

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Bahamas Waste Limited
Six Months Ended June 30, 2014

Ernst & Young



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Bahamas Waste Limited

Interim Condensed Financial Statements (Unaudited)

Six Months Ended June 30, 2014

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Bahamas Waste Limited

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

	June 30	December 31
	2014	2013
Assets		
Current assets		
Cash	\$ 464,113	\$ 393,562
Accounts receivable, net	2,326,125	2,464,790
Inventories	634,374	647,214
Prepaid expenses and other receivables	370,950	190,503
Total current assets	<u>3,795,562</u>	<u>3,696,069</u>
Non-current assets		
Investment in associate	73,925	73,925
Intangible assets (Note 3)	37,500	50,000
Property, plant, and equipment, net	6,764,219	7,001,069
Total non-current assets	<u>6,875,644</u>	<u>7,124,994</u>
Total assets	<u>\$ 10,671,206</u>	<u>\$ 10,821,063</u>
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 229,569	\$ 401,763
Total current liabilities	<u>229,569</u>	<u>401,763</u>
Non-current liabilities		
Security deposits	522,608	509,578
Total liabilities	<u>752,177</u>	<u>911,341</u>
Shareholders' equity		
Share capital and contributed surplus	2,794,113	2,794,113
Treasury shares	(178,465)	(178,465)
Retained earnings	7,303,381	7,294,074
Total shareholders' equity	<u>9,919,029</u>	<u>9,909,722</u>
Total liabilities and shareholders' equity	<u>\$ 10,671,206</u>	<u>\$ 10,821,063</u>

Commitments and contingencies (Note 7)

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

Bahamas Waste Limited

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

	Six Months Ended	
	June 30 2014	June 30 2013
Sales and services rendered	\$ 5,406,330	\$ 4,949,162
Cost of sales and direct expenses	(3,712,921)	(3,637,861)
Gross profit	1,693,409	1,311,301
Expenses		
Operating	1,303,629	1,127,979
Interest and bank charges	8,392	8,040
Total operating expenses	1,312,021	1,136,018
Net income being comprehensive income for the period	\$ 381,388	\$ 175,282
Earnings per share (<i>Note 4</i>)	\$ 0.09	\$ 0.04

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

Bahamas Waste Limited

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

	Number of Shares Issued	Share Capital	Contributed Surplus	Treasury Shares	Retained Earnings	Total
Balance at December 31, 2013	4,200,000	\$ 42,000	\$ 2,752,113	\$ (178,465)	\$ 7,294,074	\$ 9,909,722
Total Comprehensive income	–	–	–	–	381,388	381,388
Dividends	–	–	–	–	(372,081)	(372,081)
Balance at June 30, 2014	4,200,000	\$ 42,000	\$ 2,752,113	\$ (178,465)	\$ 7,303,381	\$ 9,919,029
Balance at December 31, 2012	4,200,000	\$ 42,000	\$ 2,752,113	\$ –	\$ 7,002,239	\$ 9,796,352
Total Comprehensive income	–	–	–	–	175,282	175,282
Dividends	–	–	–	–	(209,134)	(209,134)
Purchase of Treasury Shares	–	–	–	(78,589)	–	(78,589)
Balance at June 30, 2013	4,200,000	\$ 42,000	\$ 2,752,113	\$ (78,589)	\$ 6,968,387	\$ 9,683,911

See accompanying notes to interim condensed financial statements (unaudited)

Bahamas Waste Limited

Interim Statement of Cash Flows (Unaudited) (Expressed in Bahamian Dollars)

	Six Months Ended	
	June 30 2014	June 30 2013
Operating activities		
Net income being comprehensive income for the period	\$ 381,388	\$ 175,283
Adjustments for items not involving use of cash:		
Bad debt expense	30,000	20,000
Gain on disposal of property, plant, and equipment	(25,000)	(1,000)
Amortization of intangible assets	12,500	12,500
Depreciation	667,540	667,459
	1,066,428	874,242
Change in non-cash working capital items:		
Decrease in accounts receivable	108,665	246,854
Decrease in inventories	12,840	29,144
Increase in prepaid expenses and other receivables	(180,447)	(71,438)
Increase in investments	–	(1,137)
(Decrease) increase in accounts payable and accrued liabilities	(172,194)	121,126
Increase in security deposits	13,030	18,129
Net cash flow provided by operating activities	848,322	1,216,920
Investing activities		
Purchases of property, plant, and equipment	(430,690)	(380,439)
Proceeds from sale of property, plant, and equipment	25,000	1,000
Net cash flow used in investing activities	(405,690)	(379,439)
Financing activities		
Purchases of treasury stock	–	(78,589)
Dividends paid	(372,081)	(209,134)
Net cash flow used in financing activities	(372,081)	(287,723)
Net change in cash	70,551	549,758
Cash, at beginning of the period	393,562	515,258
Cash, at end of the period	\$ 464,113	1,065,016
Interest paid	\$ 167	\$ –

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

Bahamas Waste Limited

Notes to Interim Condensed Financial Statements (Unaudited)

(Expressed in Bahamian Dollars)

June 30, 2014

1. Corporate Information

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

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

The interim condensed financial statements (unaudited) for June 30, 2014, were authorized for issue by the directors on August 14, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

Bahamas Waste Limited

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

3. Business Acquisition and Intangible Assets

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

The intangible asset relative to the Wastenot customer accounts has been determined to have a finite useful life, and is being amortized over a five year period. As at June 30, 2014, the carrying value of the intangible asset amounted to \$37,500 (December 31, 2013 – \$50,000).

4. Earnings Per Share

Earnings per share of \$0.09 (June 2013 – \$0.04) were calculated based on the shares outstanding at the end of the period, which approximated average shares outstanding during the period.

	<u>2014</u>	<u>2013</u>
Shares outstanding at end of period	4,200,000	4,200,000

5. Related-Party Transactions and Balances

During the quarter, the Company entered into transactions with related parties. All transactions and balances were conducted at arms length and there were no significant obligations to the related parties which require disclosure at June 30, 2014 and 2013.

Bahamas Waste Limited

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

6. Treasury Stock

In January 2013, the Board of Directors authorized the purchase of up to 10% (420,000) of the Company's outstanding common shares over the 36 month period ending October 31, 2015. During the six months ended June 30, 2014, no common shares were repurchased (June 2013 30,732 common shares at an aggregate cost of \$78,589).

7. Commitments and Contingencies

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

8. Segment Information

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

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

Bahamas Waste Limited

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

8. Segment Information (continued)

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

Six months ended June 30, 2014	WVO Collections	WVO Recycling	OCC Recycling	Corporate	Total
Revenue					
External customers	\$ 5,278,724	\$ –	\$ 55,399	\$ 72,207	\$ 5,406,330
Inter-segment	(109,110)	112,120	(3,010)	–	–
Total revenue	<u>\$ 5,169,614</u>	<u>\$ 112,120</u>	<u>\$ 52,389</u>	<u>\$ 72,207</u>	<u>\$ 5,406,330</u>
Results					
Depreciation and amortization	(449,322)	(57,270)	(47,075)	(126,373)	(680,040)
Operating expenses	(2,917,210)	(156,198)	(85,845)	(1,185,649)	(4,344,902)
Segment profit	<u>\$ 1,803,082</u>	<u>\$ (101,348)</u>	<u>\$ (80,531)</u>	<u>\$ (1,239,815)</u>	<u>\$ 381,388</u>
Operating assets	<u>\$ 6,689,539</u>	<u>\$ 925,408</u>	<u>\$ 548,194</u>	<u>\$ 2,508,065</u>	<u>\$ 10,671,206</u>
Operating liabilities	<u>\$ 539,795</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 212,382</u>	<u>\$ 752,177</u>

Bahamas Waste Limited

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

8. Segment Information (continued)

Six months ended June 30, 2013	Collections	WVO Recycling	OCC Recycling	Corporate	Total
Revenue					
External customers	\$ 4,888,735	\$ –	\$ 41,090	\$ 19,337	\$ 4,949,162
Inter-segment	(266,066)	268,804	(2,738)	–	–
Total revenue	<u>\$ 4,622,669</u>	<u>\$ 268,804</u>	<u>\$ 38,352</u>	<u>\$ 19,337</u>	<u>\$ 4,949,162</u>
Results					
Depreciation & amortization	\$ (474,636)	\$ (55,133)	\$ (46,278)	\$ (103,913)	\$ (679,960)
Operating expenses	(2,677,597)	(303,422)	(80,806)	(1,032,195)	(4,093,920)
Segment profit	<u>\$ 1,470,436</u>	<u>\$ (89,751)</u>	<u>\$ (88,732)</u>	<u>\$ (1,116,771)</u>	<u>\$ 175,282</u>
Operating assets	<u>\$ 5,948,192</u>	<u>\$ 991,987</u>	<u>\$ 651,566</u>	<u>\$ 2,998,567</u>	<u>\$ 10,590,312</u>
Operating liabilities	<u>\$ 622,200</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 284,200</u>	<u>\$ 906,400</u>

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