

APD LIMITED

**Financial Statements
For the year ended June 30, 2017**



Independent auditors' report

To the Shareholders of APD Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of APD Limited (the Company) as of June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

APD Limited's financial statements comprise:

- the statement of financial position as of June 30, 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

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

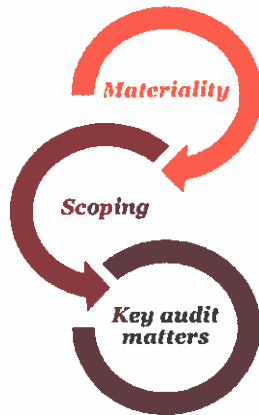
Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Our audit approach

Overview



- Overall materiality: \$565,000, which represents approximately 5% of profit from continuing operations.
- We planned and scoped our audit for 2017 based on financial statement line items which met our threshold, after applying a haircut to overall materiality. We also selected additional financial statement line items based on our professional judgement.
- We have one key audit matter: Valuation of property, plant and equipment.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|--|---|
| Overall materiality | \$565,000 (2016: \$216,900) |
| How we determined it | 5% of profit from continuing operations |
| Rationale for the materiality benchmark applied | We chose profit from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$56,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the Key audit matter |
|--|---|
| <i>Valuation of property, plant and equipment</i> | |
| <i>See notes 2 (g), 2 (h) and 9 of the financial statements for disclosures of related accounting policies, judgements and estimates.</i> | |
| <p>As of June 30, 2017, property, plant and equipment represented \$86,736,933 or 83% of total assets of the Company. Impairment losses on property, plant and equipment totalling \$24,309 were recognised during the year.</p> <p>We focused on valuation of property, plant and equipment due to materiality of the balance and because the factors in determining whether impairment exists involves significant judgement by management. In determining whether circumstances indicating impairment exist, management, at a minimum, considers the following factors:</p> <ul style="list-style-type: none">- 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. | <p>We evaluated and assessed the reasonableness of accounting policies related to property, plant and equipment and useful lives. For a sample of assets, we examined if the useful life over which depreciation is calculated was in accordance with the Company's policy. We also performed a recalculation of depreciation expense for a sample of assets. Additionally, we tested management's impairment assessment which included an analysis of all of the Company's assets by asset class. We agreed information in the analysis to the fixed asset register which was reconciled to the general ledger and financial statements through our testing. We also assessed the reasonableness of the amount of impairment loss recorded by management for the assets identified as impaired.</p> <p>We performed an analysis of the Company's property, plant and equipment using the external and internal factors outlined in IAS 36. Additionally, we assessed the reasonableness of management's assumptions used in determining if an asset is impaired and challenged management's process by examining a sample of assets which had not been identified by management as potentially impaired, forming our own independent conclusion as to whether there were indications of impairment. This included the performance of a physical inspection of the assets to determine whether they were in working condition or if there was evidence of damage or obsolescence.</p> <p>No material misstatement in the carrying amount of property, plant and equipment was identified through our testing.</p> |



Other information

Management is responsible for the other information. The other information comprises the 2017 APD Limited Annual Report (but does not include the financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the 2017 APD Limited Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may



cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Myra Lundy-Mortimer.

PricewaterhouseCoopers
Chartered Accountants
Nassau, Bahamas

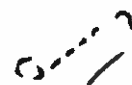
October 25, 2017


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

Statement of Financial Position
As of June 30, 2017
(Amounts expressed in Bahamian dollars)

| | Notes | 2017 \$ | 2016 \$ |
|--|-------|---------------------------|--------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 13,830,892 | 5,689,676 |
| Accounts receivable | 4 | 1,958,248 | 1,950,066 |
| Tax receivable | | 553,204 | 159,882 |
| Deposits, prepayments and other assets | 6 | 733,485 | 816,652 |
| Spare parts inventory | | <u>852,841</u> | <u>693,498</u> |
| Total current assets | | <u>17,928,670</u> | <u>9,309,774</u> |
| Non-current assets | | | |
| Property, plant and equipment | 9 | <u>86,736,933</u> | <u>88,819,789</u> |
| Total assets | | <u>104,665,603</u> | <u>98,129,563</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | | 369,626 | 408,136 |
| Due to related parties | 5 | 2,997,653 | 2,330,346 |
| Retention payable | | - | 2,911 |
| Accrued expenses and other liabilities | 10 | 1,179,781 | 1,058,445 |
| Current portion of preference shares | 8 | 1,286,000 | - |
| Current portion of long term debt | 7 | <u>425,532</u> | <u>425,532</u> |
| Total current liabilities | | <u>6,258,592</u> | <u>4,225,370</u> |
| Non-current liabilities | | | |
| Redeemable preference shares | 8 | 34,215,928 | 35,470,825 |
| Long term debt | 7 | 3,085,106 | 3,510,638 |
| Deposits held | 13 | <u>268,152</u> | <u>259,194</u> |
| Total non-current liabilities | | <u>37,569,186</u> | <u>39,240,657</u> |
| Total liabilities | | <u>43,827,778</u> | <u>43,466,027</u> |
| Equity | | | |
| Share capital | 11 | 49,969 | 49,969 |
| Share premium | | 49,192,308 | 49,192,308 |
| Retained earnings | | <u>11,595,548</u> | <u>5,421,259</u> |
| Total equity | | <u>60,837,825</u> | <u>54,663,536</u> |
| Total liabilities and equity | | <u>104,665,603</u> | <u>98,129,563</u> |

Approved by the Board of Directors on 25th October 2017 and signed on its behalf by:


 Jack Sands - Chairman


 Samuel Campbell - Deputy Chairman

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

APD LIMITED

Statement of Comprehensive Income
For the year ended June 30, 2017
(Amounts expressed in Bahamian dollars)

| | Notes | 2017 \$ | 2016 \$ |
|--|-------|-------------------|-------------------|
| Revenue | | | |
| Landing fees | 5 | 14,281,422 | 11,613,469 |
| Terminal handling fees | 5 | 4,389,282 | 4,248,570 |
| Stevedoring fees | 5 | 3,305,587 | 2,868,114 |
| Security | 5 | 2,568,446 | 1,973,851 |
| Gate fees | 5 | 2,328,860 | 2,036,578 |
| Storage fees | 5 | 2,206,719 | 1,174,306 |
| Subleases | 5,13 | 1,699,550 | 1,655,575 |
| Reefer line | 5 | 691,550 | 572,430 |
| Hazmat fees | 5 | 665,150 | 581,200 |
| Dockage | 5 | 286,833 | 272,530 |
| Line handling fees | 5 | 75,100 | 78,378 |
| Other income | 5 | 52,929 | 4,902 |
| Total revenue | | 32,551,428 | 27,079,903 |
| Expenses | | | |
| Salaries, employee benefits and training | 5,15 | 5,093,634 | 5,076,901 |
| Terminal handling costs | 5 | 3,795,215 | 3,531,378 |
| Government lease | 13 | 2,964,964 | 2,559,290 |
| Government fees and taxes | | 1,449,069 | 1,423,123 |
| Utilities | | 1,024,585 | 1,029,631 |
| Repairs and maintenance | | 860,150 | 1,231,633 |
| Security | | 367,725 | 343,379 |
| Legal and other professional fees | 14 | 365,775 | 686,260 |
| Insurance | | 302,622 | 389,403 |
| Other operating expenses | | 173,262 | 230,534 |
| Office supplies, postage and delivery | | 117,384 | 115,341 |
| Company meetings and events | | 98,830 | 77,678 |
| Loss/(Gain) on disposal of assets | | 12,082 | (5,577) |
| Bad debt (reversal)/expense | 4 | (700,168) | 513,000 |
| Total expenses | | 15,925,129 | 17,201,974 |
| Earnings before interest, depreciation and amortisation | | 16,626,299 | 9,877,929 |

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

APD LIMITED

Statement of Comprehensive Income (Continued)
For the year ended June 30, 2017
(Amounts expressed in Bahamian dollars)

| | Notes | 2017 \$ | 2016 \$ |
|--|-------|---------------------------|---------------------------|
| Depreciation | 9 | 3,245,535 | 3,321,379 |
| Impairment of property, plant and equipment | | 24,309 | - |
| Amortisation of preference share issue cost | | <u>31,103</u> | <u>31,103</u> |
| Total depreciation and amortisation | | <u>3,300,947</u> | <u>3,352,482</u> |
| Earnings before interest | | <u>13,325,352</u> | <u>6,525,447</u> |
| Finance costs | | | |
| Preference share dividends | | (1,980,000) | (1,980,000) |
| Interest expense | | (178,331) | (210,711) |
| Interest income | | <u>4,183</u> | <u>3,702</u> |
| Total finance costs, net | | <u>(2,154,148)</u> | <u>(2,187,009)</u> |
| Total earnings for the year attributable to the equity shareholders | | <u>11,171,204</u> | <u>4,338,438</u> |
| Total comprehensive income for the year | | <u>11,171,204</u> | <u>4,338,438</u> |
| Basic and diluted earnings per share | 12 | <u>2.24</u> | <u>0.87</u> |

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

APD LIMITED

Statement of Changes in Equity
For the year ended June 30, 2017
(Amounts expressed in Bahamian dollars)

| | Share capital \$ | Share premium \$ | Retained earnings \$ | Total \$ |
|--|---------------------------------|---------------------------------|-------------------------------------|--------------------------|
| Balance at July 1, 2015 | 49,969 | 49,192,308 | 6,079,736 | 55,322,013 |
| Total comprehensive income for the year | - | - | 4,338,438 | 4,338,438 |
| Dividends paid (Note 11) | - | - | (4,996,915) | (4,996,915) |
| Balance at June 30, 2016 | <u>49,969</u> | <u>49,192,308</u> | <u>5,421,259</u> | <u>54,663,536</u> |
| Balance at July 1, 2016 | 49,969 | 49,192,308 | 5,421,259 | 54,663,536 |
| Total comprehensive income for the year | - | - | 11,171,204 | 11,171,204 |
| Dividends paid (Note 11) | - | - | (4,996,915) | (4,996,915) |
| Balance at June 30, 2017 | <u>49,969</u> | <u>49,192,308</u> | <u>11,595,548</u> | <u>60,837,825</u> |

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

APD LIMITED

Statement of Cash Flows
For the year ended June 30, 2017
(Amounts expressed in Bahamian dollars)

| | Notes | 2017 \$ | 2016 \$ |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Total comprehensive income for the year | | 11,171,204 | 4,338,438 |
| Adjustments for: | | | |
| Depreciation | 9 | 3,245,535 | 3,321,379 |
| Impairment of property, plant and equipment | | 24,309 | - |
| Amortisation of preference share issue cost | | 31,103 | 31,103 |
| Bad debt expense / (reversal) | 4 | (700,168) | 513,000 |
| Loss / (Gain) on disposal of assets | 9 | 12,082 | (5,577) |
| Interest income | | (4,183) | (3,702) |
| Preference share dividends | | 1,980,000 | 1,980,000 |
| Loan interest expense | | 178,331 | 210,711 |
| Operating profit before changes in working capital | | 15,938,213 | 10,385,352 |
| Decrease / (Increase) in accounts receivable | | 691,986 | (624,048) |
| Decrease / (Increase) in deposits, prepayments and other assets | | 83,167 | (38,892) |
| (Increase) / Decrease in spare parts inventory | | (159,343) | 185,430 |
| (Increase) / Decrease in tax receivable | | (393,322) | 3,092 |
| Decrease in accounts payable | | (38,510) | (116,162) |
| Increase / (Decrease) in due to related parties | | 667,307 | (246,901) |
| Decrease in retention payable | | (2,911) | (90,915) |
| Increase / (Decrease) in accrued expenses and other liabilities | | 121,336 | (74,067) |
| Increase in deposits held | | 8,958 | 22,202 |
| Net cash provided by operating activities | | 16,916,881 | 9,405,091 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | 9 | (1,204,770) | (2,159,708) |
| Proceeds from sale of property, plant and equipment | | 5,700 | 13,500 |
| Net cash used in investing activities | | (1,199,070) | (2,146,208) |
| Cash flows from financing activities | | | |
| Principal payments on long term debt | 7 | (425,532) | (425,532) |
| Dividends paid to ordinary shareholders | 11 | (4,996,915) | (4,996,915) |
| Preference share dividends | | (1,980,000) | (1,980,000) |
| Interest income received | | 4,183 | 3,702 |
| Interest expense paid | | (178,331) | (210,711) |
| Net cash used in financing activities | | (7,576,595) | (7,609,456) |
| Increase / (Decrease) in cash and cash equivalents | | 8,141,216 | (350,573) |
| Cash and cash equivalents, beginning of year | | 5,689,676 | 6,040,249 |
| Cash and cash equivalents, end of year | | 13,830,892 | 5,689,676 |

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

APD LIMITED

Notes to Financial Statements June 30, 2017

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 principal activity of the Company is to manage, operate and maintain a commercial port at Arawak Cay known as Nassau Container Port (the Port) and an inland terminal on Gladstone Road, known as Gladstone Freight Terminal (the Depot) (Note 13).

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.

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 has 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 (hereinafter collectively referred to as IFRS).

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.

APD LIMITED**Notes to Financial Statements
June 30, 2017
(Continued)****2. Summary of significant accounting policies (Continued)****(a) Basis of preparation (continued)***(i) Critical accounting estimates and assumptions (continued)**Impairment of non-financial assets*

Items of property, plant and equipment 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 showing a significant decline from previous budgets and forecasts.

*(ii) Critical judgment in applying the entity's accounting policies**Capitalisation of directly attributable costs related to the acquisition of property, plant and 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, 2017
(Continued)
2. Summary of significant accounting policies (Continued)**(a) Basis of preparation (continued)***(iii) Alternative performance measures*

Management has determined that earnings before interest, depreciation and amortisation is the most useful performance measure to the users of the financial statements as it can be useful in comparing companies with different debt profiles and depreciation policies and is a widely accepted performance measure. Earnings before interest, depreciation and amortisation as presented on the statement of comprehensive income reconciles to operating profit as follows:

| | 2017 \$ | 2016 \$ |
|---|--------------------------|-------------------------|
| Earnings before interest, depreciation and amortisation | 16,626,299 | 9,877,929 |
| Depreciation | (3,245,535) | (3,321,379) |
| Impairment of property, plant and equipment | (24,309) | - |
| Amortisation of preference share issue cost | (31,103) | (31,103) |
| Operating profit | <u>13,325,352</u> | <u>6,525,447</u> |

(b) Changes in applicable accounting policy and disclosures*(i) New and amended standards adopted by the Company*

There are no IFRS that are effective for the first time for the financial year beginning on or after July 1, 2016 that would be expected to have a material impact to the Company.

(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, 2016, and have not been applied in preparing these financial statements. None of these are 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, and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The determination is made at initial recognition, and the classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss model that replaces the incurred loss impairment model required by IAS 39.

APD LIMITED

Notes to Financial Statements
June 30, 2017
(Continued)

2. Summary of significant accounting policies (Continued)**(b) Changes in applicable accounting policy and disclosures (continued)***(ii) New standards and interpretations not yet adopted by the Company (continued)*

For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for financial liabilities designated at fair value through profit or loss. The Company has not yet assessed the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after January 1, 2018.

IFRS 15, '*Revenue from contracts with customers*', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018, and replaces IAS 18, '*Revenue*' and IAS 11, '*Construction contracts*' and related interpretations. The Company has not yet assessed the full impact of adopting IFRS 15.

IFRS 16, '*Leases*' results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 '*Leases*'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The standard is effective for annual period beginning on or after January 1, 2019. The Company has not yet assessed the full impact of adopting IFRS 16.

(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.

(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.

APD LIMITED

Notes to Financial Statements
June 30, 2017
(Continued)

2. Summary of significant accounting policies (Continued)**(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 (1) 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 realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory is derecognised when the parts are used in operations.

(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.

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 | 10 to 45 years |
| Freight handling equipment (cranes) | 10 to 15 years |
| Other freight handling equipment | 1.5 to 10 years |
| Buildings and improvements | 45 years |
| Motor vehicles | 1.5 to 10 years |
| Furniture and fixtures, communications and office equipment | 1.5 to 10 years |

APD LIMITED

Notes to Financial Statements
June 30, 2017
(Continued)

2. Summary of significant accounting policies (Continued)**(g) Property, plant and equipment (continued)**

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 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.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss 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. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 finance costs.

APD LIMITED**Notes to Financial Statements****June 30, 2017****(Continued)****2. Summary of significant accounting policies (Continued)****(j) Borrowings (continued)**

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

(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 or sale.

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 and share premium

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.

APD LIMITED

Notes to Financial Statements
June 30, 2017
(Continued)

2. Summary of significant accounting policies (Continued)**(m) Revenue and expense recognition (continued)**

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:

Revenue from services

Revenue from general cargo and vessel services comprises 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 is 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 expenses are recognised in the statement of comprehensive income 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 leases 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.

APD LIMITED

Notes to Financial Statements
June 30, 2017
(Continued)

2. Summary of significant accounting policies (Continued)**(o) Financial instruments (continued)***(a) Classification (continued)*

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

Financial liabilities at amortised cost comprise accounts payable, due to related parties (Note 5), retention payable, long term debt (Note 7), redeemable preference shares (Note 8), and deposits held.

(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.

APD LIMITED**Notes to Financial Statements
June 30, 2017
(Continued)****2. Summary of significant accounting policies (Continued)****(o) Financial instruments (continued)***(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.

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.

APD LIMITED**Notes to Financial Statements****June 30, 2017****(Continued)****2. Summary of significant accounting policies (Continued)****(p) Retirement benefit costs**

The Company has a defined contribution pension plan for all eligible employees whereby the Company makes contributions to a privately administered pension plan. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior years. The Company and employees make contributions based on eligible earnings, and the Company's contributions are recognised in the statement of comprehensive income in the financial period to which they relate. Enrolment in the defined contribution pension plan is at the discretion of the employee.

(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.

(r) Taxation

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.

On January 1, 2015, the Government of The Bahamas introduced the Value Added Tax (VAT) Act, 2014 which implemented a consumption tax assessed at a rate of 7.5%. As such, the Company is required to assess VAT on all commercial leases and other services, to be payable to the Government. The Company will also incur VAT on certain goods and services acquired during the normal course of business to be offset against this payable.

(s) Earnings per share**(a) Basic**

Basic earnings per share is calculated by dividing:

- the earnings attributable to the equity shareholders, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares, if any.

APD LIMITED

Notes to Financial Statements
June 30, 2017
(Continued)

2. Summary of significant accounting policies (Continued)**(s) Earnings per share (continued)***(b) Diluted*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the 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

Certain corresponding figures have been amended in the notes to the financial statements as follows:

Note 5: Related party balances and transactions

The amounts due to Shareholder have been amended to include real property taxes payable to the Government at the year end.

Note 13: Significant agreements

The amount due to Shareholder was amended to include balances due to the Government for leases payable and the "later than five years" category was included for future minimum lease payments receivable.

Note 17: Financial risk management

The contractual cash flows for redeemable preference shares was amended to reflect the actual expected cash flows.

None of these amendments had an impact on the reported results and primary statements of the prior year.

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
3. Cash and cash equivalents

| | 2017 \$ | 2016 \$ |
|---------------------|-------------------|------------------|
| Cash on hand | 3,030 | 2,107 |
| Cash held with bank | 13,827,862 | 5,687,569 |
| | <u>13,830,892</u> | <u>5,689,676</u> |

4. Accounts receivable

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Customers' account - gross: | | |
| Third parties | 126,576 | 794,410 |
| Related parties (Note 5) | 1,831,672 | 1,855,824 |
| | <u>1,958,248</u> | <u>2,650,234</u> |
| Less: Provision for bad debts (third party) | - | (700,168) |
| | <u>1,958,248</u> | <u>1,950,066</u> |

Movements in the provision for doubtful accounts are as follows:

| | 2017 \$ | 2016 \$ |
|---------------------------------|------------|------------------|
| Balance at beginning of year | (700,168) | (187,168) |
| Provision for bad debts | - | (513,000) |
| Reversal of previous provisions | 700,168 | - |
| Balance at end of year | <u>-</u> | <u>(700,168)</u> |

As of June 30, 2017, accounts receivable of \$Nil (2016: \$700,168) was impaired with a provision amounting to \$Nil (2016: \$700,168) being made against this amount. The total 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 \$ |
|-------------|-------------|---------------|--------------------|---------------------|---------------------|----------------------------|
| 2017 | 1,958,248 | 1,567,261 | 352,561 | 38,110 | 316 | - |
| 2016 | 2,650,234 | 1,347,189 | 601,780 | 106,173 | 17,448 | 577,644 |

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
4. Accounts receivable (Continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit quality of accounts receivable that are neither past due nor impaired at the reporting date can be assessed by reference to historical information about counterparty default rates. Credit risk is discussed in Note 17(b).

5. Related party balances and transactions

A party is related to the Company if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the Company;
 - has an interest in the Company that gives it significant influence over the Company;
- (ii) the party is a member of the key management personnel, including directors and officers, of the Company or its shareholders;
- (iii) the party is a close member of the family of any individual referred to in (ii) above; and
- (iv) 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 (ii) or (iii) above.

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

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Due from Shareholder | 1 | 1 |
| Due from other related parties - affiliates | <u>1,831,672</u> | <u>1,855,823</u> |
| | <u>1,831,673</u> | <u>1,855,824</u> |

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

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

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Due to Shareholder | 3,346,160 | 2,744,397 |
| Due to other related parties - affiliates | <u>289,374</u> | <u>132,041</u> |
| | <u>3,635,534</u> | <u>2,876,438</u> |

The due to Shareholder includes real property taxes payable, and 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 obtained for terminal handling operations. These amounts are included in due to related parties and accrued expenses and other liabilities on the statement of financial position.

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
5. Related party balances and transactions (Continued)*(b) Amounts due to related parties comprise (continued):*

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.

(c) Sales and purchases of services:

| | 2017 \$ | 2016 \$ |
|------------------------------------|-------------------|-------------------|
| <i>Sales of services</i> | | |
| Other related parties - affiliates | <u>28,901,865</u> | <u>24,162,482</u> |

Sales 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 revenue in the statement of comprehensive income.

Revenue from transactions with two customers amount to 10% or more of the Company's total revenue. Transactions with these two customers included in sales of services account for 77% (2016: 80%) of total revenues during the year, amounting to \$11,823,744 (2016: \$11,496,391) and \$13,246,441 (2016: \$10,436,014) respectively.

| | 2017 \$ | 2016 \$ |
|------------------------------------|------------------|------------------|
| <i>Purchases of services</i> | | |
| Other related parties - affiliates | <u>4,109,248</u> | <u>3,823,451</u> |

The services purchased from other related parties - affiliates are related to services provided by the common terminal operator at the Port facilities.

(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:

| | 2017 \$ | 2016 \$ |
|------------------------------|------------------|------------------|
| Salaries | 795,934 | 752,427 |
| Short term employee benefits | 461,005 | 493,622 |
| Retirement benefits | <u>39,797</u> | <u>37,388</u> |
| | <u>1,296,736</u> | <u>1,283,437</u> |

APD LIMITED**Notes to Financial Statements****June 30, 2017****(Continued)****6. Deposits, prepayments and other assets**

| | 2017 \$ | 2016 \$ |
|-------------------|----------------|----------------|
| Security deposits | 414,000 | 424,075 |
| Prepayments | 319,485 | 392,577 |
| | <u>733,485</u> | <u>816,652</u> |

7. Long term debt

Facility 1: Long term debt being a \$5,000,000 non-revolving reducing term loan. As of June 30, 2017, the loan of \$3,510,638 (2016: \$3,936,170) is for a five (5) year period, amortised over twelve (12) years with interest payable quarterly in arrears at a rate of Bahamian dollar prime rate plus 0.25% commencing December 31, 2013. Principal payments are payable quarterly in instalments of \$106,383 with a balloon payment of \$2,978,723 at maturity. The current portion of long term debt is \$425,532 (2016: \$425,532).

Facility 2: \$3,000,000 revolving demand operating line of credit payable on demand at a rate of Bahamian dollar prime rate plus 0.25% on the outstanding balance. There have been no drawdowns against this facility.

The above facilities are secured by the following:

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

Facility 3: USD 3,000,000 non-revolving reducing term loan. The loan is for a five (5) year period from the date of the first disbursement with interest payable semi-annually at a rate of LIBOR plus 2.25% commencing six months from the date of the first disbursement of the loan. Principal repayments will be payable semi-annually in roughly equal instalments. There have been no drawdowns against this facility.

The Company has complied with the financial covenants of its borrowing facilities during the years ended June 30, 2017 and 2016.

8. Redeemable preference shares

The Company has 150,000 series A 5.5% fixed rate, non-voting redeemable preference shares of which 72,000 shares were issued on July 5, 2013. 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. Principal payments are payable annually commencing the last working day of June on the 5th anniversary of the offering as follows: \$1,286,000 due between the 5th and 12th anniversary; \$3,428,000 between the 13th and 19th anniversary, and the residual balance of \$1,716,000 payable on the 20th anniversary. The shares are entitled to dividends at the rate of 5.5% per annum. If insufficient profits are available in a particular financial year, the dividends accumulate and are payable when sufficient profits are available.

Since the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

APD LIMITED

Notes to Financial Statements
June 30, 2017
(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, 2017 | | | | | | | |
| Opening net book value | 39,819,293 | 7,842,644 | 37,772,803 | 241,744 | 1,432,088 | 1,711,217 | 88,819,789 |
| Additions | - | 5,251 | 30,714 | - | 12,516 | 1,224,388 | 1,272,869 |
| Transfers | 62,841 | 86,807 | 192,315 | 177,156 | 328,865 | (847,984) | - |
| Reclassifications | - | - | - | - | - | - | - |
| Cost | - | - | - | - | - | (68,098) | (68,098) |
| Impairment | - | (24,157) | - | - | (152) | - | (24,309) |
| Accumulated depreciation | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - |
| Cost | - | (26,110) | - | - | (1,160) | - | (27,270) |
| Accumulated depreciation | - | 8,392 | - | - | 1,095 | - | 9,487 |
| Depreciation charge for the year | (1,010,139) | (674,034) | (958,063) | (87,131) | (516,168) | - | (3,245,535) |
| Closing net book value | 38,871,995 | 7,218,793 | 37,037,769 | 331,769 | 1,257,084 | 2,019,523 | 86,736,933 |
| At June 30, 2017 | | | | | | | |
| Cost | 44,025,944 | 10,193,721 | 41,267,072 | 710,495 | 3,932,564 | 2,019,523 | 102,149,319 |
| Impairment | - | (24,157) | - | - | (152) | - | (24,309) |
| Accumulated depreciation | (5,153,949) | (2,950,771) | (4,229,303) | (378,726) | (2,675,328) | - | (15,388,077) |
| Net book value | 38,871,995 | 7,218,793 | 37,037,769 | 331,769 | 1,257,084 | 2,019,523 | 86,736,933 |

Capital work in progress includes costs incurred as of June 30, 2017 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 2017.

APD LIMITED

Notes to Financial Statements
June 30, 2017
(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 \$ |
|----------------------------------|-----------------------------|--|--|-------------------------|---|--------------------------------------|-------------------|
| Year ended June 30, 2016 | | | | | | | |
| Opening net book value | 40,815,037 | 8,046,552 | 36,551,455 | 296,058 | 1,704,567 | 2,575,714 | 89,989,383 |
| Additions | 4,925 | - | 7,876 | - | 8,715 | 2,147,522 | 2,169,038 |
| Transfers | 4,925 | 492,292 | 2,148,243 | 30,759 | 326,470 | (3,002,689) | - |
| Reclassifications | | | | | | | |
| Cost | - | - | - | - | - | (9,330) | (9,330) |
| Accumulated depreciation | - | - | - | - | - | - | - |
| Disposals | | | | | | | |
| Cost | - | (7,577) | - | - | (542) | - | (8,119) |
| Accumulated depreciation | - | - | - | - | 196 | - | 196 |
| Depreciation charge for the year | (1,005,594) | (688,623) | (934,771) | (85,073) | (607,318) | - | (3,321,379) |
| Closing net book value | 39,819,293 | 7,842,644 | 37,772,803 | 241,744 | 1,432,088 | 1,711,217 | 88,819,789 |
| At June 30, 2016 | | | | | | | |
| Cost | 43,963,103 | 10,127,774 | 41,044,043 | 533,338 | 3,596,332 | 1,711,217 | 100,975,807 |
| Accumulated depreciation | (4,143,810) | (2,285,130) | (3,271,240) | (291,594) | (2,164,244) | - | (12,156,018) |
| Net book value | 39,819,293 | 7,842,644 | 37,772,803 | 241,744 | 1,432,088 | 1,711,217 | 88,819,789 |

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
10. Accrued expenses and other liabilities

| | 2017 \$ | 2016 \$ |
|---------------------------|-------------------------|-------------------------|
| Accrued real property tax | 632,608 | 546,092 |
| General accruals | <u>547,173</u> | <u>512,353</u> |
| | <u>1,179,781</u> | <u>1,058,445</u> |

11. Share capital

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

As of reporting date, the Company has issued 4,996,915 (2016: 4,996,915) ordinary shares that were fully paid for by the shareholders.

During the year, the Company declared and paid dividends to ordinary shareholders of \$4,996,915 (2016: \$4,996,915) representing \$1.00 (2016: \$1.00) 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.

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Total earnings for the year attributable to the equity shareholders | <u>\$11,171,205</u> | <u>\$4,338,438</u> |
| Weighted average number of ordinary shares in issue | <u>4,996,915</u> | <u>4,996,915</u> |
| Basic and diluted earnings per share | <u>\$2.24</u> | <u>\$0.87</u> |

13. Significant agreements*(a) Memorandum of Understanding (MOU)*

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

In accordance with the MOU, 20% of the Company's ordinary shares were offered for sale to the general public through an Initial Public Offering (IPO) held 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.

APD LIMITED**Notes to Financial Statements
June 30, 2017
(Continued)****13. Significant agreements (Continued)***(a) Memorandum of Understanding (MOU) (continued)*

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 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 twenty (20) years from the date of the substantial completion.

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 instruments carrying rights of conversion into ordinary shares;
- incurring financial indebtedness which would result in the secured debt exceeding 3 times the Earnings Before Interest, Taxation, Depreciation and Amortisation 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;

APD LIMITED**Notes to Financial Statements****June 30, 2017****(Continued)****13. Significant agreements (Continued)***(a) Memorandum of Understanding (MOU) (continued)*

- 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 authorisation 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 reorganisation 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 twenty (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.

APD LIMITED**Notes to Financial Statements
June 30, 2017
(Continued)****13. Significant agreements (Continued)***(b) Leases*

Pursuant to the terms of the MOU, on June 21, 2011 the Company entered into forty-five (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 a minimum 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, 2017, the total rent expense recognised in the statement of comprehensive income amounted to \$2,964,964 (2016: \$2,559,290). As of reporting period, lease payable to the Government amounted to \$2,713,552 (2016: \$2,198,305) 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 forty-five (45) years on the same terms and conditions but at an annual rent to be agreed between the parties.

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

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
13. Significant agreements (Continued)*(b) Leases (continued)*

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

| | 2017 \$ | 2016 \$ |
|--|--------------------------|--------------------------|
| No later than one year | 2,000,002 | 2,000,002 |
| Later than one year and no later than five years | 8,000,008 | 8,000,008 |
| Later than five years | <u>68,000,070</u> | <u>70,000,070</u> |
| | <u>78,000,080</u> | <u>80,000,080</u> |

(c) Subleases

The lease terms for existing lease agreements began in September 2011 and range from less than a year to ten (10) years with options to renew for monthly to ten (10) year periods. 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 \$268,152 as of June 30, 2017 (2016: \$259,194). Additionally, during the year the Company executed certain short term leases, which are on a month to month basis.

Income amounting to \$1,699,550 (2016: \$1,655,575) 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:

| | 2017 \$ | 2016 \$ |
|--|-------------------------|-------------------------|
| No later than one year | 1,175,772 | 853,990 |
| Later than one year and no later than five years | 2,276,289 | 1,081,027 |
| Later than five years | <u>313,539</u> | <u>438,954</u> |
| | <u>3,765,600</u> | <u>2,373,971</u> |

14. Legal and other professional fees

Legal and other professional fees comprise the following:

| | 2017 \$ | 2016 \$ |
|-----------------------------------|-----------------------|-----------------------|
| Legal and other professional fees | 221,187 | 478,846 |
| Regulatory fees | <u>144,588</u> | <u>207,414</u> |
| | <u>365,775</u> | <u>686,260</u> |

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
15. Retirement benefits

Pension costs for the year which are included in salaries, employee benefits and training in the statement of comprehensive income totalled \$139,440 (2016: \$122,363). The Company's contributions to the pension plan vest 50% with the employees upon completion of five (5) years of employment, incrementally vesting annually, with full vesting upon completion of ten (10) years of employment.

16. Commitments and contingencies

Outstanding capital commitments as of reporting date were as follows:

| | 2017 \$ | 2016 \$ |
|---------------------------------|----------------|----------------|
| Contracted but not yet incurred | <u>560,735</u> | <u>560,735</u> |
| | <u>560,735</u> | <u>560,735</u> |

As of June 30, 2017, the Company is contingently liable to its banker in respect of customs bonds issued to the Government and corporate credit cards in the total amount of \$574,000 (2016: \$574,000). There is an annual bank charge of 1.25% on the face value of each bond.

17. 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.

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
17. Financial risk management (Continued)**(a) Market risk (continued)***(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, 2017, the Company held variable 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.

(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.

APD LIMITED

Notes to Financial Statements
June 30, 2017
(Continued)

17. Financial risk management (Continued)

(c) Liquidity risk (continued)

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, 2017. The amounts disclosed in the table are the contractual undiscounted cash flows.

| As of June 30, 2017 | Carrying amount \$ | Contractual cash flows \$ | 0-12 months \$ | 1-5 years \$ | More than 5 years \$ |
|---|--------------------------|---------------------------------|-------------------|-------------------|----------------------------|
| Liabilities | | | | | |
| Accounts payable | 369,626 | 369,626 | 369,626 | - | - |
| Due to related parties | 2,997,653 | 2,997,653 | 2,997,653 | - | - |
| Accrued expenses and other liabilities | 1,179,781 | 1,179,781 | 1,179,781 | - | - |
| Long term debt | 3,510,638 | 3,717,109 | 593,122 | 3,123,987 | - |
| Redeemable preference shares | 35,501,928 | 55,906,635 | 3,266,000 | 12,361,737 | 40,278,898 |
| Deposits held | 268,152 | 268,152 | 6,556 | 240,694 | 20,902 |
| Total financial liabilities | 43,827,778 | 64,438,956 | 8,412,738 | 15,726,418 | 40,299,800 |

| As of June 30, 2016 | Carrying amount \$ | Contractual cash flows \$ | 0-12 months \$ | 1-5 years \$ | More than 5 years \$ |
|---|--------------------------|---------------------------------|-------------------|-------------------|----------------------------|
| Liabilities | | | | | |
| Accounts payable | 408,136 | 408,136 | 408,136 | - | - |
| Due to related parties | 2,330,346 | 2,330,346 | 2,330,346 | - | - |
| Retention payable | 2,911 | 2,911 | 2,911 | - | - |
| Accrued expenses and other liabilities | 1,058,445 | 1,058,445 | 1,058,445 | - | - |
| Long term debt | 3,936,170 | 4,331,507 | 614,398 | 3,717,109 | - |
| Redeemable preference shares | 35,470,825 | 57,886,635 | 1,980,000 | 12,644,657 | 43,261,978 |
| Deposits held | 259,194 | 259,194 | - | 238,292 | 20,902 |
| Total financial liabilities | 43,466,027 | 66,277,174 | 6,394,236 | 16,600,058 | 43,282,880 |

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 undrawn lines of credit with the Royal Bank of Canada and Inter-American Investment Corporation totalling \$3,000,000 each as described in Note 7.

As disclosed in Note 16, the Company has total capital commitments for provision of goods and services in the amount of \$560,735 (2016: \$560,735) which mainly relates to the completion of the Break Bulk Terminal administrative building. These commitments are expected to be incurred and paid within twelve (12) months of the reporting date.

APD LIMITED**Notes to Financial Statements****June 30, 2017****(Continued)****18. Fair value of financial instruments**

Financial instruments utilised by the Company include recorded financial assets and liabilities. Except for long term debt, redeemable preference shares and deposits held, the Company's financial instruments are principally short term in nature. 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.

For long term debt, redeemable preference shares and deposits held, the respective market interest rates have not experienced significant changes since origination and therefore fair values approximate carrying values. The Bahamian dollar prime rate was reduced by 0.50% effective January 2017, and prior to this change had not experienced any changes since the year ended June 30, 2011.

Fair value hierarchy and measurements

The Company ranks its financial instruments based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset.

The determination of what constitutes 'observable' requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
18. Fair value of financial instruments (Continued)

| | June 30, 2017 | | | |
|--|----------------------|-------------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| FINANCIAL ASSETS | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents | 13,830,892 | - | - | 13,830,892 |
| Accounts receivable | - | 1,958,248 | - | 1,958,248 |
| Total financial assets | 13,830,892 | 1,958,248 | - | 15,789,140 |
| FINANCIAL LIABILITIES | | | | |
| Financial liabilities at amortised cost | | | | |
| Accounts payable | - | 369,626 | - | 369,626 |
| Due to related parties | - | 2,997,653 | - | 2,997,653 |
| Accrued expenses and other liabilities | - | 1,179,781 | - | 1,179,781 |
| Current portion of preference shares | - | 1,286,000 | - | 1,286,000 |
| Current portion of long term debt | - | 425,532 | - | 425,532 |
| Redeemable preference shares | - | 34,215,928 | - | 34,215,928 |
| Long term debt | - | 3,085,106 | - | 3,085,106 |
| Deposits held | - | 268,152 | - | 268,152 |
| Total financial liabilities | - | 43,827,778 | - | 43,827,778 |
| June 30, 2016 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| FINANCIAL ASSETS | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents | 5,689,676 | - | - | 5,689,676 |
| Accounts receivable | - | 1,950,066 | - | 1,950,066 |
| Total financial assets | 5,689,676 | 1,950,066 | - | 7,639,742 |
| FINANCIAL LIABILITIES | | | | |
| Financial liabilities at amortised cost | | | | |
| Accounts payable | - | 408,136 | - | 408,136 |
| Due to related parties | - | 2,330,346 | - | 2,330,346 |
| Retention payable | - | 2,911 | - | 2,911 |
| Accrued expenses and other liabilities | - | 1,058,445 | - | 1,058,445 |
| Current portion of long term debt | - | 425,532 | - | 425,532 |
| Redeemable preference shares | - | 35,470,825 | - | 35,470,825 |
| Long term debt | - | 3,510,638 | - | 3,510,638 |
| Deposits held | - | 259,194 | - | 259,194 |
| Total financial liabilities | - | 43,466,027 | - | 43,466,027 |

APD LIMITED
Notes to Financial Statements
June 30, 2017
(Continued)
18. Fair value of financial instruments (Continued)

The Company does not have a Level 3 classification at June 30, 2017 and 2016. There were no transfers between levels during the year.

19. 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.

Long term debt covenants

Under the terms of the borrowing facilities (Note 7), the Company is required to comply with the following financial covenants:

- to maintain a debt service coverage ratio of at least 1.25X.
- to maintain a total debt to tangible net worth ratio of not more than 1.5:1.

The Company has complied with these covenants throughout the reporting period. As of June 30, 2017, the debt service coverage ratio was 6.36 (2016: 3.73) and the total debt to tangible net worth ratio was 0.64:1 (2016: 0.72:1).

20. 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*.