

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Bahamas Waste Limited
Nine Months Ended September 30, 2014

Ernst & Young



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Bahamas Waste Limited

Interim Condensed Financial Statements (Unaudited)

Nine Months Ended September 30, 2014

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Bahamas Waste Limited

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

	September 30	December 31
	2014	2013
Assets		
Current assets		
Cash	\$ 905,855	\$ 393,562
Accounts receivable, net	2,229,140	2,464,790
Inventories	761,225	647,214
Prepaid expenses and other receivables	210,263	190,503
Total current assets	4,106,483	3,696,069
Non-current assets		
Investment in associate	73,925	73,925
Property, plant, and equipment, net	31,250	50,000
Intangible assets, net (<i>Note 3</i>)	6,661,993	7,001,069
Total non-current assets	6,767,168	7,124,994
Total assets	\$ 10,873,651	\$ 10,821,063
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 368,249	\$ 401,763
Total current liabilities	368,249	401,763
Non-current liabilities		
Security deposits	529,207	509,578
Total liabilities	897,456	911,341
Shareholders' equity		
Share capital and contributed surplus	2,794,113	2,794,113
Treasury shares	(307,262)	(178,465)
Retained earnings	7,489,344	7,294,074
Total shareholders' equity	9,976,195	9,909,722
Total liabilities and shareholders' equity	\$ 10,873,651	\$ 10,821,063

Commitments and contingencies (*Note 6*)

See accompanying notes to interim condensed financial statements (unaudited)

Bahamas Waste Limited,

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

	Nine Months Ended September	
	2014	2013
Sales and services rendered	\$ 8,134,047	\$ 7,865,535
Cost of sales and direct expenses	(5,609,989)	(5,544,017)
Gross profit	<u>2,524,058</u>	<u>2,321,518</u>
Expenses:		
Operating	1,944,796	1,788,133
Interest and bank charges	11,911	11,827
Total operating expenses	<u>1,956,707</u>	<u>1,799,960</u>
Net income being comprehensive income for the period	<u>\$ 567,351</u>	<u>\$ 521,558</u>
Earnings per share (Note 4)	<u>\$ 0.14</u>	<u>\$ 0.13</u>

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

Bahamas Waste Limited

Interim Condensed Statement of Changes in Shareholders' Equity (Unaudited)

(Expressed in Bahamian Dollars)

	Number of Shares Issued	Share Capital	Contributed Surplus	Treasury Shares	Retained Earnings	Total
Balance at December 31, 2013	\$ 4,200,000	\$ 42,000	\$ 2,752,113	\$ (178,465)	\$ 7,294,074	\$ 9,909,722
Total comprehensive income	–	–	–	–	567,351	567,351
Dividends	–	–	–	–	(372,081)	(372,081)
Purchases of Treasury Stock	–	–	–	(128,797)	–	(128,797)
Balance at September, 30 2014	\$ 4,200,000	\$ 42,000	\$ 2,752,113	\$ (307,262)	\$ 7,489,344	\$ 9,976,195
Balance at December 31, 2012	4,200,000	\$ 42,000	\$ 2,752,113	–	\$ 7,002,239	\$ 9,796,352
Total comprehensive income	–	–	–	–	521,558	521,558
Dividends	–	–	–	–	(209,134)	(209,134)
Purchases of Treasury Stock	–	–	–	(78,589)	–	(78,589)
Balance at September 30, 2013	\$ 4,200,000	\$ 42,000	\$ 2,752,113	(78,589)	\$ 7,314,663	\$ 10,030,187

See accompanying notes to interim condensed financial statements (unaudited)

Bahamas Waste Limited

Interim Condensed Statements of Cash Flows (Unaudited) (Expressed in Bahamian Dollars)

	Nine Months Ended September 30	
	2014	2013
Operating activities		
Net income being comprehensive income for the period	\$ 567,351	\$ 521,558
Adjustments for items not involving use of cash:		
Bad debt expense	30,000	45,000
Amortization of intangible assets	18,750	18,750
Gain on Disposal of property, plant and equipment	(25,000)	(1,000)
Depreciation	991,635	992,122
	1,582,736	1,576,430
Change in non-cash working capital items:		
Decrease (increase) in accounts receivable	205,650	(27,266)
Increase in inventories	(114,011)	(32,443)
Increase (decrease) in prepaid expenses and other receivables	(19,760)	66,706
Decrease (increase) in investments	-	(1,137)
Decrease (increase) in accounts payable and accrued liabilities	(33,514)	198,441
Increase in security deposits	19,629	30,962
Net cash flow provided by operating activities	1,640,730	1,811,693
Investing activities		
Purchases of property, plant, and equipment	(652,559)	(922,731)
Proceeds from sale of property, plant, and equipment	25,000	1,000
Net cash flow used in investing activities	(627,559)	(921,731)
Financing activities		
Dividends paid	(372,081)	(209,134)
Purchase of Treasury Stock	(128,797)	(78,589)
Net cash flow used in financing activities	(500,878)	(287,723)
Net change in cash	512,293	602,239
Cash at beginning of the period	393,562	515,258
Cash at end of the period	\$ 905,855	\$ 1,117,497
Interest paid	\$ 222	\$ 430

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

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited)

(Expressed in Bahamian Dollars)

September 30, 2014

1. Corporate Information

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

The quarter ends of the Company fall on March 31, June 30, and September 30, with the year end of the Company being December 31. The latest audited accounts of the Company were prepared as at December 31, 2013, and the year then ended in its reporting currency Bahamian Dollars.

The interim condensed financial statements (unaudited) for September 30, 2014, were authorized for issue by the directors on October 29th, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

These interim condensed financial statements (unaudited) for September 30, 2014, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The interim condensed financial statements (unaudited) do not include all of the information and Company's disclosures required in the annual financial statements, and should be read in conjunction with the December 31, 2013, audited financial statements.

The accounting policies adopted in the preparation of the interim condensed financial statements (unaudited) are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2013.

Bahamas Waste Limited

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

3. Business Acquisition and Intangible Assets

On March 31 2010, the Company entered into an agreement to acquire the Rear Load Commercial Garbage business from Wastenot Limited effective May 1 2010. The total purchase was for the sum of \$400,000, for which the last installment payment was paid in full as of September 2010.

The intangible asset relative to the Wastenot customer accounts has been determined to have a finite useful life, and is being amortized over a five year period. As at September 30, 2014, the carrying value of the intangible asset amounted to \$31,250 (December 31, 2013 – \$50,000).

4. Earnings Per Share

Earnings per share of \$0.14 (2013 – \$0.13) were calculated based on the shares outstanding at the end of the period, which approximated average shares outstanding during the period.

	September 30 2014	December 31 2013
Shares outstanding at end of period	4,093,228	4,134,228

5. Related-Party Transactions and Balances

During the quarter, the Company entered into transactions with related parties. All transactions were conducted at arm's length and no significant obligations to or receivables from the related parties existed at September 30, 2014 and 2013.

6. Commitments and Contingencies

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

Bahamas Waste Limited

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

7. Segment Information

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

- Collections includes all solid and wet waste collection, treatment and disposal, including roll-on/roll-off and rear load collections, residential collections, medical waste collections, portable toilet services.
- WVO Recycling entailing the collection of waste cooking oil and the conversion of same into biodiesel for use in various vehicles and equipment across the operating divisions.
- OCC Recycling collects and bales various paper products for export.
- Corporate Administration provides oversight and administrative support to all divisions.

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

	Collections	WVO Recycling	OCC Recycling	Corporate	Total
Nine months period ended September 30, 2014					
Revenue					
External customers	\$ 7,975,718	\$ –	\$ 71,960	\$ 86,369	\$ 8,134,047
Inter-segment	–	–	–	–	–
Total revenue	<u>\$ 7,975,718</u>	<u>\$ –</u>	<u>\$ 71,960</u>	<u>\$ 86,369</u>	<u>\$ 8,134,047</u>
Results					
Depreciation & amortization	\$ (664,998)	\$ (86,845)	\$ (70,559)	\$ (187,983)	\$ (1,010,385)
Operating expenses	(4,399,402)	(263,788)	(124,846)	(1,768,275)	(6,556,311)
Segment profit	<u>\$ 2,911,318</u>	<u>\$ (350,633)</u>	<u>(123,445)</u>	<u>(1,869,889)</u>	<u>\$ 567,351</u>
Operating assets	<u>\$ 6,664,801</u>	<u>\$ 934,382</u>	<u>\$ 531,812</u>	<u>\$ 2,742,656</u>	<u>\$ 10,873,651</u>
Operating liabilities	<u>\$ 598,658</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 298,798</u>	<u>\$ 897,456</u>

Bahamas Waste Limited

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

7. Segment Information (continued)

	Collections	WVO Recycling	OCC Recycling	Corporate	Total
Nine months period ended September 30, 2013					
Revenue					
External customers	\$ 7,782,593	\$ –	\$ 57,250	\$ 25,692	\$ 7,865,535
Inter-segment	–	–	–	–	–
Total revenue	<u>\$ 7,782,593</u>	<u>\$ –</u>	<u>\$ 57,250</u>	<u>\$ 25,692</u>	<u>\$ 7,865,535</u>

Results

Depreciation & amortization	\$ (700,896)	\$ (82,699)	\$ (70,195)	\$ (157,081)	\$ (1,010,871)
Operating expenses	(4,436,147)	(126,745)	(127,336)	(1,642,878)	(6,333,106)
Segment profit	<u>\$ 2,645,550</u>	<u>\$ (209,444)</u>	<u>\$ (140,281)</u>	<u>\$ (1,774,267)</u>	<u>\$ 521,558</u>
Operating assets	<u>\$ 6,494,158</u>	<u>\$ 958,852</u>	<u>\$ 626,682</u>	<u>\$ 2,947,044</u>	<u>\$ 11,026,736</u>
Operating liabilities	<u>\$ 638,148</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 358,400</u>	<u>\$ 996,548</u>

8. Share Capital

On October 24, 2012, the Company's Board of Directors approved a program for the repurchase of up to 10% (420,000) of its outstanding ordinary shares over the 36-month period ending October 31, 2015. As at the date of the statement of financial position, the Company had repurchased 106,772 ordinary shares for a total of \$307,262. The repurchased shares are held in Treasury and cannot be released without the consent of the Board.

	Value	Units
Treasury stock purchased as at		
December 31, 2013	\$ 178,465	65,772
September 30, 2014	<u>128,797</u>	<u>41,000</u>
	<u>\$ 307,262</u>	<u>106,772</u>

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