APD LIMITED
Financial Statements

For the year ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of APD Limited

We have audited the accompanying financial statements of APD Limited (the Company), which comprise the statement of financial position as of June 30, 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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Auditors' Responsibility (continued)

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of APD Limited as of June 30, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Nassau, The Bahamas
October 31, 2012

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

Statement of Financial Position
As of June 30, 2012
(Amounts expressed in Bahamian dollars)

	Notes	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	3	1,704,845	9,128,980
Accounts receivable	4	3,024,611	376,383
Deferred borrowing costs	7	329,485	579,485
Deposits, prepayments and other assets	6	221,312	204,894
Spare parts inventory		217,817	-
Total current assets		**5,498,070**	**10,289,742**
Non-current assets			
Property, plant and equipment	8,9	83,247,950	31,786,878
Investment properties	8	1,155,914	-
Total non-current assets		**84,403,864**	**31,786,878**
Total assets		**89,901,934**	**42,076,620**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable		1,959,694	1,332,225
Due to related parties	5	2,924,074	-
Retention payable	10	3,300,489	1,612,425
Accrued expenses and other liabilities		554,661	224,323
Bridge loan	7	35,203,199	-
Total current liabilities		**43,942,117**	**3,168,973**
Non-current liabilities			
Deposits held	8	104,242	-
Total liabilities		**44,046,359**	**3,168,973**
Equity			
Share capital	11	49,969	40,000
Share premium	11	49,192,308	40,015,000
Accumulated deficit		(3,386,702)	(1,147,353)
Total equity		**45,855,575**	**38,907,647**
Total liabilities and equity		**89,901,934**	**42,076,620**

Approved by the Board of Directors on 31 Oct 2012 **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, 2012
(Amounts expressed in Bahamian dollars)

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

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

APD LIMITED

Statement of Comprehensive Income (Continued)
For the year ended June 30, 2012
(Amounts expressed in Bahamian dollars)

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

APD LIMITED

Statement of Changes in Equity
For the year ended June 30, 2012
(Amounts expressed in Bahamian dollars)

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

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

APD LIMITED

Statement of Cash Flows
For the year ended June 30, 2012
(Amounts expressed in Bahamian dollars)

	Notes	2012 $	2011 $
Cash flows from operating activities			
Total comprehensive loss		(2,239,349)	(1,147,353)
Adjustments for:			
Depreciation	8,9	614,935	36,018
Provision for bad debts	4	241,101	(236,016)
Gain on sale of property and equipment	9	(12,160)	-
Interest income		(29,189)	-
Interest expense		430,368	-
Cash flow used in operating activities before changes in working capital		**(994,294)**	**(1,347,351)**
Increase in accounts receivable		(2,889,329)	(376,383)
Decrease/(increase) in deferred borrowing costs		250,000	(579,485)
Increase in deposits, prepayments and other assets		(16,418)	(204,894)
Increase in spare parts inventory		(217,817)	-
Increase in accounts payable		627,469	1,332,225
Increase in due to related parties		2,036,221	-
Increase in retention payable		1,688,064	1,612,425
Increase in accrued expenses and other liabilities		330,338	224,323
Increase in deposits held		104,242	-
Cash provided by operating activities		**918,476**	**660,860**
Cash flows from investing activities			
Increase in due to related parties - construction of port facilities		887,853	-
Construction of port facilities	9	(44,465,510)	(31,532,418)
Acquisition of property and equipment	9	(7,627,927)	(290,478)
Construction of investment properties	8	(1,163,729)	-
Proceeds from sale of property and equipment		37,405	-
Net cash used in investing activities		**(52,331,908)**	**(31,822,896)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net	11	9,187,277	40,055,000
Bridge loan principal drawdown	7	35,203,199	-
Interest income		29,189	236,016
Interest expense		(430,368)	-
Net cash from financing activities		**43,989,297**	**40,291,016**
(Decrease)/increase in cash and cash equivalents		**(7,424,135)**	**9,128,980**
Cash and cash equivalents, beginning of period		**9,128,980**	**-**
Cash and cash equivalents, end of year/period		**1,704,845**	**9,128,980**

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

1. General information

APD Limited (the Company) was incorporated on February 24, 2009, under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas). The Company is 40% owned by The Treasurer of The Bahamas, 40% owned by Arawak Cay Port Development Holdings Limited (ACPDHL) and 20% owned by the general public, hereinafter collectively referred to as the Shareholders. ACPDHL is owned by a consortium of private companies operating in The Bahamas.

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

On May 10, 2010, the Company and the Government of The Bahamas (the Government) entered into a Memorandum of Understanding (MOU), whereby the Government initiated the relocation of the freight, cargo and port handling activities from downtown Bay Street on the island of New Providence to Arawak Cay, New Providence, and the Company agreed to design, develop, construct, manage, operate and maintain a new commercial port at Arawak Cay to be known as Nassau Container Port (the Port) and an inland terminal on Gladstone Road, to be known as Gladstone Freight Terminal (the Depot) (Note 13).

In accordance with the MOU, 20% of the Company's ordinary shares were offered for sale to the general public through an Initial Public Offering (IPO) held in February 2012. At the conclusion of the IPO, the Government and ACPDHL each owned 40% and the general public owned 20% of the ordinary share capital of the Company.

The Port and Depot facilities were developed on 56.55 acres of land on Arawak Cay, New Providence (the Port Land) and 15 acres of land at Gladstone Road, New Providence (the Depot Land). On June 21, 2011, the Minister responsible for the Lands and Survey, acting on behalf of the Government leased the Port Land and Depot Land and licensed 27.88 acres of seabed for use of the Company for 45 years which became effective May 1, 2012 and August 13, 2012, respectively, when the Port and Depot facilities were substantially completed (Note 20).

The Company commenced operations on the date of substantial completion of the Port facility on May 1, 2012. Operations of the Port include a break bulk, a bulk and a container terminal that has 1,167 linear feet of berthing. The container terminal will have the capability of handling at least 75,000 Twenty-foot Equivalent Units (TEUs) annually. The Depot is comprised of 100,000 square feet and 10,000 square feet of warehouse and administrative office space respectively, and serves as a deconsolidation and distribution centre.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The Company's financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS).

APD LIMITED

Notes to Financial Statements
June 30, 2012

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

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

(i) Critical accounting estimates and assumptions

Useful lives of property, plant and equipment

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

Repayment of bridge loan

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

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

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

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

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

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

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

Impairment of non-financial assets

Items of property, plant and equipment that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Identifying and assessing circumstances that indicate that the carrying amount of an item of property, plant and equipment may not be recoverable requires significant judgment. In determining whether circumstances indicating impairment exist, management, at a minimum, considers the following factors:

- A decline in the asset's market value that is significantly greater than would be expected as a result of the passage of time or normal use;
- Significant adverse changes in the technological, market, economic or legal environment;
- Increases in interest rates or other market rates of return;
- Obsolescence or physical damage affecting the asset;
- Significant adverse changes that have taken place or are expected in the way that an asset is used or expected to be used;
- Deterioration in the expected level of the asset's performance; and
- Management's own forecasts of future net cash inflows or operating profits may show a significant decline from previous budgets and forecasts.

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

International Accounting Standard (IAS) 16 *'Property, Plant and Equipment'* requires that the cost of an item of property, plant and equipment should include directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Determining directly attributable costs requires significant judgment. Management determines directly attributable costs as those that are incremental in nature and/or would be necessarily incurred by a third party in bringing the asset to the location and condition necessary for it to be used for the intended purpose.

APD LIMITED

Notes to Financial Statements
June 30, 2012

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (continued)

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

Inception and commencement of leases

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

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

(b) Changes in applicable accounting policy and disclosures

(i) New and amended standards adopted by the Company

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

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

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

2. Summary of significant accounting policies (Continued)

(c) Foreign currencies

(i) Func tional and presentation currency

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

(ii) Transactions and balances

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

(d) Cash and cash equivalents

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

(e) Trade receivables

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

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

(f) Inventory

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

(g) Property, plant and equipment

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

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

2. Summary of significant accounting policies (Continued)

(g) Property, plant and equipment (continued)

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

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

The assets' residual values and estimated useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount [Note 2(h)].

At the time of disposal or retirement of assets, the cost and related accumulated depreciation are eliminated, and any resulting gain or loss is reflected in the statement of comprehensive income.

(h) Impairment of non-financial assets

Items of property, plant and equipment that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [Cash Generating Units (CGUs)].

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

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

2. Summary of significant accounting policies (Continued)

(i) Trade payables

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

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

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs and recognized as part of the borrowings using the effective interest method. To the extent that it is not probable that some or all of the facility will be drawn down, the fee is expensed in the statement of comprehensive income.

(k) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(l) Share capital

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

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

2. Summary of significant accounting policies (Continued)

(m) Revenue recognition

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

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

Sales of services

Revenue from general cargo and vessel services comprise landing fees, terminal handling fees, security, stevedoring fees, hazmat fees, dockage, and line handling fees. Revenue from port services includes gate fees, storage fees and reefer line. The above revenues are recognized upon delivery of services.

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

Interest income

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

(n) Leases

Accounting as lessee

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

Accounting as lessor

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

2. Summary of significant accounting policies (Continued)

(o) Financial assets

(a) Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date in which case, these are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents (Note 3), accounts receivable (Note 4) and deposits and other assets (Note 6) included in the statement of financial position.

(b) Recognition

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

(c) Measurement

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

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

(d) Derecognition

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

(e) Impairment

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

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

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

2. Summary of significant accounting policies (Continued)

(o) Financial assets (continued)

(e) Impairment (continued)

Individually significant financial assets are tested for impairment if there are indicators of impairment. Impairment loss is recognised in the statement of comprehensive income and the carrying amount of the asset is reduced through the use of an allowance account. Individual insignificant financial assets are grouped together.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(p) Investment properties

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

Buildings and improvements	45 years

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

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management that makes strategic decisions.

2. Summary of significant accounting policies (Continued)

(r) Income taxes

Under the current laws of The Bahamas, the Company is not subject to income, capital or other corporate taxes. The Company's operations do not subject it to taxation in any other jurisdiction.

(s) Government grants

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

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

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

(t) Earnings/(loss) per share

(a) Basic

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

(b) Diluted

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

(u) Corresponding figures

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

3. Cash and cash equivalents

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

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

4. Accounts receivable

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

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

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

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

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

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Notes to Financial Statements
June 30, 2012

4. Accounts receivable (Continued)

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

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

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

5. Related party balances and transactions

A party is related to the Company if:

(a) Directly, or indirectly through one or more intermediaries, the party:
  (i) controls, is controlled by, or is under common control with, the Company;
  (ii) has an interest in the Company that gives it significant influence over the Company;

(b) the party is a member of the key management personnel, including directors and officers, of the Company or its shareholders;

(c) the party is a close member of the family of any individual referred to in (b) above; and

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entities resides with, directly or indirectly, any individual referred to in (b) or (c) above.

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

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

The amount due from Shareholder represents amounts paid on behalf of the Shareholder. The amount due from other related parties - affiliates arise mainly from the Company providing services and the sale of dredged spoils related to the dredging of the Arawak Cay Channel by the Company [Note 5(c)]. The receivables are unsecured and bear no interest.

APD LIMITED

Notes to Financial Statements
June 30, 2012

5. Related party balances and transactions (Continued)

(b) Amounts due to related parties comprise:

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

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

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

(c) Sale and purchases of services

	2012 $	2011 $
Sale of services		
Other related parties - affiliates	**6,215,917**	-

Sale of services to other related parties - affiliates pertains to the various general cargo and vessel services, port services, and rental income with terms as agreed in the invoices and agreements and are recognized in the revenue section of the statement of comprehensive income.

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

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

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

APD LIMITED

Notes to Financial Statements
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5. Related party balances and transactions (Continued)

(d) Key management compensation

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

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

6. Deposits, prepayments and other assets

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

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

7. Bridge loan; Deferred borrowing costs

(a) Demand Construction Bridge Loan Facility

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

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

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Notes to Financial Statements
June 30, 2012

7. Bridge loan; Deferred borrowing costs (Continued)

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

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

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

(b) Arrangement fee for Demand Construction Bridge Loan Facility

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

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Notes to Financial Statements
June 30, 2012

7. Bridge loan; Deferred borrowing costs (Continued)

(c) Financial advisory services for replacement financing

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

8. Investment properties

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

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

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

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

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Notes to Financial Statements
June 30, 2012

8. Investment properties (Continued)

Income from the investment property amounting to $484,819 (2011: Nil) is shown as subleases income in the statement of comprehensive income. At year end, the analysis of the Company's aggregate future minimum lease payments receivable under the lease is as follows:

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

APD LIMITED

Notes to Financial Statements
June 30, 2012

9. Property, plant and equipment

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

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Notes to Financial Statements
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9. Property, plant and equipment (Continued)

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

10. Retention payable

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

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

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

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

(b) *American Bridge Bahamas Ltd.*

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

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

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

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Notes to Financial Statements
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10. Retention payable (Continued)

(d) Inline Project Co. Ltd.

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

11. Share capital

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

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

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

12. Basic and diluted loss per share

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

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

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Notes to Financial Statements
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13. Significant agreements

(a) Memorandum of Understanding (MOU)

As discussed in Note 1, the MOU requires that 20% of the Company's ordinary shares must be offered for sale to the general public. Accordingly, the Company made an Initial Public Offering (IPO) of shares during the period November 2011 to February 2012. At the conclusion of the IPO, the Government and ACPDHL each owned 40% and the general public owned 20% of the ordinary share capital of the Company.

The MOU states that the Government will allow the Company to make such adjustments to fees and tariffs as may be required from time to time to maintain an Internal Rate of Return (IRR) of no less than 10%.

Under the MOU, the Government has granted the Company an exclusive arrangement whereby no other port (including sufferance wharfs) or container terminals (whether inland or not) can be established on the islands of New Providence and Paradise Island as well as within 20 miles of the shoreline of New Providence for a period of 20 years from the date of the substantial completion (Note 1).

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

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

13. Significant agreements (Continued)

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

- adopting or altering the Memorandum of Association, Articles of Association or other constitutive documents;
- changing the authorised or issued share capital, granting share options or issuing instrument carrying rights of conversion into ordinary shares;
- incurring financial indebtedness which would result in the secured debt exceeding 3 times the Earning Before Interest, Taxation, Depreciation and Amortization or Debt Service Coverage Ratio that is less than 1.5 times;
- making loans or advances to any person other than in the ordinary course of the business;
- selling, transferring, leasing, assigning or otherwise disposing of a material part of undertaking, property and/or assets except for sub-leases made in the ordinary course of business;
- creating encumbrances over all or a material part of undertaking, property and/or assets, or giving guarantees or indemnities for any purpose other than as security in respect of the financial indebtedness which is not otherwise prohibited under the terms of the MOU;
- entering into any contract, liability or commitment which (a) is unusual or onerous or outside the ordinary course of business, or (b) is other than at commercial arm's length terms, except where such contract, liability or commitment satisfies authorization criteria agreed between the Company and the Government;
- awarding of contracts, transactions or arrangements, other than contracts for provision of goods and services being at arm's length whose value does not exceed B$5 million in a 12 month period, with (a) ACPDHL (b) a Director of ACPDHL and/or (c) an affiliate of ACPDHL, or any director or employee of such affiliate, except where such contracts, transactions or arrangements are awarded in compliance with procedures governing the awards of such that may be agreed between the Company and the Government;
- imposing fees and charges, save for such charges and fees preapproved by the Government, which are required to maintain a minimum IRR of 10% per annum;
- taking of any corporate action, legal proceedings or other procedures or steps in relation to (a) suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, liquidation, administration or reorganization of Group Members (b) a composition, compromise, assignment or arrangement with, or for the benefit of, any creditor of the Group Members or (c) appointment of liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Group Members or any of its assets.

The consent and approval of the Government to a Reserved Matter will only be deemed to have been given where a document confirming such consent or approval has been delivered to the Company's registered office. If a consent or refusal of a Reserved Matter is not delivered within 20 business days after receipt of the matter by the Government, the Reserved Matter request shall be deemed to have been approved.

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Notes to Financial Statements
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13 . Significant agreements (Continued)

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

The Company's financial statements shall be subject to annual audits. The auditor of the Company shall also review and report on the Company's compliance with the provisions of the MOU relating to the Reserved Matters.

(b) Leases

Pursuant to the terms of the MOU, on June 21, 2011 the Company entered into 45 year lease agreements for 56.55 and 15 acres of the Port Land and the Depot Land, respectively, with the Minister responsible for Lands and Survey. The above lease payment terms commenced upon Substantial Completion of the Port and Depot which was deemed to have occurred at such time as all works necessary for the full operation of the Port and the Depot were duly completed and evidenced by (i) the issuance of performance certificates or taking over certificates pursuant to the construction contracts and (ii) certificates of occupancy. Substantial completion of the Port and Depot were achieved on May 1, 2012 and August 13, 2012, respectively.

Under the terms of the lease agreement for the Port land, the Company shall pay an annual rent of $40 per TEU until such time as the Substantial Completion is achieved. Once Substantial Completion is achieved, the Company will pay an annual rent of $2,000,000 or $40 per TEU, whichever is greater. The fixed rent is payable quarterly in advance during the term and any adjustments based on the rent per TEU is payable within 14 days from the end of each quarter. The rent is subject to annual increases based on the increases in the cost of living. For the year ended June 30, 2012, the total rent expense recognized in the statement of comprehensive income amounted to $1,962,967. As of reporting period, lease payable to the government amounted to $1,629,632 (2011: Nil) which is included in due to related parties in the statement of financial position (Note 5).

The annual rent on the Depot Land is $1, payable annually in advance.

Under the provision of Item 2 of the Second Schedule of the Stamp Act (revised), the leases of the Port Land and Depot Land were exempt from imposition of stamp tax as the leases were issued on behalf of the Government of the Commonwealth of The Bahamas.

Upon expiration of the term of the above leases, the Company shall have an option to renew the same for another term of 45 years on the same terms and conditions but at an annual rent to be agreed between the parties. As of inception date of the lease, management is not reasonably certain that it will exercise the option to renew the lease for another 45 years and the lease was therefore classified as an operating lease.

Contemporaneously with the signing of the lease agreements on June 21, 2011, the Company was granted a 45 year license by the Minister responsible for Lands and Survey to use the 27.88 acres of seabed for purposes ancillary to the adjacent Port facility, for an annual license fee of $1, payable annually in advance. Upon expiration of the term of the license, the Company can apply for renewal of the license for another term of 45 years but at an annual licence fee to be agreed between the parties.

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Notes to Financial Statements
June 30, 2012

13. Significant agreements (Continued)

(b) Leases (continued)

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

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

14. Legal and other professional fees

Legal and other professional fees comprise the following:

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

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

15. Commitments and contingencies

Outstanding capital commitments as of reporting date were as follows:

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

16. Financial risk management

The Company's activities expose it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Company's overall risk management framework seeks to minimise potential adverse effects of these risks on the Company's financial performance by understanding and effectively managing these risks.

Risk management is carried out by senior management of the Company under policies approved by the BOD.

(a) Market risk

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

(i) Curre ncy risk

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

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

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

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of the financial interest will fluctuate because of changes in the market interest rates.

As of June 30, 2012, the Company did not hold any fixed interest rate financial instruments which would have exposed it to any significant fair value or cash flow interest rate risk. The bridge loan facility is subject to the prevailing market interest rate and management does not foresee cash flow and fair value rate risks on the financial liability to be significant.

(b) Credit risk

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

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Notes to Financial Statements
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16. Financial risk management (Continued)

(b) Credit risk (continued)

The Company seeks to mitigate such risk from its cash and cash equivalents by placing its cash with financial institutions in good standing with the Central Bank of The Bahamas. The credit risk from accounts receivable is mitigated by monitoring the payment history of the counterparties before continuing to extend credit to them. As this is the first year of operations, all customers are still considered as new customers and management performs credit quality checks with its new customers. The Company does not have a significant concentration of credit risk as it transacts and deals with various customers and counterparties.

(c) Liquidity risk

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

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

The table below analyses the Company's financial liabilities in relevant maturity groupings based on the remaining period at the contractual maturity date as of June 30, 2012. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

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16. Financial risk management (Continued)

(c) Liquidity risk (continued)

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

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

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

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

17. Fair value of financial instruments

Financial instruments utilised by the Company include recorded financial assets and liabilities. Due to the short term nature of these instruments, management does not consider the estimated fair values of financial instruments to be materially different from the carrying values of each major category of the Company's financial assets and liabilities as of the reporting date.

18. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to achieve the above objective, the Company may adjust the amount of dividends paid to shareholders, raise additional capital through equity and/or debt financing, return capital to shareholders and/or sell assets to reduce debt.

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18. Capital management (Continued)

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

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

Total capital represents equity shown in the statement of financial position plus net debt. The gearing ratio is calculated as net debt divided by total capital.

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

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

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

19. Segment reporting

Management determines the operating segments based on the information reported to the Company's operating decision maker. The executive management is identified as the chief operating decision maker of the Company. The Company is engaged in the operation of a commercial port facility in Arawak Cay and an inland depot terminal on Gladstone Road located in Nassau, Bahamas. Resources of the Company are allocated based on what is beneficial to the Company in enhancing the value of both the Port and Depot facilities rather than any specific unit. The executive management considers that the performance assessment of the Company should be based on the results of both facilities as a whole. Therefore, management considers the port operations to be only one operating segment under the requirements of IFRS 8, *Operating Segments*.

20. Subsequent events

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

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

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