

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Bahamas Waste Limited
Nine Months Ended September 30, 2016

Ernst & Young



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Bahamas Waste Limited

Interim Condensed Financial Statements (Unaudited)

Nine Months Ended September 30, 2016

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Bahamas Waste Limited

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

	September 30 2016	December 31 2015
Assets		
Current assets		
Cash	\$ 1,438,229	\$ 1,279,210
Accounts receivable, net	2,509,038	2,471,641
Inventories	772,439	700,085
Prepaid expenses and other receivables	341,770	175,064
Total current assets	5,061,476	4,626,000
Non-current assets		
Loan receivable	169,798	–
Investment in associate	222,350	48,994
Property, plant, and equipment, net	5,990,501	6,253,825
Total non-current assets	6,382,649	6,302,819
Assets held for sale	–	369,598
Total assets	\$ 11,444,125	\$ 11,298,417
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 603,082	\$ 786,070
Total current liabilities	603,082	786,070
Non-current liabilities		
Security deposits	587,522	559,890
Total liabilities	1,190,604	1,345,960
Shareholders' equity		
Share capital and contributed surplus	2,794,113	2,794,113
Treasury shares	(566,929)	(550,465)
Retained earnings	8,026,337	7,708,809
Total shareholders' equity	10,253,521	9,952,457
Total liabilities and shareholders' equity	\$ 11,444,125	\$ 11,298,417

Commitments and contingencies (Note 6)

See accompanying notes to interim condensed financial statements (unaudited)

Bahamas Waste Limited,

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

	Nine Months Ended September	
	2016	2015
Sales and services rendered	\$ 8,166,518	\$ 8,180,563
Less: cost of sales and direct expenses	(5,405,284)	(5,435,292)
Gross profit	2,761,234	2,745,271
Expenses:		
Operating	2,062,229	2,004,492
Interest and bank charges	20,354	17,488
Total operating expenses	2,082,583	2,021,980
Net income being comprehensive income for the period	\$ 678,651	\$ 723,291
Earnings per share <i>(Note 4)</i>	\$ 0.17	\$ 0.18

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

Bahamas Waste Limited

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

(Expressed in Bahamian Dollars)

	Number of Shares Issued	Share Capital	Contributed Surplus	Treasury Shares	Retained Earnings	Total
Balance at December 31, 2015	4,200,000	\$ 42,000	\$ 2,752,113	\$ (550,465)	\$ 7,708,809	\$ 9,952,457
Total comprehensive income	–	–	–	–	678,651	678,651
Dividends	–	–	–	–	(361,123)	(361,123)
Purchases of treasury stock	–	–	–	(16,464)	–	(16,464)
Balance at September, 30 2016	–	\$ –	\$ –	–	\$ (566,929)	\$ 8,026,337
Balance at December 31, 2014	4,200,000	\$ 42,000	\$ 2,752,113	\$ (367,117)	\$ 7,399,543	\$ 9,826,539
Total comprehensive income	–	–	–	–	723,291	723,291
Dividends	–	–	–	–	(203,711)	(203,711)
Purchases of treasury stock	–	–	–	(149,105)	–	(149,105)
Balance at September 30, 2015	–	\$ –	\$ –	–	\$ (516,222)	\$ 7,919,123

See accompanying notes to interim condensed financial statements (unaudited)

Bahamas Waste Limited

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

	Nine Months Ended September 30	
	2016	2015
Operating activities		
Net income being comprehensive income for the period	\$ 678,651	\$ 723,291
Adjustments for items not involving use of cash:		
Bad debt expense	43,500	104,577
Amortization of intangible assets	–	18,750
Gain on disposal of property, plant and equipment	–	(15,000)
Depreciation	952,536	988,747
	1,674,687	1,820,365
Change in non-cash working capital items:		
Increase in accounts receivable	(80,897)	(481,827)
Increase in inventories	(72,354)	(10,506)
Increase in prepaid expenses and other receivables	(166,706)	(32,696)
Decrease in investments	–	7,274
(Decrease) increase in accounts payable and accrued liabilities	(182,986)	453,359
Increase in security deposits	27,631	12,812
Net cash flow provided by operating activities	1,199,375	1,768,781
Investing activities		
Purchases of property, plant, and equipment	(662,769)	(1,079,748)
Proceeds from sale of property, plant, and equipment	–	15,000
Net cash flow used in investing activities	(662,769)	(1,064,748)
Financing activities		
Dividends paid	(361,123)	(203,711)
Purchase of treasury stock	(16,464)	(149,105)
Net cash flow used in financing activities	(377,587)	(352,816)
Net change in cash	159,019	351,217
Cash at beginning of the period	1,279,210	793,612
Cash at end of the period	\$ 1,438,229	\$ 1,144,829
Interest paid	\$ –	\$ 173

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

Bahamas Waste Limited

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

September 30, 2016

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, 2015, and the year then ended in its reporting currency Bahamian Dollars.

The interim condensed financial statements (unaudited) for September 30, 2016, were authorized for issue by the directors on November 1, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

These interim condensed financial statements (unaudited) for September 30, 2016, 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, 2015, 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, 2015.

Bahamas Waste Limited

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

3. Earnings Per Share

Earnings per share of \$0.17 (2015 – \$0.18) were calculated based on the shares outstanding at the end of the period, which approximated average shares outstanding during the period.

	<u>2016</u>	<u>2015</u>
Shares outstanding at end of period/year	4,012,478	4,027,128

4. Related-Party Transactions and Balances

During the quarter, the Company entered into transactions with related parties. All transactions were conducted at arm's length and no significant obligations to or receivables from the related parties existed at September 30, 2016, and 2015.

5. Treasury Stock

On October 24, 2015, 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, 2018. During the nine months ended September 30, 2016, 4,700 common shares were repurchased (September 2015 – 47,200).

6. Commitments and Contingencies

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

7. Segment Information

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

- Collections includes all solid and wet waste collection, treatment and disposal, including roll-on/roll-off and rear load collections, residential collections, medical waste collections, portable toilet services.
- 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)

On December 31 the Company discontinued its WVO Recycling which entailed the collection of waste cooking oil and the conversion of same into biodiesel for use in various vehicles and equipment across the operating divisions. On January 7, 2016, the Company completed the transfer of all its operating equipment and vehicles relative to this segment to a new entity, Bahamas Sustainable Fuels Limited. Additionally, the company sold 51% of its interest in these assets to 700 Islands Energy Limited, a Bahamian Company, for the sum of \$180,433.03. The purchase was financed through a 10 year loan facility with interest of 5% per annum. Consequently, the Company owns a 49% non-controlling interest in Bahamas Sustainable Fuels, Ltd.

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

	Collections	WVO Recycling	OCC Recycling	Corporate	Total
Nine months ended					
September 30, 2016					
Revenue					
External customers	\$ 8,003,683	\$ –	\$ 30,522	\$ 132,313	\$ 8,166,518
Inter-segment	–	–	–	–	–
Total revenue	<u>\$ 8,003,683</u>	<u>\$ –</u>	<u>\$ 30,522</u>	<u>\$ 132,313</u>	<u>\$ 8,166,518</u>
Results					
Depreciation & amortization	\$ (700,350)	\$ –	\$ (45,629)	\$ (206,557)	\$ (952,536)
Operating expenses	(4,538,563)	–	(120,742)	(1,876,028)	(6,535,333)
Segment profit	<u>\$ 2,764,770</u>	<u>\$ –</u>	<u>(135,849)</u>	<u>(1,950,272)</u>	<u>\$ (678,649)</u>
Operating assets	<u>\$ 7,327,427</u>	<u>\$ –</u>	<u>\$ 418,394</u>	<u>\$ 3,698,304</u>	<u>\$ 11,444,125</u>
Operating liabilities	<u>\$ 842,793</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 347,811</u>	<u>\$ 1,190,604</u>

Bahamas Waste Limited

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

7. Segment Information (continued)

Nine months ended September 30, 2015	Collections	WVO Recycling	OCC Recycling	Corporate	Total
Revenue					
External customers	\$ 8,061,603	\$ –	\$ 48,857	\$ 70,103	\$ 8,180,563
Inter-segment	(278,028)	287,777	(9,749)	–	–
Total revenue	\$ 7,783,575	\$ 287,777	\$ 39,108	\$ 70,103	\$ 8,180,563
Results					
Depreciation & amortization	\$ (690,954)	\$ (88,724)	\$ (51,658)	\$ (176,161)	\$ (1,007,497)
Operating expenses	(4,163,941)	(305,350)	(134,665)	(1,845,819)	(6,449,775)
Segment profit	\$ 2,928,680	\$ (106,297)	(147,215)	(1,951,877)	\$ 723,291
Operating assets	\$ 7,328,973	\$ 782,827	\$ 466,582	\$ 2,941,132	\$ 11,519,513
Operating liabilities	\$ 970,268	\$ –	\$ –	\$ 352,231	\$ 1,322,499

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