

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Bahamas Waste Limited
Six Months Ended June 30, 2016

Ernst & Young



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Bahamas Waste Limited

Interim Condensed Financial Statements (Unaudited)

Six Months Ended June 30, 2016

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Bahamas Waste Limited

Interim Statement of Financial Position (Unaudited) (Expressed in Bahamian Dollars)

| | June 30 2016 | December 31 2015 |
|---|-------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 1,640,252 | \$ 1,279,210 |
| Accounts receivable, net | 2,145,995 | 2,471,641 |
| Inventories | 738,212 | 700,085 |
| Prepaid expenses and other receivables | 412,295 | 175,064 |
| Total current assets | 4,936,754 | 4,626,000 |
| Non-current assets | | |
| Loan Receivable | 173,388 | – |
| Investment in associates | 222,350 | 48,994 |
| Property, plant, and equipment, net | 6,010,453 | 6,253,825 |
| Total non-current assets | 6,406,191 | 6,302,819 |
| Assets held for sale | – | 369,598 |
| Total assets | \$ 11,342,945 | \$ 11,298,417 |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 770,047 | \$ 786,070 |
| Total current liabilities | 770,047 | 786,070 |
| Non-current liabilities | | |
| Security deposits | 567,185 | 559,890 |
| Total liabilities | 1,337,232 | 1,345,960 |
| Shareholders' equity | | |
| Share capital and contributed surplus | 2,794,113 | 2,794,113 |
| Treasury shares | (566,929) | (550,465) |
| Retained earnings | 7,778,529 | 7,708,809 |
| Total shareholders' equity | 10,005,713 | 9,952,457 |
| Total liabilities and shareholders' equity | \$ 11,342,945 | \$ 11,298,417 |

Commitments and contingencies (Note 6)

See accompanying notes to interim condensed financial statements (unaudited).

Bahamas Waste Limited

Interim Condensed Statement of Comprehensive Income (Unaudited) (Expressed in Bahamian Dollars)

| | Three Months Ended June 30 | |
|--|-----------------------------------|--------------|
| | 2016 | 2015 |
| Sales and services rendered | \$ 5,270,817 | \$ 5,542,905 |
| Cost of sales and direct expenses | (3,479,373) | (3,680,354) |
| Gross profit | 1,791,444 | 1,862,551 |
| Expenses | | |
| Operating | 1,347,428 | 1,352,201 |
| Interest and bank charges | 13,173 | 13,640 |
| Total operating expenses | 1,360,601 | 1,365,841 |
| Net income being comprehensive income for the period | \$ 430,843 | \$ 496,710 |
| Earnings per share (Note 4) | \$ 0.11 | \$ 0.12 |

See accompanying notes to interim condensed financial statements (unaudited).

Bahamas Waste Limited

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

| | Number of Shares Issued | Share Capital | Contributed Surplus | Treasury Shares | Retained Earnings | Total |
|---|------------------------------------|--------------------------|--------------------------------|----------------------------|------------------------------|----------------------|
| Balance at December 31, 2015 | \$ 4,200,000 | \$ 42,000 | \$ 2,752,113 | \$ (550,465) | \$ 7,708,809 | \$ 9,952,457 |
| Purchase of treasury shares | – | – | – | (16,464) | – | (16,464) |
| Net income being comprehensive income for the period | – | – | – | – | 430,843 | 430,843 |
| Dividends paid | | | | | (361,123) | (361,123) |
| Balance at June 30, 2016 | \$ 4,200,000 | \$ 42,000 | \$ 2,752,113 | \$ (566,929) | \$ 7,778,529 | \$ 10,005,713 |

| | Number of Shares Issued | Share Capital | Contributed Surplus | Treasury Shares | Retained Earnings | Total |
|---|------------------------------------|--------------------------|--------------------------------|----------------------------|------------------------------|----------------------|
| Balance at December 31, 2014 | \$ 4,200,000 | \$ 42,000 | \$ 2,752,113 | \$ (367,117) | \$ 7,399,543 | \$ 9,826,539 |
| Purchase of treasury shares | – | – | – | (59,998) | – | (59,998) |
| Net income being comprehensive income for the period | – | – | – | – | 496,710 | 496,710 |
| Dividends paid | | | | | (203,711) | (203,711) |
| Balance at June 30, 2015 | \$ 4,200,000 | \$ 42,000 | \$ 2,752,113 | \$ (427,115) | \$ 7,692,542 | \$ 10,059,540 |

See accompanying notes to interim condensed financial statements (unaudited)

Bahamas Waste Limited

Interim Statements of Cash Flows (Unaudited)

(Expressed in Bahamian Dollars)

| | Six Months Ended June 30 | |
|---|---------------------------------|-------------------|
| | 2016 | 2015 |
| Operating activities | | |
| Net income being comprehensive income for the period | \$ 430,843 | \$ 496,710 |
| Adjustments for items not involving use of cash: | | |
| Bad debt expense | 43,500 | 80,404 |
| Gain on disposal of property, plant, and equipment | – | (15,000) |
| Amortization of intangible assets | – | 12,500 |
| Depreciation | 633,731 | 658,148 |
| | 1,108,074 | 1,232,762 |
| Change in non-cash working capital items: | | |
| Decrease (increase) in accounts receivable | 282,146 | (159,483) |
| (Increase) decrease in inventories | (38,127) | 9,736 |
| Increase in prepaid expenses and other receivables | (237,231) | (65,558) |
| Increase in loan receivable | (173,388) | – |
| Increase (decrease) in accounts payable and accrued liabilities | (16,022) | 201,275 |
| Increase in security deposits | 7,295 | 3,328 |
| Net cash flow provided by operating activities | 932,747 | 1,222,060 |
| Investing activities | | |
| Purchases of property, plant, and equipment | (374,551) | (894,464) |
| Proceeds from sale of property, plant and equipment | – | 15,000 |
| Net cash flow used in investing activities | (374,551) | (879,464) |
| Financing activities | | |
| Loan receivable Bahamas Sustainable Fuels Ltd. | 180,433 | – |
| Purchases of treasury stock | (16,464) | (59,998) |
| Dividends | (361,123) | (203,711) |
| Net cash flow used in financing activities | (197,154) | (263,709) |
| Net change in cash | 361,042 | 78,887 |
| Cash, at beginning of the period | 1,279,210 | 793,612 |
| Cash, at end of the period | \$ 1,640,252 | \$ 872,499 |
| Interest paid | \$ – | \$ 89 |

See accompanying notes to interim condensed financial statements (unaudited).

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited) (Expressed in Bahamian Dollars)

June 30, 2016

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 and disposal, 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 (BISX).

The quarter ends of the Company fall on March 31, June 30, and September 30, with the year-end of the Company being December 31. The latest audited accounts of the Company were prepared as at December 31, 2014, and the year then ended in its reporting currency Bahamian Dollars.

The interim condensed financial statements (unaudited) for June 30, 2016, were authorized for issue by the directors on August 9th, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

These interim condensed financial statements (unaudited) for June 30, 2016, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The interim condensed financial statements (unaudited) do not include all of the information and Company's disclosures required in the annual financial statements, and should be read in conjunction with the December 31, 2015, audited financial statements.

The accounting policies adopted in the preparation of the interim condensed financial statements (unaudited) are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015.

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited) (continued) (Expressed in Bahamian Dollars)

3. Earnings Per Share

Earnings per share of \$0.11 (June 2015 – \$0.12) were calculated based on the shares outstanding at the end of the period, which approximated average shares outstanding during the period.

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Shares outstanding at end of period/year | 4,012,478 | 4,055,128 |

4. Related-Party Transactions and Balances

During the quarter, the Company entered into transactions with related parties. All transactions and balances were conducted at arm's length. There were significant obligations to the related parties for the three months ended June 30, 2016 and 2015.

5. Treasury Stock

On October 24, 2015, the Board of Directors authorized the purchase of up to 10% (420,000) of the Company's outstanding common shares over the 36 month period ending October 31, 2018. During the six months ended June 30, 2016, 3,700 common shares were repurchased (June 2015: 19,000).

6. Commitments and Contingencies

The Company guarantees its compactors sales for a 60-day period from the date of purchase. The Company is reimbursed by the manufacturer for any claims paid under such guarantees.

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited) (continued) (Expressed in Bahamian Dollars)

7. Segment Information

For management purposes, operating divisions are grouped into three reportable segments as follows, based on the general nature of services:

- Collections include all solid and wet waste collection, treatment and disposal, including roll-on/roll-off and rear load collections, medical waste collections, portable toilet services.
- OCC Recycling collects and bales various paper products for export.
- Corporate Administration provides oversight and administrative support to all divisions.

On December 31 the Company discontinued its WVO Recycling which entailed the collection of waste cooking oil and the conversion of same into biodiesel for use in various vehicles and equipment across the operating divisions. On January 7, 2016, the Company completed the transfer of all its operating equipment and vehicles relative to this segment to a new entity, Bahamas Sustainable Fuels Limited.

Management monitors the operating results of its various divisions for the purpose of performance assessment, particularly with respect to the start-up and growth of its new recycling ventures. Administrative overheads are managed on a group basis and are, therefore, viewed separately and are not allocated to operating segments.

| Three Months Ended June 30, 2016 | Collections | WVO Recycling | OCC Recycling | Corporate | Total |
|---|--------------------|--------------------------|--------------------------|------------------|---------------|
| Revenue | | | | | |
| External customers | \$ 5,206,889 | \$ – | \$ 23,575 | \$ 40,353 | \$ 5,270,817 |
| Total revenue | \$ 5,206,889 | \$ – | \$ 23,575 | \$ 40,353 | \$ 5,270,817 |
| Results | | | | | |
| Depreciation and amortization | \$ (465,932) | \$ – | \$ (30,628) | \$ (137,171) | \$ (633,731) |
| Operating expenses | (2,880,495) | – | (102,318) | (1,223,430) | (4,206,243) |
| Segment profit | \$ 1,860,462 | \$ – | \$ (109,371) | \$ (1,320,248) | \$ 430,843 |
| Operating assets | \$ 6,916,374 | \$ – | \$ 433,394 | \$ 3,993,177 | \$ 11,342,945 |
| Operating liabilities | \$ 1,013,348 | \$ – | \$ – | \$ 323,883 | \$ 1,337,231 |

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited) (continued) (Expressed in Bahamian Dollars)

7. Segment Information (continued)

| Three Months Ended June 30, 2015 | Collections | WVO Recycling | OCC Recycling | Corporate | Total |
|-------------------------------------|---------------------|---------------------|---------------------|-----------------------|----------------------|
| Revenue | | | | | |
| External customers | \$ 5,466,035 | \$ – | \$ 23,089 | \$ 53,781 | \$ 5,542,905 |
| Inter-segment | (100,281) | 103,813 | (3,532) | – | – |
| Total revenue | <u>\$ 8,365,754</u> | <u>\$ 103,813</u> | <u>\$ 19,557</u> | <u>\$ 53,781</u> | <u>\$ 5,542,905</u> |
| Results | | | | | |
| Depreciation and amortization | \$ (458,003) | \$ (59,150) | \$ (36,677) | \$ (116,818) | \$ (670,648) |
| Operating expenses | (2,822,661) | (212,503) | (91,360) | (1,249,023) | (4,375,547) |
| Segment profit | <u>\$ 2,085,090</u> | <u>\$ (167,840)</u> | <u>\$ (108,480)</u> | <u>\$ (1,312,060)</u> | <u>\$ 496,710</u> |
| Operating assets | <u>\$ 7,101,356</u> | <u>\$ 822,624</u> | <u>\$ 482,156</u> | <u>\$ 2,714,358</u> | <u>\$ 11,120,494</u> |
| Operating liabilities | <u>\$ 815,213</u> | <u>\$ –</u> | <u>\$ –</u> | <u>\$ 245,741</u> | <u>\$ 1,060,954</u> |

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