

AUDITED FINANCIAL STATEMENTS

Bahamas Waste Limited
Year Ended December 31, 2017
With Report of Independent Auditors

Bahamas Waste Limited

Audited Financial Statements

Year Ended December 31, 2017

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Independent Auditors' Report

To the Shareholders of Bahamas Waste Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bahamas Waste Limited ("the Company"), which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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.

Recoverability of trade receivables

As of December 31, 2017, the Company's trade receivables and provision for doubtful accounts are \$2,997,987 and \$681,600, respectively (see note 4).



Key Audit Matter, continued

The risk:

Significant judgments are made in assessing the recoverability of the Company's trade receivables and determining the adequacy of the provision for doubtful accounts. The assessment of the recoverability of trade receivables and determination of the amount of the provision for doubtful accounts is considered a significant risk because inadequate provision could have a material financial impact on the Company's financial statements, should a material loss occur without adequate provision.

Our response:

In this area, our audit procedures included:

- Observing the business process for collections from customers;
- Reviewing the internal controls implemented by the Company to assess recoverability of its trade receivables and determination of the related provision for doubtful accounts;
- Testing, on a sample basis, trade receivables by obtaining confirmation letters from customers and reconciling them to the Company's accounting records; and also testing collections in the subsequent period from the selected customers, where necessary;
- Re-performance of the calculation of the provision for doubtful accounts, and evaluating management's judgment, assumptions and methodology used in calculating the provision; and
- Examining past due trade receivable accounts, on a sample basis, for evidence related to post year end cash receipts and/or obtaining specific assessments from management in respect of these accounts.

Other Matter

The financial statements of the Company for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 5, 2017.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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 IFRS, 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 skepticism 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



Auditors' Responsibilities for the Audit of the Financial Statements, continued

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 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 John M. Lopez.

A handwritten signature in blue ink that reads 'KPMG'.

March 28, 2018

Bahamas Waste Limited

Statement of Financial Position (Expressed in Bahamian Dollars)

	December 31	
	2017	2016
Assets		
Current assets		
Cash (Note 3)	\$ 1,210,575	\$ 1,462,647
Accounts receivable, net (Note 4)	2,322,879	2,266,354
Inventories, net (Note 5)	719,069	772,013
Other assets (Note 6)	248,975	168,406
Total current assets	<u>4,501,498</u>	<u>4,669,420</u>
Non-current assets		
Loan receivable (Note 9)	151,167	166,165
Investments in associates (Note 7)	160,214	247,877
Property, plant, and equipment, net (Note 8)	6,489,944	6,003,469
Total non-current assets	<u>6,801,325</u>	<u>6,417,511</u>
Total assets	<u>\$ 11,302,823</u>	<u>\$ 11,086,931</u>
Liabilities and shareholder's equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 461,899	\$ 425,331
Value added tax payable	47,414	54,787
Total current liabilities	<u>509,313</u>	<u>480,118</u>
Non-current liabilities		
Security deposits	614,928	595,296
Total liabilities	<u>1,124,241</u>	<u>1,075,414</u>
Shareholders' equity		
Share capital and contributed surplus (Note 10)	2,794,113	2,794,113
Treasury shares reserve (Note 10)	(638,475)	(584,515)
Retained earnings	8,022,944	7,801,919
Total shareholders' equity	<u>10,178,582</u>	<u>10,011,517</u>
Total liabilities and shareholders' equity	<u>\$ 11,302,823</u>	<u>\$ 11,086,931</u>

See accompanying notes.

Commitments and contingencies (Note 15)

Approved on behalf of the Board on March 28, 2018 by:

Director

Director

Bahamas Waste Limited

Statement of Comprehensive Income

(Expressed in Bahamian Dollars)

	Year Ended December 31	
	2017	2016
Continuing operations		
Income		
Sales and services rendered	\$ 11,970,407	\$ 10,992,869
Less: cost of sales and direct expenses (<i>Notes 7 and 11</i>)	(7,772,410)	(7,280,436)
Gross profit	<u>4,197,997</u>	<u>3,712,433</u>
Expenses		
Salaries and related expenses (<i>Notes 12 and 16</i>)	1,448,385	1,398,867
General and administrative (<i>Note 8</i>)	691,930	665,421
Professional fees	250,355	184,732
Repairs and maintenance	195,893	184,060
Business license	146,026	142,785
Bad debts (<i>Note 4</i>)	123,100	43,500
Advertising and promotion	55,518	57,156
Directors' fees (<i>Note 12</i>)	54,000	53,000
Donations	48,099	35,702
Registration and transfer agent fees	41,657	42,054
Office supplies	36,978	39,804
Interest and bank charges	30,067	30,195
Total operating expenses	<u>3,122,008</u>	<u>2,877,276</u>
Income from operations	1,075,989	835,157
Other income (<i>Notes 8 and 9</i>)	152,723	218,669
Share in (loss) income of associates (<i>Note 7</i>)	(87,663)	25,527
Total other income	<u>65,060</u>	<u>244,196</u>
Profit from continuing operations	<u>1,141,049</u>	<u>1,079,353</u>
Discontinued operations		
Loss from discontinued operations (<i>Note 9</i>)	—	(143,623)
Net income and total comprehensive income for the year	<u>\$ 1,141,049</u>	<u>\$ 935,730</u>
Earnings per share (<i>Note 13</i>)	<u>\$ 0.29</u>	<u>\$ 0.23</u>

See accompanying notes.

Bahamas Waste Limited

Statement of Changes in Shareholders' Equity (Expressed in Bahamian Dollars)

	Number of Shares Issued	Share Capital	Contributed Surplus	Treasury Shares Reserve	Retained Earnings	Total
Balance at December 31, 2015	4,200,000	\$ 42,000	2,752,113	(550,465)	7,708,809	\$ 9,952,457
Total comprehensive income	—	—	—	—	935,730	935,730
<i>Transactions with shareholders of the Company:</i>						
Purchase of treasury shares (Note 10)	—	—	—	(34,050)	—	(34,050)
Dividends (Note 14)	—	—	—	—	(842,620)	(842,620)
Balance at December 31, 2016	4,200,000	\$ 42,000	2,752,113	(584,515)	7,801,919	\$ 10,011,517
Total comprehensive income	—	—	—	—	1,141,049	1,141,049
<i>Transactions with shareholders of the Company:</i>						
Purchase of treasury shares (Note 10)	—	—	—	(53,960)	—	(53,960)
Dividends (Note 14)	—	—	—	—	(920,024)	(920,024)
Balance at December 31, 2017	4,200,000	\$ 42,000	\$ 2,752,113	(638,475)	8,022,944	\$ 10,178,582

See accompanying notes.

Bahamas Waste Limited

Statement of Cash Flows (Expressed in Bahamian Dollars)

	Year Ended December 31	
	2017	2016
Operating activities		
Net income from continuing operations	\$ 1,141,049	\$ 1,079,353
Net loss from discontinued operations (Note 9)	—	(143,623)
Net income and comprehensive income for the year	1,141,049	935,730
Adjustments for items not involving use of cash:		
Bad debts expense (Note 4)	123,100	43,500
Reversal of provision (write-down) of obsolete inventory	(3,891)	20,536
Depreciation (Note 8)	1,307,976	1,273,060
Share of loss (gain) from investments in associates (Note 7)	87,663	(25,527)
Gain on disposal of property, plant, and equipment (Note 8)	(18,737)	(42,729)
Change in non-cash working capital items:		
(Increase) decrease in accounts receivable	(179,625)	161,787
Decrease (increase) in inventories	56,835	(56,925)
(Increase) decrease in other assets (including loan receivable)	(65,571)	6,658
Increase (decrease) in accounts payable and accrued liabilities	36,568	(313,627)
(Decrease) increase in value added tax payable	(7,373)	7,675
Increase in security deposits	19,632	35,406
Net cash flow provided by operating activities	2,497,626	2,045,543
Investing activities		
Purchases of property, plant, and equipment (Note 8)	(1,806,753)	(1,030,862)
Proceeds from sale of property, plant, and equipment (Note 8)	31,039	45,426
Net cash flow utilized by investing activities	(1,775,714)	(985,436)
Financing activities		
Purchase of treasury shares	(53,960)	(34,050)
Dividends paid (Note 14)	(920,024)	(842,620)
Net cash flow utilized by financing activities	(973,984)	(876,670)
Net change in cash	(252,072)	183,437
Cash at beginning of the year	1,462,647	1,279,210
Cash at end of the year (Note 3)	\$ 1,210,575	\$ 1,462,647

See accompanying notes.

Bahamas Waste Limited

Notes to Financial Statements *(Expressed in Bahamian Dollars)*

December 31, 2017

1. Corporate Information

Bahamas Waste Limited (the Company) was incorporated under the laws of the Commonwealth of The Bahamas on August 18, 1987. It is engaged in the business of solid and medical waste collection, disposal, and recycling, including the sale, installation, rental, and maintenance of waste compactors and containers. The Company has publicly traded shares which are registered on the Bahamas International Stock Exchange.

The registered office of the Company is located at Alexiou Knowles & Co., St. Andrews Court, Frederick Street, P. O. Box N-4805, Nassau, Bahamas. These financial statements were authorized for issuance by the Company's Board of Directors on March 28, 2018.

2. Summary of Significant Accounting Policies

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Basis of Preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The Company's accounting policies are consistent with those used in the previous financial year.

Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Going Concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates and Assumptions

The key assumptions employed concerning a future event that may have a significant effect on the amounts disclosed in the financial statements are described below. Key assumptions and estimates used are based on information available when the financial statements were prepared. Existing circumstances may change for several reasons which are beyond the Company's control. Such changes are reflected as they occur.

Provisions for doubtful trade receivables

The Company estimates its bad debt based on historical relationships with its customers and specifically reviews all balances that remain outstanding beyond normal credit terms and/or after relationships have been terminated. These balances are provided for in full after services have been terminated, all attempts to collect the amounts have been exhausted and it is likely that they will not be collected.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Bahamas Waste Limited

Notes to Financial Statements (continued) (Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Financial Assets

Initial Recognition, Classification and Measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Transaction costs in respect of financial assets and liabilities at fair value through profit and loss are expensed immediately.

At December 31, 2017, the Company's financial assets included cash, loan receivable and account receivable which are all classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent Measurement

Subsequent to the initial recognition financial assets classified as loans and receivables are carried at amortized cost using the effective interest rate method, less impairment losses, if any.

Accounts receivable, which generally have 30-90 day terms, are recognized and carried at the original invoice amount less an allowance for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Receivables from affiliated companies are recognized and carried at the original invoice amount.

Bahamas Waste Limited

Notes to Financial Statements (continued) (Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of Financial Assets

A financial asset measured at amortized cost is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets measured at amortized cost are tested for impairment on an individual basis and impairment losses are reflected in an allowance account against receivables and are recognized in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized, and is reversed through profit or loss.

Bahamas Waste Limited

Notes to Financial Statements (continued) (Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Financial Liabilities

Initial Recognition, Classification and Measurement

Financial liabilities are classified, at initial recognition, as “financial liabilities measured at amortized cost” or “financial liabilities at fair value through profit or loss”.

The financial liabilities measured at amortized cost are recognized initially at fair value less directly attributable transaction costs. In the case of financial liabilities at fair value through profit or loss, directly attributable costs are recognized in profit or loss as incurred.

As of December 31, 2017, the Company’s financial liabilities include accounts payable and accrued liabilities and security deposits. The Company has not designated any financial liability as “fair value through profit or loss”.

Subsequent Measurement

Financial liabilities are measured at amortized cost using the effective interest rate method.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Bahamas Waste Limited

Notes to Financial Statements (continued) (Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. No such impairment was recorded during the year ended December 31, 2017 (2016 – \$Nil).

Cash

Cash in the statement of financial position comprises cash at banks on demand and on hand. For the purpose of the statement of cash flows, cash consists of cash at banks and on hand as defined above, net of any outstanding bank overdrafts.

Inventories

The Company's inventories represent spare parts and supplies and are valued at the lower of cost and net realizable value. Parts and supplies are valued based on costs incurred in bringing each product to its present location and condition, and are accounted for using the first-in, first-out method. When the parts or supplies are placed into service, the cost thereof is recognized in the statement of comprehensive income as an expense or included to the carrying amount of the relevant category of property, plant and equipment. The condition of the inventory is reviewed on a periodic basis and the amount of any write-down to net realizable value or losses of inventories is recognized as an expense in the period the write-down or loss occurs.

Other Assets

Other assets are carried at cost which is the fair value of the consideration to be received in the future.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Investments in Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investment in its associates is accounted for using the equity method. Under the equity method, the investment in the associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date.

The statement of comprehensive income reflects the Company's share of the profit or loss of the associates. Any change in other comprehensive income of the investee is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associates, the Company recognizes its share of any changes, when applicable, in the statement of changes in shareholders' equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates. The Company's share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside of income from operations and represents profit or loss after tax and non-controlling interests in the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interest that, in substance, forms part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from an associate are accounted for by reducing the carrying amount of the investment.

When the financial statements of an associate is prepared as of a date different from that used by the Company, adjustments are made, when necessary, for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associates. At each reporting date, the Company determines whether there is objective evidence that the investments in the associates are impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss in "share in (loss) income in associates" in the statement of comprehensive income. No impairment charges were recorded at December 31, 2017 (2016 – \$Nil).

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets and operating segments whose carrying amounts will be recovered through a sale within one year from the date of the classification are classified in the statement of financial position as held for sale. These non-current assets and operating segments classified as held for sale are measured at the lower of their carrying amount which approximates fair value. Assets are classified as held for sale only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition and it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

An operating segment is classified as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and is part of a plan to dispose of a separate major line of business. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as loss from discontinued operations in the statement of comprehensive income. Additional disclosures are provided in Note 9. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the combined statement of comprehensive income as incurred.

Bahamas Waste Limited

Notes to Financial Statements (continued) (Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Depreciation is provided on the straight-line basis from the date of acquisition over the estimated useful lives of the assets which are as follows:

Buildings	20 years
Compactors and containers	5 – 7 years
Collection vehicles	3 – 7 years
Office vehicles	3 – 7 years
Furniture and Equipment	6 years
Computer equipment	3 years
Operating equipment	5 – 10 years

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in the combined statement of comprehensive income.

The residual values, useful lives and methods of depreciation of property, plant, and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate. Impairment losses are recognized in profit or loss. No such impairment was recorded during 2017 and 2016.

Accounts Payable and Accrued Liabilities

Liabilities classified as accounts payable and accrued liabilities which are normally settled on 30-60 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to affiliated companies are carried at the original invoice amount.

Security Deposits

Security deposits represent amounts received as deposits from customers at the signing of a customer service contract. The deposits do not bear interest and are either returned to the customer or applied to outstanding billings when service is terminated.

Share Capital

Ordinary share capital is recognized at the fair value of the consideration received by the Company.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Treasury Shares Reserve

The treasury shares reserve, which comprises the Company's ordinary shares which have been repurchased and held as Treasury Shares, are recognized at cost and deducted from Shareholders' Equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale or cancellation of the Treasury Shares. Voting rights related to the Treasury Shares are nullified and no dividends are allocated to them.

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is to be made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

Rental income is accounted for using the accrual basis of accounting on a straight line basis over the lease term and is included in the other income in the statement of comprehensive income.

Taxes

There are no income taxes imposed on the Company in the Commonwealth of The Bahamas; however, a Value Added Tax (VAT) of 7.5% is billed on all services rendered and paid on all goods and services consumed. The difference between amounts billed and paid in connection with VAT is reflected in the statement of financial position as Value added tax payable. Such amount is payable monthly in accordance with the Company's filing requirements. The Company is also required to pay a business license fee of 1.25% of total turnover.

Related Parties

A related party is a person or entity that is related to the Company. A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Employee benefits

The Company's pension plan is a defined contribution plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plan are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reasonably estimated. Any provision for warranties is based on estimates made by management from historical data. Management is of the view that no provision is necessary as of December 31, 2017 (2016 – \$Nil).

Bahamas Waste Limited

Notes to Financial Statements (continued) (Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

Adoption of New and Revised IFRSs

A number of new standards, amendments to standards and interpretations (listed below) were effective for annual periods beginning on 1 January 2017 which were adopted by the Company but did not have any significant impact on the accounting policies, financial position or performance of the Company.

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12)

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. Those which are relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL).

The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

2. Summary of Significant Accounting Policies (continued)

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 16 Leases

IFRS 16 Leases introduces a single, on-balance sheet lease accounting model for lessees. The standard replaces existing leases guidance, including IAS 17. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The directors and management have not completed their assessment of the potential impact of above standards on the Company's financial statements in 2018 and therefore the extent of the impact of these standards has not been disclosed in these financial statements. However, the directors and management are of the opinion that these standards will not have a significant impact on the financial statements.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

3. Cash

For the purpose of the statement of cash flows, cash comprises cash on hand and at the bank at the date of the statement of financial position.

The Company has an agreement with the RBC Royal Bank (Bahamas) Limited (RBC) for an overdraft facility of \$300,000 (2016: \$300,000). The facility is unsecured and bears interest at a rate of Nassau Prime interest rate + 3.00% or 7.25% (2016 – 7.25%). The Company also maintains an overdraft facility at CIBC FirstCaribbean International Bank (Bahamas) Limited (CIBC) of \$100,000 (2016: \$300,000). The facility is unsecured and bears interest at a rate of Nassau Prime interest rate + 3.00% or 7.25% (2016 – 7.25%). At December 31, 2017 and 2016, the Company had \$400,000 of undrawn funds available from its approved overdraft facilities. Additionally, the Company has undrawn facilities of \$ \$450,000 (2016 – \$450,000) with CIBC in respect of the customs bonds and cheque guarantee. The Company also has an unsecured Corporate VISA facility from RBC with a limit of \$50,000 (2016 – \$50,000). As of December 31, 2017, none of this amount was used (2016 – \$Nil).

4. Accounts Receivable, net

Accounts receivable consists of the following:

	2017	2016
Receivables from related parties	\$ 6,492	\$ 12,842
Trade receivables	2,997,987	2,812,012
	3,004,479	2,824,854
Less: provision for doubtful accounts	(681,600)	(558,500)
	\$ 2,322,879	\$ 2,266,354

Accounts receivable are non-interest bearing and are generally on terms of 30 to 90 days.

As at December 31, 2017, accounts receivable with a carrying value of \$155,233 (2016 – \$103,466) were impaired and fully provided for. No accounts were written off in 2017 or 2016, and movements in the provision for impairment include \$32,133 in recovered balances (2016 – \$59,966).

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

4. Accounts Receivable, net (continued)

The ageing analysis of trade receivables, net as at December 31, 2017, follows:

		Net	Neither Past Due Nor Impaired	Past Due But Not Impaired		
				30 Days	60 Days	90 Days or More
2017	\$	2,322,879	884,849	701,435	369,280	367,315
2016	\$	2,266,354	1,136,972	531,445	181,279	416,658

5. Inventories, net

		2017	2016
Spare parts and supplies (at cost)	\$	735,714	\$ 792,549
Less: Provision for obsolete inventory		(16,645)	(20,536)
Inventories (net)	\$	719,069	\$ 772,013

In 2017, inventories of \$56,835 (2016: \$51,392) were recognized as an expense or capitalized during the year and included in cost of sales or property, plant and equipment, accordingly.

6. Other Assets

		2017	2016
Prepaid expenses and other receivables (<i>Note 7</i>)	\$	147,381	\$ 107,395
Employee advances		86,694	48,108
Security deposits		14,900	12,900
	\$	248,975	\$ 168,406

Employee advances are carried at cost which is the fair value of consideration to be received in the future. The amounts are short term, interest free and are repaid via salary deductions.

Bahamas Waste Limited

Notes to Financial Statements (continued) (Expressed in Bahamian Dollars)

7. Investments in Associates

Investment in Green Systems Ltd.

The Company holds a 19% (2016: 19%) interest in the shares of Green Systems Ltd., a company incorporated under the laws of the Commonwealth of The Bahamas and engaged in the business of green waste recycling for the manufacture of mulch, compost, and soil. The Company's interest in Green Systems Ltd. is accounted for using the equity method. During 2017 and 2016, the Company made no additional investments in Green Systems Ltd.

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 97,476	\$ 48,994
Share in net (loss) income of Green Systems Ltd.	(28,579)	48,482
Ending balance	<u>\$ 68,897</u>	<u>\$ 97,476</u>

Investment in Bahamas Sustainable Fuels Ltd. ("BSF")

The Company owns a 49% (2016 – 49%) non-controlling interest in BSF, a company incorporated under the laws of the Commonwealth of The Bahamas and engaged in the business of recycling waste cooking oil into biodiesel. The Company is not involved in the day-to-day operations of BSF and the majority of BSF's directors are not representatives of the Company. As such, the Company does not have control over BSF and therefore its interest in BSF is accounted for using the equity method.

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 150,401	\$ –
Increase in Investment	–	173,356
Share in net (loss) for the year	(59,084)	(22,955)
Ending balance	<u>\$ 91,317</u>	<u>\$ 150,401</u>

As at December 31, 2017, the Company had entered into the following contractual agreements with BSF:

- An operating lease over buildings housing the recycling equipment. The initial term of the lease is for 7 years, with the option to renew for two additional terms of 5 years each. Lease payments are \$1,197 per month. The lease commenced on January 7, 2016 (see Note 9).

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

7. Investments in Associates (continued)

- An exclusive agreement for the purchase of renewable fuels, with a monthly minimum of 15,000 gallons of B50 blended fuel, subject to production volumes. The B100 biodiesel used in the blend is priced at 5% below the Diesel Benchmark Price as published by the Company's supplier. The agreement is for a period of 12 months and is renewable annually. Blended fuel purchased under this agreement in 2017 totaled \$612,343 (2016 – \$308,952) and is included in the statement of other comprehensive income as cost of sales and direct expenses.
- Additionally, during the year, the Company extended a line of credit to BSF for the purposes of settling operating expenses totalling \$615,369 (2016 – \$287,067) and lease payments of \$14,256 (2016 – \$6,000). These payments were offset against the fuel purchases from BSF of \$612,343 (2016– \$308,952), resulting in a net receivable from BSF of \$33,167 (2016 – \$15,885; Notes 6 and 12), which is included in “prepaid expenses and other receivables” in Other Assets.

The following table summarizes the financial information of the associates:

	Green Systems Ltd.	Bahamas Sustainable Fuels Ltd.
December 31, 2017		
Assets	\$ 380,865	\$ 318,770
Liabilities	107,502	136,232
Equity	273,363	182,538
Revenue	174,388	631,929
Expenses	324,480	752,509
Net loss	(150,092)	(120,580)
December 31, 2016		
Assets	\$ 531,852	\$ 400,409
Liabilities	118,381	97,291
Equity	413,471	303,118
Revenue	607,933	329,926
Expenses	352,766	379,189
Net income/(loss)	255,167	(49,263)

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

8. Property, Plant, and Equipment

The movement of property, plant, and equipment for the year ended December 31, 2017, was as follows:

	Opening Balance	Additions	Disposals	Ending Balance
Cost				
Land	\$ 986,508	–	–	\$ 986,508
Buildings	4,558,534	356,164	–	4,914,668
Compactors and containers	9,533,670	786,346	(21,090)	10,298,926
Collection vehicles	7,937,181	457,307	(227,403)	8,167,085
Office vehicles	131,660	9,613	–	141,273
Furniture and equipment	578,253	11,438	–	589,691
Computer equipment	312,036	13,424	–	325,460
Operating equipment	462,288	172,491	–	634,779
	<u>24,500,130</u>	<u>1,806,753</u>	<u>(248,493)</u>	<u>26,058,390</u>
Depreciation				
Land	–	–	–	–
Buildings	2,671,327	261,272	–	2,932,599
Compactors and containers	8,306,517	494,148	(8,788)	8,791,877
Collection vehicles	6,286,247	469,840	(227,403)	6,528,684
Office vehicles	125,384	9,531	–	134,915
Furniture and equipment	475,256	38,245	–	513,501
Computer equipment	280,224	12,457	–	292,681
Operating equipment	351,706	22,483	–	374,189
	<u>18,496,661</u>	<u>1,307,976</u>	<u>(236,191)</u>	<u>19,568,446</u>
2017 Net book value	\$ 6,003,469	498,777	(12,302)	\$ 6,489,944

During the year, the Company sold certain assets with a carrying amount of \$12,302 for \$31,039 and recognized a gain of \$18,737 which is included in other income in the statement of comprehensive income. Also during the year, land with a carrying value of \$986,508 and on which the Company's operating facility is located was appraised at a current market value of \$3,901,500. This value was determined based on a valuation performed in December 2017 by Coldwell Banker Lightbourn Realty, a registered independent appraiser having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

8. Property, Plant, and Equipment (continued)

The movement of property, plant, and equipment for the year ended December 31, 2016, was as follows:

	Opening Balance	Additions	Disposals	Ending Balance
Cost				
Land	\$ 986,508	-	-	\$ 986,508
Buildings	4,408,296	150,238	-	4,558,534
Compactors and containers	9,133,830	399,840	-	9,533,670
Collection vehicles	7,800,991	399,806	(263,616)	7,937,181
Office vehicles	127,731	3,929	-	131,660
Furniture and equipment	536,554	41,699	-	578,253
Computer equipment	305,203	6,833	-	312,036
Operating equipment	605,439	28,517	(171,668)	462,288
Assets held for sale	745,364	-	(745,364)	-
	<u>24,649,916</u>	<u>1,030,862</u>	<u>(1,180,648)</u>	<u>24,500,130</u>
Depreciation				
Land	-	-	-	-
Buildings	2,421,202	250,125	-	2,671,327
Compactors and containers	7,868,382	438,135	-	8,306,517
Collection vehicles	6,067,759	474,649	(256,161)	6,286,247
Office vehicles	107,434	17,950	-	125,384
Furniture and equipment	419,715	55,541	-	475,256
Computer equipment	265,386	14,838	-	280,224
Operating equipment	500,847	21,822	(170,963)	351,706
Assets held for sale	411,245	-	(411,245)	-
	<u>18,061,970</u>	<u>1,273,060</u>	<u>(838,369)</u>	<u>18,496,661</u>
2016 Net book value	\$ 6,587,946	(242,198)	(342,279)	\$ 6,003,469

Depreciation expense is allocated to cost of sales and direct expenses (Note 11) in the amount of \$1,022,967 (2016 – \$952,862) and general and administrative expenses in the amount of \$285,009 (2016 – \$320,198).

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

9. Assets Held for Sale and discontinued operations

On April 27, 2016, the Board of Directors approved the winding up of the old corrugated cardboard (OCC) recycling division. The closure was completed on December 6, 2016, with the sale of the fully depreciated operating equipment to independent third parties and the redeployment of employees to other divisions within the Company. As at December 31, 2016, the division was classified as discontinued operations and realized gains on the sale of equipment of \$42,729 are included in Other Income in the Statement of Comprehensive Income for the year ended December 31, 2016. Obsolete inventory relating to the OCC operations with a carrying value of \$8,840 were provided for at December 31, 2016. During 2017, the Company began the repurposing of buildings with a net book value of \$345,706 and which previously housed the OCC Recycling Division to accommodate the Company's equipment maintenance activities.

On December 15, 2015, the Board of Directors approved the transfer of the equipment and vehicles used in the WVO Recycling Division to BSF. The transfer was completed on January 7, 2016, and the Company sold 51% of its interest in these assets to 700 Islands Energy Limited, a Bahamian Company, for the sum of \$180,433. The purchase of these assets by 700 Islands Energy Limited was financed through a 10 year loan facility, with interest of 5% per annum and monthly payments of \$1,914. The loan is secured by a pledge of 700 Islands Energy Limited shares in BSF made in favor of the Company and the current balance on the loan receivable is \$151,167 (2016 – \$166,165). In addition to the transfer of assets, the Company entered into an operating lease with BSF over the building which previously housed the Company's waste vegetable oil recycling operations.

2016 losses from discontinued operations related to the OCC Recycling Division totaled \$143,623.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

10. Share Capital

	2017	2016
Authorized: 10,000,000 ordinary shares of \$0.01 (2017 and 2016 – 10,000,000 shares of \$0.01 each)	100,000	100,000
Issued and fully paid: 4,200,000 ordinary shares of \$0.01 (2017 and 2016 – 4,200,000 shares)	\$42,000	\$42,000

On October 24, 2012, the Company's Board of Directors approved a program for the repurchase of up to 10% (420,000) of its outstanding ordinary shares over the 36-month period ending October 31, 2015. The Board of Directors approved the extension of the share repurchase program on October 24, 2015, for a further 36-month period ending October 31, 2018.

As at the date of the statement of financial position, the Company had repurchased 207,522 (2016 – 192,474) ordinary shares for a total of \$638,475 (2017 - \$584,515). The repurchased shares are held in Treasury and cannot be released without the consent of the Board.

11. Cost of Sales and Direct Expenses

Cost of sales and direct expenses comprise the following:

	2017	2016
Salaries and related expenses	\$ 3,707,109	\$ 3,561,160
Repairs and maintenance	2,054,149	1,740,997
Depreciation expense (<i>Note 8</i>)	1,022,967	952,862
Fuel	897,650	707,956
Other	90,535	317,461
	\$ 7,772,410	\$ 7,280,436

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

12. Related-Party Balances and Transactions

The following is a summary of the balances at December 31, 2017 and 2016, and the transactions during the year then ended with related parties, not disclosed elsewhere in these financial statements:

	2017	2016
Accounts receivable	\$ 6,492	\$ 13,558
Other assets	\$ 80,826	\$ 15,885
Purchases of property, plant, and equipment	\$ 31,653	\$ 47,395
Accounts payable and accrued liabilities	\$ 1,564	\$ 1,644
Sales and services rendered	\$ 41,676	\$ 62,291
Repairs and maintenance – cost of sales	\$ 612,343	\$ 308,952
Chairman’s compensation	\$ 86,621	\$ 67,671

Compensation of key management personnel of the Company:

	2017	2016
Short-term employee benefits	\$ 781,142	\$ 765,558
Defined contribution pension and medical insurance expense	140,399	115,008
Total compensation paid to key management personnel	<u>\$ 921,541</u>	<u>\$ 880,566</u>

Pursuant to an approval from the Board of Directors, the Chairman of the Board also provides consulting services to the Company. Amounts paid relative to this agreement for the year ended December 31, 2017, include fees of \$48,360 (2016 – \$48,360) and incidentals of \$38,261 (2016 – \$19,311), inclusive of telephone and medical insurance expenses. These fees are included in professional fees, salaries and related expenses, and general and administrative expenses. The Chairman of the Board is also a major shareholder of the Company. The other non-executive directors were paid directors’ fees of \$54,000 (2016 – \$53,000) for services rendered and travel expenses and do not receive any other types of benefits from the Company.

Bahamas Waste Limited

Notes to Financial Statements (continued) (Expressed in Bahamian Dollars)

13. Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	<u>2017</u>	<u>2016</u>
Net income attributable to ordinary shares	\$ 1,141,049	\$ 935,730
Weighted average number of ordinary shares outstanding	4,001,302	4,013,774
Earnings per share	\$ 0.29	\$ 0.23

Earnings per share of \$0.29 is comprised of net income per share from continuing operations of \$0.29 and net loss per share from discontinued operations of \$nil (2016 – \$0.26 and (\$0.03), respectively).

There were no dilutive securities outstanding during 2017 and 2016.

14. Dividends

Dividends are declared at the discretion of the Board of Directors. A dividend payout ratio of 50% – 70% of net income is used as a basis for declared amounts, subject to the capital requirements and liquidity of the Company. During 2017, dividends totaling \$920,024 (2016 – \$842,620) were declared by the Board of Directors and paid on May 29, 2017 (\$0.09 per share) and November 24, 2017 (\$0.14 per share).

15. Commitments and Contingencies

The Company guarantees all compactors sold for a 60-day period from the date of sale. Any claims pursuant to these guarantees are reimbursable by the manufacturer. As of December 31, 2017 and 2016, no such claims were received by the Company.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

16. Employee Pension Plan

The Company began a defined contribution pension plan on July 1, 2004. The manager of the plan is Colina Financial Advisors Ltd. The Company matches up to 5% of the contributions of the participants of the plan. Contributions to the plan for 2017 amounted to \$171,494 (2016 – \$160,973). Participants are entitled upon termination, retirement, disability, or death, to redeem their portion of the plan's assets, and are entitled to a portion of the Company's contributions after participation in the plan for a minimum of 5 years, with complete vesting after 10 years of participation.

17. Financial Risk Management

General

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits, and other controls. The process of risk management is critical to the Company's ongoing profitability and each individual within the Company is accountable for the risk exposures related to their responsibilities. The Company is exposed to credit risk, liquidity risk, interest rate risk, and market risk. The Company is also subject to general operating risk.

The risk control process does not include business risks such as changes in the environment, technology, and industry. These risks are managed through the Company's strategic management processes.

Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risk. The Company does not have a significant amount of financial risk due to its operations and as such, separate committees on the Board of Directors are not considered necessary. The Company does not have any trading positions.

Risk Measurement

The Company's risks are measured using a method which reflects both expected and unexpected losses. The risk measurements are based on historical experiences. Based on historical experience there are no significant risks of loss from liquidity risks, interest rate risks, or market risks.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

17. Financial Risk Management (continued)

Risk Concentrations and Credit Risk

The Company is exposed to credit risk which primarily arises from the Company's trade receivables. Most of the Company's trade receivables are from customers which are companies and individuals located in The Bahamas. The Company manages the credit risk of accounts receivable by evaluating the creditworthiness of its customers and by implementing procedures to follow up on a regular basis on the collection of any balances in arrears. The top five of the Company's customers contributed to 11% (2016 – 15%) of the Company's outstanding accounts receivable and 26% (2016 – 27%) of the Company's annual sales and services rendered.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. This risk is mitigated due to management's ability to temporarily borrow funds from its bankers and the monitoring of cash flow needs by management on a daily basis.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Company's exposure to interest rate risk relates primarily to the overdraft facility and loan receivable.

Interest rate risk on the Company's overdraft facilities and loan receivable is not material.

Net Fair Value of Financial Instruments and Market Risk

Financial instruments utilized by the Company include recorded assets and liabilities. The Company's financial instruments are either short-term in nature or have interest rates that automatically reset to market on a periodic basis. Where financial assets and liabilities have fixed rates, those rates approximate market interest rates in its operating environment. Accordingly, the estimated fair value is not significantly different from the carrying value for each major category of the Company's recorded assets and liabilities, except for the loan receivable, the fair value of which is estimated to be \$134,531 (2016 – \$146,510). This fair value is estimated using the discounting the estimated future cash flows expected to be received using market interest rates. The Company considers these fair values to be in level 3 in the fair value measurement hierarchy.

Bahamas Waste Limited

Notes to Financial Statements (continued)

(Expressed in Bahamian Dollars)

17. Financial Risk Management (continued)

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted market prices (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

18. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. No changes were made in the objectives, policies, or processes during the years ended December 31, 2017 and 2016.

The Company monitors capital ratios which compare income, assets, and liabilities to capital. The Company does not have any statutory or regulatory capital requirements and as such, management adjusts capital levels as required for the Company's future development plans and returns the capital to its shareholders in line with the dividend policy approved by the Board of Directors (see Note 14).

19. Subsequent Events

There were no significant events occurring after the reporting period that require adjustment to or disclosure in the financial statements.