime and Corporate Law and is a member of the Association of Corporate Counsel and Society of Human Resources Managers.

### LOUIS BUTLER

Financial Controller

Louis Butler has more than twenty years of public practice experience in the audits of banks and trusts, shipping, investment companies, mutual funds, and retail businesses. Prior to his current position, Mr. Butler was the managing partner of Louis A. Butler & Associates and a consultant with the accounting firm of Moore Stephens Butler & Taylor. Mr. Butler is a licenced member of the Bahamas Institute of Chartered Accountants (BICA), member of CGA Canada, Past President of CGA Bahamas, Past Council member of BICA, and former member of CGA Canada International Forum Committee. In 2005, Mr. Butler was awarded The Fellowship Award by CGA Canada in recognition for his exemplary service to the Association, the profession, the public, and community.

His civic contributions have included service as Director of the Bahamas Chamber of Commerce, Co-Chairman of Drug Action Service, and as a volunteer with Bahamas Air Sea Rescue Association (BASRA).

Mr. Butler received his secondary education at St. Augustine's College in Nassau and is a graduate of Valdosta State University, Valdosta, Georgia.

# MANAGEMENT TEAM



**PATRICK HANNA**, Health & Safety Training Officer; **CRISPIN SEYMOUR**, Operations Manager; **FELIX ROLLE**, Facilities Manager; **COLLIN CLEARE**, Port Facility Security Officer; **RITA RAMSAY**, MBA, Human Resources Administrator; **BRANDO GLINTON**, Gate & Interchange Manager; **CHARLES PINDER**, IT Manager; **ANTHONY COOKE**, Financial Accounting Manager – Operations; and **GLORAN WATCHORN**, Financial Accounting Manager – Reporting.



# CEO'S REVIEW

*I am pleased to report on the 2014 fiscal year, which presented expected and unexpected challenges and opportunities. It is even more satisfying to note that my extraordinary executive and management teams addressed such situations in a manner that has led to significant and sustainable forward movement.*

*We are proud of our achievements of the past year and I offer a summary of the major points right at the beginning of this report:*

## PROFITABILITY

- APD achieved a total comprehensive income of \$3,615,837 for the period ended June 30, 2014, \$121,029 over the prior year, and declared its first dividend in December of 2013, after less than two years in operation. Dividends paid during the period amounted to \$1,299,198.00 with each of the 4,996,915 issued shares receiving a dividend of \$0.26. For its share as a founding shareholder, Government was entitled to receive some \$520,000 as a dividend.

## INTERNATIONAL RECOGNITION

- In 2013 Nassau Container Port (NCP) was ranked number one in productivity out of 24 ports in the Caribbean by the powerful Florida Shipowners Group which ships approximately 80% of the freight to The Bahamas and Caribbean.

## COMMITMENT TO SAFETY

- In August of 2011 APD began a truck safety initiative culminating in June 2014 with the launch of a truck safety inspection at the Nassau Container Port

interchange gates. After three years of dialogue with the trucking industry, commercial heavy duty trucks and chassis now undergo an equipment inspection intended to mitigate the chance of accidents.

## LEADERSHIP QUALITY

One of the factors that set Nassau Container Port in the elite category from the beginning and continued to distinguish the company last year was its executive team and managers, who have decades of relevant experience in international shipping, port security, customs operations, information technology, financial services and human resource and facilities management. Each brought an array of talents and an insider's knowledge of the interests and concerns of the stakeholders with whom we interact and serve.

- The APD Board of Directors presented Michael Maura, Jr, President and CEO and Dion Bethell, Vice President and CFO with awards signaling:

"Stellar Leadership Award presented to them in acknowledgement of their steadfast diligence, leadership, dedication and supervision throughout our 1st year of full operation."

## MANAGEMENT QUALITY

APD can boast of:

- a. A Health & Safety Training Officer who is a degreed member of the American Association of Health and Safety Professionals and a former member of the Bahamas Government Department of Environmental Health.
- b. A Port Operations Manager with over 18 years of global experience in terminal operations, planning, and Port health & safety.
- c. A Port Facility Security Officer, a former member of the Royal Bahamas Police Force, who trained in container port security with the United States Customs Service; and electronic surveillance management with the U.S. Drug Enforcement Administration.
- d. A Financial Reporting Manager who brought over 15 years of accounting and financial experience to NCP.
- e. A Financial Operations Manager with over 16 years of financial services experiences, including an International Compliance Association certification.
- f. A Human Resources Manager who holds an MBA with over 15 years' experience in Human Resource Management in the transportation and insurance industries.
- g. An Information Technology Manager NAVIS N4 certified, instrumental in introducing NAVIS to the NCP greenfield site, and later added XPS yard management.
- h. A Gate & Interchange Manager who holds a law degree and worked in various areas of Bahamas Customs for over 20 years.
- i. A Facilities Maintenance Manager who holds certification from the American Academy of Project Management and an electronics degree with extensive training and systems certifications as a communications technician.

## PARTNERSHIP QUALITY

In its drive to achieve safety, security, efficiency and productivity, APD has enjoyed outstanding support and cooperation from the Department of Customs, Department of Agriculture, and Department of Environmental Health Services.

The trucking community plays an essential role in the business of international trade and APD gratefully acknowledges their support throughout the development of the Nassau Container Port.

## STAKEHOLDER/SHAREHOLDER BENEFITS

### Increased Bahamas Customs Control

The consolidation of all international shipping operations to one location has been very beneficial to Bahamas Customs and, in turn, to the Public Treasury. Customs is now able to surgically focus investigative resources on all imports and more effectively address fraudulent activity resulting in increased tax collection.

### Increased Government Income

Approximately \$5.0 Million will be paid to the Government this year in rents, proceeds and other taxes, exclusive of dividends. This represents new income, not previously received prior to the NCP development. Additionally the Government receives payment in kind in the form of administrative facilities and public infrastructure

representing an annual benefit of approximately \$1 Million, bringing the total benefit to the Government to \$6.0 Million. In addition the Government has realized a capital appreciation 52%, equating to more than \$10 Million. The partnership that exists between APD Limited and the Government of The Bahamas has been a great success. This Public/Private Partnership "PPP" has resulted in a monumental improvement in maritime efficiency and border controls, introduced new investment income to Government, and significantly increased tax revenues for The Bahamas.

### Enhancement of National Security

APD's implementation of international operating standards and investment in world-class port and maritime security technology have thereby enhanced law enforcement, border controls, protection of government revenues derived from import taxes, especially in Nassau.

### Increased Opportunities for Bahamian Shipping and Family Island Connectivity

Qualified small Bahamian shipping companies may receive as much as a 50% discount on landing fees at the Nassau Container Port.

Foreign shipping companies landing, at the Port, duty-not-paid cargo that is destined for a Family Island may receive a 25% discount on the landing fees.

### Increased Port Efficiency = Multiple Beneficiaries

- **Carriers:** 28 feet of draft alongside the berth and the introduction of three (3) 320 Ton Liebherr Mobile Harbour Cranes have permitted the Carriers to utilize vessels which are twice the size of the ships that historically called on Nassau resulting in better utilization of vessel fleet.
- **Stevedores:** Vessel stevedoring productivity has increased by more than 40%, which translates into dollar savings for carriers.
- **Importers:** Greater percentage of shipments delivered to importers on the same day they arrive in Nassau, which means greater revenue potential for importers.
- **Truckers:** Increased Port efficiency has reduced trucker turnaround time from the historical average of 50 minutes to 30 minutes. With more deliveries in a day, truckers have the potential to earn more.

### Large-Scale Development Projects

The Container Terminal operation has facilitated the efficient handling and faster release of Baha Mar project cargo, which would otherwise have been delayed owing to significant congestion on Downtown Nassau's historic wharfs.

### Licensed Customs Brokers and Importers

The concentration of shipping companies, the Departments of Environmental Health and Agriculture and Bahamas Customs at Nassau Container Port have created a "One-Stop Shop" offering a savings in time to all involved in importing by sea.

### Safety & Security

- NCP recorded no major accidents as regards personnel or hazardous materials during the year.

- The Port achieved and maintained International Ship and Port Facility Security "ISPS" compliance.

The remainder of this report details the goals and actions which contributed the company's achievements.

## 2013/2014 GOALS

The goals that defined the 2013-2014 year concentrated on satisfying the demands of stakeholders (port users and shareholders) for quality in service, value for money and the development of a work environment built on ethics, trust, communication, recognition and learning.

### NATIONAL DEVELOPMENT

APD dedicated significant expertise and expenditure to national development initiatives in five main areas where the company is able to play a significant role:

- Achieving and maintaining a high degree of Port productivity as an essential adjunct to improving the country's trade.
- Investing in technology and human resources to enhance the effectiveness of maritime port security and, by extension, Bahamas Customs tax collections.
- Incentivizing Bahamian shipping and port development, which accords well with government's declared goal of gaining a respected place for The Bahamas in the international maritime industry.
- Achieving the International Maritime Organization designation of a Recognized Security Organization (RSO) which would serve to further promote the Bahamas as a premier "international" maritime industry resource.
- Promoting a culture of safety at the Port and beyond.

### STAKEHOLDER BENEFITS

Satisfying stakeholders (port users and shareholders) required APD to increase value/benefits by maximizing the Port's efficiency, productivity and profitability, all three of which are unavoidably bound together. As the new enterprise was just in its second year, fulfilling these obligations called for continued construction, but in a global sense that goes beyond steel and concrete.

Consequently, management focused on and invested in:

- A phased and well-thought out infrastructure and technology development to create a high-functioning physical plant and operations enhanced by world-class communications
- An innovative human resources development plan, with a focus on employee health, safety, development and advancement
- Process design
- Expert management and operations teams, including internationally certified Port safety and security appointments and employee training
- A structured preventive equipment maintenance programme.
- Comprehensive safety & security programme, including promotion of a culture of safety within the Port and in the wider community

- Promotion of community information and education
- Astute financial management and cost controls

As with any business, inter-sectorial links and relations and conditions in the international marketplace are always major influencers on development. Last year, developments in this quadrant were and will continue to be an area of substantial focus in designing and carrying out administrative and field/engineering operations at Nassau Container Port and Gladstone Freight Terminal, APD's facilities.

## ACHIEVEMENTS

### CONTRIBUTIONS TO NATIONAL DEVELOPMENT

In 2013, APD launched its Family Island Development Initiative with three principal goals:

- Fostering the sustainability of small Bahamian shipping companies, which serve the Bahamas Family Islands
- Incentivizing interisland shipping and thereby encouraging progress in Family Island agriculture and manufacturing through improved opportunities to transport products to market
- Offering Port consultancy for the development of Family Island ports and specialized training for those who will operate them.

Additionally, APD contributed by:

- Increasing levels of safety and security at the Port, which is a major gateway to The Bahamas' capital for greater national revenue protection and trade enhancement
- Formulating plans to assist in the development of safer, more secure and accountable ports nationwide
- Launching a real-time weather forecasting service offered free of charge to subscribers
- Recognizing and seizing opportunities, as well as creating opportunities for progress in all areas of focus.

## OPTIMIZING EFFICIENCY, PRODUCTIVITY AND PROFITABILITY FOR STAKEHOLDER BENEFITS

### CREATING A HIGH-FUNCTIONING PHYSICAL PLANT

The fiscal year 2013/2014 saw the completion of the construction of the APD Administration Building, which had implications for every aspect of our operations and forward planning, as well as for port users and tenants. We cite particularly the Department of Customs and importers/exporters, both corporate groups, which move significant volumes of goods and individuals, whose transactions may consist of single items large or small.

The building was designed to bring together in a single facility all the official document-processing and payment/accounting services related to import/export, offices of carriers, the stevedoring company and other port stakeholders into a single area with top-grade communications interface to create a "one-stop shop".

This concentration is designed to improve government revenue collection, facilitate essential dialogue among NCP Operations personnel, carriers and carriers' onshore agents and truckers.

The major aim is to boost efficiency and turnaround time for all port stakeholders and customers.

The interior size of the building is 22,120 sq. ft. In the interest of developing the one-stop concept and of fostering partnership, the space was apportioned as follows:

- Customs & Other Government Agencies 5,900 sq. ft.
- APD Limited 4,480 sq. ft.
- Other Tenants 6,040 sq. ft.
- Common Areas 5,700 sq. ft.

### **INSTALLATION OF WORLD-CLASS TECHNOLOGY/ COMMUNICATIONS INFRASTRUCTURE**

Assuring the degree of communication speed and accuracy needed in a port environment that brings together so many different entities requires top-grade communication systems both wired and wireless. In the move from the trailer environment, which had housed APD from its inception, the company's IT Department was tasked with managing the repositioning of landlines and setting up a wireless system that would seamlessly connect all aspects of APD's operations and port partners. The company invested in an enterprise-grade wireless system produced and installed by Motorola. All was accomplished in a highly satisfactory manner.

## **OPTIMIZING PORT OPERATIONS AND FACILITIES**

In 2013/2014, the drive in the Operations and Facilities Department had four main focal points:

- Enhancing efficiency
- Building leadership in various areas of yard operations
- Environmental consciousness
- Enhancing safety

### **NEW EQUIPMENT**

A third Liebherr mobile harbour crane was added to NCPs inventory, increasing the number of lifts by reducing the time taken to effect each container movement, and ensuring service continuity in terms of unplanned and planned maintenance.

### **ACQUISITION OF THE NAVIS N4 XPS TERMINAL AND MARITIME OPERATING SYSTEM**

NAVIS Argo, the system we have been using since NCP began operations two years ago allowed the Port to coordinate all the movement of cargo from the ship to loading onto the trucks that deliver to importers. That system contributed to the achievement of significant gains in operational standards and performance for which NCP has already received international recognition.

The upgrade to NAVIS N4 puts NCP technology and standards in league with the most efficient ports in the world that handle millions of units of cargo annually. The

NAVIS system is all about coordination of port activities to support safety, efficiency and accountability for optimizing productivity and overall profitability for the benefit of all our shareholders and stakeholders.

With NAVIS N4 with the XPS cargo module, APD has reached even higher, creating a network that allows for interface electronically with shipping companies, incoming ships, our dockside and yard operations, gate controls, official services such as Customs, as well as communication with truckers and other port users and customers. With the XPS inventory control module, we are able to pinpoint the location of each container from the time it is lifted from the ship through its stay in the port to its lading on ground transportation for delivery to the importer.

The N4 system incorporates a full range of customer services, including payment and account monitoring and our own internal accounting and forecasting systems. A big plus is that the system offers multi-terminal visibility and control and gives visibility to all the primary stakeholders. This will provide Bahamas Customs with a great advantage in its key role of collecting and protecting government revenues in every port APD manages.

We are also fortunate to have a superb team of Bahamians trained in specialist maritime industry skills to make best use of the technology.

During 2013/2014, the focus was on installing the system, training staff members to operate it to greatest efficiency. It was agreed to launch NAVIS N4 in November of the new fiscal year. For this and their work with the installation of the communication system in the new administration building, I commend IT Manager Charles Pinder and assistant Percephone Burrows, along with the various local IT and electrical service companies.

### **DEEPENING LEADERSHIP/EXPANDING SKILLS**

Strategic personnel training and appointments were also a highlight of the Operations sector of Nassau Container Port.

As job knowledge and relevant skills are major contributors to efficiency in performing any task, intense and job-specific training has been an area of concentration for Operations and Facilities from the beginning. Initially David Eden of D Edens Ltd., known worldwide for heavy equipment training, was engaged for training crane operators. So successful was this initiative that D Edens Ltd certified chief crane operator Dave Nagee to train others for certification to operate Liebherr equipment. This is the highest recognition that we could have hoped for in this regard.

Subsequently, an internal training programme was developed and allied to a process of external checks to assure that the highest of standards were maintained. We designed a database that contains information on loads, lifts, time taken for the various stages of unloading and back-loading are sent to D Edens Ltd for assessment and feedback. The information thus gained was used to further tailor specific procedures and practices for increased personnel and equipment safety and efficiency.

The post of Operations Manager was established to create succession depth and to have someone in the hands-on side of the operations representing management. Crispin Seymour has proven highly effective in this position.





## << NAVIS N4 XPS TERMINAL AND MARITIME OPERATING SYSTEM

## A CONCERN FOR OUR ENVIRONMENT

From the very beginning, the Nassau Container Port was designed with a concern for the environment. The terminal asphalt surface areas all slope away from the sea purposefully mitigating the possibility of oils and other chemicals draining into the Nassau harbour.

The operation and maintenance of large freight handling equipment is a necessity at NCP and the customized equipment maintenance facilities include a large freight equipment washdown area constructed with an oil/water separator. This design is intended to permit the removal of petroleum products from industrial wastewater and storm water systems.

Furthermore, should a cargo vessel, berthed at NCP, discharge oil or fuel into the harbour, APD will deploy NCP-1, the port's marine patrol vessel, and immediately begin to deploy containment booms around the spill and support efforts to remove the contaminants from the water. The company has also invested in hazmat equipment and supplies which will serve to combat chemical spills within the terra boundaries of NCP.

## ENHANCING SAFETY AND SECURITY

Ensuring that safety and security at Nassau Container Port would achieve and maintain the best of international maritime industry standards involved a multifaceted thrust, embracing all APD personnel, Port partners and users, carefully articulating:

- Administrative Provisions: logistical planning, establishing policies and operational procedures and controls, establishing the APD Safety Committee and the NCP Stakeholders Safety Committee
- Equipment/Engineering: Acquisition of appropriate equipment/personal protective gear, EMT equipment

- Safety Training:
- Involving all company executive, management and staff port partners
- Extending training to port partners such as truckers and other heavy equipment operators and government agencies, e.g. the Police and Road Traffic Department

### THE SAFETY/SECURITY PROGRAMME

To maximize company and stakeholder focus on safety, the Human Resources Department organized a competition to identify a safety theme and mascot. The results were "Safety Always Matters", accompanied by the birth of SAM the Crab, who is happy to share safety tips with company personnel, tenants, port users and the wider public through use of a planned advertising campaign and appearance on signs around the property. The use of a crab is intended to highlight and link the marine environment to all aspects of the Port operation.

Nothing can be more vital to a port than its provisions for safety in terms of trained safety personnel, appropriate policies, procedures and equipment, a high level of safety knowledge and consciousness among staff and port users across the board and partnership with external emergency response units.

Understanding that to create a culture of safety, the safety programme must encompass all sectors of the Port and all aspects of its operations, APD created management-level posts filled by professionals, appropriately trained and credentialed and committed to undergoing relevant upgrades as Port needs indicate or desirable courses present. During the year under report, these posts and occupants were:

- Gate & Interchange Manager – **Brando Glinton, LLB**
- Port Facility Security Officer – **Collin Cleare**
- Health & Safety Officer – **Patrick Hanna**
- Facilities Maintenance Manager – **Felix Rolle**



**APD HAZMAT >>  
TRAINING**

In 2013/2014, APD continuously upgraded its security provisions during the year, boosting access control and overall adherence to international standards and regulation. Nassau Container Port is fully compliant with ISPS in providing for security of persons and goods. The system incorporates mobile patrols, electronic surveillance and a control tower for monitoring the electronic feeds and providing oversight of the entire facility 24/7. Camera feeds from GFT can also be accessed at NCP.

The past year saw the installation of a swipe-card credentialing system that provides for documentation of all moves within the restricted areas of the port, with permitted access consistent with levels of responsibility.

In highly restricted areas, only authorized personnel that undergo comprehensive vetting are permitted access, while visitors with justifiable access must be escorted by the appropriate security personnel. What is most important, the electronic system documents access and exit, providing an essential record of the movement of persons and goods.

#### **SAFETY ZONE OF OPERATIONS**

Spearheaded by Senior Manager In-House Counsel, Human Resources, Health & Safety Yvette Rahming; Operations & Facilities Senior Manager Richard McCombe, Gate Interchange Operations Manager Brando Glinton, and Facilities Manager Felix Rolle and Safety & Training Officer Patrick Hanna, a “Safety Zone of Operations” for Port personnel was implemented. This zone affords them the latitude to conduct and concentrate on the very important work of Port inspection during the operating hours of the Port.

The Nassau Container Port is a very busy industrial site. Significant care and attention has been placed on the development of various safety-related signage and/or training in order to alert Port users to the risks associated with the Port facility. For example: ‘Cell Phone Use is Prohibited, Except Where Designated’; ‘Persons Under the Age of 17 Are Not Permitted in the Port’; ‘NCP is a Smoke Free Facility’; and ‘NCP is a Drug-Free Work Environment’.

#### **ADDITION OF EMERGENCY RESPONSE EQUIPMENT/ INCREASING ER TRAINING/STAFF**

Automatic Equipment Defibrillators (AED’s) were added at NCP and GFT facilities to be used in the case of cardiac emergencies. We began certifying and re-certifying the entire APD staff compliment at NCP and GFT in the use of this equipment.

Staff members, who demonstrated pertinent attributes and aptitude were identified to form a team of Rapid Response First Responders for emergencies.

#### **THE HUMAN RESOURCES BRIDGE**

**The company is proud of the unique, integrative role for the Human Resources Department that the Senior Manager In-House Legal Counsel, Human Resources, Health & Safety developed over the past year.** Led by Yvette Rahming, assisted by Human Resources Manager Rita Ramsay, the Department has become the internal bridge, which is intimately involved in the development and progress of every sector of the company. HR is responsible for leading the development efforts in respect of the standard operating policies, and taking an active role in implementation and training. The Department’s purview includes safety, security, quality assurance, team building, staff health & wellness, company communications.

In 2013/2014, under the theme “Mind, Body, Spirit and Balance”, the HR team created a comprehensive, long-term action plan. This formulation focused not only on workforce development to the best international standards, but also on employees as individuals, enhancing their total experiences and opportunities.

In this regard, last year’s achievements were mainly fed by the organic relationship between Operations & Facilities and Human Resources. As demonstrated by the foregoing section of this report, this partnership and their supporting unit managers and officers deserve kudos for the advances in safety and security and for the well-defined and actionable plan for further gains in the new fiscal year.



## WORKFORCE DEVELOPMENT TRAINING

With APD Limited's mission statement in mind "Operational excellence to maximise value through people development and technology" HR has a mandate to ensure that the APD team receives the requisite training to meet the demands of their job. One of the most exciting achievements in this regard was signing on with BLR, a well-known company that provides training resources online through a variety of modules. BLR's Safety & Compliance library covers an extensive list, which includes such topics as "Emergency Planning & Response", "Equipment & Process Safety" and "Hazardous Substances & Materials." The company purchased the necessary hardware to allow employees to pursue individual and supervised group study.

### 2013/2014 SAFETY TRAINING OPPORTUNITIES

Members of staff of APD Limited were 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 included:

#### **HAZWOPER– Facilitator:**

**Patrick Hanna, Safety Officer, APD Limited**

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, 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:**

**Collin Cleare, Port Facility Security Officer, APD Limited**

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 relied on its PFSO, Collin Cleare 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.

#### **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.

### SHARING TRAINING OPPORTUNITIES WITH PORT PARTNERS

APD's superb training and certification programme has shaped our staff into a highly skilled team, making Nassau Container Port (NCP) internationally competitive. Every chance we get, we share training with our port partners.

Last year we engaged experts Crane Tech to provide Occupied Safety Training on Qualified Rigger Level 1 for members of NCP's crane and safety team. We extended the opportunity to our stevedoring and terminal operator partners, Arawak Stevedoring Limited and Tropical Shipping, respectively.

In 2013, with the full cooperation of the Royal Bahamas Police Force and the Road Traffic Department, the company initiated its unique Heavy Equipment Inspection Programme, offered to increase safety for truckers and other port users.

To give our trucking partners a headstart, NCP began the truck safety initiative in August of 2011 with a truck safety presentation at the Harry C. Moore Library. Following close to three years of dialogue NCP launched the second phase of the safety initiative by conducting informal inspections to give commercial truck operators the opportunity to see the plan in action. June 1, 2014, the formal process of inspection began, conducted by our Gate & Interchange Manager and his team who had undergone specialized



## PORT TRAINING >>

training. Container and dump trucks were checked for elements of the tractor head, chassis, various lights and brake-light connections.

Following inspection, operators were apprised by the inspectors as to whether their vehicle met required traffic codes. They were then given two copies of the assessment form to sign, one of which they kept for their files. For vehicles passing this health check it would be business as usual as to port access. Those vehicles failing inspection were required to address defects in order to access the port after June 1. The public was given appropriate notice that the inspection as a part of port entry requirements became policy after that date.

### CREATING LIFELONG OPPORTUNITIES FOR BAHAMIANS

With the establishment of Nassau Container Port, APD was determined to perform a novel national service—giving Bahamians an opportunity to acquire specialized maritime industry skills. With their great portability, such skills would allow them lifelong career opportunities and opportunities for advancement internationally.

As an equal opportunity employer, APD does not support fixed hierarchies, so whatever employees' entry points in the company may be, they are encouraged to set their sights on positions of greater responsibility where they may be situated in the company structure.

Last year this mobility that the company affords was abundantly demonstrated and the opportunity seized by several staff members:

- **Dave Nagee**, as indicated earlier, passed an internationally recognized Mobile Harbour Crane Instructor certification programme and now leads APD's Crane Operator training courses.
- **Edmund Butler** joined APD IN 2012 as a Gate Inspector. A quick study, Eddie transitioned to the post of Shipside Checker. APD took note of his

leadership skills and he was made the Port's Operations Coordinator.

- In 2012 **Julian Johnson** joined APD as a mechanic. He demonstrated the desire and aptitude for a move into crane operation. Following six months of training, Julian successfully completed the relevant training and became a certified crane operator, combining this job with his contribution as an excellent crane mechanic.
- **Justina Rolle** began her APD career in 2011 as a Gate Inspector. Her attention for detail and her professionalism quickly led to her promotion to the Planning Department, where she interfaces with international ships via the NAVIS port computer system.
- **Christle Bain** was promoted to Port Surveillance Supervisor, an important post in port security, which is a critical component of the maritime industry. Christle's attention to detail is unmatched.

HR was justly pleased with the production of the employee handbook and technology and web interfaces. The department is also partnering with Bahamas Chamber of Commerce and Employers Confederation's Chamber Institute, which offers career development and certification programmes.

### HEALTH & WELLNESS

BLR modules also address aspects of the Health & Wellness goals, but the company's excellent electronic communication system proved a boon to disseminating information and tips addressing such topics as nutrition and exercise. The releases can be accessed via the public monitors and on mobile devices.

### SPIRIT

HR addressed this aspect of its theme by sending e-blasts with uplifting message and by walkabouts for face-to-face interaction with staff. Central to employee motivation has been the Executive team's highly appreciated open-door

policy, which encapsulates receptivity to concerns, ideas and suggestions.

### CONTRIBUTING TO NATIONAL DEVELOPMENT

In a message the Prime Minister of The Bahamas, Rt. Hon. Perry Christie graciously forwarded for inclusion in NCP's new marketing brochure, he noted:

*The Bahamas, because of its unique geographical configuration, is a maritime nation and marine transportation is therefore an indispensable part of the economic and commercial life blood of our nation.*

This statement brought into focus the fact that the sea, sea transportation and ports are central to almost every aspect of Bahamian life. About 90 to 95 percent of the material resources that we consume in The Bahamas—our food, construction materials, equipment, medical and pharmaceutical supplies are imported in seagoing vessels through our ports. Moreover, The Bahamas could not possibly undervalue the importance of interisland maritime transportation, mostly via the traditional mailboats, without which our Family Islands could not survive with any appreciable quality of life. Ports are the vital connectors and regulators of all this seagoing trade.

For the past two years Nassau Container Port has played a preponderant role in national life by receiving and processing safely and securely about 90% of the imports into New Providence where more than three-quarters of Bahamians reside.

Nevertheless, given the maritime industry knowledge, skills and technology, particularly in the realm of port development and operations, the Board of Directors and management of APD Limited consider that we have a civic mandate to contribute to areas of maritime industry development where we perceive gaps of opportunity or expertise. Consequently, a strategic plan was formulated for the encouragement of Family Island development with four initial areas of focus. We have developed incentives to accomplish the following:

- Foster the sustainability of small Bahamian shipping companies, especially those that service Family Island ports to support interisland connectivity and encourage Family Island manufacturing and agriculture
- Provide real-time, online weather forecasting service
- Lend expertise to the development of Family Ports while balancing a need to comply with international standards with the economic reality of the Family Islands
- Lend support in a variety of forms to BCCEC's Family Island initiatives and the Government-sponsored BAMSI.

### BAHAMIAN SHIPPING ENCOURAGEMENT PROGRAMME

This was the first of the Family Island/Bahamian Shipping goals to be pursued. Last year APD initiated a programme of incentives to promote their growth and sustainability. NCP offered

- a 25% discount on landing fees for duty not paid cargo to qualifying shipping companies 100% Bahamian owned and operating vessels of a specific size and a 50% discount on landing fees on domestic cargo landed at NCP. This is intended to support Family Island manufacturing and agriculture.

- Small Bahamian Shipping licensed operators the ability to stevedore their own vessels at the Break Bulk Terminal
- Small Bahamian Shipping licensed operators the ability to self-perform their terminal handling service at the Break Bulk Terminal
- LCL deconsolidation services at the Nassau Container Port exclusively to qualifying shipping companies 100% Bahamian owned. Provides their customers with the convenience of collecting their cargo from Arawak Cay.
- 14 days of free storage on duty not paid cargo with a Bahamas Family Island as the final destination.

### FORGING STRATEGIC PARTNERSHIPS

APD's planning and investments in this regard were based on the understanding that the official services, shippers, port operators and owners constitute an essential partnership, which must operate safely, efficiently and profitably for the benefit of shareholders and port users for long-term port sustainability.

It must be noted here that a sterling partnership has developed between APD and Bahamas Customs for long-term, widespread benefits. The mutual respect and cooperation these partners share contributed significantly to gains in processing efficiency at the Nassau Container Port.

Early in 2014 the World Customs Organization, on the recommendation of Bahamas Customs, awarded APD Limited the 2014 Certificate of Merit. This internationally recognized award underlines the significant contribution APD Limited has made to the Bahamas Customs Modernization Project.

Our valued partner Customs has been valiantly pursuing the upgrades, while maintaining its regular portfolio of responsibilities. Bahamas Customs signed a Customs Enforcement Consultancy Contract on 23 May 2014 with Brock International Associates of Canada, as part of the IDB funded Trade Sector Support Programme (TSSP).

John G Johnston of Brock International Associates praised the quality of the APD/Customs partnership, noting:

*"The work that APD is doing to support Bahamas Customs and Law Enforcement is a model that frankly should be adopted internationally."*

As the Port of Entry for International Cargo, the Nassau Container Port directly supports National Security efforts. With over 600 vessels calling annually and approximately 100,000 containers moving through NCP, Port security is paramount. From its genesis APD, under the leadership of Collin Cleare, PFSO, continues to work closely with law enforcement agencies in the fight against illegal activity.

### FINANCIAL MANAGEMENT

The team led by Dion Bethell, Chief Financial Officer and Vice President and Louis Butler, Financial Controller was essential to company goal setting and the necessary financial planning, capital raising, cost controls and debt management, factors which underwrote APD's many advances and successes.

The chief of this section's goals was and will perennially be to increase value for shareholders and port users by

controlling costs and increasing productivity and profitability. Underscoring the effectiveness of our financial team in this area is the financial result for this fiscal year end which describes a year-over-year increase in Comprehensive Income of 3.4% or \$121,029, while gross revenues underperformed plan by (\$379,374) or (1.44%) on the back of a budgeted market volume shortfall of (3,166) TEUS (twenty foot equivalent unit) or (4.51%).

Dion Bethell and his team were instrumental in keeping management acutely aware of our financial performance, which permitted the appropriate action by various operating departments.

In 2013/2014, the CFO and Financial Controller were supported by two very capable managers: Anthony Cooke – Financial Accounting Manager – Operations and Cloran Watchorn – Financial Accounting Manager – Reporting, which allowed for concentration on critical areas of financial management.

One of the highlights of APD's financial year was the overwhelming success of the company's preference share offering of July 2013, which was 71% oversubscribed. The goal was \$21 million but the offering brought in \$36 million, enabling the company to retire the whole of its \$43 million bridge loan. The remainder of APD's indebtedness was incorporated into a long-term loan with RBC at very favourable terms. The success this market venture achieved can be justly attributed to acute perception and seizing of opportunities that arise in the marketplace, which, in this case, was a persistent low-interest environment. It would not have been possible to profit from these circumstances had our financial affairs not been in a state of readiness.

What is most pleasing, this overwhelming response signaled a great deal of confidence in APD/NCP, especially at a time when investment confidence seemed to lag.

Also gratifying was the company's ability to pay its first dividend in the 4th Quarter of the year amounting to \$1.299 million.

The acquisition of the NAVIS N4 with the XPS yard and cargo module required a significant, but ultimately rewarding outlay. This new phase of electronic terminal management will support real-time and beneficial engagement among the terminal operator and a variety of stakeholders in the monitoring of cargo movements and operations management. A gap analysis was conducted in December 2013 to provide another layer of security.

Reflected in planned expenditures also were the following:

- Ongoing enhancement of IT systems to which redundancy and back-up features were an essential element of security
- Migration to Motorola PSION in December of 2013 to boost reliability of NCP's vital wireless connectivity. Local contractors supplied some mobile features
- Engaging of IV&C to enhance the strength of the electronic surveillance system at NCP and GFT
- Transition from QuickBooks as the accounting system to the far more flexible Sage ERP 300, by offering a number of interfaces. In the plan for the New Year is the addition of a module dedicated to HR functions, including the development of employee databases.

In the new fiscal year, we have budgeted for the initiation and support of an employee pension plan for which the Board gave approval. The plan will be managed by CFAL.

## CHALLENGES

There were some challenges to our budget forecast over the past year, but fortunately they were confronted and dealt with by careful management. The anticipated market volumes did not materialize, hence the need to downgrade expected revenues and compensate for the shortfall.

Last year, as part of a commitment to the Bahamas maritime industry, APD expended significant resources in preparing an application to the Port Department for the RSO (Recognized Security Organization) designation. A major disappointment came when the process was not supported by local authorities.

During the year we were challenged with foreign-origin cargo circumventing Nassau Container Port. Goods shipped from Florida by sea were cleared in a Family Island while en route to Nassau, avoiding NCP and thorough Customs screening. Additionally, bulk auto carriers are permitted to berth at Prince George Wharf and discharge an estimated 4,000 vehicles annually, avoiding NCP security inspection and fees. These recurring events have been communicated to the Government over the past year.

Over the past two years, international carriers have raised their rates considerably. We account it a management success that APD was able to manage its resources in this challenging climate to hold back on concomitant rises. The port's first tariff rise was held off until June 2014 and even then it represented a relatively modest increase of \$28 per 20ft container.

The greatest challenge in the latter case is negative importer perception, when the degree to which the international marketplace influences ocean carrier tariff levels is imperfectly understood. A statement made by the Prime Minister in his message to APD should help in putting the situation into proper perspective and bears repeating in this report:

The Bahamas does not have a highway of rail system that can move goods within and outside The Bahamas. What comes in and what is exported must be by sea or air. This has resulted in increased costs arising from air and marine transportation and which must be factored in the cost of doing business. This has a direct impact on the consumer, on the businessman or on the provision to people all around The Bahamas.

## OPPORTUNITIES FOR INCREASING REVENUE IN THE UPCOMING YEAR

- Subject to successful discussions with carriers, APD will assume the role of billing and collection agent for certain port charges currently billed by carriers and third party administrators.
- It is likely that we will see market volumes increase as the Baha Mar resort approaches its opening date. Subsequently, the 2016 financial year will realize a reduction in volumes as project construction imports are replaced by hotel operations supplies.
- It is hoped that APD will be given approval by the appropriate bodies to provide a scaled model of NCP in the Family Islands. The most likely locals appear to be

Marsh Harbour, Abaco; Governor's Harbour, Eleuthera; Harbour Island, Exuma and Long Island.

### **PUBLIC RELATIONS AND EDUCATION**

From its inception and throughout the construction phase, the company began a fairly low-key public relations programme mainly to keep partners and the general public abreast of developments through press conferences, speaking engagements, news releases, notices and informational newspaper supplements. TCL Group, including The Counsellors Ltd, was engaged to carry out this work before the first shovel of earth was turned on Arawak Cay to commence the construction of Nassau Container Port.

In the course of the past year, the Board and the Executive saw the need to institute a new phase of public communication with a dedicated and comprehensive marketing thrust as the highlight. The TCL team of Joan Albury and Patricia Meicholas presented and the Board of Directors and Executive were pleased to entrust to them this new departure in public outreach.

The new approach has already yielded a number of much-needed products, including the fine brochure that will tout the excellence of Nassau Container Port and the world-renowned resorts Baha Mar and Atlantis at home and internationally. An integrated advertising programme has been planned to extol the advantages of NCP in terms of its port development and management expertise, safety and security implementation, among other strengths. The public relations campaign will serve to position New Providence and The Bahamas as a premier destination for qualifying foreign direct investment.

We express appreciation for their partnership, high professional demeanor and contributions.



# OUTLOOK FOR 2014/2015

## GENERAL GOALS

Our focus will be on reducing costs in the short and long term and moving the company to even higher levels of productivity, thereby increasing efficiency and productivity, which are key factors in increasing profitability. Overall, APD is committed to securing ever-increasing quality, stability and sustainability. To achieve this, we continue our commitment to building on values, innovation, employee development, safety, investment in technology and partnerships, the factors that brought us international recognition for productivity in less than two years of operation.

We are firmly allied to common-sense approaches to address the Port's new projects, challenges and opportunities. As before, all efforts will be supported by appropriate research, planning, world-class operational standards and continuing consultation with port partners and stakeholders.

We will remain committed to increasing shareholder value and value for money to stakeholders.

### EXPANDING THE SAFETY PROGRAMME

#### Provisioning the Emergency Response Programme:

Management is advancing efforts to provide facilities to create:

- a remote office for the Safety & Training Officer within the Operations Area
- an Infirmary for sick and injured persons.

This facility will be equipped with a bed, oxygen station, bandages, traction splints, tourniquets, C-collars, spine boards, burn blankets, etc. These are key equipment to effect rapid first-aid assistance for those in need of care pending the arrival of EMTs.

- a stock of basic medication, antiseptics and examination instruments.
- a wheelchair for non-ambulatory patients.

### Increasing Traffic Safety

APD has already developed a comprehensive traffic safety plan, encompassing the Port and the Fish Fry. Subject to Government approval, the 2014/2015 year will see the installation of an expertly designed system of signage for improved traffic control.

### CONTINUED CONTRIBUTION TO NATIONAL DEVELOPMENT

Support & Investment in National Development Initiatives

Here, the focus will be on:

- Increasing safety in the Fish Fry complex and surrounding areas by installing proper and extensive signage
- Further contributions to Downtown Redevelopment in terms of transportation incentives
- Strengthening Fish Fry partnership
- Further contributions to Family Island development, using Bahamas Chamber of Commerce & Employers Confederation's Family Island development initiatives and the Government's BAMSI project in North Andros
- Supporting Recycling and Garbage Export initiatives
- Seeking to Partner with Government in Port Development.

APD has earned an excellent reputation as a port operator, provider of maritime security and human resource development. APD has advised the Government of its interest in supporting the development of the country using this wealth of



expertise in port development, port management, maritime security and training services throughout The Bahamas.

As the Government advances its port development plans, we look forward to a possible partnership with the Government and Family Island communities in their port development initiatives.

### CONTINUING CONTRIBUTION TO WORKFORCE DEVELOPMENT

Additionally, APD believes it has a social responsibility to assist in the development of our Bahamian workforce, as a skilled and competitive workforce fuels economic growth and strengthens the family unit. APD has already proven its strength in training employees to expertise in the areas of technology, heavy equipment operations, maritime security and safety with the goal of keeping APD internationally competitive. What is more, we have provided our workforce with skill portability and instilling a sense of hope and opportunity in every person who partners with APD.

### CONTRIBUTING TO PORT MANAGEMENT & SECURITY TO REDUCE FRAUD, SMUGGLING AND LEAKS OF GOVERNMENT IMPORT REVENUES

In continuing support of the Government's revenue collection initiatives and APD's desire to optimize the inherent value of NCP, we propose:

- All international origin cargo should land at NCP. As previously mentioned, vessels carrying foreign-origin cargo with Nassau as the final destination are permitted to clear cargo in a Family Island Port. This practice unintentionally encourages illegal activity.

**Purpose:** Address fraud, revenue leakage, smuggling threats and realize maximum return on investment from Bahamas Customs cargo inspection systems.

Maximize cargo volume throughput at NCP in order to maintain a Port Tariff at its lowest level.

- As a gateway to and from the Family Islands, Potters Cay should adopt border security protocols. Customs must require a cargo manifest from all vessels calling at Potters Cay.

**Purpose:** Reduce opportunities for fraud and smuggling. While the majority of cargo represents legitimate trade, some persons use mailboats to transship new goods from Family Islands, a process of which vessel operators may be unwitting. A manifest would alert Customs/RBDF to potential fraud and other criminal activity.

*The Bahamas is dependent on tourism, the progress of which is, in turn, dependent of the perception of safe destination environments. Ports lacking access and cargo inspection controls provide criminals with easy access to weapons, ammunition, money and drugs, which fuel crime. There is much to suggest that the absence of effective security at Potters Cay is a direct contributor to the high crime rate in New Providence that is inimical to tourism growth and sustainability.*

- Transit sheds operating outside of APD facilities should be closed and Customs Officers withdrawn from these facilities.

**Purpose:** Maximize Customs enforcement and effectiveness. Unrivaled Customs controls exist at NCP and GFT to minimize fraudulent and criminal activity.

- Family Island Ports that receive foreign vessels carrying cargo must comply with ISPS requirements

**Purpose:** A) The enforcement of IMO regulations, specifically the International Convention on the Safety of Life at Sea, 1974 (ISPS), to which The Bahamas is a signatory, is critically needed in the Family Islands. This will mitigate the risk of contraband entering the Family Islands because of the lack of maritime security controls at Family Island Ports of entry.

B) APD has comprehensive maritime security programme which can meet this need and provide APD with alternative income that can reduce the Port tariff.

- Promotion & Encouragement of national economic development through effective marketing in local and international media to include the release of the new brochure.

**Purpose:** To promote and encourage economic development in New Providence which will serve to increase Port volumes and mitigate future increases in the Port tariff.

### CONTINUING PUBLIC RELATIONS & EDUCATION

- Provide both domestic and international Port users with consistent and valuable information, which serves to offer opportunities for increased value, efficiencies and market growth in New Providence.

**Purpose:** Increase NCP volumes via market growth resulting in positive financial performance and prudent tariff management.

## CONCLUSION

On behalf of the Executive, we thank all our fine managers and staff teams. APD is most grateful to James Mosko the immediate past Chairman of the Board for his contributions to the establishment of the Port. The company thanks Jack Sands for ably donning the mantle of leadership and all Board members for stellar service, with special mention of the excellent contribution of Michael Turner as Deputy Chairman and Frank Forbes who chaired the Audit Committee. Also acknowledged is the contribution of Franklyn Butler II, whose presence has introduced both an independent perspective and a view from the importer. We welcomed R. Craig Symonette to the Board this past year and are most pleased to have access to his considerable experience in the maritime industry.

APD and the Port are fortunate to have the input and support of many valuable partners. We thank them and look forward to another year of excellent cooperation and progress.

I close by emphasizing that we intend to be a company and enterprise that keeps improving our services and our yields. Our company understands its unique profile as a significant factor in both market and national development. We accept these responsibilities and recommit to acquitting both with continued integrity and excellence.



# 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 ended June 30, 2014 and related notes. The financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. This MD&A is dated September 29, 2014.*

## 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.

APD Limited owns, operates and maintains the commercial port at Arawak Cay, known as "Nassau Container Port" (the Port or NCP), an inland terminal on Gladstone Road, known as "Gladstone Freight Terminal" (the Depot or GFT), and administrative offices on Arawak Cay known as "NCP Maritime Centre". The Port and Depot facilities are located 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 APD the Port Land and the Depot Land. In the same capacity, the Minister also licensed 27.88 acres of seabed for use by the Company for 45 years.

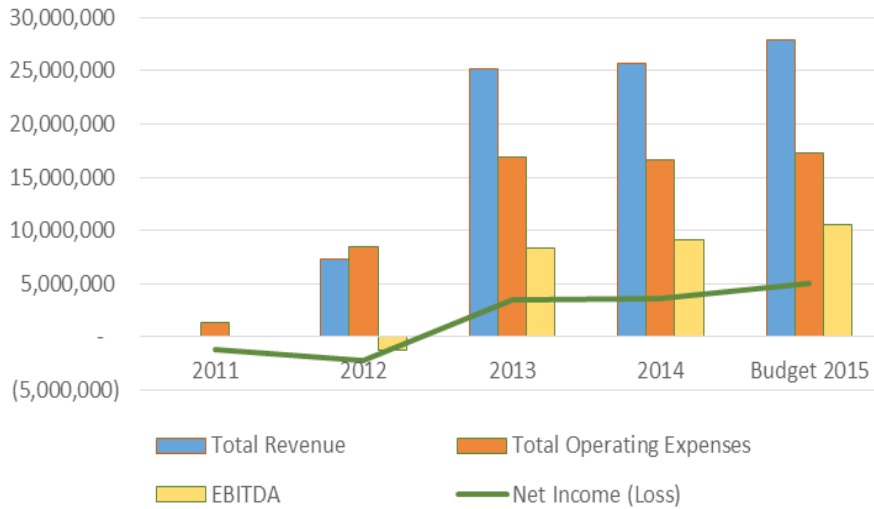
NCP was officially opened on May 10, 2012 and GFT was launched on August 15 of the same year. The Company began construction of the port project in August 2010. The financial year ended June 30, 2014 represents the second full year of operations, whereas the company's bulk, break bulk and container terminal facilities and GFT's deconsolidation and distribution centre are in full operational mode.

The NCP Maritime Centre was opened on March 5, 2014. The NCP Maritime Centre comprises the new administrative offices of APD and tenants of the facility, which include: Bahamas Customs, MSC, Tropical Shipping, Arawak Stevedoring Limited, Tycoon Shipping and Department of Environmental Health. As of June 30, 2014, the container terminal had processed 67,035 (2013: 65,246) Twenty-foot Equivalent Units (TEUS). This represents a 2.7 percent increase in container import volumes over 2013 volumes.

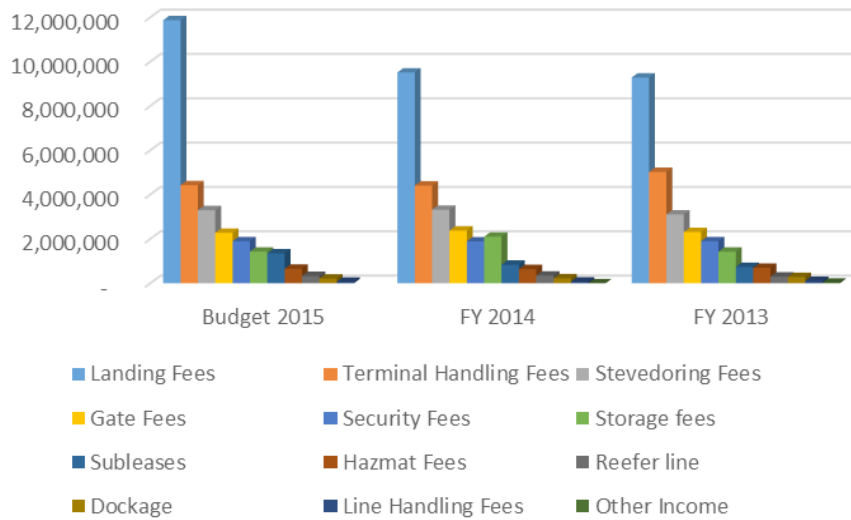
In the 2014 financial year, APD continued to exceed projections. Budgeted net income was \$3,527,105 actual net income was \$3,615,837 which is 2.5 percent more than budget. The company's total revenues were \$25,757,728 or \$530,202 higher than the prior year, which represents a 2.10 percent increase. Net income for 2014 totaled \$3,615,837 (2013: \$3,494,808) or 3.5 percent increase over prior year.

For the 2015 fiscal year, we are forecasting gross revenue of \$27,844,211 or 8.10 percent over the prior year actual revenue, while net income is projected to be \$5,070,417 or \$1,454,580 over the 2014 actual net income of \$3,615,838.

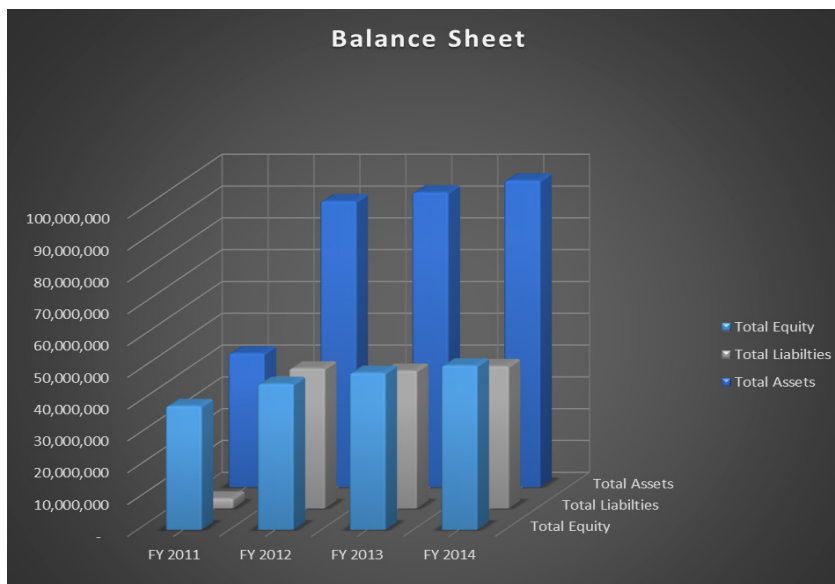
### Income Statement



### APD Revenue Streams



### Balance Sheet



On June 8, 2014 we had our first rate increase since commencement of operations, with landing fees increasing from \$120 per TEU to \$148 per TEU. Our TEU volumes are currently about 258 TEUs under budget as at August 31, 2014. However, we are optimistic of increased project cargo volumes this year. Our total revenue as at August 31, 2014 is ahead of budget by \$382,000 or 8.0%. Total expenses for the aforementioned period are flat against budget. Operating expenses including depreciation of \$19,597,165 for the period ended June 30, 2014 were \$1,009,474 or 4.9% lower than our 2014 budgeted expenses of \$20,606,639. Total comprehensive income of \$3,615,837 was \$88,733 or 2.5% higher than our 2014 forecasted comprehensive income of \$3,527,105.

Despite our actual TEU volumes for 2014 of 67,035 being under budget by 3,165 or 4.5% compared to our budgeted 2014 volumes of 70,200 TEUs management was able to react and manage costs to ensure that the company performed reasonably well compared to the 2014 budget.

Total current assets increased from \$4,529,978 (2013) to \$5,186,494 (2014). During the year the spare parts inventory increased to consider additional essential spare parts for the three Liebherr cranes. In July of 2013 the company sold the Manitowoc crane and replaced it with another Liebherr 320 mobile harbour crane. Prepayments and deposits increased by \$180,000. The deferred borrowing costs associated with the financial advisory services for the bridge loan replacement financing and private placement was fully expensed, as the bridge loan was repaid. While accounts receivable increased by \$275,000 all amounts are considered collectable, with impairment provision of \$52,000 being carryover from the prior year.

The Property Plant & Equipment (PP&E) balance of \$91,221,801 (2013: \$88,130,513), as of June 30, 2014 represents port development costs from inception, inclusive of works in progress related to the staff lunch room and the BEC substation. These projects are expected to be completed within fiscal year 2015.

Current liabilities decreased from \$43,178,866 (2013) to \$4,825,886 (2014). This is directly attributable to a combination of decreased accounts payables, retention payables, accrued expenses and the bridge loan. Non-current liabilities increased from \$131,242 (2013) to \$39,915,387 which is directly attributable to the replacement of the bridge loan with a combination of preference shares (\$36M) and long term bank debt (\$5M). Management monitors the performance of our operations against our strategic objectives on a regular basis.

Performance is assessed against strategy, utilizing budget and forecasts using financial and non-financial measures. Our actual TEU volumes during 2014 were 67,035 which were 4.5% lower than the budgeted volumes of 70,200. However, actual 2014 volumes were 1,789 TEUs or 2.7% more than our 2013 volumes.

Actual bulk tons volumes during 2014 were 477,479 (2013: 726,697) tons or 26.63% lower than our forecasted volumes of 650,750 (2013: 800,000) tons.

NCP's TEU volumes as at August 2014 are tracking about 2.16% under budget. Total revenue as at August 2014 is tracking about 8.0% over budget. During year 2014, APD leased office and warehouse space at the GFT facility to the

VAT Department, Baha Mar and Albany.

APD launched its Preference Share Private Placement Offer in the final week of June 2013 with a view to retiring a portion of the \$43 million bridge loan facility and refinancing at more beneficial terms. Initially, our goal was to structure debt with \$20 million from bank financing and \$21 million from preference shares with institutional investors. However, the demand was far more widespread than anticipated with subscriptions from institutional investors totaling \$36 million. We accepted the entire \$36 million. Not only did we exceed our expectations but we negotiated the most competitive debt financing arrangement in the country's history that saw interest rates of 5.5% over 20 years for preference shares and prime plus 0.25% on bank financing. The proceeds from the Preference Shares Private Placement were used to pay-down \$36 million of the RBC Bridge Loan leaving a balance of \$5 million which was replaced with long term bank debt.

Such an achievement demonstrates convincingly the confidence of the market in APD's performance thus far and in the company's potential to grow in impact and income. During the IPO the company offered shares to the public at \$10.00 per share. As at September 28, 2014 the shares were listed on BISSX at \$15.29. This represents a share price appreciation of more than 53% since the IPO closed in January 2012.

For the fiscal year 2014, financial management continued to focus intensely on building audit systems and internal controls and managing costs, the latter in many cases by skillful negotiation for services. During the year we migrated from QuickBooks accounting system to SAGE AccPac ERP 300 accounting software/system. Once the major construction projects were completed, APD remained dedicated to cost monitoring and sound fiscal oversight, achieving significant savings. We also focused on enhanced efficiencies throughout the organization.

APD is in the process of negotiating a contract for the construction of a 6,500 square foot administrative building to be located in the Break Bulk Terminal at NCP. The key tenant would be Betty K Agencies Ltd and office space will also be made available to Small Bahamian Shipping Companies. Our focus in the coming months is Value Added Tax (VAT), which the Government of the Bahamas has scheduled for implementation January 1, 2015. Our accounting systems are ready to meet this significant new form of taxation that is being introduced to the Bahamian public.

We are also focusing on the upgrade of our NAVIS Terminal Operating System with upgrades to the latest version NAVIS N4 and its XPS (yard management) and cargo modules.

## LIQUIDITY AND CAPITAL RESOURCES

APD's principal source of operating liquidity is cash flows generated from operations, including working capital. We maintain an appropriate level of liquidity. Given that the project is fully complete, liquidity will be managed through several sources, including operating cash flows, and an unused \$3,000,000 credit facility with RBC with an interest rate at prime + 0.25%.

As of June 30, 2014, our financing needs are well supported by this \$3,000,000 available line of credit and cash flows from operations.

APD's principal uses of cash are to fund planned operating expenditures, capital expenditures, dividend payments on preference shares, interest payments on the long term debt and any mandatory quarterly lease payments on port lands to the Government. With the cash and cash equivalents on our balance sheet and our ability to generate cash from operations over the course of a year 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, our default risk is assessed as low, to-date we have not drawn down on any portion of the \$3,000,000 credit facility. 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 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.

## TRANSACTIONS 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. Over 90% of the revenues of the company is derived from the services 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 and MSC; the bulk terminal that provides services to Bahamas Bulk Materials; and the break bulk terminal that provides services to Betty K and MailBoat.

APD has awarded licenses to:

- Arawak Bulk Materials - Bulk Terminal License
- Tropical Shipping - Private Terminal Operator's license (Container Terminal)
- Arawak Stevedore Limited - Common Terminal Operator's license

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

administrative office space to Ministry of Finance – VAT Department at the GFT inland facility. It is anticipated in 2015 that Bahamas Customs will enter into a lease for warehouse space at GFT.

APD is also 40% owned by The Treasurer of The Commonwealth of The Bahamas. Transactions with the Treasurer are as follows:

- The Company has a 45 year lease for 56.55 acres of land on Arawak Cay. For the fiscal year 2015 the minimal annual rent of 50,000 TEUs at \$40.94 per TEU will be adjusted based on increases in the cost of living as reflected in the All Bahamas Consumer Price Index published by the Central Bank of The Bahamas for the preceding year. Accordingly the 2015 minimum annual rent will be \$2,047,000.
- Lease payments of \$1 per annum for 15 acres of Crown Land at Gladstone Road.
- Seabed License of \$1 per annum for 27.88 acres of seabed.
- Real Property Taxes on port lands at Arawak Cay and inland depot at Gladstone Road.
- Business License fees as required under the Business License Act.
- Return on investment via dividend whenever one is declared for its 40% interest in the company.
- The company provides Bahamas Customs with administrative offices at its inland depot at Gladstone Road at no charge. The company also provides Bahamas Customs and other Governmental agencies administrative offices at its NCP Maritime Centre at no charge.

## CRITICAL ACCOUNTING ESTIMATES

Management determines the estimated useful life of the properties, 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 life of properties, 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 AND LT DEBT

The bridge loan balance at June 30, 2014 was \$0 (2013 - \$37,208,634). The bridge loan was partially repaid with funds received from the issuance of preference shares. The remaining amount on the bridge loan was replaced with long term debt, whereby the Company acquired the following credit facilities:

**Facility A:** Long term debt being a \$5,000,000 non-revolving reducing term loan. The loan of \$4,361,702 (2013 - \$0) is for a five (5) year period, amortized over twelve (12) years with interest payable quarterly in arrears at a rate of Nassau Prime plus 0.25% commencing December 31, 2013. Principal payments

will be payable quarterly commencing March 31, 2014 in instalments of \$106,283 with balloon payment of \$2,978,723 at maturity. The current portion of long term debt is \$425,532 (2013 - \$0).

**Facility B:** \$3,000,000 revolving demand operating line of credit payable on demand at a rate of Nassau Prime plus 0.25% on the outstanding balance.

The above facilities are secured by the following:

#### Security/Collateral

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

On July 5, 2013 the Company issued 72,000 series, 5.5% fixed rate, non-voting, cumulative redeemable preference shares. The net proceeds of the offer totalled \$35,377,943. The shares have an issue price of \$500 per share, with par value of \$0.10 per share and have a maturity date of June 30, 2033.

Management believes that the Company has adequate resources to meet its current and long-term obligations as they fall due and will continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

## MEMORANDUM OF UNDERSTANDING (MOU)

The MOU with the Government required that 20% of the Company's ordinary shares be offered for sale to the general public. Accordingly, the Company held an IPO in November 2011 to February 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%.

The Government agrees that for a period of twenty years (20) years from the date of Substantial Completion it shall not establish or permit to be established in the Islands of New Providence and Paradise Island or within 20 miles of the shoreline of New Providence, any other port (including any sufferance wharf) for landing of containerized, bulk or Break Bulk Cargo or vehicles or any other Terminal. Nothing contained in this clause shall apply to the port at Clifton Pier used for the loading and unloading of fuels, petroleum products, asphalt and cement or any rights or privileges relating thereto.

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 Board of Directors 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).

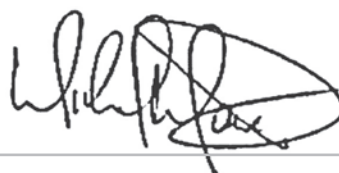
## CONTROLS AND PROCEDURES

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 Industry Act of 2011 (the "Act") is recorded, processed, summarized and reported within the specified time periods 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 material changes in internal control over the financial reporting period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



Michael J. Maura, Jr., President and CEO



Dion O. Bethell, Vice President and CFO



# FINANCIAL STATEMENTS

FINANCIAL STATEMENTS  
FOR THE YEAR END JUNE 30, 2014



## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of APD Limited

We have audited the accompanying financial statements of APD Limited, which comprise the statement of financial position as of June 30, 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



# FINANCIAL STATEMENTS

## *Auditors' Responsibility (continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of APD Limited as of June 30, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Chartered Accountants  
Nassau, Bahamas

September 29, 2014



**APD LIMITED**

(Incorporated under the laws of the Commonwealth of The Bahamas)

**Statement of Financial Position**

**As of June 30, 2014**

(Amounts expressed in Bahamian dollars)

	Notes	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	2,258,097	1,947,427
Accounts receivable	4	1,728,110	1,453,416
Deferred borrowing costs		-	329,485
Deposits, prepayments and other assets	6	684,722	504,837
Spare parts inventory		515,565	294,813
<b>Total current assets</b>		<b>5,186,494</b>	<b>4,529,978</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	91,221,801	88,130,513
<b>Total assets</b>		<b>96,408,295</b>	<b>92,660,491</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		696,040	1,930,776
Due to related parties	5	2,392,398	1,937,194
Retention payable	10	151,921	562,907
Accrued expenses and other liabilities		1,159,995	1,539,355
Current portion of long term debt	7	425,532	-
Bridge loan	7	-	37,208,634
<b>Total current liabilities</b>		<b>4,825,886</b>	<b>43,178,866</b>
<b>Non-current liabilities</b>			
Redeemable preference shares	8	35,377,943	-
Long term debt	7	4,361,702	-
Deposits held	13	175,742	131,242
<b>Total non-current liabilities</b>		<b>39,915,387</b>	<b>131,242</b>
<b>Total liabilities</b>		<b>44,741,273</b>	<b>43,310,108</b>
<b>Equity</b>			
Share capital	11	49,969	49,969
Share premium	11	49,192,308	49,192,308
Retained earnings		2,424,745	108,106
<b>Total equity</b>		<b>51,667,022</b>	<b>49,350,383</b>
<b>Total liabilities and equity</b>		<b>96,408,295</b>	<b>92,660,491</b>

Approved by the Board of Directors on Sept. 26, 2014 and signed on its behalf by:

Director

Director

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

# FINANCIAL STATEMENTS

## APD LIMITED

### Statement of Comprehensive Income For the year ended June 30, 2014 (Amounts expressed in Bahamian dollars)

	Notes	2014 \$	2013 \$
<b>Revenue</b>			
Landing fees	5	9,514,879	9,288,951
Terminal handling fees	5	4,410,540	5,025,921
Stevedoring fees	5	3,321,063	3,112,695
Gate fees	5	2,381,930	2,313,080
Storage fees	5	2,103,860	1,427,975
Security	5	1,889,950	1,898,285
Subleases	5,13	841,067	736,584
Hazmat fees	5	641,750	702,900
Reefer line	5	348,350	303,050
Dockage	5	226,489	283,557
Line handling fees	5	77,550	108,690
Other income	5	300	25,838
<b>Total revenue</b>		<b><u>25,757,728</u></b>	<b><u>25,227,526</u></b>
<b>Expenses</b>			
Staff costs	5	4,639,887	4,681,612
Terminal handling costs	5	4,253,218	4,568,348
Government lease	13	2,694,665	2,572,643
Government fees and taxes		1,091,254	1,249,288
Repairs and maintenance		1,050,072	1,445,004
Utilities		1,013,154	1,108,049
Legal and other professional fees	14	580,298	551,361
Insurance		475,424	418,079
Security		280,679	46,404
Loss on disposal of asset		164,107	12,772
Office supplies, postage and delivery		142,634	159,025
Company meetings and events		104,091	99,772
Bad debt recovery		-	(151,761)
Other operating expenses		187,948	139,539
<b>Total expenses</b>		<b><u>16,677,431</u></b>	<b><u>16,900,135</u></b>
<b>Earnings before interest and depreciation</b>		<b><u>9,080,297</u></b>	<b><u>8,327,391</u></b>

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



## APD LIMITED

### Statement of Comprehensive Income (Continued) For the year ended June 30, 2014 (Amounts expressed in Bahamian dollars)

	Notes	2014 \$	2013 \$
Depreciation	9	<u>2,919,734</u>	<u>2,456,664</u>
<b>Earnings before interest</b>		<u><b>6,160,563</b></u>	<u><b>5,870,727</b></u>
<b>Interest (finance costs)</b>			
Interest on preference shares		(1,963,500)	-
Interest expense		(582,098)	(2,378,017)
Interest income		<u>872</u>	<u>2,098</u>
<b>Total finance costs, net</b>		<u><b>(2,544,726)</b></u>	<u><b>(2,375,919)</b></u>
<b>Total earnings for the year attributable to the equity holders</b>		<u><b>3,615,837</b></u>	<u><b>3,494,808</b></u>
<b>Total comprehensive income for the year</b>		<u><b>3,615,837</b></u>	<u><b>3,494,808</b></u>
<b>Basic and diluted earnings per share</b>	12	<u><b>0.72</b></u>	<u><b>0.70</b></u>

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

# FINANCIAL STATEMENTS

## APD LIMITED

### Statement of Changes in Equity For the year ended June 30, 2014 (Amounts expressed in Bahamian dollars)

	Share capital \$	Share premium \$	Retained earnings (deficit) \$	Total \$
<b>Balance at July 1, 2012</b>	49,969	49,192,308	(3,386,702)	45,855,575
Total comprehensive income for the year	-	-	3,494,808	3,494,808
<b>Balance at June 30, 2013</b>	<u>49,969</u>	<u>49,192,308</u>	<u>108,106</u>	<u>49,350,383</u>
<b>Balance at July 1, 2013</b>	49,969	49,192,308	108,106	49,350,383
Total comprehensive income for the year	-	-	3,615,837	3,615,837
Dividends paid (Note 11)	-	-	(1,299,198)	(1,299,198)
<b>Balance at June 30, 2014</b>	<u>49,969</u>	<u>49,192,308</u>	<u>2,424,745</u>	<u>51,667,022</u>

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



## APD LIMITED

### Statement of Cash Flows For the year ended June 30, 2014 (Amounts expressed in Bahamian dollars)

	Notes	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		3,615,837	3,494,808
Adjustments for:			
Depreciation	9	2,919,734	2,456,664
Bad debt recovery		-	(151,761)
Loss on disposal of assets	9	164,107	12,772
Interest income		(872)	(2,098)
Preference share dividends		1,963,500	-
Bridge loan interest expense		582,098	2,378,017
		<u>9,244,404</u>	<u>8,188,402</u>
<b>Operating profit before changes in working capital</b>			
(Increase) decrease in accounts receivable		(274,694)	1,722,956
Increase in deposits, prepayments and other assets		(179,885)	(283,525)
Increase in spare parts inventory		(220,752)	(76,996)
Decrease in deferred borrowing costs		329,485	-
Decrease in accounts payable		(1,234,736)	(28,918)
Increase (decrease) in due to related parties		455,204	(986,880)
Decrease in retention payable		(410,986)	(2,737,582)
Increase in current portion of long term debt		425,532	-
(Decrease) increase in accrued expenses and other liabilities		(379,360)	984,694
Increase in deposits held		44,500	27,000
		<u>7,798,712</u>	<u>6,809,151</u>
<b>Cash provided by operating activities</b>			
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	9	(7,614,836)	(6,196,085)
Proceeds from sale of property and equipment		1,439,707	-
		<u>(6,175,129)</u>	<u>(6,196,085)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Net proceeds from preference share offering	8	35,377,943	-
Bridge loan principal (repayment) drawdown	7	(37,196,915)	1,813,316
Proceeds from long term debt	7	4,574,468	-
Principal payment on long term debt	7	(212,766)	-
Dividends paid to ordinary shareholders	11	(1,299,198)	-
Preference share dividends		(1,963,500)	-
Interest income received		872	2,098
Interest expense paid		(593,817)	(2,185,898)
		<u>(1,312,913)</u>	<u>(370,484)</u>
<b>Net cash used by financing activities</b>			
<b>Increase in cash and cash equivalents</b>			
		<u>310,670</u>	<u>242,582</u>
<b>Cash and cash equivalents, beginning of year</b>			
		<u>1,947,427</u>	<u>1,704,845</u>
<b>Cash and cash equivalents, end of year</b>			
		<u>2,258,097</u>	<u>1,947,427</u>

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

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014

#### 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.

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 years presented, unless otherwise stated.

##### (a) Basis of preparation

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



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (a) Basis of preparation (continued)

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

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

###### *Useful lives of property, plant and equipment*

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

###### *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.



# FINANCIAL STATEMENTS

## APD LIMITED

Notes to Financial Statements  
June 30, 2014  
(Continued)

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

#### (a) Basis of preparation (continued)

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

##### *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.

##### *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*

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after July 1, 2013 that would be expected to have a material impact to the Company.



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

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

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after July 1, 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The effective date for IFRS 9 is for periods beginning January 1, 2018.

##### (c) Foreign currency translation

###### (i) *Functional and presentation currency*

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

###### (ii) *Transactions and balances*

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

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (d) Cash and cash equivalents

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

##### (e) Accounts receivable

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

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

##### (f) Inventory

Inventory primarily includes spare crane parts that are valued at the lower of cost or net 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. Inventory is derecognised when the parts are issued to production.

##### (g) Property, plant and equipment

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

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

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



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (g) Property, plant and equipment (continued)

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

Container terminal	45 years
Freight handling equipment (cranes)	10 to 15 years
Other freight handling equipment	1 to 10 years
Buildings and improvements	45 years
Temporary office trailers	1 to 3 years
Motor vehicles	1 to 10 years
Furniture and fixtures, communications and office equipment	1 to 10 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 are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [Cash Generating Units (CGUs)]. Non-financial assets that incurred impairment charges are reviewed for possible reversal of the impairment at each reporting date.

##### (i) Accounts payable

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

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

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (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 financing arrangements 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 recognised 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.

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

##### (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. Mandatorily redeemable preference shares are classified as liabilities [Note 2(j)].

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

##### (m) Revenue and expense recognition

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

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.



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (m) Revenue and expense recognition (continued)

###### *Revenue from 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 recognised 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 and expense*

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

All other costs and expense are charged to operations as incurred.

##### (n) Leases

###### *Accounting as lessee*

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

###### *Accounting as lessor*

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

##### (o) Financial instruments

###### *(a) Classification*

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

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.

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (o) Financial instruments (continued)

###### (a) Classification (continued)

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

###### (b) Recognition

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

###### (c) Measurement

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

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

###### (d) Derecognition

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

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

###### (e) Impairment

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

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

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



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (o) Financial instruments (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 currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### (p) 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.

##### (q) 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.



# FINANCIAL STATEMENTS

## APD LIMITED

Notes to Financial Statements  
June 30, 2014  
(Continued)

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

#### (r) 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.

#### (s) Earnings per share

##### (a) Basic

Basic earnings per share is calculated by dividing the earnings 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 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.

#### (t) Dividend distribution

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

#### (u) Corresponding figures

Where necessary, certain corresponding figures included in the statement of comprehensive income, statement of cash flows and notes to the financial statements have been adjusted to conform with changes in presentation in the current year.

### 3. Cash and cash equivalents

	2014 \$	2013 \$
Cash on hand	1,865	2,000
Cash held with bank	<u>2,256,232</u>	<u>1,945,427</u>
	<u>2,258,097</u>	<u>1,947,427</u>



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 4. Accounts receivable

	2014 \$	2013 \$
Customers' account - gross:		
Third parties	49,795	36,921
Related parties (Note 5)	1,730,315	1,468,495
	<u>1,780,110</u>	<u>1,505,416</u>
Less: Provision for bad debts	<u>(52,000)</u>	<u>(52,000)</u>
<b>Accounts receivable, net</b>	<b><u>1,728,110</u></b>	<b><u>1,453,416</u></b>

Movements in the provision for doubtful accounts are as follows:

	2014 \$	2013 \$
Balance at beginning of year	(52,000)	(213,089)
Recovery of bad debts	-	151,761
Receivables written off during the year	<u>-</u>	<u>9,328</u>
<b>Balance at end of year</b>	<b><u>(52,000)</u></b>	<b><u>(52,000)</u></b>

As of June 30, 2014, accounts receivable of \$52,000 (2013: \$52,000) was impaired with a provision amounting to \$52,000 (2013: \$52,000) being made against this amount. The remaining balance of the receivables is considered by management to be collectible.

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

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

	Total \$	Current \$	1-30 days \$	31-60 days \$	61-90 days \$	More than 90 days \$
<b>2014</b>	1,780,110	334,132	1,053,183	151,572	94,586	146,637
<b>2013</b>	1,505,416	1,128,423	267,753	32,868	19,387	56,985

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 accounts receivable that are neither past due nor impaired at reporting date can be assessed by reference to historical information about counterparty default rates. Credit risk is discussed in Note 16(b).

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 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:*

	2014 \$	2013 \$
Due from Shareholder	1	1
Due from other related parties - affiliates	<u>1,730,314</u>	<u>1,468,494</u>
	<u><b>1,730,315</b></u>	<u><b>1,468,495</b></u>

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

(b) *Amounts due to related parties comprise:*

	2014 \$	2013 \$
Due to Shareholder	2,260,341	1,704,984
Due to other related parties - affiliates	<u>132,057</u>	<u>232,210</u>
	<u><b>2,392,398</b></u>	<u><b>1,937,194</b></u>

The due to Shareholder pertains to lease payable to the government relevant to the lease of the Port and Depot Lands (Note 13). The amounts due to other related parties - affiliates arise mainly from services provided to the Company and services rendered for terminal handling operations.

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



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 5. Related party balances and transactions (Continued)

##### (c) Sale and purchases of services

	2014 \$	2013 \$
<i>Sale of services</i>		
Other related parties - affiliates	<u>25,232,035</u>	<u>24,102,599</u>

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 recognised as revenues in the statement of comprehensive income.

	2014 \$	2013 \$
<i>Purchases of services</i>		
Other related parties - affiliates	<u>4,317,510</u>	<u>6,936,524</u>

The services purchased from other related parties - affiliates are 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 \$185,197 (2013: \$2,122,713). All contracts awarded were as a result of a formal bidding process performed by the Company.

##### (d) Key management compensation

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

	2014 \$	2013 \$
Salaries	724,925	612,456
Short-term employee benefits	<u>465,426</u>	<u>457,529</u>
	<u>1,190,351</u>	<u>1,069,985</u>

#### 6. Deposits, prepayments and other assets

	2014 \$	2013 \$
Security deposits	413,735	386,795
Prepayments	<u>270,987</u>	<u>118,042</u>
	<u>684,722</u>	<u>504,837</u>

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 7. Bridge loan and long term debt

The bridge loan balance at June 30, 2014 was \$Nil (2013: \$37,208,634). The bridge loan was partially repaid with funds received from the issuance of preference shares as described in Note 8. The remaining amount on the bridge loan was replaced with long term debt, whereby the Company acquired the following credit facilities:

Facility 1: Long term debt being a \$5,000,000 non-revolving reducing term loan. The loan of \$4,787,234 (2013: \$Nil) is for a five (5) year period, amortized over twelve (12) years with interest payable quarterly in arrears at a rate of Nassau Prime plus 0.25% commencing December 31, 2013. Principal payments will be payable quarterly commencing March 31, 2014 in instalments of \$106,283 with balloon payment of \$2,978,723 at maturity. The current portion of long term debt is \$425,532 (2013: \$Nil).

Facility 2: \$3,000,000 revolving demand operating line of credit payable on demand at a rate of Nassau Prime plus 0.25% on the outstanding balance.

The above facilities are secured by the following:

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

#### 8. Preference shares

On July 5, 2013, the Company issued 72,000 series A 5.5% fixed rate, non-voting, cumulative redeemable preference shares. The net proceeds of the offer totalled \$35,377,943. The shares have an issue price of \$500 per share, with par value of \$0.10 per share and have a maturity date of June 30, 2033.



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 9. Property, plant and equipment

	Container terminal \$	Freight handling equipment \$	Buildings, improvements & office trailers \$	Motor vehicles \$	Furniture & fixtures, communications and office equipment \$	Capital work in progress \$	Total \$
<b>At June 30, 2012</b>							
Cost	42,767,790	7,982,374	4,021,401	247,070	922,133	27,946,818	83,887,586
Accumulated depreciation	(122,480)	(92,731)	(293,286)	(34,328)	(96,811)	-	(639,636)
<b>Net book value</b>	<b>42,645,310</b>	<b>7,889,643</b>	<b>3,728,115</b>	<b>212,742</b>	<b>825,322</b>	<b>27,946,818</b>	<b>83,247,950</b>
<b>Year ended June 30, 2013</b>							
Opening net book value	42,645,310	7,889,643	3,728,115	212,742	825,322	27,946,818	83,247,950
Additions	823,355	318,767	167,568	21,500	647,332	4,217,563	6,196,085
Transfers	-	-	26,113,769	-	331,247	(26,445,016)	-
Transfers from investment property							
Cost	-	-	1,163,729	-	-	-	1,163,729
Accumulated depreciation	-	-	(7,815)	-	-	-	(7,815)
Reclassifications							
Cost	-	-	(74,320)	-	-	-	(74,320)
Accumulated depreciation	-	-	74,320	-	-	-	74,320
Disposals							
Cost	-	-	-	(2,500)	(17,691)	-	(20,191)
Accumulated depreciation	-	-	-	-	7,419	-	7,419
Depreciation charge for the year	(985,043)	(423,651)	(668,407)	(56,366)	(323,197)	-	(2,456,664)
<b>Closing net book value</b>	<b>42,483,622</b>	<b>7,784,759</b>	<b>30,496,959</b>	<b>175,376</b>	<b>1,470,432</b>	<b>5,719,365</b>	<b>88,130,513</b>
<b>At June 30, 2013</b>							
Cost	43,591,145	8,301,141	31,392,147	266,070	1,883,021	5,719,365	91,152,889
Accumulated depreciation	(1,107,523)	(516,382)	(895,188)	(90,694)	(412,589)	-	(3,022,376)
<b>Net book value</b>	<b>42,483,622</b>	<b>7,784,759</b>	<b>30,496,959</b>	<b>175,376</b>	<b>1,470,432</b>	<b>5,719,365</b>	<b>88,130,513</b>

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 9. Property, plant and equipment (Continued)

	Container terminal \$	Freight handling equipment \$	Buildings, improvements & office trailers \$	Motor vehicles \$	Furniture & fixtures, communications and office equipment \$	Capital work in progress \$	Total \$
<b>Year ended June 30, 2014</b>							
Opening net book value	42,483,622	7,784,759	30,496,959	175,376	1,470,432	5,719,365	88,130,513
Additions	84,300	110,935	37,501	25,995	63,426	7,292,679	7,614,836
Transfers	117,106	2,934,136	7,396,551	114,308	552,817	(11,114,918)	-
Reclassifications							
Cost	37,230	-	-	3,502	(3,673)	-	37,059
Accumulated depreciation	(37,230)	-	-	(3,502)	3,673	-	(37,059)
Disposals							
Cost	-	(1,708,260)	(221,805)	(8,395)	(589)	(23,159)	(1,962,208)
Accumulated depreciation	-	137,707	216,805	3,638	244	-	358,394
Depreciation charge for the year	(991,669)	(578,819)	(759,604)	(64,850)	(524,792)	-	(2,919,734)
<b>Closing net book value</b>	<b>41,693,359</b>	<b>8,680,458</b>	<b>37,166,407</b>	<b>246,072</b>	<b>1,561,538</b>	<b>1,873,967</b>	<b>91,221,801</b>
<b>At June 30, 2014</b>							
Cost	43,829,781	9,637,952	38,604,394	401,480	2,495,002	1,873,967	96,842,576
Accumulated depreciation	(2,136,422)	(957,494)	(1,437,987)	(155,408)	(933,464)	-	(5,620,775)
<b>Net book value</b>	<b>41,693,359</b>	<b>8,680,458</b>	<b>37,166,407</b>	<b>246,072</b>	<b>1,561,538</b>	<b>1,873,967</b>	<b>91,221,801</b>

Capital work in progress includes costs incurred as of June 30, 2014 in connection with ongoing construction and special projects at the Port. These projects are expected to be completed no later than the third fiscal quarter of 2015.



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 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, 2014, the retention payable comprises:

	2014	2013
	\$	\$
CGT Contractors and Developers Ltd.	113,709	516,009
Bahamas Marine Construction	18,000	18,000
Island Site Development	6,150	14,836
General Fire and Mechanical Contractors	12,062	12,062
Sound Omatic Construction	2,000	2,000
	<u>151,921</u>	<u>562,907</u>

(a) *CGT Contractors 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) *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.

(c) *Sound Omatic Construction and Island Site Development*

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.



# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 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 (2013: 4,996,915) 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 2012 financial 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.

During the year, the Company declared and paid dividends to ordinary shareholders of \$1,299,198 (2013: \$Nil) representing \$0.26 per share.

#### 12. Basic and diluted earnings per share

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

	2014 \$	2013 \$
Total earnings for the year attributable to the equity shareholders	<u>3,615,837</u>	<u>3,494,808</u>
Weighted average number of ordinary shares in issue	<u>4,996,915</u>	<u>4,996,915</u>
<b>Basic and diluted earnings per share</b>	<b><u>0.72</u></b>	<b><u>0.70</u></b>

#### 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).



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 13. Significant agreements (Continued)

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

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

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

- adopting or altering the Memorandum of Association, Articles of Association or other constitutive documents;
- changing the authorised or issued share capital, granting share options or issuing 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;

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 13. Significant agreements (Continued)

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

- 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.

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, 2014, the total rent expense recognised in the statement of comprehensive income amounted to \$2,694,665 (2013: \$2,572,643). As of reporting period, lease payable to the government amounted to \$2,260,341 (2013: \$1,704,984) which is included in due to related parties in the statement of financial position (Note 5).



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 13. Significant agreements (Continued)

##### (b) Leases (continued)

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.

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

	2014	2013
	\$	\$
No later than one year	2,000,002	2,000,002
Later than one year and no later than 5 years	8,000,008	8,000,008
Later than 5 years	<u>74,000,074</u>	<u>76,000,076</u>
	<u><b>84,000,084</b></u>	<u><b>86,000,086</b></u>

##### (c) Subleases

The lease terms for existing lease agreements began in September 2011 and range from less than a year to five (5) years with options to renew for monthly to five (5) year periods. The annual rent from the above leases amounted to \$984,402 (2013: \$709,452). The lease agreements provide at varying terms for the annual lease to be adjusted based on the Bahamas Consumer Price Index. Deposits held as per the lease agreements totalled \$175,742 as of June 30, 2014 (2013: \$131,242). Additionally, during the year the Company executed certain short term leases, which are on a month to month basis.

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 13. Significant agreements (Continued)

##### (c) Subleases (continued)

Income amounting to \$841,067 (2013: \$736,584) 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:

	2014 \$	2013 \$
No later than one year	984,402	709,452
Later than one year and not later than 5 years	984,394	1,249,146
	<u>1,968,796</u>	<u>1,958,598</u>

#### 14. Legal and other professional fees

Legal and other professional fees comprise the following:

	2014 \$	2013 \$
Legal and other professional fees	390,298	408,861
Directors' fees	190,000	142,500
	<u>580,298</u>	<u>551,361</u>

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:

	2014 \$	2013 \$
Contracted but not yet incurred	208,856	2,607,682
	<u>208,856</u>	<u>2,607,682</u>

As of June 30, 2014, the Company is contingently liable to its banker in respect of customs bonds issued to the Bahamas Government and corporate visas in the total amount of \$574,000 (2013: \$574,000). There is an annual bank charge of 1.25% on the face value of each bond.



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 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 Board of Directors.

##### (a) Market risk

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

##### (i) *Currency risk*

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

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

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

##### (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, 2014, the Company held fixed interest rate financial instruments which could possibly expose it to significant fair value or cash flow interest rate risk. The long term debt is subject to the prevailing market interest rate. In addition, the preference share dividend rate has a fixed yield to maturity. Management does not foresee cash flow and fair value rate risks on the financial liability to be significant.

# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (b) Credit risk

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

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

##### (c) Liquidity risk

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

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

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, 2014. The amounts disclosed in the table are the contractual undiscounted cash flows.

As of June 30, 2014	Carrying amount \$	Contractual cash flows \$	0-12 months \$	2-5 years \$	More than 5 years \$
<b>Liabilities</b>					
Accounts payable	696,040	696,040	696,040	-	-
Due to related parties	2,392,398	2,392,398	2,392,398	-	-
Retention payable	151,921	151,921	151,921	-	-
Accrued expenses and other liabilities	1,159,995	1,159,995	1,159,995	-	-
Long term debt	4,787,234	4,787,234	425,532	4,361,702	-
Preference shares	35,377,943	73,620,000	1,980,000	7,920,000	63,720,000
Deposits held	175,742	175,742	-	-	-
<b>Total financial liabilities</b>	<b>44,741,273</b>	<b>82,983,330</b>	<b>6,805,886</b>	<b>12,281,702</b>	<b>63,720,000</b>



## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

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

##### (c) Liquidity risk (continued)

As of June 30, 2013	Carrying amount	Contractual cash flows	0-12 months	2-5 years	More than 5 years
	\$	\$	\$	\$	\$
<b>Liabilities</b>					
Accounts payable	1,930,776	1,930,776	1,930,776	-	-
Due to related parties	1,937,194	1,937,194	1,937,194	-	-
Retention payable	562,907	562,907	562,907	-	-
Accrued expenses and other liabilities	1,539,355	1,539,355	1,539,355	-	-
Bridge loan	37,208,634	37,208,634	37,208,634	-	-
Deposits held	131,242	131,242	-	131,242	-
<b>Total financial liabilities</b>	<b>43,310,108</b>	<b>43,310,108</b>	<b>43,178,866</b>	<b>131,242</b>	<b>-</b>

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

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

As disclosed in Note 15, the Company has total capital commitments for provision of goods and services in the amount of \$208,856 (2013: \$2,607,682) which mainly relates to the completion of the yard lunch room buildings. These commitments are expected to be incurred and paid within 12 months of the reporting date.

#### 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.



# FINANCIAL STATEMENTS

## APD LIMITED

### Notes to Financial Statements June 30, 2014 (Continued)

#### 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.

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

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

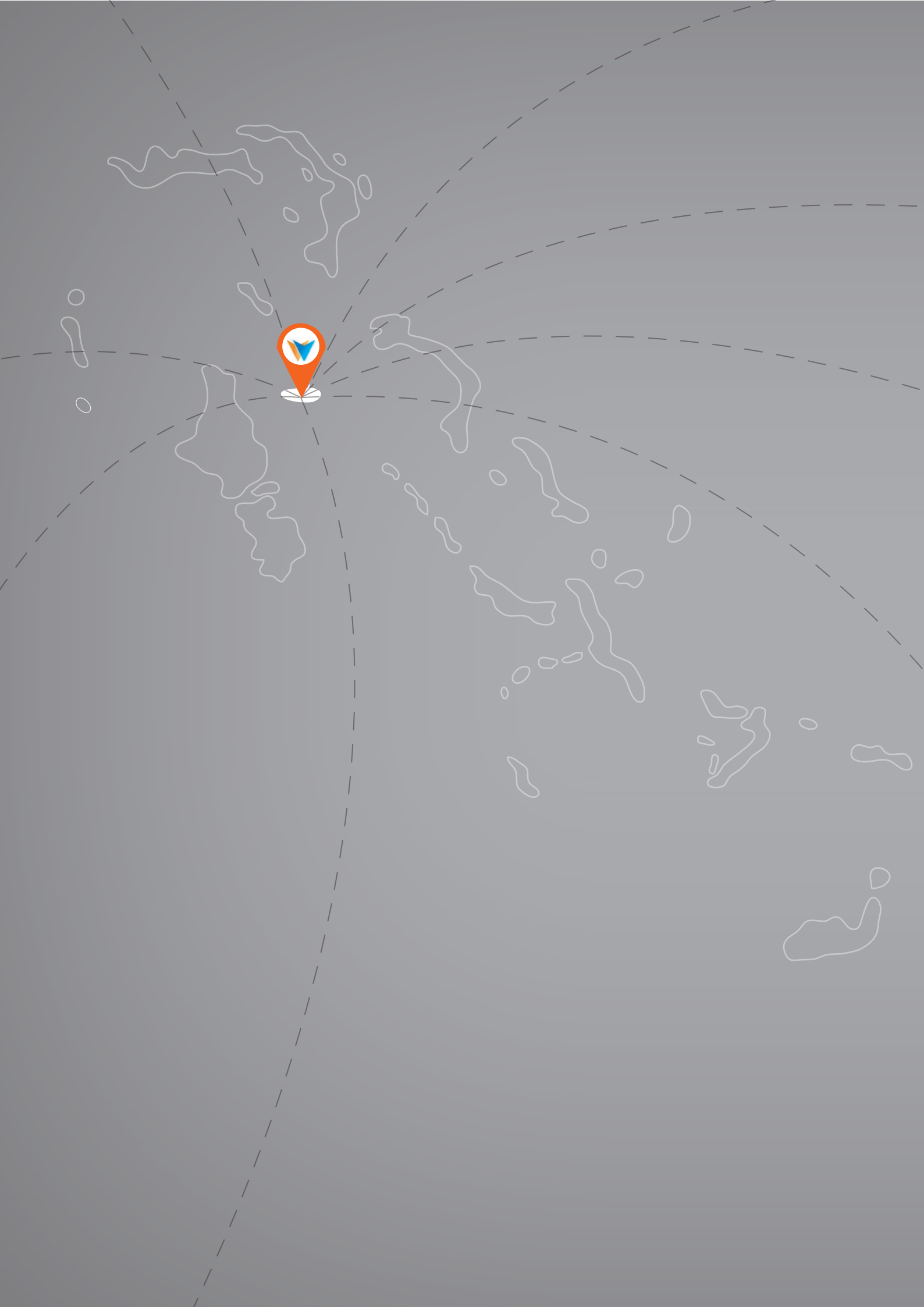
Total capital represents equity shown in the statement of financial position plus net debt.

#### 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

On August 23, 2014, the directors approved the construction of an eight thousand (8,000) square foot administrative building at its break bulk facilities. The administrative building will house Betty K Shipping Limited as well as other domestic shipping entities. Total estimate for cost of construction is \$2,553,000.







## NASSAU CONTAINER PORT

Hours of operation:

Monday – Friday, 8:00 am - 4:00 pm and Saturday until 3pm.

## CONTACT INFORMATION

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