

STEVEDORING SERVICES LTD.



CHAIRMAN'S REPORT

For the year ended 31st March 2009

Dear Shareholder,

Results for the financial year ending 31st March 2009 are reflective of the worldwide economic downturn which finally came to rest on Bermuda's shore this fiscal year but will not be fully realized until the current year. Despite this current economic status and other challenges, Stevedoring Services Ltd proved again it has the ability to operate effectively in a difficult environment.

The comparative figures for the previous years are noted below (*Investment income not included*).

	31-Mar-09	31-Mar-08	31-Mar-07
Container Moves	43,642	44,489	45,048
Stevedoring Revenue	\$10,302,207.	\$11,780,609.	\$11,550,454.
Operating Expenses	\$9,982,051.	\$10,945,547.	\$11,351,894.
Net Income	\$399,578.	\$1,077,585.	\$327,546.
Shareholders Equity	\$8,970,631.	\$9,237,023.	\$7,891,232.
Earnings Per Share	\$0.32	\$0.87	\$0.26

Although container volume has decreased by approximately 2% over the preceding year reports indicate that the import volumes have decreased even further in Q1 and Q2 of 2009/2010. Other significant factors attributing to lower revenue are due to lower than expected ship arrivals and the loss of stripping revenue.

Our focus on reducing cost and gaining efficiency across the company is being executed and is showing positive results. We will continue to aggressively oversee the operations as we steer through these difficult times.

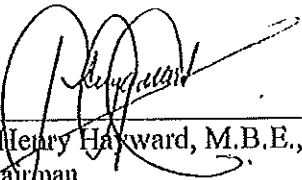
The leadership of Stevedoring Services Ltd, having been reviewed and in some cases altered is very secure. In February 2009, we welcomed Ian Brunson as Financial Controller who brings a wealth of experience and is proving to be a valuable member of the management team.

Although there has been continued talk of moving the port, this has now been overshadowed by a recent Government announcement that they intend to dissolve the Corporation of Hamilton and St. Georges. This has obvious implications for the Company as our licensing agreement is with the Corporation of Hamilton.

It is expected that the year ahead will be just as challenging with declining container volumes and lower ship arrivals. Management is also faced with addressing the Defined Benefit Plan deficit which is approximately at \$3.4 million dollars. The settlement of the Defined Benefit Plan will require the Company to take a one-time charge of approximately \$3.4 million dollars during the 2010 fiscal year.

Despite a challenging year and perhaps less than favorable forecasts, Stevedoring Services Ltd is resolute in our belief that we have and will continue to serve the importing community and meet the expectations of our customers.

On behalf of the Board I would like to thank the management and staff who have worked as diligently during the past year.



J. Henry Hayward, M.B.E., J.P.
Chairman

STEVEDORING SERVICES LIMITED

Consolidated Financial Statements
(With Independent Auditors' Report Thereon)

March 31, 2009



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Stevedoring Services Limited as at March 31, 2009 and the consolidated statements of operations, retained earnings, comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Chartered Accountants
Hamilton, Bermuda
June 25, 2009

STEVEDORING SERVICES LIMITED

Consolidated Balance Sheet

March 31, 2009

(Expressed in Bermuda Dollars)

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash and cash equivalents (Note 3)	\$ 760,662	\$ 1,943,375
Short-term deposits (Note 4)	2,380,299	2,171,810
Accounts receivable (Note 17)	1,222,927	1,093,765
Inventory (Note 5)	1,014,288	1,017,409
Prepaid expenses	<u>185,033</u>	<u>220,479</u>
Total current assets	5,563,209	6,446,838
Investments (Note 6)	706,612	874,743
Property, plant and equipment (Note 8)	<u>4,362,478</u>	<u>4,081,821</u>
Total assets	<u>\$ 10,632,299</u>	<u>\$ 11,403,402</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 839,578	\$ 945,181
Capital lease - current portion (Note 9)	74,398	69,383
Long-term debt - current portion (Note 10)	<u>221,335</u>	<u>200,282</u>
Total current liabilities	1,135,311	1,214,846
Accrued benefit liability (Note 11)	214,566	337,838
Capital lease - long-term portion (Note 9)	6,437	80,835
Long-term debt (Note 10)	<u>305,354</u>	<u>532,860</u>
Total liabilities	<u>1,661,668</u>	<u>2,166,379</u>
Shareholders' equity		
Share capital (Note 12)	1,244,600	1,244,600
Share premium (Note 14)	122,650	122,650
General reserve	1,250,000	1,250,000
Retained earnings	5,942,228	6,040,489
Accumulated other comprehensive income	<u>411,153</u>	<u>579,284</u>
Total shareholders' equity	<u>8,970,631</u>	<u>9,237,023</u>
Total liabilities and shareholders' equity	<u>\$ 10,632,299</u>	<u>\$ 11,403,402</u>

See accompanying notes to consolidated financial statements

Signed on behalf of the Board by:



J. Henry Hayward
Chairman

Geoffrey Prith
Director

STEVEDORING SERVICES LIMITED

Consolidated Statement of Operations

Year ended March 31, 2009
(Expressed in Bermuda Dollars)

	<u>2009</u>	<u>2008</u>
Revenue		
Stevedoring revenue	\$ 10,302,207	\$ 11,780,609
Stevedoring expenses	<u>5,709,554</u>	<u>6,295,743</u>
Stevedoring gross profit	4,592,653	5,484,866
Investment income (Note 7)	<u>79,422</u>	<u>242,523</u>
Total income	<u>4,672,075</u>	<u>5,727,389</u>
Expenses		
Salaries and wages	1,471,254	1,626,939
General and administrative expenses	871,304	968,020
Employee benefits (Note 11)	803,908	915,867
Amortization (Note 8)	720,606	720,005
Professional fees	356,433	464,498
Interest expense	48,992	73,742
Restructuring (Note 15)	<u>—</u>	<u>(119,267)</u>
Total expenses	<u>4,272,497</u>	<u>4,649,804</u>
Net income	<u>\$ 399,578</u>	<u>\$ 1,077,585</u>
Earnings per share (Note 16)	<u>\$ 0.32</u>	<u>\$ 0.87</u>

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Consolidated Statement of Retained Earnings

Year ended March 31, 2009
(Expressed in Bermuda Dollars)

	<u>2009</u>	<u>2008</u>
Retained earnings at beginning of year	\$ 6,040,489	\$ 5,273,982
Net income	399,578	1,077,585
Dividends (Note 12)	<u>(497,839)</u>	<u>(311,078)</u>
Retained earnings at end of year	<u>\$ 5,942,228</u>	<u>\$ 6,040,489</u>

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Consolidated Statement of Comprehensive Income

Year ended March 31, 2009

(Expressed in Bermuda Dollars)

	<u>2009</u>	<u>2008</u>
Comprehensive income		
Net income	\$ 399,578	\$ 1,077,585
Other comprehensive loss:		
Change in unrealized gain on available-for-sale investments arising during the year	_____(168,131)	_____(153,124)
Total comprehensive income	\$ 231,447	\$ 924,461
	=====	=====
Accumulated other comprehensive income at beginning of year	\$ 579,284	\$ -
Cumulative effect of adopting new accounting policies (Note 2 (d))	-	732,408
Other comprehensive loss	_____(168,131)	_____(153,124)
Accumulated other comprehensive income at end of year	\$ 411,153	\$ 579,284
	=====	=====

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Consolidated Statement of Cash Flows

Year ended March 31, 2009

(Expressed in Bermuda Dollars)

	<u>2009</u>	<u>2008</u>
Operating activities		
Net income	\$ 399,578	\$ 1,077,585
Items not affecting cash:		
Amortization	720,606	720,005
Gain on disposal of property, plant and equipment	—	(31,000)
Net changes in non-cash working capital balances:		
(Increase) decrease in accounts receivable	(129,162)	172,004
Decrease (increase) in prepaid expenses	35,446	(10,546)
Decrease (increase) in inventory	3,121	(25,370)
Decrease in accounts payable and accrued expenses	(105,603)	(235,989)
Decrease in accrued benefit liability	<u>(123,272)</u>	<u>(154,455)</u>
Net cash provided by operations	<u>800,714</u>	<u>1,512,234</u>
Investing activities		
Purchase of property, plant and equipment	(1,001,263)	(133,837)
Increase in short-term deposits, net	(208,489)	(1,068,648)
Proceeds from sale of quoted investments, net	<u>—</u>	<u>448,083</u>
Net cash used in investing activities	<u>(1,209,752)</u>	<u>(754,402)</u>
Financing activities		
Dividends paid	(497,839)	(435,538)
Long-term debt principal repayments	(206,453)	(186,381)
Capital lease principal repayments	<u>(69,383)</u>	<u>(64,706)</u>
Net cash used in financing activities	<u>(773,675)</u>	<u>(686,625)</u>
(Decrease) increase in cash and cash equivalents	(1,182,713)	71,207
Cash and cash equivalents at beginning of year	<u>1,943,375</u>	<u>1,872,168</u>
Cash and cash equivalents at end of year	<u>\$ 760,662</u>	<u>\$ 1,943,375</u>
Cash flows in relation to:		
Interest paid	<u>\$ 48,992</u>	<u>\$ 73,742</u>

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

(Expressed in Bermuda Dollars)

1. General

Stevedoring Services Limited (the "Company") is incorporated under the laws of Bermuda and carries on business as a stevedoring company. In January 2006 the Company was awarded a 5 year license by the Corporation of Hamilton, with provision for a further license of 5 years subject to satisfactory performance. Management believes that the Company will continue to meet performance criteria and will therefore achieve renewal of the license.

The Company has consolidated the results of its wholly-owned subsidiary, Equipment Sales and Rentals Limited, a company incorporated in Bermuda.

2. Summary of significant accounting policies

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The following are the significant accounting policies adopted by the Company:

(a) Basis of consolidation

The consolidated financial statements include the accounts and results of operations of the Company and its wholly-owned subsidiary. All significant inter-company transactions are eliminated on consolidation.

(b) Revenue recognition

Stevedoring revenues include stevedoring and dock handling revenues, and are recognized in the accounting period in which the services are rendered.

Investment income comprises dividend income from equity investments and interest on short-term and bank deposits. Dividend income is recognized when the right to receive payment is established. Interest income is recognized on the accruals basis.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is charged on a straight-line basis over the estimated useful lives of the assets, with the exception of cranes, which are amortized on a declining balance basis. Improvements to leased premises are capitalized and amortized over the related lease period. Land is not amortized.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized.

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

(Expressed in Bermuda Dollars)

2. Summary of significant accounting policies (continued)

(d) Financial instruments

Financial instruments are classified either as available for sale, held for trading, held to maturity, loans and receivables, or other financial liabilities.

Short-term deposits and cash and cash equivalents are classified as held for trading and are measured at fair value with changes therein recognized in the consolidated statement of operations.

The Company has classified its investments in equity securities as available-for-sale. Available-for-sale investments are valued at fair value as of the reporting date based on the last quoted market price as reported on the primary securities exchange on which it is traded on the reporting date. Changes in fair value are included as a separate component of shareholders' equity (other comprehensive income) until they are realized.

Other financial assets, being accounts receivable and loans receivable are classified as loans and receivables. All financial liabilities are classified as other financial liabilities. Loans and receivables and other financial liabilities are recorded at amortized cost using the effective interest method adjusted for any impairment.

(e) Comprehensive income

Comprehensive income consists of net income and other comprehensive income ("OCI"). OCI represents the change in equity during the year from unrealized gains and losses on investments classified as available for sale.

(f) Cash and cash equivalents

For the purposes of the statement of cash flows the Company considers all cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits with a maturity of three months or less as equivalent to cash.

(g) Employee benefits

The Company accrues its obligations and the related costs under its employee defined benefits pension plan, net of plan assets.

The cost of pension benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan asset investment performance, rate of compensation increase and retirement ages of employees.

For the purpose of calculating the expected return of plan assets, those assets are valued at fair value.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 5 years (2008 – 6 years).

The costs of employee benefits payable in respect of the Company's defined contribution pension plan are charged to the consolidated statement of operations in the year they are incurred.

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

(Expressed in Bermuda Dollars)

2. Summary of significant accounting policies (continued)

(h) Inventory

Inventory represents spare parts and is recorded at cost less any provision for obsolete or slow-moving items. Cost is determined on a specific item basis.

(i) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Bermuda dollars at the rates of exchange prevailing at the balance sheet date, while associated revenues and expenses are translated into Bermuda dollars at the actual rates prevailing at the date of the transaction. Resulting gains or losses are recorded in the consolidated statement of operations.

(j) Leases

Payments made under operating leases are recognized in the consolidated statement of operations on a straight-line basis over the term of the lease.

Minimum lease payments made under capital leases are apportioned between the interest expense and the reduction of the outstanding liability. The interest expense is allocated each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Accounting changes

Effective April 1, 2008, the Company adopted the provisions of CICA Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation", and Section 3031, "Inventories".

Under Section 1535, the Company is required to disclose both qualitative and quantitative information that enables users of financial statements to evaluate the entity's policies and processes for managing capital. See Note 18 for disclosures made under this Section.

Under Section 3862, the Company is required to disclose the significance of financial instruments to the Company's financial position and performance, the nature and extent of risks arising from those financial instruments to which the Company is exposed, and how the Company manages those risks. See Note 17 for disclosures made under this Section.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. There has been no impact to the financial statements due to adoption of this Section.

Section 3031, provides expanded guidance on costs to be included in inventory, additional guidance on determining the net realizable value of inventory, and expands the nature of the disclosures of inventory. There has been no impact to the recorded inventory values due to adoption of this Section. See Note 5 for disclosures made under this Section.

3. Cash and cash equivalents

The effective interest earned on cash and cash equivalents for the year ended March 31, 2009 is 2.57% (2008 - 4.13%).

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

(Expressed in Bermuda Dollars)

4. Short-term deposits

Short-term deposits represent fixed deposit balances which carry interest rates of between 1.25% and 2.25% per annum as at March 31, 2009 (2008 - 2.25% and 3.44%). Short-term deposits mature within six months of the balance sheet date.

5. Inventory

Inventory of \$1,014,288 (2008 - \$1,017,409) is stated net of a provision for obsolescence of \$120,000 (2008 - \$60,000). Inventory recognized as an expense amounted to \$733,826 (2008 - \$511,557) and is included in stevedoring expenses in the consolidated statement of operations. There was no write-off of inventory during the 2009 fiscal year (2008 - \$34,477).

6. Available-for-sale investments

Available-for-sale investments comprise the following:

	2009		2008	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Equity securities	\$ 706,612	\$ 295,459	\$ 874,743	\$ 295,459

At March 31, 2009, the Company's holdings in equity securities consist of two securities of companies incorporated or operating from Bermuda. The investee companies comprise of a company with diversified operations in Bermuda 39% (2008 - 33%) and an insurance company with global operations 61% (2008 - 67%).

Management has the ability and intention to hold investments over the long-term but may dispose of individual investments in response to liquidity needs or adverse market conditions.

7. Investment income

Investment income comprises of the following:

	<u>2009</u>	<u>2008</u>
Interest income	\$ 79,422	\$ 119,915
Realized gain on disposal of available-for-sale investments	—	122,608
	<u>\$ 79,422</u>	<u>\$ 242,523</u>

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

(Expressed in Bermuda Dollars)

8. Property, plant and equipment

	Estimated life	2009			2008
		Cost	Accumulated amortization	Net book value	Net book value
Land	-	\$ 61,992	\$ -	\$ 61,992	\$ 61,992
Buildings	10 years	296,041	226,752	69,289	79,555
Cranes and heavy equipment	10 years	9,186,868	5,190,900	3,995,968	3,506,541
Miscellaneous equipment	3-5 years	729,754	706,030	23,724	51,272
Furniture and fixtures	3-4 years	295,099	262,348	32,751	38,825
Computer hardware and software	3-5 years	<u>1,736,961</u>	<u>1,558,207</u>	<u>178,754</u>	<u>343,636</u>
		<u>\$ 12,306,715</u>	<u>\$ 7,944,237</u>	<u>\$ 4,362,478</u>	<u>\$ 4,081,821</u>

The cost and accumulated amortization of property, plant and equipment at March 31, 2008 were \$11,313,737 and \$7,231,916, respectively.

Included within computer hardware and software are items costing \$327,000 (2008 - \$327,000) which are held under capital leases and are being amortized over a period of 5 years (Note 9). The accumulated amortization in respect of leased assets at March 31, 2009 is \$246,165 (2008 - \$190,899) and amortization expense for the year then ended totalled \$55,266 (2008 - \$65,543).

9. Obligation under capital lease

The Company leases computer software under a capital lease with lease payments due over a 5 year period up to April 2010. The effective interest rate imputed under the lease is 7% per annum. The expected future minimum lease payments by financial year, are as follows:

2010	\$ 77,700
2011	<u>6,475</u>
	84,175
Less: interest	<u>(3,340)</u>
Total obligations under capital lease	80,835
Less: current portion	<u>(74,398)</u>
Long-term portion of obligations under capital lease	<u>\$ 6,437</u>

During the year ended March 31, 2009 the Company made payments of \$77,700 (2008 - \$77,700) in relation to the above lease, including an interest expense of \$8,317 (2008 - \$12,994). The capital lease is secured against the underlying leased assets.

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

*(Expressed in Bermuda Dollars)***10. Long-term debt**

In April 2006 the Company secured a loan of \$1,040,000 from a Bermuda bank for the purchase of two Liebherr Reachstacker cranes. The loan consists of a variable rate promissory note with monthly payments of \$20,594 and is due on August 31, 2011. The interest rate is set at 2.25% above the bank's Bermuda dollar base rate. The effective interest rate for 2009 was 6.33% (2008 - 7.25%). The loan is secured by the Liebherr Reachstacker cranes.

The expected loan principal payments due, by financial year, are as follows:

2010	221,335
2011	234,986
2012	<u>70,368</u>
	\$ 526,689

11. Employee pension benefits

The Company's employees participate in a defined benefit pension plan. The pension plan provides pension benefits based on the length of service and career earnings. Information about the Company's defined benefit plan is as follows:

	<u>2009</u>	<u>2008</u>
Accrued benefit obligation		
Balance at beginning of year	\$ 5,597,040	\$ 5,704,753
Current service cost	145,809	187,641
Interest cost	273,986	273,444
Benefits paid	(447,718)	(745,924)
Employee contributions	67,259	86,555
Actuarial loss	<u>239,617</u>	<u>90,571</u>
Balance at end of year	<u>5,875,993</u>	<u>5,597,040</u>
Plan assets		
Fair value at beginning of year	2,696,096	2,666,889
Actual loss on plan assets	(612,541)	(116,150)
Employer contributions	751,945	804,726
Employee contributions	67,259	86,555
Benefits paid	<u>(447,718)</u>	<u>(745,924)</u>
Fair value at end of year	<u>2,455,041</u>	<u>2,696,096</u>
Funded status – plan deficit	(3,420,952)	(2,900,944)
Unamortized net actuarial loss	3,031,366	2,300,576
Unamortized transitional obligation	<u>175,020</u>	<u>262,530</u>
Accrued benefit liability	<u>\$ (214,566)</u>	<u>\$ (337,838)</u>

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

*(Expressed in Bermuda Dollars)***11. Employee pension benefits (continued)**

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	<u>2009</u>	<u>2008</u>
Discount rate	5.00%	5.00%
Expected long-term rate of return on plan assets	5.00%	7.00%
Rate of compensation increase	4.00%	3.00%

The Company's net defined benefit plan expense is as follows:

	<u>2009</u>	<u>2008</u>
Current service cost	\$ 145,809	\$ 187,641
Interest cost	273,986	273,444
Expected loss on plan assets	(201,729)	(171,223)
Amortization of net actuarial loss	323,096	272,899
Amortization of transitional obligation	<u>87,510</u>	<u>87,510</u>
Net defined benefit plan expense	<u>\$ 628,672</u>	<u>\$ 650,271</u>

The assumptions used above are based on an actuarial study performed at April 1, 2009.

On April 1, 1997, the Company established a defined contribution plan for all new employees. Effective with the inception of the new plan, no new members are admitted to the defined benefit plan described above. Existing members of the defined benefit plan were given the option to transfer their accrued benefits into the defined contribution plan. There have been no changes to the defined contribution plan in the year to March 31, 2009. As described in Note 19, subsequent to the balance sheet date on June 1, 2009 the defined benefit pension plan was frozen.

The total expense incurred for the defined contribution plan was \$146,986 (2008 - \$140,730).

Employee benefits included in the consolidated statement of operations also includes the expense of providing health insurance benefits to employees during the term of their employment.

12. Share capital

The Company's authorized share capital is \$2,000,000 represented by 2,000,000 common shares of par value \$1 each. At the balance sheet date 1,244,600 (2008 - 1,244,600) shares were issued and fully paid.

As at March 31, 2009, the total directors' and officers' shareholdings were 61,211 (2008 - 61,211) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer.

During the year the Company declared dividends of \$0.40 (2008 - \$0.25) per share resulting in a total dividend of \$497,839 (2008 - \$311,078) for the year.

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

(Expressed in Bermuda Dollars)

13. Related party transactions

Bermuda Container Line Ltd., Meyer Agencies Ltd. and First Bermuda Group Ltd. are companies which are related by virtue of common significant influence by directors of the Company.

During the year, the Company earned revenues from Bermuda Container Line Ltd., of \$4,348,459 (2008 - \$4,624,814). Included in accounts receivable at year end is \$442,494 (2008 - \$480,049) due from Bermuda Container Line Ltd.

Also included is \$5,533,974 (2008 - \$6,111,922) of revenue earned from Meyer Agencies Ltd. Included in accounts receivable as at March 31, 2009 is \$796,778 (2008 - \$620,411) due from Meyer Agencies Ltd.

Included in professional fees in the consolidated statement of operations is \$20,000 paid to First Bermuda Group Ltd. for consultancy fees incurred during the year.

14. Share premium

Share premium represents amounts received on subscription for share capital in excess of the stated par value.

15. Restructuring

The Company made an accrual for restructuring costs during the year ended March 31, 2007 arising following a decision made by the Corporation of Hamilton to close the No. 7 Shed at the Port of Hamilton, Bermuda. During the current year the final restructuring costs were settled. The movement in the restructuring accrual during the year is as follows:

	<u>2009</u>	<u>2008</u>
Balance at beginning of year	\$ 51,402	\$ 531,483
Amount credited to income	-	(119,267)
Restructuring costs paid in year	<u>(51,402)</u>	<u>(360,814)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ 51,402</u>

16. Earnings per share

Earnings per share are computed by dividing net income by the monthly weighted average number of shares outstanding during the year.

17. Financial instruments

(a) Fair value

The fair value of cash and cash equivalents, short-term deposits, accounts receivable and accounts payable and accrued expenses approximates their carrying value due to their short-term maturity. The fair value of investments is based on quoted market prices and is presented in Note 6.

The fair values of the capital lease obligation and long-term debt approximate their carrying values as they attract interest rates that approximate market rates.

Certain items such as inventory, property, plant and equipment and prepaid expenses are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

(Expressed in Bermuda Dollars)

17. Financial instruments (continued)

(b) Credit risk

A concentration of credit risk exists when there are significant contracts with individual counterparties or when groups of issuers or counterparties have similar business characteristics that would cause their ability to meet contractual commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions.

At March 31, 2009, 60% (2008 - 78%) of the Company's cash and cash equivalents are held with a single Bermuda bank. In addition, 100% (2008 - 100%) of the Company's short-term deposits are held at the same Bermuda bank.

At March 31, 2009, 99% (2008 - 90%) of the Company's accounts receivable balance is due from two customers.

Management does not believe that there is any significant credit risk with respect to its cash and cash equivalents and short-term deposits as the financial institutions at which these balances are held are well established.

In addition, the Company's major customers have been transacting with the Company for a number of years and losses have not occurred. Therefore, management does not believe there is significant credit risk arising from accounts receivable balances. The maximum exposure to credit risk for accounts receivable is represented by the carrying value on the balance sheet. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The ageing of accounts receivable at the reporting date is as follows:

	<u>2009</u>	<u>2008</u>
Current	\$ 902,647	\$ 929,223
Past 30 days	303,525	157,450
Past 60 days	16,757	7,092
Past 90 days	<u>22,689</u>	<u>22,586</u>
	1,245,618	1,116,351
Less: allowance for impairment	<u>(22,691)</u>	<u>(22,586)</u>
	\$ 1,222,927	\$ 1,093,765
	<u><u> </u></u>	<u><u> </u></u>

The movement in the allowance for impairment in respect of accounts receivable during the year is as follows:

	<u>2009</u>	<u>2008</u>
Opening balance	\$ 22,586	\$ -
Increase in allowance	2,813	27,637
Amounts written-off	<u>(2,708)</u>	<u>(5,051)</u>
	\$ 22,691	\$ 22,586
	<u><u> </u></u>	<u><u> </u></u>

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

(Expressed in Bermuda Dollars)

17. Financial instruments (continued)

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect interest earned on cash and cash equivalents and short-term deposits and interest paid on long-term debt and capital leases. Interest is earned on cash and cash equivalents and short-term deposits at variable rates. Interest is paid on the Company's long-term debt at variable rates. Interest on the capital lease is at a fixed rate. Management does not believe that the Company is exposed to significant interest rate risk. An increase of one percent in interest rates at the reporting date would have increased shareholders' equity and net income for the year by \$26,100 (2008 - \$33,800) assuming all other variables remain constant. An equal change in the opposite direction would have decreased shareholders' equity and net income by the same amount.

(d) Market risk

Equity price risk arises from available-for-sale marketable securities held by the Company. The primary goal of the Company's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard. The performance of the investment portfolio is actively monitored. All of the Company's equity investments are listed on the Bermuda Stock Exchange and are classified as available for sale. A two percent increase in market prices at the reporting date, assuming all other variables remain constant, would have increased shareholders' equity by \$14,100 (2008 - \$17,500). An equal change in the opposite direction would have decreased shareholders' equity by the same amount. There would be no impact on the Company's reported net income for the year.

Management does not believe that the Company is exposed to significant currency risk, as the majority of the Company's transactions are denominated in Bermuda dollars or United States dollars and there are no significant foreign currency denominated assets and liabilities at the balance sheet date.

(e) Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash together with cash generated from the collection of accounts receivable to meet all its liabilities as they fall due.

The table below categorizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows. Balances are stated at their carrying balances, as the impact of discounting is not significant.

	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
As at March 31, 2009					
Accounts payable and accrued expenses	\$ 839,578	\$ 839,578	\$ —	\$ —	\$ —
Capital lease	80,835	36,550	37,848	6,437	—
Long-term debt	<u>526,689</u>	<u>109,012</u>	<u>112,323</u>	<u>234,986</u>	<u>70,368</u>
	<u>\$ 1,447,102</u>	<u>\$ 985,140</u>	<u>\$ 150,171</u>	<u>\$ 241,423</u>	<u>\$ 70,368</u>

STEVEDORING SERVICES LIMITED

Notes to Consolidated Financial Statements

March 31, 2009

*(Expressed in Bermuda Dollars)***17. Financial instruments (continued)****As at March 31, 2008**

	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
Accounts payable and accrued expenses	\$ 945,181	\$ 945,181	\$ -	\$ -	\$ -
Capital lease	150,218	34,086	35,297	80,835	-
Long-term debt	<u>733,142</u>	<u>99,304</u>	<u>100,978</u>	<u>221,335</u>	<u>311,525</u>
	<u>\$ 1,828,541</u>	<u>\$ 1,078,571</u>	<u>\$ 136,275</u>	<u>\$ 302,170</u>	<u>\$ 311,525</u>

18. Capital management

The Company's capital comprises shareholders' equity, which consists of share capital, share premium, general reserve, retained earnings and accumulated other comprehensive income. Stevedoring Services Limited's capital management approach is driven by its operational requirements whilst functioning within Bermuda's economic, commercial, and regulatory environment. The Company's strategy is approved by the Board of Directors. The Board of Directors also monitors the level of dividends to ordinary shareholders. It is the Company's policy to maintain a strong capital base to support operational needs at all times, to provide returns to its shareholders and to maintain investor, creditor and market confidence, and to sustain future development of the business. The Company also maintains discipline over its investment decisions. The allocation of capital is monitored to ensure that returns are appropriate after taking account of capital cost.

Stevedoring Services Limited's capital management policies and principles define the process by which the Company examines the risk profiles from both economic and regulatory capital viewpoints. This ensures that the minimum levels of capital are maintained to meet the following circumstances:

- i. Remain sufficient to support the Company's risk profile and outstanding commitments.
- ii. Capable of withstanding a severe economic downturn scenario.
- iii. Remain consistent with the Company's strategic and operational goals whilst maintaining the Board of Directors' and shareholders' expectations.

There were no changes to the Company's approach to capital management during the year. The Company is not exposed to externally imposed capital requirements.

19. Subsequent events

Effective June 1, 2009, the Company's defined benefit pension plan (Note 11) was frozen such that no further benefits will accrue to the members of the plan beyond this date. The Company made the decision to freeze the plan in light of the increasing deficit and heavy financial burden on the Company. The Company has committed to funding the outstanding deficit of approximately \$3.4 million in the plan and will continue to monitor the deficit level over the next few months. There has been no official decision to wind-up the plan at this time, but this option is being considered. All active members in the pension plan are being enrolled in the Company's defined contribution plan effective June 1, 2009.