

**APD LIMITED**

**Financial Statements  
For the year ended June 30, 2020**



## Independent auditors' report

To the Shareholders of APD Limited

### Report on the audit of the financial statements

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#### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of APD Limited (the Company) as of June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **What we have audited**

APD Limited's financial statements comprise:

- the statement of financial position as of June 30, 2020;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the financial statements, which include significant accounting policies and other explanatory information.
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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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## Our audit approach

### Overview

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- Overall materiality: \$414,700, which represents approximately 5% of profit from continuing operations
  - In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit:
    - the risk of material misstatement in the financial statements
    - significant accounting estimates
    - the risk of management override of internal controls
  - Valuation of property, plant and equipment
  - Initial adoption of IFRS 16 'Leases'
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### Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.



<b>Overall materiality</b>	\$414,700
<b>How we determined it</b>	approximately 5% of profit from continuing operations
<b>Rationale for the materiality benchmark applied</b>	We chose profit from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose approximately 5% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$41,470, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of property, plant and equipment</b></p> <p><i>Refer to notes 2 (g), 2 (h) and 9 to the financial statements for disclosures of related accounting policies and balances.</i></p> <p>As of June 30, 2020, property, plant and equipment represented \$80,691,189 or 55% of total assets of the Company. There were no impairment losses on property, plant and equipment recognised during the year.</p> <p>While the Government of The Bahamas imposed lockdowns and curfews across the islands of The Bahamas and ordered that the majority of businesses suspend operations to the general public in response to the COVID-19 pandemic, the Company was one of the organisations specifically exempted due to the nature of its operations and the critical role it plays in the supply chain for essential goods on the island of New Providence.</p> <p>We focused on valuation of property, plant and equipment due to materiality of the balance and because the factors in determining whether impairment exists involves significant judgement by management. In determining whether circumstances indicating impairment exist, management, at a minimum, considers the following factors:</p>	<p>We evaluated and assessed the reasonableness of accounting policies related to property, plant and equipment and useful lives. For a sample of assets, we examined if the useful lives over which depreciation is calculated was in accordance with the Company's policy. We also reperformed calculations of depreciation expense for a sample of assets.</p> <p>Additionally, we tested management's impairment assessment which included an analysis of all of the Company's assets by asset class. We agreed information in the analysis to the fixed asset register which was reconciled to the general ledger and financial statements through our testing. We performed an analysis of the Company's property, plant and equipment using the external and internal factors outlined in IAS 36. Additionally, we evaluated the reasonableness of management's assumptions used in determining if an asset is impaired and</p>



- 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 may show a significant decline from previous budgets and forecasts.

challenged management's process by examining a sample of assets which had not been identified by management as potentially impaired, forming our own independent conclusion as to whether there were indicators of impairment.

We also considered the impact of COVID-19 as negative changes in the economic environment in which the Company operates is a relevant factor. We assessed management's conclusion that COVID-19 is not an indicator of impairment for the Company as the financial impact has not been significant and there have been no changes in the extent to which, or manner in which, the Company's assets are used or are expected to be used. We performed test of details over revenue and expenses, which supported the increase of revenue year on year and did not identify any information that would contradict management's conclusions over their impairment assessment.

No material misstatement in the carrying amount of property, plant and equipment was identified through our testing.

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#### Initial adoption of IFRS 16 'Leases'

*Refer to notes 2 (n), 13 (b) and 13 (c) to the financial statements for disclosures of related accounting policies and balances.*

The initial adoption of the new leasing standard, IFRS 16, had a material impact on the Company's financial statements. As of June 30, 2020, right-of-use assets in the amount of \$46,148,822 and lease liabilities in the amount of \$47,209,756 were recognised. Right-of-use assets and lease liabilities represent 31% and 57% of total assets and total liabilities respectively and thus have a material impact on the Company's financial position.

We focused on the initial adoption of the standard due to its material impact on the financial statements and because determination of the lease term and the incremental borrowing rate involved a level of judgement by management. Management performed a review of its leasing arrangements to determine if contracts represent or contain a lease. The lease of

As part of our audit procedures, we inquired about the implementation process and evaluated its impact on the financial statements, including reviewing the updated accounting policies implemented according to IFRS 16. Furthermore, we evaluated the adoption impact and the adequacy of disclosures relating to the standard and its impact on the Company's financial statements.

We evaluated the assumptions used by management, in particular those used in determining the incremental borrowing rate, lease conditions and measurement



56.55 acres of land on Arawak Cay, New Providence (the Port Land) with the Government of The Bahamas was the only lease agreement that met the recognition criteria for which a right-of-use asset and corresponding lease liability were recognised.

In determining the lease term, management considered all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. 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.

As the interest rate implicit in the lease could not be readily determined, management determined an incremental borrowing rate of 4.5% based on recent third-party financing rates received.

principles, and tested the actual inputs for the significant lease contract. We tested management's assumptions as followed:

- Examined the lease agreement with a focus on the renewal and extension options to ensure the appropriateness of the lease term in light of our entity and industry knowledge and our testing performed on capital expenditures;
- Assessed the reasonableness of the incremental borrowing rate through examination of historical data (i.e. previous third-party financing received) and correspondence from the Company's bankers confirming the available lending rate;
- Independently calculated the present value of the lease liability based on the terms of the lease agreement and related external inputs, being the Consumer Price Index published by the Central Bank of Bahamas and compared to management's calculated value; and
- Tested the mathematical accuracy of the present value calculation.

No material misstatements in the carrying amounts of right-of-use assets or lease liabilities were identified through our testing.

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### *Other information*

Management is responsible for the other information. The other information comprises the 2020 APD Limited Annual Report (but does not include the financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the 2020 APD Limited Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditors' report is Carlton Cartwright Jr.

*PricewaterhouseCoopers*  
Chartered Accountants  
Nassau, Bahamas

October 28, 2020

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

**Statement of Financial Position**  
**As of June 30, 2020**  
**(Amounts expressed in Bahamian dollars)**

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	18,327,087	16,800,558
Accounts receivable	4	1,891,098	1,539,297
Tax receivable		615,806	591,978
Deposits, prepayments and other assets	6	875,403	898,942
Spare parts inventory		868,925	834,494
Deferred borrowing costs		26,779	26,779
<b>Total current assets</b>		<b><u>22,605,098</u></b>	<b><u>20,692,048</u></b>
<b>Non-current assets</b>			
Property, plant and equipment	9	80,691,189	82,800,651
Right-of-use asset	13	46,148,822	-
<b>Total non-current assets</b>		<b><u>126,840,011</u></b>	<b><u>82,800,651</u></b>
<b>Total assets</b>		<b><u>149,445,109</u></b>	<b><u>103,492,699</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		447,152	309,833
Due to related parties	5	992,365	2,300,874
Retention payable		16,794	-
Accrued expenses and other liabilities	10	1,016,666	1,047,443
Current portion of redeemable preference shares	8	1,286,000	1,286,000
Current portion of lease liability	13	59,561	-
Current portion of long term debt	7	300,000	300,000
<b>Total current liabilities</b>		<b><u>4,118,538</u></b>	<b><u>5,244,150</u></b>
<b>Non-current liabilities</b>			
Redeemable preference shares	8	30,451,236	31,706,134
Long term debt	7	450,000	750,000
Lease liability		47,150,195	-
Deposits held		261,596	261,596
<b>Total non-current liabilities</b>		<b><u>78,313,027</u></b>	<b><u>32,717,730</u></b>
<b>Total liabilities</b>		<b><u>82,431,565</u></b>	<b><u>37,961,880</u></b>
<b>Equity</b>			
Share capital	11	49,969	49,969
Share premium		49,192,308	49,192,308
Retained earnings		17,771,267	16,288,542
<b>Total equity</b>		<b><u>67,013,544</u></b>	<b><u>65,530,819</u></b>
<b>Total liabilities and equity</b>		<b><u>149,445,109</u></b>	<b><u>103,492,699</u></b>

Approved by the Board of Directors on October 28, 2020 and signed on its behalf by:

\_\_\_\_\_  
 Director

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 Director

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

**APD LIMITED**
**Statement of Comprehensive Income**  
**For the year ended June 30, 2020**  
**(Amounts expressed in Bahamian dollars)**

	Notes	2020 \$	2019 \$
<b>Revenue</b>			
Landing fees	14	13,284,990	13,651,974
Terminal handling fees	14	4,271,995	4,412,051
Stevedoring fees	14	2,944,719	3,057,399
Security	14	2,559,562	2,652,911
Storage fees	14	2,406,077	1,543,528
Gate fees	14	2,279,740	2,312,135
Subleases	13	1,492,182	1,756,378
Reefer line	14	1,132,900	755,900
Hazmat fees	14	365,000	364,000
Dockage	14	291,990	276,235
Line handling fees	14	73,300	72,907
Other income	14	57,436	57,140
		<u>31,159,891</u>	<u>30,912,558</u>
<b>Expenses</b>			
Salaries, employee benefits, and training		5,104,726	5,431,342
Terminal handling costs		4,135,635	3,761,874
Government fees and taxes		1,491,877	1,500,507
Repairs and maintenance		1,325,789	1,235,080
Utilities		1,116,408	1,008,974
Government lease	13	648,405	2,775,494
Security		388,976	406,878
Legal and other professional fees	15	380,225	446,428
Insurance		339,970	316,106
Other operating expenses		324,320	577,996
Office supplies, postage and delivery		181,947	163,674
Company meetings and events		126,026	162,283
Loss on disposal of asset		138,501	-
		<u>15,702,805</u>	<u>17,786,636</u>
<b>Total expenses</b>		<b>15,702,805</b>	<b>17,786,636</b>
<b>Earnings before interest, depreciation and amortisation</b>		<u><b>15,457,086</b></u>	<u><b>13,125,922</b></u>

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

**APD LIMITED**

**Statement of Comprehensive Income (Continued)**  
**For the year ended June 30, 2020**  
**(Amounts expressed in Bahamian dollars)**

	Notes	2020 \$	2019 \$
Depreciation - property, plant and equipment	9	3,633,270	3,092,880
Depreciation - right-of-use-asset		562,791	-
Amortisation of preference share issue cost		31,103	31,103
<b>Total depreciation and amortisation</b>		<u><b>4,227,164</b></u>	<u><b>3,123,983</b></u>
<b>Earnings before interest</b>		<u><b>11,229,922</b></u>	<u><b>10,001,939</b></u>
<b>Finance costs</b>			
Preference share dividends		1,838,547	1,909,272
Interest on lease liability		2,127,004	-
Interest expense		43,304	70,474
Interest income		<u>(8,841)</u>	<u>(8,154)</u>
<b>Total finance costs, net</b>		<u><b>4,000,014</b></u>	<u><b>1,971,592</b></u>
<b>Total earnings for the year attributable to the equity shareholders</b>		<u><b>7,229,908</b></u>	<u><b>8,030,347</b></u>
<b>Total comprehensive income for the year</b>		<u><b>7,229,908</b></u>	<u><b>8,030,347</b></u>
<b>Basic and diluted earnings per share</b>	12	<u><b>1.45</b></u>	<u><b>1.61</b></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, 2020**  
 (Amounts expressed in Bahamian dollars)

	Share capital \$	Share premium \$	Retained earnings \$	Total \$
<b>Balance at July 1, 2018</b>	<b>49,969</b>	<b>49,192,308</b>	<b>14,554,308</b>	<b>63,796,585</b>
Total comprehensive income for the year	-	-	8,030,347	8,030,347
Dividends paid (Note 11)	-	-	(6,296,113)	(6,296,113)
<b>Balance at June 30, 2019 as originally presented</b>	<b>49,969</b>	<b>49,192,308</b>	<b>16,288,542</b>	<b>65,530,819</b>
Change in accounting policy (Note 2 (b) i)	-	-	748,806	748,806
<b>Balance at July 1, 2019</b>	<b>49,969</b>	<b>49,192,308</b>	<b>17,037,348</b>	<b>66,279,625</b>
Total comprehensive income for the year	-	-	7,229,908	7,229,908
Dividends paid (Note 11)	-	-	(6,495,989)	(6,495,989)
<b>Balance at June 30, 2020</b>	<b>49,969</b>	<b>49,192,308</b>	<b>17,771,267</b>	<b>67,013,544</b>

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

**APD LIMITED**

**Statement of Cash Flows**  
**For the year ended June 30, 2020**  
**(Amounts expressed in Bahamian dollars)**

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		7,229,908	8,030,347
Adjustments for:			
Depreciation - property, plant and equipment		3,633,270	3,092,880
Depreciation - right-of-use-asset		562,791	-
Amortisation of preference share issue cost		31,103	31,103
Loss on disposal of assets		138,501	-
Interest income		(8,841)	(8,154)
Preference share dividends		1,838,547	1,909,272
Interest on lease liability		2,127,004	-
Loan interest expense		43,304	70,474
<b>Operating profit before changes in working capital</b>		<b>15,595,587</b>	<b>13,125,922</b>
Increase in spare parts inventory		(34,431)	(7,893)
Decrease / (Increase) in deposits, prepayments & other assets		23,539	(46,735)
(Increase) / Decrease in accounts receivable		(351,801)	76,657
Increase in tax receivable		(23,828)	(120,721)
Decrease in deposits held		-	(13,368)
Increase / (Decrease) in accounts payable		137,319	(178,892)
Decrease in due to related parties		(4,565)	(304,934)
Decrease in accrued expense and other liabilities		(30,777)	(70,042)
Increase in retention payable		16,794	-
<b>Net cash provided by operating activities</b>		<b>15,327,837</b>	<b>12,459,994</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(1,662,309)	(1,199,588)
<b>Net cash used in investing activities</b>		<b>(1,662,309)</b>	<b>(1,199,588)</b>
<b>Cash flows from financing activities</b>			
Loan repayment		-	(3,085,106)
Principal payment on lease liability		(56,996)	-
Principal payment on long term debt		(300,000)	(300,000)
Principal payment on preference shares		(1,286,000)	(2,572,000)
Interest expense paid		(43,304)	(70,474)
Interest income received		8,841	8,154
Interest on lease liability		(2,127,004)	-
Dividends paid to ordinary shareholders		(6,495,989)	(6,296,113)
Preference share dividends		(1,838,547)	(1,909,272)
<b>Net cash used in financing activities</b>		<b>(12,138,999)</b>	<b>(14,224,811)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>1,526,529</b>	<b>(2,964,405)</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>16,800,558</b>	<b>19,764,963</b>
<b>Cash and cash equivalents, end of year</b>		<b>18,327,087</b>	<b>16,800,558</b>

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

## APD LIMITED

### Notes to Financial Statements June 30, 2020

#### 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. Summary of significant accounting policies

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

##### (a) Basis of preparation

The Company's financial statements have been prepared under the historical cost convention 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, 2020  
(Continued)****2. Summary of 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, 2020**  
**(Continued)**
**2. Summary of 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:

	<b>2020</b>	<b>2019</b>
	\$	\$
Earnings before interest, depreciation and amortisation	15,457,086	13,125,922
Depreciation - property, plant and equipment	(3,633,270)	(3,092,880)
Depreciation - right-of-use-asset	(562,791)	-
Amortisation of preference share issue cost	(31,103)	(31,103)
<b>Operating profit</b>	<b><u>11,229,922</u></b>	<b><u>10,001,939</u></b>

*(iv) Impact of COVID-19*

Beginning of January 2020, global financial markets and local businesses have experienced and continue to experience significant volatility from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty.

**APD LIMITED****Notes to Financial Statements  
June 30, 2020  
(Continued)****2. Summary of significant accounting policies (Continued)****(a) Basis of preparation (continued)***(iv) Impact of COVID-19*

While the Government of The Bahamas imposed lockdowns and curfews across the islands of The Bahamas and ordered that the majority of businesses suspend operations to the general public, the Company has been one of the organisations specifically exempted due to the nature of its operations and the critical role it plays in the supply chain for essential goods on the island of New Providence.

As a result of COVID-19, volumes for the months of March to June decreased by as much as 30% less than budgeted volumes. Despite the decline at the early onset of the pandemic, there was an increase in the importation of hardware and building supplies due to ongoing projects on the island. In response to COVID-19, management granted the following concessions to its customers:

- As of March 23, 2020, free time on storage fees was increased by 14 days (thereby increasing free storage time from 10 days to 24 days) for FCL containers and vehicles for a period of 30 days;
- Rent for tenants at the Nassau Container Port and Gladstone Freight Terminal was waived for the month of April 2020
- All port tariff rates were reduced by 50% effective March 23, 2020 for a period of 30 days.

The above concessions, along with the volume reductions noted above, resulted in the decrease in revenues in the last quarter of the fiscal year. Total revenues for the year however were in line with the prior year, and net income was slightly above budget.

While the extent and duration of the impact of COVID-19 is uncertain at this point, 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*

The Company has applied IFRS 16, 'Leases' (IFRS 16) for the first time for its annual reporting period commencing July 1, 2019.

IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'.

**APD LIMITED****Notes to Financial Statements****June 30, 2020****(Continued)****3. Summary of significant accounting policies (Continued)****(b) Changes in applicable accounting policy and disclosures (continued)***(i) New and amended standards adopted by the Company (continued)*

IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts on the balance sheet, instead of the classification of leases as either operating leases or finance leases as required by IAS 17. Lessees will have to present interest expense on the lease liability and depreciation on the right-of-use asset in their statement of comprehensive income under IFRS 16. The new standard requires changes to the statement of cash flows because lease contracts that have previously been classified as operating leases are no longer presented as operating cash flows in full. Only the part of the lease payments that reflects interest on the lease liability can be presented as an operating cash flow. Cash payments for the principal portion of the lease liability are classified within financing activities. Lessor accounting remains substantially the same as in IAS 17. Lessor accounting remains substantially the same as in IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described in note 2(n) and the impact of the change in note 13(b). The Company has adopted IFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the June 30, 2019 reporting period, as permitted under the specific transition provisions of the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on July 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on July 1, 2019 was 4.5%.

*Practical expedients applied*

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at July 1, 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at July 1, 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 '*Determining whether an Arrangement contains a Lease*'.

**APD LIMITED**

**Notes to Financial Statements**  
**June 30, 2020**  
**(Continued)**

**2. Summary of significant accounting policies (Continued)**

**(b) Changes in applicable accounting policy and disclosures (continued)**

*(i) New and amended standards adopted by the Company (continued)*

*Measurement of lease liabilities*

	<b>2020</b>
	<b>\$</b>
Operating lease commitments disclosed as at June 30, 2019	74,000,074
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(26,733,322)
<b>Lease liability recognized as at July 1, 2019</b>	<b><u>47,266,752</u></b>
Of which are:	
Current lease liabilities	56,996
Non-current lease liabilities	47,209,756
	<b><u>47,266,752</u></b>

*Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at June 30, 2019.

*Adjustments recognised in the statement of financial position on July 1, 2019*

The change in accounting policy affected the following items in the statement of financial position on July 1, 2019:

- right-of-use assets – increase by \$46,711,613
- due to related parties – decrease by \$1,303,945
- lease liabilities – increase by \$47,266,752

The net impact on retained earnings on July 1, 2019 was an increase of \$748,806.

*(i) 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, 2020 reporting periods and have not been early adopted by the Company. These standards 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, 2020  
(Continued)****2. Summary of 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 cashflows, 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, 2020**  
**(Continued)**

**2. Summary of 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 are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one (1) year 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, 2020  
(Continued)****2. Summary of 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, 2020**  
**(Continued)**

**2. Summary of 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*

Until June 30, 2019, leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership were not transferred to the Company were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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, 2020  
(Continued)****2. Summary of 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, eg 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, 2020  
(Continued)****2. Summary of 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 balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

**(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, 2020  
(Continued)****2. Summary of 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. 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*

For purposes of subsequent measurement, financial assets are classified as financial assets at amortised cost.

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

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, 2020  
(Continued)****2. Summary of 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.

*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:

- 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.

**APD LIMITED****Notes to Financial Statements  
June 30, 2020  
(Continued)****2. Summary of significant accounting policies (Continued)****(o) Financial instruments (continued)***i) Financial assets (continued)**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, 2020.

*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, 2020****(Continued)****2. Summary of 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) and is required to assess VAT on all commercial leases and other services, to be payable to the Government. The Company will also incur VAT on certain goods and services acquired during the normal course of business to be offset against this payable. On July 1, 2018, the Value Added Tax (Amendment) Act, 2018 came into effect, which increased the standard VAT rate from 7.5% to 12%.

**(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, 2020  
(Continued)****2. Summary of 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**

	<b>2020</b>	<b>2019</b>
	\$	\$
Cash on hand	693	2,258
Cash held with bank	18,326,394	16,798,300
	<u><b>18,327,087</b></u>	<u><b>16,800,558</b></u>

**4. Accounts receivable**

	<b>2020</b>	<b>2019</b>
	\$	\$
Customers' account - gross:		
Third parties	210,011	220,691
Related parties (Note 5)	1,681,087	1,318,606
	<u>1,891,098</u>	<u>1,539,297</u>
Less: Allowance for expected credit losses	-	-
	<u><b>1,891,098</b></u>	<u><b>1,539,297</b></u>

**APD LIMITED****Notes to Financial Statements****June 30, 2020****(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:

	<b>Total</b>	<b>Current</b>	<b>1-30</b>	<b>31-60</b>	<b>61-90</b>	<b>More than</b>
	<b>\$</b>	<b>\$</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>90 days</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2020</b>	1,891,098	1,367,042	475,222	38,839	3,723	6,272
<b>2019</b>	1,539,297	1,342,779	182,873	12,328	1,317	-

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, 2020**  
**(Continued)****5. Related party balances and transactions (Continued)***(a) Amounts due from related parties included in accounts receivable comprise:*

	<b>2020</b>	<b>2019</b>
	\$	\$
Due from Shareholder	1	1
Due from other related parties - affiliates	<u>1,681,086</u>	<u>1,318,605</u>
	<u><b>1,681,087</b></u>	<u><b>1,318,606</b></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:*

	<b>2020</b>	<b>2019</b>
	\$	\$
Due to Shareholder	1,409,997	3,011,868
Due to other related parties - affiliates	<u>223,963</u>	<u>185,130</u>
	<u><b>1,633,960</b></u>	<u><b>3,196,998</b></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). 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:*

	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Sales of services</i>		
Other related parties - affiliates	<u><b>27,400,094</b></u>	<u><b>27,091,419</b></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, 2020  
(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 76% (2019: 75%) of total revenues during the year, amounting to \$11,748,612 (2019: \$11,424,527) and \$11,801,599 (2019: \$11,712,557) respectively.

	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Purchases of services</i>		
Other related parties - affiliates	<u><b>4,635,886</b></u>	<u><b>4,263,634</b></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:

	<b>2020</b>	<b>2019</b>
	\$	\$
Salaries	556,842	834,013
Short term employee benefits	435,080	517,981
Retirement benefits	<u>22,402</u>	<u>41,701</u>
	<u><b>1,014,324</b></u>	<u><b>1,393,695</b></u>

**6. Deposits, prepayments and other assets**

	<b>2020</b>	<b>2019</b>
	\$	\$
Security deposits	394,790	394,790
Prepayments	<u>480,613</u>	<u>504,152</u>
	<u><b>875,403</b></u>	<u><b>898,942</b></u>

**7. Long term debt**

Facility 1: \$3,000,000 revolving demand operating line of credit payable on demand at a rate of Bahamian dollar prime rate plus 0.25% on the outstanding balance. There have been no drawdowns against this facility.

The above facilities are secured by the following:

- Security/Collateral
  - Loan agreement and associated documentation;
  - Promissory note for the facility amount.

**APD LIMITED****Notes to Financial Statements  
June 30, 2020  
(Continued)****7. Long term debt (Continued)**

Facility 2: USD 3,000,000 non-revolving reducing term loan. The loan is for a five (5) year period from the date of the first disbursement with interest payable semi-annually at a rate of LIBOR plus 2.25% commencing six months from the date of the first disbursement of the loan. Principal repayments will be payable semi-annually in equal instalments. The Company received its first drawdown in December 2017 in the amount of \$1,500,000. The principal outstanding as of June 30, 2020 is \$750,000 (2019: \$1,050,000) and the current portion of long-term debt is \$300,000 (2019: \$300,000).

The Company has complied with the financial covenants of its borrowing facilities during the years ended June 30, 2020 and 2019 except as outlined in Note 20.

**8. Redeemable preference shares**

The Company has 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 have an issue price of \$500 per share, with par value of \$0.10 per share. Principal payments are payable annually commencing the last working day of June on the 5<sup>th</sup> anniversary of the offering as follows: \$1,286,000 due between the 5<sup>th</sup> and 12<sup>th</sup> anniversary; \$3,428,000 between the 13<sup>th</sup> and 19<sup>th</sup> anniversary, and the residual balance of \$1,716,000 payable on the 20<sup>th</sup> anniversary. The shares are entitled to dividends at the rate of 5.5% per annum. If insufficient profits are available in a particular financial year, the dividends accumulate and are payable when sufficient profits are available.

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

## APD LIMITED

Notes to Financial Statements  
June 30, 2020  
(Continued)

## 9. Property, plant and equipment

	Container terminal \$	Freight handling equipment \$	Buildings, improvements & office trailers \$	Motor vehicles \$	Furniture & fixtures, communications and office equipment \$	Capital work in progress \$	Total \$
<b>Year ended June 30, 2020</b>							
Opening net book value	37,440,250	6,207,377	35,160,977	236,891	1,309,704	2,445,452	82,800,651
Additions	-	-	-	-	-	1,662,309	1,662,309
Transfers	44,684	567,747	91,063	138,852	149,942	(992,289)	-
Disposals	-	-	-	-	-	-	-
Cost	(12,485)	(1,495)	(103,761)	(7,222)	(13,538)	-	(138,501)
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge for the year	(1,044,156)	(1,208,101)	(972,834)	(96,872)	(311,306)	-	(3,633,269)
<b>Closing net book value</b>	<b><u>36,428,293</u></b>	<b><u>5,565,528</u></b>	<b><u>34,175,445</u></b>	<b><u>271,649</u></b>	<b><u>1,134,802</u></b>	<b><u>3,115,472</u></b>	<b><u>80,691,189</u></b>
<b>At June 30, 2020</b>							
Cost	44,660,501	11,102,489	41,308,405	786,172	4,841,441	3,115,472	105,814,481
Accumulated impairment	-	(24,157)	-	-	(152)	-	(24,309)
Accumulated depreciation	(8,232,208)	(5,512,804)	(7,132,960)	(514,523)	(3,706,487)	-	(25,098,982)
<b>Net book value</b>	<b><u>36,428,293</u></b>	<b><u>5,565,528</u></b>	<b><u>34,175,445</u></b>	<b><u>271,649</u></b>	<b><u>1,134,802</u></b>	<b><u>3,115,472</u></b>	<b><u>80,691,189</u></b>

Capital work in progress includes costs incurred as of June 30, 2020 in connection with ongoing construction and special projects at the Port. These projects are expected to be completed during the 2021 fiscal year.

## APD LIMITED

## Notes to Financial Statements

June 30, 2020

(Continued)

## 9. Property, plant and equipment (Continued)

	Container terminal \$	Freight handling equipment \$	Buildings, improvements & office trailers \$	Motor vehicles \$	Furniture & fixtures, communications and office equipment \$	Capital work in progress \$	Total \$
<b>Year ended June 30, 2019</b>							
Opening net book value	37,891,074	6,763,254	36,064,593	288,003	1,474,717	2,212,302	84,693,943
Additions	-	-	-	-	-	1,199,588	1,199,588
Transfers	565,895	105,010	64,972	35,349	195,212	(966,438)	
Reclassifications							
Cost	6,463	-	-	-	(6,463)	-	-
Impairment	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Cost	-	3,282	-	-	1,697	-	4,979
Accumulated depreciation	-	(3,282)	-	-	(1,697)	-	(4,979)
Depreciation charge for the year	(1,023,182)	(660,887)	(968,588)	(86,461)	(353,762)	-	(3,092,880)
<b>Closing net book value</b>	<b>37,440,250</b>	<b>6,207,377</b>	<b>35,160,977</b>	<b>236,891</b>	<b>1,309,704</b>	<b>2,445,452</b>	<b>82,800,651</b>
<b>At June 30, 2019</b>							
Cost	44,628,302	10,536,237	41,321,103	654,542	4,705,037	2,445,452	104,290,673
Accumulated impairment	-	(24,157)	-	-	(152)	-	(24,309)
Accumulated depreciation	(7,188,052)	(4,304,703)	(6,160,126)	(417,651)	(3,395,181)	-	(21,465,713)
<b>Net book value</b>	<b>37,440,250</b>	<b>6,207,377</b>	<b>35,160,977</b>	<b>236,891</b>	<b>1,309,704</b>	<b>2,445,452</b>	<b>82,800,651</b>

## APD LIMITED

**Notes to Financial Statements**  
**June 30, 2020**  
**(Continued)**

**10. Accrued expenses and other liabilities**

	<b>2020</b>	<b>2019</b>
	\$	\$
Accrued real property tax	632,608	632,608
General accruals	384,058	414,835
	<u><b>1,016,666</b></u>	<u><b>1,047,443</b></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 (2019: 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 \$6,495,989 (2019: \$6,296,113) representing \$1.30 (2019: \$1.26) 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.

	<b>2020</b>	<b>2019</b>
Total earnings for the year attributable to the equity shareholders	<u>\$7,229,908</u>	<u>\$8,030,347</u>
Weighted average number of ordinary shares in issue	<u>4,996,915</u>	<u>4,996,915</u>
<b>Basic and diluted earnings per share</b>	<u><b>\$1.45</b></u>	<u><b>\$1.61</b></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, 2020  
(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, 2020  
(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, 2020  
(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, 2020, the total rent expense recognised in the statement of comprehensive income amounted to \$2,749,971 (2019: \$2,775,494). As of reporting period, lease payable to the Government amounted to \$43,390,721 (2019: \$2,047,965) which is included in due to related parties in the statement of financial position (Note 5).

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, 2020**  
**(Continued)**

**13. Significant agreements (Continued)***(b) Leases (continued)*

The future aggregate minimum lease payments under non-cancellable operating leases above are as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
No later than one year	-	2,000,002
Later than one year and no later than five years	-	8,000,008
Later than five years	-	64,000,064
	<u>-</u>	<u>74,000,074</u>

From July 1, 2019, the Company has recognised right-of-use assets for these leases.

*Amounts recognised in the statement of financial position*

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

	<b>2020</b>	<b>July 1, 2019</b>
	\$	\$
<b>Right-of-use assets</b>		
Land	<u>46,148,823</u>	<u>46,711,613</u>
<b>Lease liabilities</b>		
Current	59,561	56,996
Non-current	<u>47,150,195</u>	<u>47,209,756</u>
	<u>47,209,756</u>	<u>47,266,752</u>

*Amounts recognised in the statement of comprehensive income*

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

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Depreciation charge of right-of-use assets</b>		
Land	<u>562,791</u>	<u>-</u>
Interest expense (included in finance costs)	<u>2,127,004</u>	<u>-</u>

The total cash outflow for leases in 2020 was \$2,861,529.

**APD LIMITED****Notes to Financial Statements  
June 30, 2020  
(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 \$261,596 as of June 30, 2020 (2019: \$261,596). Additionally, during the year the Company executed certain short term leases, which are on a month to month basis.

Income amounting to \$1,492,182 (2019: \$1,756,378) 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:

	<b>2020</b>	<b>2019</b>
	\$	\$
No later than one year	1,179,665	1,234,750
Later than one year and no later than five years	1,512,685	2,399,342
Later than five years	62,706	206,853
	<u><b>2,775,056</b></u>	<u><b>3,840,945</b></u>

## APD LIMITED

Notes to Financial Statements  
 June 30, 2020  
 (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 \$	2020 Total \$
Landing fees	13,284,990	-	13,284,989
Terminal handling fees	4,271,995	-	4,271,995
Stevedoring fees	2,944,719	-	2,944,719
Security	2,559,562	-	2,559,562
Gate fees	2,279,740	-	2,279,740
Storage fees	-	2,406,077	2,406,077
Reefer line	-	1,132,900	1,132,900
Other income	787,771	-	787,771
<b>Total</b>	<b><u>26,128,777</u></b>	<b><u>3,538,977</u></b>	<b><u>29,667,753</u></b>

	At a point in time \$	Over time \$	2019 Total \$
Landing fees	13,651,974	-	13,651,974
Terminal handling fees	4,412,051	-	4,412,051
Stevedoring fees	3,057,399	-	3,057,399
Security	2,652,911	-	2,652,911
Gate fees	2,312,135	-	2,312,135
Storage fees	-	1,543,528	1,543,528
Reefer line	-	755,900	755,900
Other income	770,282	-	770,282
<b>Total</b>	<b><u>26,856,752</u></b>	<b><u>2,299,428</u></b>	<b><u>29,156,180</u></b>

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, 2020  
(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, 2020**  
**(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:

	<b>2020</b>	<b>2019</b>
	\$	\$
Legal and other professional fees	257,307	324,741
Regulatory fees	122,918	121,687
	<u><b>380,225</b></u>	<u><b>446,428</b></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 \$125,721 (2019: \$143,163). 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:

	<b>2020</b>	<b>2019</b>
	\$	\$
Authorised but not contracted	-	320,860
Contracted but not yet incurred	-	-
	<u><b>-</b></u>	<u><b>320,860</b></u>

As of June 30, 2020, the Company is contingently liable to its banker in respect of customs bonds issued to the Bahamas Government and corporate credit cards in the total amount of \$670,000 (2019: \$680,000). There is an annual bank charge of 1.25% on the face value of each bond.

**APD LIMITED****Notes to Financial Statements  
June 30, 2020  
(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, 2020, 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. In addition, the preference share dividend rate has a fixed yield to maturity. Management does not foresee cash flow and fair value 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, 2020  
(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, 2020 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, 2020 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, 2020  
(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, 2020. The amounts disclosed in the table are the contractual undiscounted cash flows.

As of June 30, 2020	Carrying amount \$	Contractual cash flows \$	0-12 months \$	1-5 years \$	More than 5 years \$
<b>Liabilities</b>					
Accounts payable	447,152	447,152	447,152	-	-
Due to related parties	992,365	992,365	992,365	-	-
Accrued expenses and other liabilities	1,016,666	1,016,666	1,016,666	-	-
Long term debt	750,000	750,000	300,000	450,000	-
Lease Liabilities	47,209,756	178,724,000	2,184,000	10,920,000	165,620,000
Redeemable preference shares	31,737,236	48,879,910	4,339,810	11,507,940	33,032,160
Deposits held	261,596	261,596	-	111,654	149,942
<b>Total financial liabilities</b>	<b>82,414,771</b>	<b>231,071,689</b>	<b>9,279,993</b>	<b>22,989,594</b>	<b>198,802,102</b>

  

As of June 30, 2019	Carrying amount \$	Contractual cash flows \$	0-12 months \$	1-5 years \$	More than 5 years \$
<b>Liabilities</b>					
Accounts payable	309,833	309,833	309,833	-	-
Due to related parties	2,300,874	2,300,874	2,300,874	-	-
Accrued expenses and other liabilities	1,047,443	1,047,443	1,047,443	-	-
Long term debt	1,050,000	1,050,000	300,000	750,000	-
Redeemable preference shares	32,992,134	52,017,365	4,410,540	11,790,860	35,815,965
Deposits held	261,596	261,596	-	111,654	149,942
<b>Total financial liabilities</b>	<b>37,961,880</b>	<b>56,987,111</b>	<b>8,368,690</b>	<b>12,652,514</b>	<b>35,965,907</b>

**APD LIMITED****Notes to Financial Statements  
June 30, 2020  
(Continued)****18. Financial risk management (Continued)****(c) Liquidity risk (continued)**

The Company has sufficient cash flows from operations to meet its liquidity needs. In addition, the Company has undrawn lines of credit with the Royal Bank of Canada and the Inter-American Investment Corporation totalling \$3,000,000 and \$1,500,000 respectively, as described in Note 7.

As disclosed in Note 17, the Company has total capital commitments for provision of goods and services in the amount of \$Nil (2019: \$320,860) which mainly related to the completion of the Bahamas Power and Light (BPL) channel crossing.

**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 instruments 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.

*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).

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

## APD LIMITED

Notes to Financial Statements  
June 30, 2020  
(Continued)

## 19. Fair value of financial instruments (Continued)

*Fair value hierarchy and measurements (continued)*

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, 2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>				
<b>Financial assets at amortised cost</b>				
Cash and cash equivalents	18,327,087	-	-	18,327,087
Accounts receivable	-	1,891,098	-	1,891,098
<b>Total financial assets</b>	<b><u>18,327,087</u></b>	<b><u>1,891,098</u></b>	<b><u>-</u></b>	<b><u>20,218,185</u></b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial liabilities at amortised cost</b>				
Accounts payable	-	447,152	-	447,152
Retention Payable	-	16,794	-	16,794
Due to related parties	-	992,365	-	992,365
Accrued expenses and other liabilities	-	1,016,666	-	1,016,666
Current portion of preference shares	-	1,286,000	-	1,286,000
Current portion of long term debt	-	300,000	-	300,000
Current portion of lease liability	-	59,561	-	59,561
Redeemable preference shares	-	30,451,236	-	30,451,236
Long term debt	-	450,000	-	450,000
Long term lease liability	-	47,150,195	-	47,150,195
Deposits held	-	261,596	-	261,596
<b>Total financial liabilities</b>	<b><u>-</u></b>	<b><u>82,431,565</u></b>	<b><u>-</u></b>	<b><u>82,431,565</u></b>

**APD LIMITED**
**Notes to Financial Statements**  
**June 30, 2020**  
**(Continued)**
**19. Fair value of financial instruments (Continued)**

*Fair value hierarchy and measurements (continued)*

	<b>June 30, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>				
<b>Financial assets at amortised cost</b>				
Cash and cash equivalents	16,800,558	-	-	16,800,558
Accounts receivable	-	1,539,297	-	1,539,297
<b>Total financial assets</b>	<b><u>16,800,558</u></b>	<b><u>1,539,297</u></b>	<b><u>-</u></b>	<b><u>18,339,855</u></b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial liabilities at amortised cost</b>				
Accounts payable	-	309,833	-	309,833
Due to related parties	-	2,300,874	-	2,300,874
Accrued expenses and other liabilities	-	1,047,443	-	1,047,443
Current portion of preference shares	-	1,286,000	-	1,286,000
Current portion of long term debt	-	300,000	-	300,000
Redeemable preference shares	-	31,706,134	-	31,706,134
Long term debt	-	750,000	-	750,000
Deposits held	-	261,596	-	261,596
<b>Total financial liabilities</b>	<b><u>-</u></b>	<b><u>37,961,880</u></b>	<b><u>-</u></b>	<b><u>37,961,880</u></b>

The Company does not have a Level 3 classification at June 30, 2020 and 2019. 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, 2020  
(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 current ratio of at least 1.3
- to maintain a total liabilities to operating cash flow ratio of not more than 3.0 (excluding redeemable preference shares)
- to maintain a total liabilities to equity ratio of not more than 1.0 (excluding redeemable preference shares).

The Company has complied with these covenants throughout the reporting period except for the total liabilities to operating cash flow ratio. As at June 30, 2020, the current ratio was 5.49 (2019: 3.95), the total liabilities to operating cash flow ratio was 3.31 (2019: 0.40) and the total liabilities to equity ratio was 0.76 (2019: 0.08).

The total liabilities to operating cash flow ratio increased from 0.40 to 3.31 following the adoption of IFRS 16. Total liabilities increased following the recognition of lease liabilities on July 1, 2019. A waiver of this breach has been obtained for the fiscal year ended June 30, 2020.

**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*.