APD LIMITED

Financial Statements
For the year ended 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.

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.

PricewaterhouseCoopers

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 $
ASSETS			
Current assets			
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
Total current assets		**5,186,494**	**4,529,978**
Non-current assets			
Property, plant and equipment	9	91,221,801	88,130,513
Total assets		**96,408,295**	**92,660,491**
LIABILITIES AND EQUITY			
Current liabilities			
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
Total current liabilities		**4,825,886**	**43,178,866**
Non-current liabilities			
Redeemable preference shares	8	35,377,943	-
Long term debt	7	4,361,702	-
Deposits held	13	175,742	131,242
Total non-current liabilities		**39,915,387**	**131,242**
Total liabilities		**44,741,273**	**43,310,108**
Equity			
Share capital	11	49,969	49,969
Share premium	11	49,192,308	49,192,308
Retained earnings		2,424,745	108,106
Total equity		**51,667,022**	**49,350,383**
Total liabilities and equity		**96,408,295**	**92,660,491**

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.

APD LIMITED

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

	Notes	2014 $	2013 $
Revenue			
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
Total revenue		**25,757,728**	**25,227,526**
Expenses			
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
Total expenses		**16,677,431**	**16,900,135**
Earnings before interest and depreciation		**9,080,297**	**8,327,391**

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

The accompanying notes are an integral part of these 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 $
Balance at July 1, 2012	**49,969**	**49,192,308**	**(3,386,702)**	**45,855,575**
Total comprehensive income for the year	-	-	3,494,808	3,494,808
Balance at June 30, 2013	**49,969**	**49,192,308**	**108,106**	**49,350,383**
Balance at July 1, 2013	**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)
Balance at June 30, 2014	**49,969**	**49,192,308**	**2,424,745**	**51,667,022**

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 $
Cash flows from operating activities			
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
Operating profit before changes in working capital		**9,244,404**	**8,188,402**
(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
Cash provided by operating activities		**7,798,712**	**6,809,151**
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(7,614,836)	(6,196,085)
Proceeds from sale of property and equipment		1,439,707	-
Net cash used in investing activities		**(6,175,129)**	**(6,196,085)**
Cash flows from financing activities			
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)
Net cash used by financing activities		**(1,312,913)**	**(370,484)**
Increase in cash and cash equivalents		**310,670**	**242,582**
Cash and cash equivalents, beginning of year		**1,947,427**	**1,704,845**
Cash and cash equivalents, end of year		**2,258,097**	**1,947,427**

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

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).

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.

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.

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.

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.

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.

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.

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.

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.

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.

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	2,256,232	1,945,427
	2,258,097	**1,947,427**

4. Accounts receivable

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

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	-	9,328
Balance at end of year	**(52,000)**	**(52,000)**

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 $
2014	1,780,110	334,132	1,053,183	151,572	94,586	146,637
2013	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).

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	1,730,314	1,468,494
	1,730,315	**1,468,495**

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	132,057	232,210
	2,392,398	**1,937,194**

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.

5. Related party balances and transactions (Continued)

(c) *Sale and purchases of services*

	2014 $	2013 $
Sale of services		
Other related parties - affiliates	**25,232,035**	**24,102,599**

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 $
Purchases of services		
Other related parties - affiliates	**4,317,510**	**6,936,524**

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	465,426	457,529
	1,190,351	**1,069,985**

6. Deposits, prepayments and other assets

	2014 $	2013 $
Security deposits	413,735	386,795
Prepayments	270,987	118,042
	684,722	**504,837**

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 interested 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 $
At June 30, 2012							
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)
Net book value	**42,645,310**	**7,889,643**	**3,728,115**	**212,742**	**825,322**	**27,946,818**	**83,247,950**
Year ended June 30, 2013							
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)
Closing net book value	**42,483,622**	**7,784,759**	**30,496,959**	**175,376**	**1,470,432**	**5,719,365**	**88,130,513**
At June 30, 2013							
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)
Net book value	**42,483,622**	**7,784,759**	**30,496,959**	**175,376**	**1,470,432**	**5,719,365**	**88,130,513**

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 $
Year ended June 30, 2014							
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)
Closing net book value	**41,693,359**	**8,680,458**	**37,166,407**	**246,072**	**1,561,538**	**1,873,967**	**91,221,801**
At June 30, 2014							
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)
Net book value	**41,693,359**	**8,680,458**	**37,166,407**	**246,072**	**1,561,538**	**1,873,967**	**91,221,801**

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.

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
	151,921	**562,907**

(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.

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	3,615,837	3,494,808
Weighted average number of ordinary shares in issue	4,996,915	4,996,915
Basic and diluted earnings per share	**0.72**	**0.70**

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).

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;

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).

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	74,000,074	76,000,076
	84,000,084	**86,000,086**

(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.

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
	1,968,796	**1,958,598**

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
	580,298	**551,361**

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
	208,856	**2,607,682**

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.

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.

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 $
Liabilities					
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	-	-	-
Total financial liabilities	**44,741,273**	**82,983,330**	**6,805,886**	**12,281,702**	**63,720,000**

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 $
Liabilities					
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	-
Total financial liabilities	**43,310,108**	**43,310,108**	**43,178,866**	**131,242**	**-**

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.

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.