

APD LIMITED
Financial Statements

For the year ended June 30, 2022

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

Statement of Financial Position
As at June 30, 2022
(Amounts expressed in Bahamian dollars)

	Notes	2022 \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents	3	19,817,081	17,606,947
Accounts receivable	4	3,059,560	2,088,967
Tax receivable		752,398	826,248
Deposits, prepayments and other assets	6	1,024,176	729,870
Spare parts inventory		<u>787,341</u>	<u>836,473</u>
Total current assets		<u>25,440,556</u>	<u>22,088,505</u>
Non-current assets			
Property, plant and equipment	9	78,451,796	81,523,145
Right-of-use asset	13	45,023,241	45,586,032
Financial assets at fair value through profit or loss		<u>425,000</u>	<u>-</u>
Total non-current assets		<u>123,900,037</u>	<u>127,109,177</u>
Total assets		<u>149,340,593</u>	<u>149,197,682</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable		468,787	239,021
Due to related parties	5	1,243,372	1,058,574
Accrued expenses and other liabilities	10	1,033,746	1,359,183
Current portion of redeemable preference shares	8	-	30,482,339
Current portion of lease liability	13	184,194	114,061
Current portion of long term debt	7	<u>2,057,067</u>	<u>-</u>
Total current liabilities		<u>4,987,166</u>	<u>33,253,178</u>
Non-current liabilities			
Long term debt	7	26,741,867	-
Lease liability	13	46,727,308	46,981,634
Deposits held		<u>274,663</u>	<u>274,663</u>
Total non-current liabilities		<u>73,743,838</u>	<u>47,256,297</u>
Total liabilities		<u>78,731,004</u>	<u>80,509,475</u>
Equity			
Share capital	11	49,969	49,969
Share premium		49,192,308	49,192,308
Retained earnings		<u>21,367,312</u>	<u>19,445,930</u>
Total equity		<u>70,609,589</u>	<u>68,688,207</u>
Total liabilities and equity		<u>149,340,593</u>	<u>149,197,682</u>

Approved by the Board of Directors on October 28, 2022 and signed on its behalf by:

Director

Director

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

APD LIMITED

**Statement of Comprehensive Income
For the year ended June 30, 2022
(Amounts expressed in Bahamian dollars)**

	Notes	2022 \$	2021 \$
Revenue			
Landing fees	14	13,018,507	12,074,594
Terminal handling fees	14	4,312,692	4,070,405
Stevedoring fees	14	3,144,096	2,873,460
Security	14	2,528,523	2,371,103
Storage fees	14	1,586,943	2,391,658
Gate fees	14	2,285,614	2,122,680
Subleases	13	1,420,908	1,508,694
Reefer line	14	764,450	625,050
Hazmat fees	14	349,300	331,000
Dockage	14	293,794	284,145
Line handling fees	14	81,150	71,941
Other income	14	174,151	50,101
		<hr/>	<hr/>
Total revenue		29,960,128	28,774,831
Expenses			
Salaries, employee benefits, and training		4,472,451	4,550,016
Terminal handling costs		3,784,056	3,906,569
Government fees and taxes	13	1,334,153	1,485,443
Repairs and maintenance		1,031,188	1,235,374
Utilities		946,735	929,747
Government lease	13	658,078	424,446
Security		366,421	349,075
Legal and other professional fees	15	625,380	335,539
Insurance		376,838	279,276
Other operating expenses		258,933	302,217
Office supplies, postage and delivery		145,969	123,965
Company meetings and events		91,752	76,022
Loss on disposal of asset		774,958	237,566
		<hr/>	<hr/>
Total expenses		14,866,912	14,235,255
Earnings before interest, depreciation and amortisation		<hr/> 15,166,716	<hr/> 14,539,576

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

APD LIMITED

Statement of Comprehensive Income (Continued)
For the year ended June 30, 2022
(Amounts expressed in Bahamian dollars)

	Notes	2022 \$	2021 \$
Depreciation - property, plant and equipment	9	3,531,500	3,378,634
Depreciation - right-of-use-asset	13	562,791	562,791
Amortisation of preference share issue cost		<u>373,660</u>	<u>31,103</u>
Total depreciation and amortisation		<u>4,467,951</u>	<u>3,972,528</u>
Earnings before interest		<u>10,625,265</u>	<u>10,567,048</u>
Finance costs			
Preference share dividends		320,563	1,767,826
Interest on lease liability	13	2,119,306	2,124,439
Interest expense		770,295	11,336
Interest income		<u>(2,887)</u>	<u>(8,131)</u>
Total finance costs, net		<u>3,207,277</u>	<u>3,895,470</u>
Total earnings for the year attributable to the equity shareholders		<u>7,417,988</u>	<u>6,671,578</u>
Net income and total comprehensive income		<u>7,417,988</u>	<u>6,671,578</u>
Basic and diluted earnings per share	12	<u>1.48</u>	<u>1.34</u>

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

APD LIMITED

Statement of Changes in Equity
For the year ended June 30, 2022
 (Amounts expressed in Bahamian dollars)

	Share capital \$	Share premium \$	Retained earnings \$	Total \$
Balance at July 1, 2020	49,969	49,192,308	17,771,267	67,013,544
Total comprehensive income for the year	-	-	6,671,578	6,671,578
Dividends paid (Note 11)	-	-	(4,996,915)	(4,996,915)
Balance at July 1, 2021	49,969	49,192,308	19,445,930	68,688,207
Total comprehensive income for the year	-	-	7,417,988	7,417,988
Dividends paid (Note 11)	-	-	(5,496,607)	(5,496,607)
Balance at June 30, 2022	49,969	49,192,308	21,367,311	70,609,588

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

APD LIMITED
Statement of Cash Flows
For the year ended June 30, 2022
(Amounts expressed in Bahamian dollars)

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Net income for the year		7,417,988	6,671,578
Adjustments for:			
Depreciation - property, plant and equipment	9	3,531,500	3,378,634
Depreciation - right-of-use-asset	13	562,791	562,791
Amortisation of preference share issue cost		373,660	31,103
Loss on disposal of assets		774,958	237,566
Interest income		(2,887)	(8,131)
Preference share dividends		320,563	1,767,826
Interest on lease liability	13	2,119,306	2,124,439
Loan interest expense		770,295	11,336
Operating profit before changes in working capital		15,868,174	14,777,142
Decrease in spare parts inventory		49,132	32,452
Decrease in deferred borrowing costs		-	26,779
(Increase) / decrease in deposits, prepayments & other assets		(294,306)	145,533
Increase in accounts receivable		(970,593)	(197,869)
Decrease / (increase) in tax receivable		73,850	(210,442)
Increase in deposits held		-	13,067
Increase / (decrease) in accounts payable		229,766	(208,131)
Increase in due to related parties		184,798	66,209
(Decrease) / increase in accrued expense and other liabilities		(325,437)	342,517
Decrease in retention payable		-	(16,794)
Net cash provided by operating activities		14,815,384	14,770,463
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(1,235,109)	(4,448,157)
Payments for financial assets at fair value through profit or loss		(425,000)	-
Net cash used in investing activities		(1,660,109)	(4,448,157)
Cash flows from financing activities			
Loan repayment		-	(300,000)
Principal payments on lease liability		(184,194)	(114,061)
Principal payments on long term debt		(2,057,067)	(450,000)
Principal payment on preference shares		-	(1,286,000)
Interest expense paid		(770,295)	(11,336)
Interest income received		2,887	8,131
Interest on lease liability		(2,119,306)	(2,124,439)
Interest on preference shares		(320,563)	-
Dividends paid to ordinary shareholders	11	(5,496,607)	(4,996,915)
Preference share dividends		-	(1,767,826)
Net cash used in financing activities		(10,945,145)	(11,042,446)
Increase / (decrease) in cash and cash equivalents		2,210,134	(720,140)
Cash and cash equivalents, beginning of year		17,606,947	18,327,087
Cash and cash equivalents, end of year	3	19,817,081	17,606,947

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

APD LIMITED

Notes to Financial Statements June 30, 2022

1. General information

APD Limited (the Company) was incorporated on February 24, 2009, under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas). The Company is 40% owned by The Treasurer of The Bahamas, 40% owned by Arawak Cay Port Development Holdings Limited (ACPDHL) and 20% owned by the general public, hereinafter collectively referred to as the Shareholders. ACPDHL is owned by a consortium of private companies operating in The Bahamas. The principal activity of the Company is to manage, operate and maintain a commercial port at Arawak Cay known as Nassau Container Port (the Port) and an inland terminal on Gladstone Road, known as Gladstone Freight Terminal (the Depot) (Note 13).

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

Operations of the Port include a break bulk, a bulk and a container terminal. The container terminal has the capability of handling at least 200,000 Twenty-foot Equivalent Units (TEUs) annually. The Depot is comprised of 100,000 square feet and 10,000 square feet of warehouse and administrative office space respectively and serves as a deconsolidation and distribution centre.

2. Significant accounting policies

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

(a) Basis of preparation

The Company's financial statements have been prepared under the historical cost convention, except for certain financial assets which are measured at fair value and in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations (hereinafter collectively referred to as IFRS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

(i) *Critical accounting estimates and assumptions*

Useful lives of property, plant and equipment

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

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****2. Significant accounting policies (Continued)****(a) Basis of preparation (continued)***(i) Critical accounting estimates and assumptions (continued)**Impairment of non-financial assets*

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

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

Measurement of the Expected Credit Loss (ECL) allowance

The measurement of the ECL allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring the ECLs, such as:

- Definition of default
- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECLs
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECLs

The Company applies the IFRS 9 simplified approach to measuring expected credit losses. Explanation of the inputs, assumptions and estimation techniques used in measuring the ECLs are further detailed in Note 18.

The Company regularly reviews and validates the models and inputs to the models to reduce any differences between ECL estimates and actual credit loss experience.

A sensitivity analysis is not disclosed as the impact of reasonable changes in key assumptions would not be material to the ECL.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****2. Significant accounting policies (Continued)****(a) Basis of preparation (continued)***(ii) Critical judgment in applying the entity's accounting policies*

Capitalisation of directly attributable costs related to the acquisition of property, plant and equipment

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

(iii) Alternative performance measures

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

	2022	2021
	\$	\$
Earnings before interest, depreciation and amortisation	15,166,716	14,539,576
Depreciation - property, plant and equipment	(3,531,500)	(3,378,634)
Depreciation - right-of-use-asset	(562,791)	(562,791)
Amortization of preference shares issue expense	(373,660)	(31,103)
Operating profit	<u>10,698,765</u>	<u>10,567,048</u>

(iv) Impact of COVID-19

The outbreak of COVID-19 continues to have an impact on economies around the world. While travel and border restrictions have been lifted, the disruption on supply chain and consumer demand continues to have an impact.

APD LIMITED**Notes to Financial Statements**
June 30, 2022
(Continued)**2. Significant accounting policies (Continued)****(a) Basis of preparation (continued)***(iv) Impact of COVID-19 (continued)*

While the pandemic continues to be a challenge for countries around the world, in light of the relaxation of certain travel restrictions and the COVID-19 vaccination roll-out, the local Bahamian economy has seen a steady rebound during the year. With increased visitor traffic, hotel occupancy on the island of New Providence has significantly improved over the prior year, resulting in higher volumes for the Company as wholesalers have increased imports of perishable goods to keep up with the demand from local resorts. Further, as construction of the new U.S. Embassy building, the Goldwynn building and the Nassau Cruise Port have continued during the year, project volumes have been positively impacted. While the global supply chain crisis and rising inflation, brought on not only by the COVID-19 pandemic but also by the Russia/Ukraine conflict, have adversely impacted the overall recovery, the Company's volumes are near pre-pandemic levels.

While the extent and duration of the impact of COVID-19 remains uncertain at this time, management believes that these events would not have an impact on the carrying amount of assets and liabilities as at the reporting date, nor would it impact the Company's ability to continue as a going concern.

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

Standards, amendments and interpretations to published standards that became effective for the Company's financial year beginning on July 1, 2021 were not relevant or not significant to the Company's operations and accordingly did not have a material impact on the financial statements.

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

Certain new accounting standards and amendments to standards and interpretations have been published that are not mandatory for June 30, 2022 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the financial statements of the Company in the current or future reporting periods and on foreseeable future transactions.

(c) Foreign currency translation*(i) Functional and presentation currency*

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

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****2. Significant accounting policies (Continued)****(c) Foreign currency translation (continued)***(ii) Transactions and balances*

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

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, cash held with banks and other short-term, highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Accounts receivable

Accounts receivable are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 15 days and are therefore all classified as current. Accounts receivable are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. The Company holds the accounts receivable with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance. Impairment of accounts receivable is discussed in Note 2(o).

(f) Inventory

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

(g) Property, plant and equipment

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

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

Buildings under construction, termed capital work in progress, are carried at cost and not depreciated until construction is complete and the assets are ready for their intended use. At that time, the accumulated cost is transferred from capital work in progress to the appropriate asset category.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****2. Significant accounting policies (Continued)****(g) Property, plant and equipment (continued)**

All other items of property, plant and equipment are depreciated using the straight-line method to allocate their cost less residual values, over their estimated useful lives, as follows:

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

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

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

(h) Impairment of non-financial assets

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [Cash Generating Units (CGUs)]. Non-financial assets that incurred impairment charges are reviewed for possible reversal of the impairment at each reporting date.

(i) Accounts payable

Accounts payable represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Accounts payable are classified as current liabilities if payment is due within twelve (12) months after the reporting period. If not, they are presented as non-current liabilities.

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

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****2. Significant accounting policies (Continued)****(j) Borrowings (continued)**

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as finance costs.

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

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

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

(k) Borrowing costs

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

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

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

(l) Share capital and share premium

Ordinary shares are classified as equity. Total value of shares issued in excess of the par value is recognised as share premium. Mandatorily redeemable preference shares are classified as liabilities [Note 2(j)].

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

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****2. Significant accounting policies (Continued)****(m) Revenue and expense recognition**

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

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

Revenue from services

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

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

Interest income and expense

Interest income and expense for all interest-bearing financial assets and liabilities are recognised in the statement of comprehensive income using the effective interest method.

All other costs and expenses are recognised in the statement of comprehensive income as incurred.

(n) Leases*Accounting as lessee*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****2. Significant accounting policies (Continued)****(n) Leases (continued)***Accounting as lessee (continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Variable lease payments

The Company does not have any leases that contain variable payment terms.

Extension and termination options

Extension and termination options are included in a number of property leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable only by the Company and not by the lessor.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****2. Significant accounting policies (Continued)****(n) Leases (continued)***Accounting as lessee (continued)**Critical judgements in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the Company's leases, the following factors are the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The extension option on the land lease has been included in the lease liability, because the Company could not replace the leasehold improvements without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Accounting as lessor

Lease income on operating leases is recognised over the term of the lease on a straight-line basis. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(o) Financial instruments*i) Financial assets**Initial recognition and measurement*

IFRS 9 establishes three primary categories for financial assets: amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI). The Company classifies financial assets, at initial recognition as subsequently measured at amortised cost.

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****2. Significant accounting policies (Continued)****(o) Financial instruments (continued)***i) Financial assets (continued)**Initial recognition and measurement (continued)*

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 at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. In order for a financial asset to be classified and measured at amortised cost, 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.

Regular-way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement

Subsequent measurement depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Financial assets and liabilities are classified at fair value through other comprehensive income (FVOCI) if the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****2. Significant accounting policies (Continued)****(o) Financial instruments (continued)***i) Financial assets (continued)**Subsequent measurement (continued)*

There were no financial assets which met the criteria to be classified as financial assets at FVOCI.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets at amortised cost

This category is the most relevant to the Company. The Company's financial assets at amortised cost include 'cash and cash equivalents' and 'accounts receivable' in the statement of financial position.

The Company measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment.

Derecognition

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

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****2. Significant accounting policies (Continued)****(o) Financial instruments (continued)***i) Financial assets (continued)**Derecognition (continued)*

- 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 and has transferred substantially all the risks and rewards of the asset.

Impairment of financial assets

The Company assesses, on a forward-looking basis, the ECL for financial assets measured at amortised cost. The Company measures ECL and recognises a credit loss allowance, if material, at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial instruments measured at amortised cost are presented in the statement of financial position, net of the allowance for ECL.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivable. This did not result in any change in the loss allowance as of June 30, 2022.

Dividends

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

ii) Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****2. Significant accounting policies (Continued)****(p) Retirement benefit costs**

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

(q) Segment reporting

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

(r) Taxation

Under the current laws of The Bahamas, the Company is not subject to income, capital or other corporate taxes. The Company's operations do not subject it to taxation in any other jurisdiction. The Company is however subject to value added tax (VAT), assessed at a rate of 10% (12% prior to January 1, 2022), and is required to assess VAT on all commercial leases and other services, to be payable to the Government. The Company also incurs VAT on certain goods and services acquired during the normal course of business which are offset against this payable.

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

Basic earnings per share is calculated by dividing:

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

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****2. Significant accounting policies (Continued)****(s) Earnings per share (continued)***(b) Diluted*

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

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

(t) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

3. Cash and cash equivalents

	2022	2021
	\$	\$
Cash on hand	1,935	2,558
Cash held with bank	19,815,146	17,604,389
	<u>19,817,081</u>	<u>17,606,947</u>

4. Accounts receivable

	2022	2021
	\$	\$
Customers' account - gross:		
Third parties	447,638	441,903
Related parties (Note 5)	2,611,922	1,647,064
	<u>3,059,560</u>	<u>2,088,967</u>
Less: Allowance for expected credit losses	-	-
	<u>3,059,560</u>	<u>2,088,967</u>

APD LIMITED
Notes to Financial Statements
June 30, 2022
(Continued)
4. Accounts receivable (Continued)

There were no movements in the allowance for expected credit losses during the year. The loss allowance calculated after the application of the impairment requirements of IFRS 9 was immaterial to the financial statements and was therefore not recognised.

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

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

	Total	Current	1-30	31-60	61-90	More than
	\$	\$	days	days	days	90 days
	\$	\$	\$	\$	\$	\$
2022	3,059,560	1,447,616	1,392,355	107,946	14,985	96,658
2021	2,088,967	1,592,282	391,012	35,029	37,207	33,437

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit quality of accounts receivable that are neither past due nor impaired at reporting date can be assessed by reference to historical information about counterparty default rates. Credit risk is discussed in Note 18(b).

5. Related party balances and transactions

A party is related to the Company if:

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

APD LIMITED**Notes to Financial Statements**
June 30, 2022
(Continued)**5. Related party balances and transactions (Continued)***(a) Amounts due from related parties included in accounts receivable comprise:*

	2022	2021
	\$	\$
Due from Shareholder	1	1
Due from other related parties - affiliates	2,611,921	1,647,063
	<u>2,611,922</u>	<u>1,647,064</u>

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

(b) Amounts due to related parties comprise:

	2022	2021
	\$	\$
Due to Shareholder	1,471,984	1,584,946
Due to other related parties - affiliates	286,923	117,039
	<u>1,758,907</u>	<u>1,701,985</u>

The due to Shareholder includes real property taxes payable and lease payable to the Government relevant to the lease of the Port and Depot Lands (Note 13) and customs security surcharges collected on behalf of the Bahamas Customs & Excise Department. The amounts due to other related parties - affiliates arise mainly from services provided to the Company in the ordinary course of business and services obtained for terminal handling operations. These amounts are included in due to related parties and accrued expenses and other liabilities on the statement of financial position.

Settlement of the above payables is within the payment terms agreed in the agreements and invoices.

(c) Sales and purchases of services:

	2022	2021
	\$	\$
<i>Sales of services</i>		
Other related parties - affiliates	<u>24,528,690</u>	<u>25,595,780</u>

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

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****5. Related party balances and transactions (Continued)***(c) Sales and purchases of services: (continued)*

Revenue from transactions with two customers amount to 10% or more of the Company's total revenues. Transactions with these two customers included in sales of services account for 70% (2021: 76%) of total revenues during the year, amounting to \$12,395,290 (2021: \$10,973,372) and \$8,530,809 (2021: \$10,773,644) respectively.

	2022	2021
	\$	\$
<i>Purchases of services</i>		
Other related parties - affiliates	<u>4,281,789</u>	<u>4,370,803</u>

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

(d) Key management compensation

Key management includes the directors of the Company and senior management. The compensation paid or payable to key management for their services is shown below:

	2022	2021
	\$	\$
Salaries	436,032	436,867
Short term employee benefits	339,900	310,109
Retirement benefits	18,666	21,679
	<u>794,598</u>	<u>768,655</u>

6. Deposits, prepayments and other assets

	2022	2021
	\$	\$
Security deposits	275,775	275,540
Prepayments	748,401	454,330
	<u>1,024,176</u>	<u>729,870</u>

7. Long term debt

On September 3, 2021 the Company executed a credit agreement with FirstCaribbean International Bank (Bahamas) Limited (the Lender). The Lender extended credit in the form of Facility A loans in an aggregate principal amount not in excess of B\$33,856,000 and Facility B loans in an aggregate principal amount not in excess of B\$3,000,000. The proceeds from the Facility A loans were used to early redeem the preference shares (Note 8).

Facility A: Long term debt being a \$30,856,000 senior, non-revolving reducing term loan for a fifteen (15) year period, amortized over fifteen (15) years with principal and interest payable semi-annually in arrears at a rate of BSD Prime rate of 4.25% minus a margin of 1.15%, for a total interest rate of 3.1%. Considering possible changes in the BSD prime rate, the credit agreement stipulates a minimum interest rate of 3.1% and a maximum rate of 4.75%.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****7. Long term debt (Continued)**

The principal outstanding as of June 30, 2022 is \$28,798,934 (2021: \$Nil) and the current portion of long-term debt is \$2,057,067 (2021: \$Nil).

Facility B: \$3,000,000 demand revolving credit facility by way of an overdraft facility at a rate of BSD prime rate of 4.25% minus a margin of 0.25%, for a total interest rate of 4.0% on the outstanding balance. There have been no drawdowns against this facility.

The above facilities are unsecured.

8. Redeemable preference shares

The Company previously held 150,000 series A 5.5% fixed rate, non-voting redeemable preference shares of which 72,000 shares were issued on July 5, 2013. The net proceeds of the offer totalled \$35,377,943. The shares had an issue price of \$500 per share, with par value of \$0.10 per share. Principal payments were payable annually commencing the last working day of June on the 5th anniversary of the offering as follows: \$1,286,000 due between the 5th and 12th anniversary; \$3,428,000 between the 13th and 19th anniversary, and the residual balance of \$1,716,000 payable on the 20th anniversary. The shares were entitled to dividends at the rate of 5.5% per annum. If insufficient profits were available in a particular financial year, the dividends accumulate and were payable when sufficient profits were available.

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

On September 6, 2021, the Company exercised its option for the early redemption of all of the redeemable preference shares at the issue price per share of \$500.

APD LIMITED

Notes to Financial Statements
June 30, 2022
(Continued)

9. Property, plant and equipment

	Container terminal \$	Freight handling equipment \$	Buildings, improvements & office trailers \$	Motor vehicles \$	Furniture & fixtures, communicatio ns and office equipment \$	Capital work in progress \$	Total \$
Year ended June 30, 2022							
Opening net book value	35,413,851	8,984,120	35,393,004	177,893	1,184,485	369,792	81,523,145
Additions	-	-	-	-	-	1,251,611	1,251,611
Transfers	25,066	531,028	64,481	101,930	272,231	(994,736)	-
Disposals	-	(744,060)	(28,500)	-	(115)	-	(772,675)
Reclassification:							
Cost	-	-	-	-	-	(19,581)	(19,581)
Accumulated depreciation	-	-	796	-	-	-	796
Depreciation charge for the year	(1,049,746)	(981,043)	(1,019,600)	(82,865)	(398,246)	-	(3,531,500)
Closing net book value	<u>34,389,171</u>	<u>7,790,045</u>	<u>34,410,181</u>	<u>196,958</u>	<u>1,058,355</u>	<u>607,086</u>	<u>78,451,796</u>
At June 30, 2022							
Cost	44,732,440	14,921,947	43,543,957	793,122	5,342,354	607,086	109,940,906
Accumulated impairment	(12,485)	(24,157)	-	-	(152)	-	(36,794)
Accumulated depreciation	(10,330,784)	(7,107,745)	(9,133,776)	(596,164)	(4,283,847)	-	(31,452,316)
Net book value	<u>34,389,171</u>	<u>7,790,045</u>	<u>34,410,181</u>	<u>196,958</u>	<u>1,058,355</u>	<u>607,086</u>	<u>78,451,796</u>

Capital work in progress includes costs incurred as of June 30, 2022 in connection with ongoing construction and special projects at the Port. These projects are expected to be completed during the 2023 fiscal year.

APD LIMITED

Notes to Financial Statements
 June 30, 2022
 (Continued)

9. Property, plant and equipment (Continued)

	Container terminal \$	Freight handling equipment \$	Buildings, improvements & office trailers \$	Motor vehicles \$	Furniture & fixtures, communicat ions and office equipment \$	Capital work in progress \$	Total \$
Year ended June 30, 2021							
Opening net book value	36,428,293	5,565,528	34,175,445	271,649	1,134,802	3,115,472	80,691,189
Additions	-	-	-	-	-	4,453,641	4,453,641
Transfers	34,071	4,296,449	2,223,209	-	431,179	(6,984,908)	-
Disposals	-	(8,922)	-	(1,457)	(12,774)	(214,413)	(237,566)
Reclassification	-	-	-	-	(5,485)	-	(5,485)
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge for the year	(1,048,513)	(868,935)	(1,005,650)	(92,299)	(363,237)	-	(3,378,634)
Closing net book value	<u>35,413,851</u>	<u>8,984,120</u>	<u>35,393,004</u>	<u>177,893</u>	<u>1,184,485</u>	<u>369,792</u>	<u>81,523,145</u>
At June 30, 2021							
Cost	44,707,374	15,134,979	43,507,976	691,192	5,070,238	369,792	109,481,551
Accumulated impairment	(12,485)	(24,157)	-	-	(152)	-	(36,794)
Accumulated depreciation	(9,281,038)	(6,126,702)	(8,114,972)	(513,299)	(3,885,601)	-	(27,921,612)
Net book value	<u>35,413,851</u>	<u>8,984,120</u>	<u>35,393,004</u>	<u>177,893</u>	<u>1,184,485</u>	<u>369,792</u>	<u>81,523,145</u>

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****10. Accrued expenses and other liabilities**

	2022	2021
	\$	\$
Accrued real property tax	515,535	632,608
General accruals	518,211	726,575
	<u>1,033,746</u>	<u>1,359,183</u>

11. Share capital

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

As of reporting date, the Company has issued 4,996,915 (2021: 4,996,915) ordinary shares that were fully paid for by the shareholders.

During the year, the Company declared and paid dividends to ordinary shareholders of \$5,496,607 (2021: \$4,996,915) representing \$1.11 (2021: \$1.00) per share.

12. Basic and diluted earnings per share

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

	2022	2021
Total earnings for the year attributable to the equity shareholders	<u>\$7,417,988</u>	<u>\$6,671,578</u>
Weighted average number of ordinary shares in issue	<u>4,996,915</u>	<u>4,996,915</u>
Basic and diluted earnings per share	<u>\$1.48</u>	<u>\$1.34</u>

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

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

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

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****13. Significant agreements (Continued)***(a) Memorandum of Understanding (MOU) (continued)*

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

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

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

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

- adopting or altering the Memorandum of Association, Articles of Association or other constitutive documents;
- changing the authorised or issued share capital, granting share options or issuing instruments carrying rights of conversion into ordinary shares;
- incurring financial indebtedness which would result in the secured debt exceeding 3 times the Earnings Before Interest, Taxation, Depreciation and Amortisation or Debt Service Coverage Ratio that is less than 1.5 times;
- making loans or advances to any person other than in the ordinary course of the business;

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****13. Significant agreements (Continued)***(a) Memorandum of Understanding (MOU) (continued)*

- selling, transferring, leasing, assigning or otherwise disposing of a material part of undertaking, property and/or assets except for sub-leases made in the ordinary course of business;
- creating encumbrances over all or a material part of undertaking, property and/or assets, or giving guarantees or indemnities for any purpose other than as security in respect of the financial indebtedness which is not otherwise prohibited under the terms of the MOU;
- entering into any contract, liability or commitment which (a) is unusual or onerous or outside the ordinary course of business, or (b) is other than at commercial arm's length terms, except where such contract, liability or commitment satisfies authorisation criteria agreed between the Company and the Government;
- awarding of contracts, transactions or arrangements, other than contracts for provision of goods and services being at arm's length whose value does not exceed B\$5 million in a 12 month period, with (a) ACPDHL (b) a Director of ACPDHL and/or (c) an affiliate of ACPDHL, or any director or employee of such affiliate, except where such contracts, transactions or arrangements are awarded in compliance with procedures governing the awards of such that may be agreed between the Company and the Government;
- imposing fees and charges, save for such charges and fees preapproved by the Government, which are required to maintain a minimum IRR of 10% per annum;
- taking of any corporate action, legal proceedings or other procedures or steps in relation to (a) suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, liquidation, administration or reorganisation of Group Members (b) a composition, compromise, assignment or arrangement with, or for the benefit of, any creditor of the Group Members or (c) appointment of liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Group Members or any of its assets.

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

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

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****13. Significant agreements (Continued)***(b) Leases*

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

Under the terms of the lease agreement for the Port land, the Company shall pay an annual rent of \$40 per TEU until such time as the Substantial Completion is achieved. Once Substantial Completion is achieved, the Company will pay a minimum annual rent of \$2,000,000 or \$40 per TEU, whichever is greater. The fixed rent is payable quarterly in advance during the term and any adjustments based on the rent per TEU is payable within 14 days from the end of each quarter. The rent is subject to annual increases based on the increases in the cost of living. For the year ended June 30, 2022, the total rent expense recognised in the statement of comprehensive income amounted to \$658,078 (2021: \$424,446). Interest payments on the lease liability amounted to \$2,119,306 (2021: \$2,124,439). As of the end of the reporting period, lease payable to the Government amounted to \$46,911,502 (2021: \$47,095,695) which is included in lease liabilities in the statement of financial position.

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

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

Upon expiration of the term of the above leases, the Company shall have an option to renew the same for another term of forty-five (45) years on the same terms and conditions but at an annual rent to be agreed between the parties.

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

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****13. Significant agreements (Continued)***(b) Leases (continued)**Amounts recognised in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

	2022	2021
	\$	\$
Right-of-use assets		
Land	<u>45,023,241</u>	<u>45,586,032</u>
Lease liabilities		
Current	184,194	114,061
Non-current	<u>46,727,308</u>	<u>46,981,634</u>
	<u>46,911,502</u>	<u>47,095,695</u>

Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2022	2021
	\$	\$
Depreciation charge of right-of-use assets		
Land	<u>562,791</u>	<u>562,791</u>
Interest expense (included in finance costs)	<u>2,119,306</u>	<u>2,124,439</u>

The total cash outflow for leases in 2022 was \$2,119,306 (2021: \$2,124,439).

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****13. Significant agreements (Continued)***(c) Subleases*

The lease terms for existing lease agreements began in September 2011 and range from less than one (1) year to ten (10) years with options to renew for monthly to ten (10) year periods. The lease agreements provide at varying terms for the annual lease to be adjusted based on The Bahamas Consumer Price Index but there are no other variable lease payments that depend on an index or rate.

Although the risks associated with rights the Company retains in the underlying assets are not considered to be significant, the Company employs strategies to further minimize these risks. The Company requires the lessee to submit a cash security deposit upon signing the lease for the majority of its lease contracts. Additionally, although the Company is exposed to changes in the residual value at the end of the current leases, the Company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Deposits held as per the lease agreements totalled \$274,663 as of June 30, 2022 (2021: \$274,663). Additionally, during the year the Company executed certain short-term leases, which are on a month-to-month basis.

Income amounting to \$1,420,908 (2021: \$1,508,694) is shown as subleases income in the statement of comprehensive income. At year end, the analysis of the Company's aggregate future minimum lease payments receivable under the lease is as follows:

	2022	2021
	\$	\$
No later than one year	1,394,579	1,087,878
Later than one year and no later than five years	2,132,605	1,842,761
Later than five years	-	-
	<u>3,527,184</u>	<u>2,930,639</u>

APD LIMITED

Notes to Financial Statements
June 30, 2022
(Continued)

14. Revenue from contracts with customers

a) *Disaggregation of revenue from contracts with customers*

The Company derives revenue from the delivery of services over time and at a point in time in the following major revenue streams:

	At a point in time \$	Over time \$	2022 Total \$
Landing fees	13,018,507	-	13,018,507
Terminal handling fees	4,312,692	-	4,312,692
Stevedoring fees	3,144,096	-	3,144,096
Security	2,528,523	-	2,528,523
Gate fees	2,285,614	-	2,285,614
Storage fees	-	1,586,943	1,586,943
Reefer line	-	764,450	764,450
Other income	898,395	-	898,395
Total	<u>26,187,827</u>	<u>2,351,393</u>	<u>28,539,220</u>
	At a point in time \$	Over time \$	2021 Total \$
Landing fees	12,074,594	-	12,074,594
Terminal handling fees	4,070,405	-	4,070,405
Stevedoring fees	2,873,460	-	2,873,460
Security	2,371,103	-	2,371,103
Gate fees	2,122,680	-	2,122,680
Storage fees	-	2,391,658	2,391,658
Reefer line	-	625,050	625,050
Other income	737,187	-	737,187
Total	<u>24,249,429</u>	<u>3,016,708</u>	<u>27,266,137</u>

Other income includes hazmat fees, dockage, line handling fees and other income as presented on the statement of comprehensive income.

b) *Performance obligations*

Landing fees are charges for the use of the Nassau Container Port (NCP) wharves and piers. The performance obligation is satisfied at a point in time, i.e. when the cargo lands at NCP. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the size and type of cargo and there are no elements of variable consideration.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****14. Revenue from contracts with customers (Continued)***b) Performance obligations (continued)*

Terminal handling fees are charges for the use of freight handling equipment and operating costs associated with moving containers, trailers and non-containerised cargo in the common terminal area. The performance obligation is satisfied at a point in time, i.e. when the cargo is moved. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the size and type of cargo and there are no elements of variable consideration.

Stevedoring fees are charges for all containers, vehicles or non-containerised cargo discharged or loaded by cranes at NCP. The performance obligation is satisfied at a point in time, i.e. when the cargo is discharged or loaded. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the size and type of cargo and is charged per Twenty-foot Equivalent Unit (TEU). There are no elements of variable consideration.

Security fees are charges for providing security services at the Port and are assessed to all cargo entering NCP. The performance obligation is satisfied at a point in time, i.e. when the cargo enters the Port. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the size and type of cargo and there are no elements of variable consideration.

Gate fees are charges for containers, chassis and trailers entering or leaving the Port's gates. The performance obligation is satisfied at a point in time, i.e. when the cargo moves through the gate. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed and is charged per container.

Storage and reefer fees are charges for the time that cargo remains at NCP or GFT beyond an established free time period. The performance obligation is satisfied over time, i.e. during the period that the cargo remains on site. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the type of cargo and there are no elements of variable consideration.

Hazmat fees are charges for handling hazardous cargo. The performance obligation is satisfied at a point in time, i.e. when the cargo arrives at the Port. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the weight of the cargo and there are no elements of variable consideration.

Dockage fees are charges assessed on a vessel for berthing or making use of any of the dock space at NCP. The performance obligation is satisfied at a point in time, i.e. when the vessel berths. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the Length Overall (LOA) of the vessel and there are no elements of variable consideration.

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****14. Revenue from contracts with customers (Continued)***b) Performance obligations (continued)*

Line handling fees are charges for mooring the vessel to the berth and are assessed when a ship moves berth. The performance obligation is satisfied at a point in time, i.e. when the vessel berths, unberths, or moves berth. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the size of the vessel and there are no elements of variable consideration.

Other income includes charges for equipment rental and weighing charges. The performance obligation is satisfied at a point in time, i.e. when the equipment is rented or when the cargo is weighed. There is no significant financing component as payment is typically due and payable upon presentation of an invoice or within 15 calendar days of the invoice date. The consideration is fixed based on the type of equipment or weight and there are no elements of variable consideration.

15. Legal and other professional fees

Legal and other professional fees comprise the following:

	2022	2021
	\$	\$
Legal and other professional fees	498,308	212,759
Regulatory fees	<u>127,072</u>	<u>122,780</u>
	<u>625,380</u>	<u>335,539</u>

16. Retirement benefits

Pension costs for the year which are included in salaries, employee benefits and training in the statement of comprehensive income totalled \$105,488 (2021: \$107,470). The Company's contributions to the pension plan vest 50% with the employees upon completion of five (5) years of employment, incrementally vesting annually, with full vesting upon completion of ten (10) years of employment.

17. Commitments and contingencies

Outstanding capital commitments as of reporting date were as follows:

	2022	2021
	\$	\$
Authorised but not contracted	-	-
Contracted but not yet incurred	<u>-</u>	<u>33,108</u>
	<u>-</u>	<u>33,108</u>

As of June 30, 2022, the Company is contingently liable to its bankers in respect of customs bonds issued to the Bahamas Government and corporate credit cards in the total amount of \$1,030,000 (2021: \$920,000). There is an annual bank charge of 1.25% on the face value of each bond.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****18. Financial risk management**

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

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

(a) Market risk

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

(i) Currency risk

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

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

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

(ii) Cash flow and fair value interest rate risk

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

As of June 30, 2022, the Company held variable interest rate financial instruments which could possibly expose it to significant fair value or cash flow interest rate risk. The long term debt is subject to the prevailing market interest rate: the BSD prime rate. This rate has not fluctuated significantly in prior years and the credit agreement stipulates a minimum and maximum interest rate, limiting the exposure to interest rate risk. Management does not foresee cash flow and fair value interest rate risks on the financial liability to be significant.

(b) Credit risk

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

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****18. Financial risk management (Continued)****(b) Credit risk (continued)**

The Company seeks to mitigate such risk from its cash and cash equivalents by placing its cash with financial institutions in good standing with the Central Bank of The Bahamas. The credit risk from accounts receivable is mitigated by monitoring the payment history of the counterparties before continuing to extend credit to them. The Company does not have a significant concentration of credit risk as it transacts and deals with various customers and counterparties.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, all cash balances are held with a reputable financial institution which is a branch of a bank which holds under Moody's an external credit rating of Aa2 and under Fitch an external credit rating of AA, and as such are in stage 1. Given the strong credit worthiness of the bank, management does not expect a material ECL on the cash balances.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due. The other receivables relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables. These two balances are grouped together as accounts receivable on the statement of financial position.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before June 30, 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified gross domestic product (GDP) of The Bahamas and the geographical location in which it operates which make it prone to potential hurricanes to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at June 30, 2022 was determined to be immaterial and no adjustments were booked.

Trade receivables and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables and other receivables are presented as net impairment losses within EBITDA. Subsequent recoveries of amounts previously written off are credited against the same line item.

APD LIMITED

Notes to Financial Statements June 30, 2022 (Continued)

18. Financial risk management (Continued)

(c) Liquidity risk

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

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

The table below analyses the Company's financial liabilities in relevant maturity groupings based on the remaining period at the contractual maturity date as of June 30, 2022. The amounts disclosed in the table are the contractual undiscounted cash flows.

As of June 30, 2022	Carrying amount \$	Contractual cash flows \$	0-12 months \$	1-5 years \$	More than 5 years \$
Liabilities					
Accounts payable	468,787	468,787	468,787	-	-
Due to related parties	1,243,372	1,243,372	1,243,372	-	-
Accrued expenses and other liabilities	1,033,746	1,033,746	1,033,746	-	-
Lease liabilities	46,911,502	129,910,012	2,303,500	9,214,000	118,392,512
Long term debt	28,798,934	35,272,280	2,933,935	11,098,093	21,240,252
Deposits held	274,663	274,663	21,000	21,701	231,962
Total financial liabilities	78,731,004	168,202,860	8,004,340	20,333,794	139,864,726

As of June 30, 2021	Carrying amount \$	Contractual cash flows \$	0-12 months \$	1-5 years \$	More than 5 years \$
Liabilities					
Accounts payable	239,021	239,021	239,021	-	-
Due to related parties	1,058,574	1,058,574	1,058,574	-	-
Accrued expenses and other liabilities	1,359,183	1,359,183	1,359,183	-	-
Lease liabilities	47,095,695	149,161,000	2,238,500	11,192,500	135,730,000
Redeemable preference shares	30,482,339	30,802,899	30,802,899	-	-
Deposits held	274,663	274,663	21,000	49,365	204,298
Total financial liabilities	80,509,475	182,895,340	35,719,177	11,241,865	135,934,298

The Company has sufficient cash flows from operations to meet its liquidity needs. In addition, the Company has an undrawn line of credit with FirstCaribbean International Bank (Bahamas) Limited totalling \$2,150,000 (\$3,000,000 Facility B as described in Note 7 less customs bonds issued to the Bahamas Government of \$850,000) and an undrawn line of credit with RBC Royal Bank (Bahamas) Limited totalling \$3,000,000.

APD LIMITED**Notes to Financial Statements****June 30, 2022****(Continued)****18. Financial risk management (Continued)****(c) Liquidity risk (continued)**

As disclosed in Note 17, the Company has total capital commitments for provision of goods and services in the amount of \$Nil (2021: \$33,108) which mainly related to the purchase of operational assets.

19. Fair value of financial instruments

Financial instruments utilised by the Company include recorded financial assets and liabilities. Except for long term debt, redeemable preference shares and deposits held, the Company's financial liabilities are principally short term in nature. Due to the short-term nature of these instruments, management does not consider the estimated fair values of financial instruments to be materially different from the carrying values of each major category of the Company's financial assets and liabilities as of the reporting date.

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

Financial assets measured at fair value through profit or loss comprise an investment in the Nassau Cruise Port Ltd. equity offering via the Bahamas Investment Fund (BIF). The Company purchased 85,000 Bahamas Investment Fund Class A Investor Shares at \$5.00 per share in December 2021. The fund will have an annual net asset value calculated on March 31 of each year. Directors of the fund, along with the Investment Manager, will determine appropriate valuation methods for The Nassau Cruise Port shares which are owned by BIF. Directors intend to use the book value of BIF's ownership stake in Nassau Cruise Port as a base case for the value of the shares. Accordingly, the net asset value will reflect movements in Nassau Cruise Port's equity and primarily be driven by the performance of the company.

Fair value hierarchy and measurements

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

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

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

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

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****19. Fair value of financial instruments (Continued)***Fair value hierarchy and measurements (continued)*

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

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

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

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
FINANCIAL ASSETS				
Financial assets at amortised cost				
Cash and cash equivalents	19,817,081	-	-	19,817,081
Accounts receivable	-	3,059,560	-	3,059,560
Financial assets at fair value through profit or loss				
	-	425,000	-	425,000
Total financial assets	<u>19,817,081</u>	<u>3,484,560</u>	<u>-</u>	<u>23,301,641</u>
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Accounts payable	-	468,787	-	468,787
Due to related parties	-	1,243,372	-	1,243,372
Accrued expenses and other liabilities	-	1,033,746	-	1,033,746
Current portion of long term debt	-	2,057,067	-	2,057,067
Current portion of lease liability	-	184,194	-	184,194
Long term debt	-	26,741,867	-	26,741,867
Long term lease liability	-	46,727,308	-	46,727,308
Deposits held	-	274,663	-	274,663
Total financial liabilities	<u>-</u>	<u>78,731,004</u>	<u>-</u>	<u>78,731,004</u>

APD LIMITED**Notes to Financial Statements
June 30, 2022
(Continued)****19. Fair value of financial instruments (Continued)***Fair value hierarchy and measurements (continued)*

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
FINANCIAL ASSETS				
Financial assets at amortised cost				
Cash and cash equivalents	17,606,947	-	-	17,606,947
Accounts receivable	-	2,088,967	-	2,088,967
Total financial assets	<u>17,606,947</u>	<u>2,088,967</u>	<u>-</u>	<u>19,695,914</u>
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Accounts payable	-	239,021	-	239,021
Due to related parties	-	1,058,574	-	1,058,574
Accrued expenses and other liabilities	-	1,359,183	-	1,359,183
Current portion of preference shares	-	30,482,339	-	30,482,339
Current portion of lease liability	-	114,061	-	114,061
Long term lease liability	-	46,981,634	-	46,981,634
Deposits held	-	274,663	-	274,663
Total financial liabilities	<u>-</u>	<u>80,509,475</u>	<u>-</u>	<u>80,509,475</u>

At the reporting date, the initial NAV in the shares of the NCP equity offering has not been calculated. Given the recent acquisition of the shares, management has determined that the transaction price approximates the fair value at June 30, 2022. For a period of 1 year after December 31, 2021 the shareholders of BIF will not be able to transfer, sell, pledge, grant any option to purchase, otherwise dispose of, any shares in the fund and for a period of 3 years after December 31, 2021, the shareholders will not be able to redeem any shares in the fund.

The Company does not have a Level 3 classification at June 30, 2022 and 2021. There were no transfers between levels during the year.

20. Capital management

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

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

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

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

APD LIMITED

Notes to Financial Statements June 30, 2022 (Continued)

20. Capital management (Continued)

Total capital represents equity shown in the statement of financial position plus net debt.

Long term debt covenants

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

- to maintain a debt service coverage ratio of at least 2.00:1.00

The Company has complied with this covenant throughout the reporting period. As at June 30, 2022, the debt service coverage ratio was 5.17 (2021: Nil).

- to maintain in the debt service reserve account an amount in cash equal to or exceeding the minimum debt service reserve cash balance

The Company has complied with this covenant throughout the reporting period. As at June 30, 2022, the balance in the debt service reserve account exceeded the minimum debt service reserve cash balance.

- to maintain a debt to EBITDA ratio of less than 3.50:1.00

The Company has complied with this covenant throughout the reporting period. As at June 30, 2022, the debt to EBITDA ratio was 1.90 (2021: Nil).

- to make minimum major maintenance reserve payments equal to 3% of gross annual revenues until the major maintenance reserve account is equal to or exceeds the minimum major maintenance reserve balance, and to maintain the minimum major maintenance reserve balance at any time thereafter.

The Company has complied with this covenant throughout the reporting period. As at June 30, 2022, payments are not yet due.

- to maintain a minimum current ratio of 1.00:1.00

The Company has complied with this covenant throughout the reporting period. As at June 30, 2022, the current ratio was 5.12 (2021: 5.44).

21. Segment reporting

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