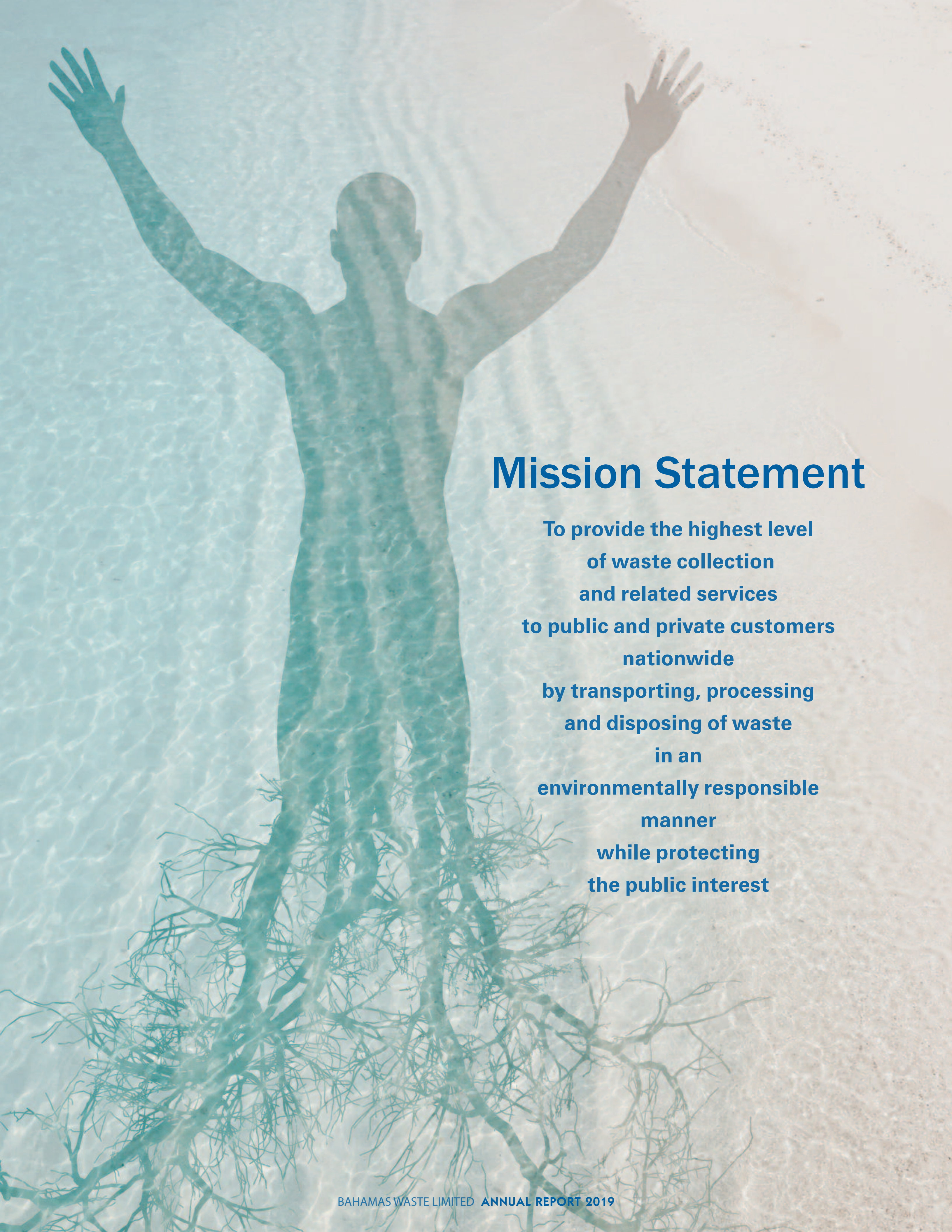
BAHAMAS WASTE

ANNUAL REPORT 2019



Mission Statement

**To provide the highest level
of waste collection
and related services
to public and private customers
nationwide
by transporting, processing
and disposing of waste
in an
environmentally responsible
manner
while protecting
the public interest**

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Message from the Chairman

Well, here we are, thirty-two years later, still with glowing reports. We experienced an increase in sales from prior year. The fact that we continue to cope well with the various challenges thrown at us is undoubtedly due to our excellent management and staff. It is expected that 2020 will challenge us even more as we face the pandemic of Covid-19 and all of its ramifications.

There are several events worthy of mention. Significantly, after sixteen years of superb performance, our CFO Disa Campbell has moved on and we thank her for her loyalty and dedication. She helped guide us through the many changes in the accounting world without any interruptions. We will miss her and wish her well.

During the past year the contract to manage the public dump was awarded to a consortium. They have done an excellent job of it which benefits all aspects of our operations. Our vehicles now have a quicker turn-around time and we incur fewer mechanical problems on the site itself. Well done!

The introduction of our new GPS system has resulted in increased efficiency as it allows us to track all of our vehicles in real time. This tool is particularly helpful when it comes to emergency pick-ups.

While Dorian impacted Abaco and Grand Bahama primarily, the almost total destruction of several communities have affected the entire Bahamas to a greater extent than we could have imagined. Unfortunately, recovery will take longer than expected and the impact will be felt for several years to come. Bahamas Waste has reacted and assisted where able. We will continue to do so.

I offer special thanks to our Board of Directors for their wisdom and guidance over the years. Their wealth of experience and knowledge helps guide us through an ever-changing landscape where it is no longer "business as usual."

Peter Andrews
Chairman

Managing Director's Report

I am very pleased with the 2019 results, as we closed with a sound performance. Results indicate an increase in total revenue, as well as a healthy equity position. We experienced good revenue improvements in most divisions and I am satisfied that all departments continue to work hard to control their operating costs, while maintaining efficiency and productivity levels.

We are pleased with the share price, total dividends paid of just over $1,000,000 and the purchase of 4,500 Treasury shares. Our share price remains high at just over $6.00 as at December 31, 2019.

We continue to offer exceptional Residential Collection to our customers and have even addressed complaints from non-customers who are under-served by their contractors, by going into some neighborhoods on a private contract basis. Unfortunately, these efforts have not yielded any additional island-wide contract offers so far and we remain with the original two contracts. On the community service front, we did not introduce any new themed trucks in 2019, but are working with our PR Team to get some new and exciting trucks and equipment out in 2020.

Typically, we don't like blowing our own horn and as a result get little to no recognition, but this past year, especially Post Dorian, I am just so proud of our efforts in Abaco and New Providence.

In Abaco we provided restrooms and service for 4 months. While in New Providence we worked along with Odyssey for the Evacuation efforts, as well as at the NSA and Fox Hill Shelters, the New Providence Community Church (NPCC), HeadKnowles and many more. We are also extremely proud of our continued support of our nation's youth, elderly, disabled, disadvantaged, special needs, environment and many other groups through our sustained and continued in-kind sponsorship of the many organizations that care for them (a special shout out to Rotary and the Bahamas National Trust). We are also proud of our continued support to the National Sports Authority (NSA), BFA, National Tennis Center, as well as our continued service to Freedom Farm's and The Junior Baseball League of Nassau's youth baseball/softball programs.

As the leading Corporate and only Publicly Traded Waste Company in The Bahamas, we realize and understand that there are a lot of less fortunate people and groups that need our help. We continue to strive to provide as much assistance as we can.

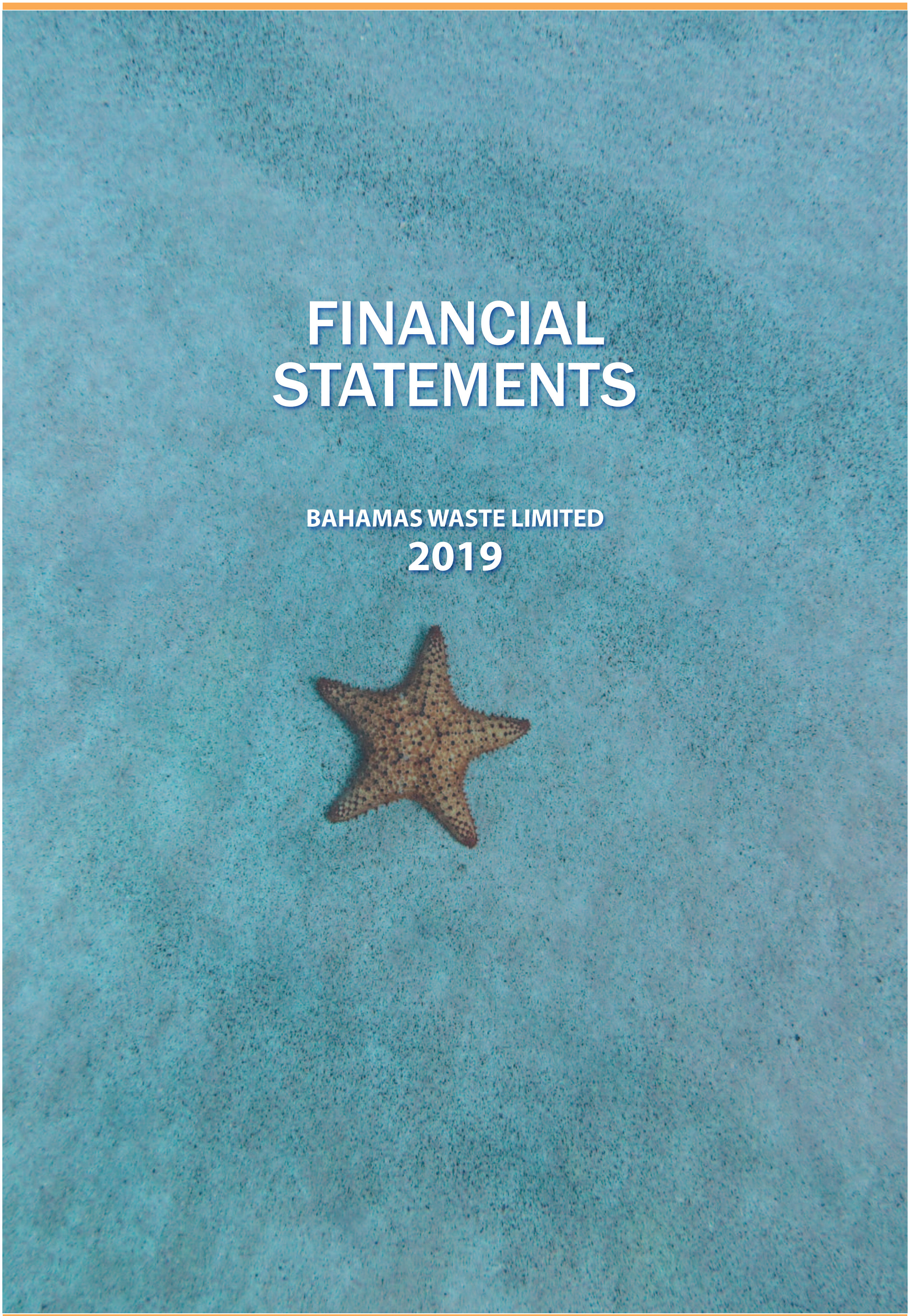
I would like to again thank all of our customers. We know you have a choice and the entire organization appreciates the fact that you have chosen us to service your waste collection needs.

To our employees - the drivers, helpers, mechanics, service technicians, office staff, managers, supervisors, our ENTIRE TEAM who work very hard every day to get the job done, thank you!

Finally, I would like to thank our Shareholders and Directors for their trust in me and the Management Team. We look forward to new and exciting challenges in the years to come.

Francisco deCardenas
Managing Director

Francisco deCardenas



FINANCIAL STATEMENTS

BAHAMAS WASTE LIMITED
2019

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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, 2019, 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, 2019, 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 ("ISA"). 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.

Impairment of trade receivables

As of December 31, 2019, the Company's trade receivables and allowance for impairment losses are $3,098,772 and $639,977, respectively (see note 5).

The risk:	***Our response:***
Impairment of trade receivables was considered to be a key audit area primarily for the following reasons: Inadequate allowance for impairment losses could have a material financial impact on the Company's financial statements, should a material impairment loss occur without adequate allowance for expected credit losses (ECL) being made.	In assessing the impairment of trade receivables, we performed the following procedures: • Obtained an overall understanding of the Company's methodology to determine the allowance for ECL in respect of trade receivables under IFRS 9;

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<table>
<tr><td colspan="2">Impairment of trade receivables (continued)
As of December 31, 2019, the Company's trade receivables and allowance for impairment losses are $3,098,772 and $639,977, respectively (see note 5).</td></tr>
<tr><td>Significant judgments are made in assessing the impairment of trade receivables, requiring use of subjective estimates and significant judgments to determine both the timing and measurement of ECL.

Key judgments and estimates in respect of the timing and measurement of ECL include:

• Assumptions used in the ECL calculation such as historical default rates and forward-looking information (inflation and GDP growth rates).

• The identification of exposures with a significant deterioration in credit quality.

• Completeness and accuracy of underlying data used to calculate ECL.

• Accuracy and adequacy of related financial statement disclosures under IFRS 9.</td><td>• Reviewed the internal controls implemented by the Company to assess recoverability of its trade receivables and determination of the related allowance for ECL;

• Tested and assessed key inputs, assumptions, and formulas used by management to calculate the allowance for ECL;

• Compared the default rates of related trade accounts receivable used by management against historical default rates;

• Evaluated forward-looking information used through trend analysis and corroboration using publicly available information; and

• Evaluated the disclosures made in the financial statements.</td></tr>
</table>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2019 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 ISA 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 ISA, 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 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.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

KPMG

June 23, 2020
Nassau, Bahamas

STATEMENT OF FINANCIAL POSITION

(Expressed in Bahamian Dollars)

	December 31 2019	December 31 2018
Assets		
Current assets	-	
Cash *(Note 4)*	$ 1,607,263	$ 1,249,239
Accounts receivable, net *(Note 5)*	2,462,415	2,352,377
Inventories, net *(Note 6)*	816,533	758,133
Other assets *(Note 7)*	302,692	533,646
Total current assets	**5,188,903**	4,893,395
Non-current assets		
Loan receivable *(Note 8)*	118,826	135,398
Investments in associates *(Note 8)*	69,790	100,980
Property, plant and equipment, net *(Note 9)*	6,488,102	6,594,331
Total non-current assets	**6,676,718**	6,830,709
Total assets	**$ 11,865,621**	$ 11,724,104
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(Note 12)*	$ 594,546	$ 512,375
Value added tax payable	66,700	70,760
Total current liabilities	**661,246**	583,135
Non-current liabilities		
Security deposits	702,936	653,374
Total liabilities	**1,364,182**	1,236,509
Shareholders' equity		
Share capital *(Note 10)*	42,000	42,000
Contributed surplus *(Note 10)*	2,752,113	2,752,113
Treasury shares reserve *(Note 10)*	(700,200)	(675,649)
Retained earnings	8,407,526	8,369,131
Total shareholders' equity	**10,501,439**	10,487,595
Total liabilities and shareholders' equity	**$ 11,865,621**	$ 11,724,104

See accompanying notes to financial statements.

Commitments and contingencies *(Note 15)*

Approved on behalf of the Board on June 23, 2020 by:

STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Bahamian Dollars)

	Year ended December 31	
	2019	2018
Income		
Sales and services rendered *(Note 12)*	$ 12,994,162	$ 12,629,012
Less: cost of sales and direct expenses *(Note 11)*	(8,130,098)	(7,940,748)
Gross profit	**4,864,064**	4,688,264
Expenses		
Salaries and related expenses *(Note 16)*	1,706,946	1,595,125
General and administrative	754,363	728,401
Repairs and maintenance	279,568	268,797
Business license	163,778	157,312
Professional fees	129,448	195,405
Donations	76,226	72,875
Advertising and promotion	56,039	66,900
Directors' fees *(Note 12)*	51,000	54,000
Office supplies	49,500	41,113
Registration and transfer agent fees	48,519	33,787
Interest and bank charges	47,861	39,060
Impairment losses, net *(Note 17)*	38,613	141,319
Total operating expenses	**3,401,861**	3,394,094
Income from operations	1,462,203	1,294,170
Other income	110,275	112,731
Share in net loss of associates *(Note 8)*	(31,190)	(59,233)
Bad debt expense - associate *(Note 7)*	(468,254)	–
Total other (loss) income	**(389,169)**	53,498
Net income and total comprehensive income for the year	**$ 1,073,034**	$ 1,347,668
Earnings per share *(Note 13)*	**$ 0.27**	$ 0.34

See accompanying notes to financial statements.

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, 2017	4,200,000	$	42,000	2,752,113	(638,475)	8,022,944	$ 10,178,582
Adjustment on initial application of IFRS 9 (Notes 2 and 17)	–		–	–	–	(44,426)	(44,426)
Adjusted balance at January 1, 2018	4,200,000	$	42,000	2,752,113	(638,475)	7,978,518	$ 10,134,156
Net income and total comprehensive income	–		–	–	–	1,347,668	1,347,668
Transactions with shareholders							
Purchase of treasury shares *(Note 10)*	–		–	–	(37,174)	–	(37,174)
Dividends *(Note 14)*	–		–	–	–	(957,055)	(957,055)
Balance at December 31, 2018	4,200,000	$	42,000	2,752,113	(675,649)	8,369,131	$ 10,487,595
Net income and total comprehensive income	–		–	–	–	1,073,034	$ 10,487,595
Total comprehensive income	–		–	–	–	**1,347,668**	**1,073,034**
Transactions with shareholders:							
Purchase of treasury shares *(Note 10)*	–		–	–	**(24,551)**	–	**(24,551)**
Dividends *(Note 14)*	–		–	–	–	**(1,034,639)**	**(1,034,639)**
Balance at December 31, 2019	**4,200,000**	**$**	**42,000**	**2,752,113**	**(700,200)**	**8,407,526**	**10,501,439**

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

(Expressed in Bahamian Dollars)

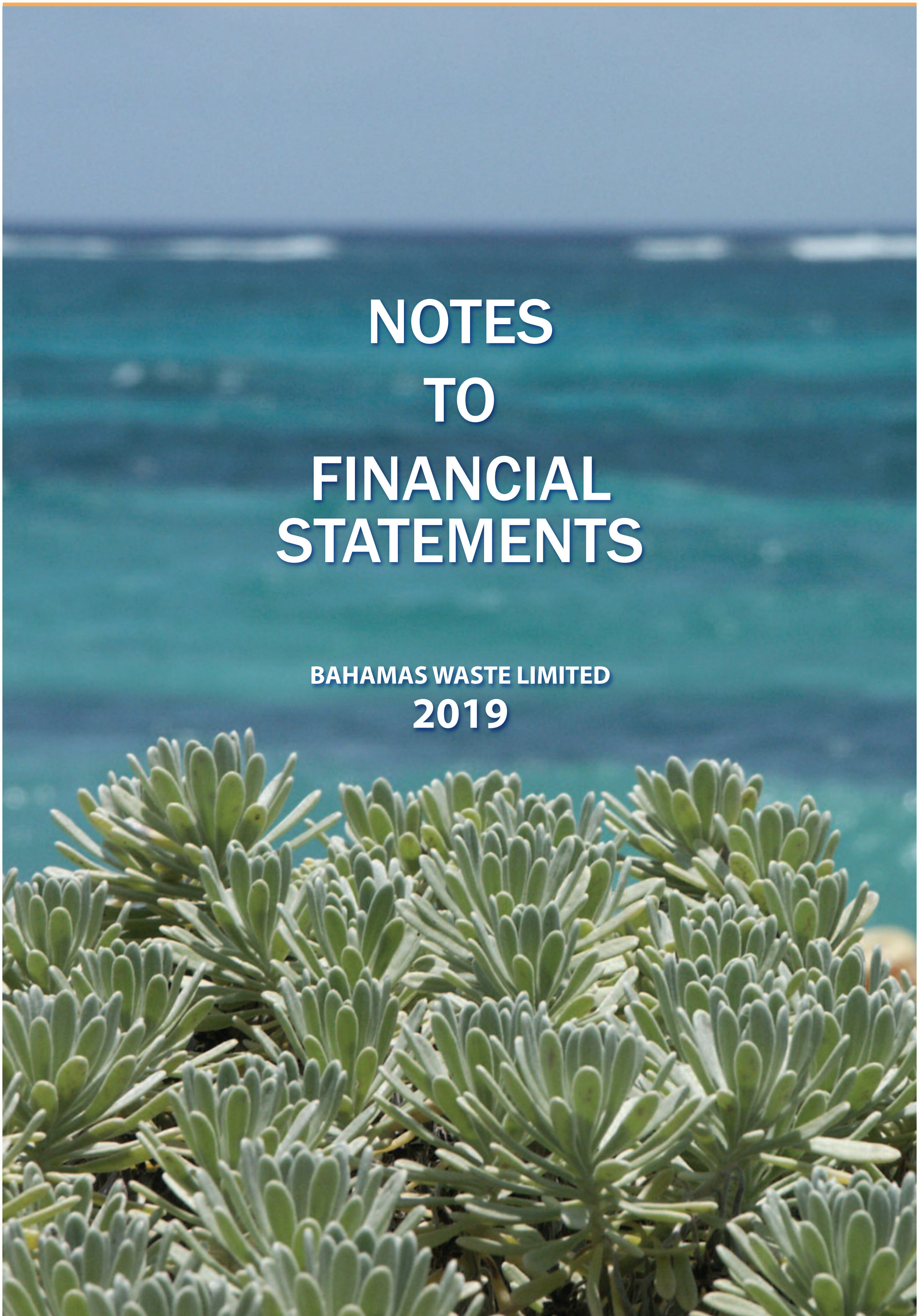
	Year ended December 31 2019	2018
Operating activities		
Net income	$ 1,073,034	$ 1,347,668
Adjustments for:		
Impairment losses *(Note 17)*	38,613	141,319
Bad debt expense – associate (Note 7)	468,254	–
Reversal of provision (write-down) of obsolete inventory	–	39,891
Depreciation *(Note 9)*	1,268,039	1,223,891
Loss on disposal of property, plant and equipment	41,136	15,179
Share in net loss of associates *(Note 8)*	31,190	59,233
Change in operating assets and liabilities:		
Accounts receivable	(148,651)	(215,243)
Inventories	(58,400)	(78,955)
Other assets (including loan receivable)	(220,728)	(268,903)
Accounts payable and accrued liabilities	82,171	50,478
Value added tax payable	(4,060)	23,346
Security deposits	49,562	38,446
Net cash provided by operating activities	2,620,160	2,376,350
Investing activities		
Purchases of property, plant and equipment *(Note 9)*	(1,238,571)	(1,343,457)
Proceeds from sale of property, plant and equipment	35,625	–
Net cash used in investing activities	(1,202,946)	(1,343,457)
Financing activities		
Purchase of treasury shares *(Note 10)*	(24,551)	(37,174)
Dividends paid *(Note 14)*	(1,034,639)	(957,055)
Net cash used in financing activities	(1,059,190)	(994,229)
Net increase in cash	358,024	38,664
Cash at beginning of the year	1,249,239	1,210,575
Cash at end of the year *(Note 4)*	**$ 1,607,263**	$ 1,249,239

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

BAHAMAS WASTE LIMITED

2019



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 June 23rd, 2020.

2. Basis of Preparation

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 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, as described in note 19, directors and management have assessed the impact of COVID-19 on the Company's operations and are of the view that while downturn in the business is expected in 2020 this does not result in any material uncertainties that 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.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

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.

2. Basis of Preparation (continued)

New Standards Adopted

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the adoption of the IFRS 16 - Leases and certain amendments of IFRS 9 and IAS 28 which became effective January 1, 2019. The adoption of these standards and amendments did not have any impact on the Company's financial statements.

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 January 1, 2020 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.

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

The amendments refine the definition of material in IAS 1 and align the definitions used across IFRS and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

3. 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.

Financial Instruments

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Financial Assets

Initial Recognition, Classification and Measurement

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset (other than trade receivables) at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade receivables are measured initially at the transaction price.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments).
- FVOCI with recycling of cumulative gains and losses (debt instruments).
- FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- FVTPL

Financial assets at amortized cost

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As of December 31, 2019, the Company's financial assets at amortized cost include cash, accounts receivable, loan receivable and other assets, other than prepayments.

The Company does not have financial assets at FVOCI or at FVTPL.

Reclassification

When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment (continued)

The Company recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The Company has identified and documented key drivers of credit risk and credit losses of each segment of trade receivables and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The Company applies the "Simplified Approach" under IFRS 9, in calculating ECLs for its trade receivables and has applied a "Provision matrix approach" for its trade receivables which have no significant financing component. The trade receivables are segmented based on the customer type, historical customer rating, and aging buckets. The provision matrix is based on the Company's historical observed default rates. The Company calibrates the provision matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and GDP rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

IFRS 9 incorporation of forward-looking information

The Company incorporates the forward-looking information into its measurement of ECLs. Management performed a trend analysis and looked at the correlation between the historical rates of default over the period of 2015 through 2019 against the changes in Gross Domestic Product (GDP) rates, and inflation rates. More particularly, consideration is given to several new initiatives in the areas of tourism and construction which are significant drivers of revenue for the Company, i.e., the redevelopment of the Downtown Nassau Port and Bay Street, and continued construction of various cruise-ship owned cays.

In applying its judgement and best estimates in consideration of the current conditions and reasonable and supportable forecasts of future economic conditions, management incorporated estimated percentages of ECL rates which were applied to each segment and each bucket of its trade receivables. See notes 5 and 17 for details.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Under IFRS 9, the Company is required to measure ECLs of a financial instrument (except for trade receivables with no financing component and/or other instruments with a low credit risk) in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Reasonable and supportable assumptions that are available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions; and
- The time value of money.

As mentioned above, for trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables and a vintage analysis for trade receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade receivables are deemed fully impaired when amounts are more than 90 days past due, service relationship with the customer is terminated, all security deposits have been applied, and all reasonable attempts to collect the balances have been exhausted.

For other financial assets such as loan receivable and receivable from related parties, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL) (Stage 1). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL) (Stage 2). As the Company maintains cash balances with highly reputable financial institutions in The Bahamas with low credit risk, the Company applies the low credit risk simplification approach under IFRS 9 for cash.

As of December 31, 2019, there were no ECL identified in respect of cash and loan receivable and these financial assets are considered to be in stage 1. The expected credit loss in respect of receivable from a related party is explained in note 7, which is considered to be in stage 2.

The Company determined that initial application of IFRS 9 as at January 1, 2018 resulted in an additional allowance for impairment losses of $44,426 which was adjusted in the retained earnings as at January 1, 2018.

Financial Liabilities

Initial Recognition, Classification and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts payable and accrued liabilities, and security deposits.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has no financial liability held for trading and has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

This category applies to accounts payable and accrued liabilities, and security deposits.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company 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 'IASs-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.

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.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Offsetting

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.

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.

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.

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 into 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.

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.

3. Summary of Significant Accounting Policies (continued)

Investments in Associates (continued)

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 are 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 net loss income in associates" in the statement of comprehensive income. No impairment charges were recorded in 2019 and 2018 fiscal years.

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 statement of comprehensive income as incurred.

3. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

Depreciation is provided on the straight-line basis from the date of acquisition over the estimated useful lives of the assets shown below. Land is not depreciated.

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 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 2019 and 2018.

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, 2019 (2018 – $Nil).

Share Capital

Ordinary shares are classified as equity. Ordinary share capital is recognized at the fair value of the consideration received by the Company.

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 Treasury Shares are nullified and no dividends are allocated to them.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share (EPS)

Basic EPS is computed by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Revenue Recognition

The Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Company establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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. Management exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

There are no material costs associated with obtaining the contracts which fall under the scope of IFRS 15. Upon entering a contract, the customer completes and signs a contract for the specified services. The customer has the explicit right to obtain waste collection services, while the Company has the same right to collect the agreed upon amount for the requested service after same has been rendered. Each party assumes the risk of non-performance, i.e. the Company will not provide service to the customer and the customer will not, in turn, pay for the service provided.

Other Income

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

Expense Recognition

Expenses are recognized in the statement of comprehensive income when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Taxes

There are no income taxes imposed on the Company in the Commonwealth of The Bahamas. However, effective January 1, 2015, the Bahamas introduced Value Added Tax (VAT) at a standard rate of 7.5% which was increased to 12% effective July 1, 2018. VAT 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 liable for a business license fee which is calculated at 1.25% of turnover, as defined in the Bahamas Business License Act, from the preceding calendar year.

3. Summary of Significant Accounting Policies (continued))

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, 2019 (2018 – $Nil).

Employee Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, insurance, profit sharing and bonuses, and other monetary 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 the 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.

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.

(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 Company (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 Company 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).

(Expressed in Bahamian Dollars)

4. 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 (2018: $300,000). The facility is unsecured and bears interest at a rate of Nassau Prime interest rate +3 % or 7.25% (2018 – +3.00% or 7.25%) per annum. The Company also maintains an overdraft facility at First Caribbean International Bank (Bahamas) Limited (CIBC) of $100,000 (2018: $100,000). The facility is unsecured and bears interest at a rate of Nassau Prime interest rate + 3% or 7.25% (2018 – +3.00% or 7.25%). At December 31, 2019 and 2018, the Company had $400,000 of undrawn funds available from its approved overdraft facilities. Additionally, the Company has undrawn facilities of $475,000 (2018 – $475,000) with CIBC and RBC in respect of the customs bonds and cheque guarantee. The Company also has an unsecured Corporate VISA facility from RBC and CIBC with limit of $80,000 (2018 – $80,000). As of December 31, 2019, none of this amount was used (2018 – $Nil).

5. Accounts Receivable, net

Accounts receivable consists of the following:

	2019	2018
Receivables from related parties	$ 3,620	$ 1,260
Trade receivables	3,098,772	3,218,462
	3,102,392	3,218,462
Less: Allowance for impairment losses (Note 17)	(639,977)	(867,345)
	$ 2,462,415	$ 2,352,377

Accounts receivable are non-interest bearing and are generally on terms of 30 to 90 days. Information about the Company's exposure to credit risk, and impairment losses is disclosed in Note 17.

6. Inventories, net

	2019	2018
Spare parts and supplies (at cost)	$ 869,178	$ 810,778
Less: Provision for obsolete inventory	(52,645)	(52,645)
Inventories (net)	**$ 816,533**	$ 758,133

In 2019, inventories of $57,915 (2018: $56,835) were recognized as an expense or capitalized during the year and included in cost of sales or property, plant and equipment, as appropriate.

(Expressed in Bahamian Dollars)

7. Other Assests

		2019		2018
Prepaid expenses and other receivables (Note 8)	$	624,728	$	434,180
Less: Allowance for doubtful debt - associate		(468,254)		–
	$	156,474	$	434,180
Employee advances		131,318		84,566
Security deposits		14,900		14,900
	$	**302,692**	$	533,646

Included in prepaid expenses and other receivables are amounts due from related parties of $468,254 (2018: $319,366) and $61,862 (2018 - $48,896) from Bahamas Sustainable Fuels Ltd. (BSF) and, 700 Islands Energy Limited, respectively. See note 8 for further details. As of December 31, 2019, the collection of amount receivable from BSF is considered doubtful due to financial difficulties facing BSF and therefore the directors approved that an allowance for doubtful debts in respect of this receivable be recognized in 2019.

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.

8. Investments in Associates

Investment in Green Systems Ltd.

The Company holds a 19% (2018: 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 2019 and 2018, the Company made no additional investments in Green Systems Ltd.

		2019		2018
Beginning balance	$	70,032	$	68,897
Share in net income (loss) for the year		(242)		1,135
Ending balance	**$**	**69,790**	$	70,032

(Expressed in Bahamian Dollars)

8. Investments in Associates (continued)

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

The Company owns a 49% (2018 – 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.

		2019		2018
Beginning balance	$	30,948	$	91,317
Share in net loss for the year		(30,948)		(60,369)
Ending balance	**$**	**–**	$	30,948

As at December 31, 2019, the Company had entered into the following contractual agreements with BSF:

- The Company has leased certain buildings, housing the recycling equipment to BSF. 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.

- An exclusive agreement for the purchase of renewable fuels, with a monthly minimum of 15,000 gallons of B100 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 2019 totaled $601,094 (2018 – $765,267) and is included in the statement of other comprehensive income as cost of sales and direct expenses.

- The Company extended a line of credit to BSF for the purposes of settling operating expenses totaling $735,612 (2018 – $1,037,096) and lease payments of $14,370 (2018 – $14,370). These payments were offset against the fuel purchases from BSF of $601,094 (2018 – $765,267), resulting in a net receivable from BSF of $468,254 (2018 – $319,366), which is included in "prepaid expenses and other receivables" in Other Assets (see note 7).

- On December 15, 2015, the Board of Directors of the Company 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 from the Company, 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 $118,826 (2018 – $135,398).

(Expressed in Bahamian Dollars)

8. Investments in Associates (continued)

The following table summarizes the unaudited financial information received from the associates:

		Green Systems Ltd.		Bahamas Sustainable Fuels Ltd.
December 31, 2019				
Assets	**$**	**397,260**	**$**	**542,496**
Liabilities		**117,355**		**628,973**
Equity (Deficit)		**279,905**		**(86,477)**
Revenue		**305,057**		**729,638**
Expenses		**306,327**		**857,718**
Net loss		**(1,270)**		**(128,080)**
December 31, 2018				
Assets	$	409,420	$	493,914
Liabilities		124,561		439,518
Equity		284,859		54,396
Revenue		352,999		803,297
Expenses		347,022		926,500
Net loss		5,977		(123,203)

(Expressed in Bahamian Dollars)

9. Property, Plant and Equipment

The movement of property, plant and equipment for the year ended December 31, 2019, was as follows:

	Opening Balance	Additions	Disposals	Ending Balance
Cost				
Land	$ 986,508	–	–	$ 986,508
Buildings	5,279,561	178,004	–	5,457,565
Compactors and containers	10,064,600	550,136	(1,288,835)	9,325,901
Collection vehicles	8,526,316	314,503	(122,881)	8,717,938
Office vehicles	141,273	59,785	(32,249)	168,809
Furniture and equipment	649,752	70,396	–	720,148
Computer equipment	355,158	37,676	(154,760)	238,074
Operating equipment	701,574	28,071	–	729,645
	26,704,742	1,238,571	(1,598,725)	26,344,588
Depreciation				
Land	–	–	–	–
Buildings	3,212,535	299,840	–	3,512,375
Compactors and containers	8,571,375	446,331	(1,284,485)	7,733,221
Collection vehicles	6,907,125	402,455	(52,299)	7,257,281
Office vehicles	141,212	5,654	(32,249)	114,617
Furniture and equipment	547,592	38,126	–	585,718
Computer equipment	307,764	18,370	(152,931)	173,203
Operating equipment	422,808	57,263	–	480,078
	20,110,411	1,268,039	(1,521,964)	19,856,486
2019 Net book value	**$ 6,594,331**			**$ 6,488,102**

The movement of property, plant and equipment for the year ended December 31, 2018, was as follows:

	Opening Balance	Additions	Disposals	Ending Balance
Cost				
Land	$ 986,508	–	–	$ 986,508
Buildings	4,914,668	364,893	–	5,279,561
Compactors and containers	10,298,926	427,799	(662,125)	10,064,600
Collection vehicles	8,167,085	394,211	(34,980)	8,526,316
Office vehicles	141,273	–	–	141,273
Furniture and equipment	589,691	60,061	–	649,752
Computer equipment	325,460	29,698	–	355,158
Operating equipment	634,779	66,795	–	701,574
	26,058,390	1,343,457	(697,105)	26,704,742
Depreciation				
Land	–	–	–	–
Buildings	2,932,599	279,936	–	3,212,535
Compactors and containers	8,791,877	441,623	(662,125)	8,571,375
Collection vehicles	6,528,684	398,241	(19,801)	6,907,124
Office vehicles	134,915	6,297	–	141,212
Furniture and equipment	513,501	34,091	–	547,592
Computer equipment	292,681	15,083	–	307,764
Operating equipment	374,189	48,620	–	422,809
	19,568,446	1,223,891	(681,926)	20,110,411
2018 Net book value	$ 6,489,944			$ 6,594,331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9. Property, Plant and Equipment (continued)

Depreciation expense is allocated to cost of sales and direct expenses (Note 11) in the amount of $951,570 (2018 – $928,402) and general and administrative expenses in the amount of $316,469 (2018 – $295,489).

Land with a carrying value of $986,508 on which the Company's operating facility is located was appraised at a market value of $3,901,500. This value was determined based on a valuation performed in December 2017 by Coldwell Banker Lightbourne Realty, a registered independent appraiser having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued. The directors have determined that the valuation in December 2017 can still be used as a basis to estimate the fair value of land at December 31, 2019 because in their opinion the market conditions have not changed significantly between the two dates.

10. Share Capital

	2019	2018
Authorized: 10,000,000 ordinary shares of $0.01 (2019 and 2018 – 10,000,000 shares of $0.01 each)	**100,000**	100,000
Issued and fully paid: 4,200,000 ordinary shares of $0.01 (2019 and 2018 – 4,200,000 shares)	**$ 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 ended October 31, 2015. The Board of Directors approved the extension of the share repurchase program on October 24, 2015, and again on October 30, 2018. The current program will run for a further 36-month period ending October 31, 2021.

As of December 31, 2019, the Company had repurchased 221,195 (2018 – 216,695) ordinary shares for a total of $700,200 (2018 - $675,649). 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:

	2019	2018
Salaries and related expenses	$ 4,004,923	$ 3,726,739
Repairs and maintenance	2,219,133	2,165,838
Depreciation expense *(Note 9)*	951,570	928,402
Fuel *(Note 8)*	837,930	991,823
Other	116,542	127,946
	$ 8,130,098	$ 7,940,748

(Expressed in Bahamian Dollars)

12. Related Party Balances and Transactions

The following is a summary of the balances at December 31, 2019 and 2018, and the transactions during the years then ended with related parties, not disclosed elsewhere in these financial statements:

	2019	2018
Accounts receivable	**$ 3,620**	$ 1,260
Other assets	**530,116**	368,262
Purchases of property, plant and equipment	**–**	22,506
Accounts payable and accrued liabilities	**39,475**	358
Sales and services rendered	**51,887**	27,772
Repairs and maintenance – cost of sales	**614,417**	765,267
Chairman's compensation	**98,230**	96,411

Compensation of key management personnel of the Company:

	2019	2018
Short-term employee benefits	**$ 910,479**	$ 823,196
Defined contribution pension and medical insurance expense	**153,001**	118,556
Total compensation paid to key management personnel	**$ 1,063,480**	$ 941,752

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, 2019, include fees of $48,360 (2018 – $48,360) and incidentals of $49,870 (2018 – $48,051), 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 $51,000 (2018 – $54,000) for services rendered and travel expenses and do not receive any other types of benefits from the Company.

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.

	2019	2018
Net income attributable to ordinary shares	**$ 1,073,034**	$ 1,347,668
Weighted average number of ordinary shares outstanding	**3,980,347**	3,987,883
Earnings per share	**$ 0.27**	$ 0.34

There were no dilutive securities outstanding during 2019 and 2018.

14. Dividends

Dividends are declared at the discretion of the Board of Directors. A dividend payout ratio of 50% – 70% of net income and total comprehensive income is used as a basis for declared amounts, subject to the capital requirements and liquidity of the Company. During 2019, dividends totaling $1,034,639 (2018 – $957,055) were declared by the Board of Directors and paid on June 12, 2019 ($0.10 per share) and November 22, 2019 ($0.16 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, 2019, and 2018, no such claims were received by the Company.

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 2019 amounted to $177,326 (2018 – $165,558). Pension expense is allocated to cost of sales and direct expenses (Note 11) in the amount of $107,890 (2018 – $101,076) and salaries and related expenses in the amount of $69,436 (2018 – $64,482). 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.

17. Financial Risk Management (continued)

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.

Risk Concentrations and Credit Risk

Credit risk is a risk that a counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

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, by holding cash deposits against customer accounts to be applied against outstanding balances on termination of service, 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 15% (2018 – 10%) of the Company's outstanding accounts receivable and 24% (2018 – 23%) of the Company's annual sales and services rendered.

The Company adheres to fixed limits and guidelines in its dealings with counterparty banks. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Company's maximum exposure to credit risk as of December 31, 2019 and 2018 is equal to the carrying values of its financial assets. Given the Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

(Expressed in Bahamian Dollars)

17. Financial Risk Management (continued)

The aging analysis of trade receivables, gross and related impairment losses at December 31, 2019, follows:

31 December 2019	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current	15.97%	$ 1,175,351	(187,704)	No
30 days past due	16.61%	642,339	(106,692)	No
60 days past due	17.90 %	277,183	(49,616)	No
90 days past due	20.95%	172,950	(36,233)	Yes
120 days past due	23.47%	830,949	(195,024)	Yes
Management overlays			(64,708)	
		$ 3,098,772	**$ (639,977)**	

The aging analysis of trade receivables, gross and impairment losses as at December 31, 2018, follows:

31 December 2018	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current	16.04%	$ 1,022,864	(164,097)	No
30 days past due	16.69%	713,190	(119,001)	No
60 days past due	17.97 %	265,972	(47,799)	No
90 days past due	21.03%	175,214	(36,845)	Yes
120 days past due	23.54%	1,041,222	(245,133)	Yes
Management overlays			(254,470)	
		$ 3,218,462	**$ (867,345)**	

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors (to incorporate forward looking information) to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

(Expressed in Bahamian Dollars)

17. Financial Risk Management (continued)

The scalar factors used are the average GDP growth rates and inflation rates of the Bahamas of 0.85%, and 1.60%, respectively. In addition, management overlays are applied to the expected impairment loss to ensure non-recoverable account balances are fully provided for. No interest is charged on the outstanding balances.

The movement in the allowance for impairment losses in respect to trade receivables during 2019 was as follows.

	2019	2018
Balance as of January 1 under IAS 39	**$ 867,345**	$ 681,600
Adjustment on initial application of IFRS 9	**–**	44,426
Balance as of January 1 under IFRS 9	**867,345**	726,026
Impairment losses	**38,613**	198,268
Recoveries	**–**	(56,949)
Bad debts written off during the year	**(265,981)**	–
Balance as of December 31	**$ 639,977**	**$ 867,345**

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 $126,132 (2018 – $139,484). 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.

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, 2019 and 2018.

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

The World Health Organization (WHO) declared the COVID-19 outbreak a pandemic subsequent to December 31, 2019. The global response is dynamic and fluid with new developments and related responses occurring daily as each jurisdiction charts their own course. The common theme is the expectation of an adverse impact to economies and market conditions in the long term, the effects of which are difficult to predict at this time as the situation continues to evolve.

19. Subsequent Events (continued)

The coronavirus epidemic, its consequences and related measures are events after the reporting date, December 31, 2019, that do not require adjustment to these financial statements. Thus, there is no impact on the recognition and measurement of assets and liabilities at the reporting date.

The Company has however prepared an assessment of its revised operating and cash flow forecasts for calendar year 2020 using various scenarios, including a conservative analysis, and has concluded that it has sufficient equity and liquidity to meet its working capital requirements and obligations as they become due, under these scenarios.


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