

**POLARIS HOLDING COMPANY LIMITED**

**Consolidated Financial Statements**  
(With Independent Auditors' Report Thereon)

March 31, 2013

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Polaris Holding Company Limited

We have audited the accompanying consolidated financial statements of Polaris Holding Company Limited (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended March 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year ended March 31, 2013 in accordance with International Financial Reporting Standards.

*KPMG Audit Limited*

Chartered Accountants  
Hamilton, Bermuda  
October 9, 2013

**POLARIS HOLDING COMPANY LIMITED**

Consolidated Statement of Financial Position

March 31, 2013

(Expressed in Bermuda Dollars)

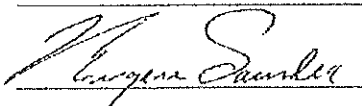
	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Investments (Note 4)	\$ 172,564	\$ 938,688
Investment property (Note 5)	3,000,000	3,000,000
Property, plant and equipment (Note 6)	<u>6,196,955</u>	<u>4,184,337</u>
Total non-current assets	9,369,519	8,123,025
Cash and cash equivalents (Note 7)	3,964,451	6,684,236
Accounts receivable (Notes 14 and 17(b))	1,080,814	741,028
Inventory (Note 8)	1,194,558	1,265,445
Prepaid expenses	<u>193,730</u>	<u>194,140</u>
Total current assets	6,433,553	8,884,849
Total assets	<u>\$ 15,803,072</u>	<u>\$ 17,007,874</u>
<b>Liabilities</b>		
Long-term debt (Note 11)	<u>\$ 2,977,493</u>	<u>\$ 3,966,962</u>
Total non-current liabilities	2,977,493	3,966,962
Accounts payable and accrued expenses	590,010	699,351
Long-term debt - current portion (Note 11)	<u>489,344</u>	<u>436,816</u>
Total current liabilities	1,079,354	1,136,167
Total liabilities	<u>4,056,847</u>	<u>5,103,129</u>
<b>Equity</b>		
Share capital (Note 12)	1,244,600	1,244,600
Share premium (Note 13)	122,650	122,650
General reserve (Note 13)	1,250,000	1,250,000
Retained earnings	9,104,323	8,604,242
Accumulated other comprehensive income	<u>24,652</u>	<u>683,253</u>
Total equity attributable to the Company's shareholders	11,746,225	11,904,745
Total liabilities and equity	<u>\$ 15,803,072</u>	<u>\$ 17,007,874</u>

See accompanying notes to consolidated financial statements

Signed on behalf of the Board



Director



Director

**POLARIS HOLDING COMPANY LIMITED**

## Consolidated Statement of Comprehensive Income

Year ended March 31, 2013  
(Expressed in Bermuda Dollars)

	<u>2013</u>	<u>2012</u>
<b>Revenue</b>		
Stevedoring revenue (Note 14)	\$ 9,140,108	\$ 9,389,076
Stevedoring expenses (Notes 8 and 10)	<u>4,759,496</u>	<u>5,097,494</u>
Stevedoring gross profit	4,380,612	4,291,582
Rental income (Note 5)	<u>101,249</u>	<u>100,847</u>
Total income	<u>4,481,861</u>	<u>4,392,429</u>
<b>Expenses</b>		
Administrative salaries and wages (Note 10)	1,537,063	1,608,115
General and administrative expenses	1,010,228	1,021,992
Depreciation (Note 6)	669,470	530,345
Employee benefits (Notes 9 and 10)	508,816	498,153
Professional fees	323,804	359,804
Loss on sale of property, plant and equipment	295,019	-
Impairment of investments (Note 4)	<u>-</u>	<u>40,024</u>
Total expenses	<u>4,344,400</u>	<u>4,058,433</u>
Results from operating activities	137,461	333,996
Finance income (Note 15)	840,140	37,502
Finance expense (Note 11)	<u>(228,600)</u>	<u>(106,592)</u>
Net finance income (expense)	<u>611,540</u>	<u>(69,090)</u>
Profit for the year (attributable to owners of the Company)	749,001	264,906
<b>Other comprehensive income</b>		
Net change in fair value of available-for-sale investments	<u>24,652</u>	<u>36,219</u>
Total comprehensive income for the year	<u>\$ 773,653</u>	<u>\$ 301,125</u>
Earnings per share (Note 16)	<u>\$ 0.60</u>	<u>\$ 0.21</u>

All items included in the consolidated statement of comprehensive income relate to continuing operations.

See accompanying notes to consolidated financial statements

**POLARIS HOLDING COMPANY LIMITED**

Consolidated Statement of Changes in Equity

Year ended March 31, 2013

(Expressed in Bermuda Dollars)

	Share capital	Share premium	General reserve	Retained earnings	Accumulated other comprehensive income	Total equity
Balance at April 1, 2011	\$ 1,244,600	\$ 122,650	\$ 1,250,000	\$ 8,494,911	\$ 647,034	\$ 11,759,195
Total comprehensive income:						
Profit for the year	—	—	—	264,906	—	264,906
Other comprehensive income	—	—	—	—	36,219	36,219
Transactions with owners of the Company recognized directly in equity:						
Dividends declared and paid (Note 12)	—	—	—	(155,575)	—	(155,575)
Balance at March 31, 2012	\$ 1,244,600	\$ 122,650	\$ 1,250,000	\$ 8,604,242	\$ 683,253	\$ 11,904,745
Balance at April 1, 2012	\$ 1,244,600	\$ 122,650	\$ 1,250,000	\$ 8,604,242	\$ 683,253	\$ 11,904,745
Total comprehensive income:						
Profit for the year	—	—	—	749,001	—	749,001
Change in fair value of available-for-sale investments reclassified to profit or loss	—	—	—	—	(683,253)	(683,253)
Other comprehensive income	—	—	—	—	24,652	24,652
Transactions with owners of the Company recognized directly in equity:						
Dividends declared and paid (Note 12)	—	—	—	(248,920)	—	(248,920)
Balance at March 31, 2013	\$ 1,244,600	\$ 122,650	\$ 1,250,000	\$ 9,104,323	\$ 24,652	\$ 11,746,255

See accompanying notes to consolidated financial statements

**POLARIS HOLDING COMPANY LIMITED**

## Consolidated Statement of Cash Flows

Year ended March 31, 2013  
(Expressed in Bermuda Dollars)

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>		
Profit for the year	\$ 749,001	\$ 264,906
Adjustments for:		
Depreciation	669,470	530,345
Net finance (income) expense	(611,540)	69,090
Impairment of investments	—	40,024
Loss on sale of equipment	295,019	—
Net changes in non-cash working capital balances:		
(Increase) decrease in accounts receivable	(339,786)	478,903
Decrease (increase) in prepaid expenses	410	(58,735)
Decrease (increase) in inventory	70,887	(112,312)
(Decrease) increase in accounts payable and accrued expenses	<u>(109,341)</u>	<u>39,538</u>
Net cash provided by operating activities	<u>724,120</u>	<u>1,251,759</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,387,768)	(1,042,060)
Interest and dividends received	36,244	37,502
Proceeds from sale of equipment	410,668	—
Proceeds from sale of investments	<u>911,412</u>	<u>—</u>
Net cash used in investing activities	<u>(2,029,444)</u>	<u>(1,004,558)</u>
<b>Cash flows from financing activities</b>		
Long-term debt principal repayments	(936,941)	(339,634)
Dividends paid	(248,920)	(155,575)
Interest paid	(228,600)	(106,592)
Proceeds received from long-term debt	<u>—</u>	<u>3,000,000</u>
Net cash (used in) provided by financing activities	<u>(1,414,461)</u>	<u>2,398,199</u>
(Decrease) increase in cash and cash equivalents	(2,719,785)	2,645,400
Cash and cash equivalents at beginning of year	<u>6,684,236</u>	<u>4,038,836</u>
Cash and cash equivalents at end of year	<u>\$ 3,964,451</u>	<u>\$ 6,684,236</u>

*See accompanying notes to consolidated financial statements*

## POLARIS HOLDING COMPANY LIMITED

### Notes to the Consolidated Financial Statements

March 31, 2013

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#### 1. **General**

Polaris Holding Company Limited (the "Company" or "PHC") was incorporated on January 24, 2011 under the laws of Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, Bermuda. The Company was created to facilitate the restructuring of the Stevedoring Services Limited group by way of a court approved Scheme of Arrangement (the "Scheme"). The Scheme was the vehicle by which the shares of Stevedoring Services Limited were transferred to Polaris Holding Company Limited on the same basis as they were held in Stevedoring Services Limited, and these new shares replaced the shares of Stevedoring Services Limited listed on the Bermuda Stock Exchange. There is no ultimate controlling party.

The Company is the holding company for the group of companies which comprise of Stevedoring Services Limited ("SSL"), Equipment Sales and Rental Limited ("ESR"), and Mill Reach Holding Company Limited ("MRH"). The Scheme became effective on March 28, 2011 after shareholder and Supreme Court approval. The group restructuring has been accounted for as a combination of entities under common control with transfers being recorded at their carrying value.

Stevedoring Services Limited, a wholly-owned subsidiary, is incorporated under the laws of Bermuda and carries on business as a stevedoring company. In January 2011, this subsidiary was awarded a 5 year license by the Corporation of Hamilton, with provisions for a further license of 5 years subject to satisfactory performance. Equipment Sales and Rental Limited, a wholly-owned subsidiary, is incorporated under the laws of Bermuda and carries on the business of purchasing and leasing heavy operating machinery and equipment. Mill Reach Holding Limited, a wholly-owned subsidiary, is incorporated under the laws of Bermuda and was incorporated on February 10, 2010 and acquired land held at Mill Reach Lane, Pembroke from Stevedoring Services Limited.

#### 2. **Basis of preparation**

##### *(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on October 9, 2013.

##### *(b) Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale investments measured at fair value.

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## POLARIS HOLDING COMPANY LIMITED

Notes to the Consolidated Financial Statements

March 31, 2013

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### 2. Basis of preparation (continued)

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Bermuda dollars, which is the Company's functional currency.

#### (d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions about future considerations. The use of available information and the application of judgment are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared. Revisions to accounting estimates, if any, are recognized in the period in which the estimate is revised and in any future periods affected. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the following notes:

- Note 3(d) – impairment of property, plant and equipment
- Note 3(l) – impairment of financial assets
- Note 17 – allowance for impairment of accounts receivable
- Note 5 – valuation of investment property
- Note 8 – valuation of inventory

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all period presented in the consolidated financial statements.

#### (a) Basis of consolidation

The consolidated financial statements include the accounts and results of operations of the Company and its wholly-owned subsidiaries. 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.

#### (c) Investment income

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

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## POLARIS HOLDING COMPANY LIMITED

### Notes to the Consolidated Financial Statements

March 31, 2013

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#### 3. Significant accounting policies (continued)

##### (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and include capitalized borrowing costs. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets, with the exception of cranes, which are depreciated on a reducing balance basis. Improvements to leased premises are capitalized and depreciated over the related lease period. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). Items of property, plant and equipment are depreciated from the date that they are installed and ready for use.

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. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognized.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and any risks specific to the asset.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

The estimated useful lives of significant items of property, plant and equipment are as follows:

Buildings	10 years
Furniture and fixtures	3-4 years
Computer equipment	3-5 years
Cranes and heavy equipment	5-10 years
Miscellaneous equipment	3-5 years

##### (e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at deemed cost, being its market value as at March 8, 2011. Land held as investment property is not subject to depreciation.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

##### (f) Financial instruments

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

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 comprehensive income.

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## POLARIS HOLDING COMPANY LIMITED

Notes to the Consolidated Financial Statements

March 31, 2013

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### 3. Significant accounting policies (continued)

#### (f) *Financial Instruments* (continued)

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

Other financial assets, being accounts 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.

#### *Fair value hierarchy*

Accounting standards over fair value measurements defines fair value, establishes a framework for measuring fair value using a three-tier hierarchy of inputs to value the Company's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below:

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including management's own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets, and other characteristics particular to the investment. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for investments categorized in level 3 of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The fair value hierarchy is disclosed in Note 17(a).

#### (g) *Comprehensive income*

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

#### (h) *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 an original maturity of three months or less as equivalent to cash.

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## POLARIS HOLDING COMPANY LIMITED

### Notes to the Consolidated Financial Statements

March 31, 2013

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#### 3. Significant accounting policies (continued)

(i) *Employee benefits*

The costs of employee benefits payable in respect of the Company's defined contribution pension plan are charged to the consolidated statement of comprehensive income in the year in which the related services are rendered by the employees. The Company pays fixed contributions to a separate entity and has no obligation to pay further amounts.

(j) *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.

(k) *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 comprehensive income.

(l) *Impairment of financial assets*

At each reporting date the Company assesses whether there is objective evidence that financial assets are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, and the current fair value, less any impairment loss recognized previously in profit or loss. If, in a subsequent period, the fair value of impaired available-for-sale equity securities increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in other comprehensive income.

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## POLARIS HOLDING COMPANY LIMITED

### Notes to the Consolidated Financial Statements

March 31, 2013

#### 3. Significant accounting policies (continued)

##### (m) Taxation

Under current Bermuda law the Company is not subject to income tax on its profits or capital gains. Accordingly no provision for current or deferred income tax has been made in the consolidated financial statements.

##### (n) New standards and interpretations not yet adopted

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after April 1, 2012 or later periods and are expected to be relevant to the Company. The Company does not plan to adopt these standards early.

- *IFRS 9, Financial Instruments*

IFRS 9 simplifies the classification, recognition and measurements for financial assets, liabilities and some contracts to buy or sell non-financial items. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Management is currently assessing the impact of the adoption of this standard.

- *IFRS 10, Consolidated Financial Statements*

IFRS 10 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. IFRS 10 is effective for annual periods beginning on or after 1 January 2013. Management is currently assessing the impact of the adoption of this standard.

- *IFRS 12, Disclosure of Interests in Other Entities*

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Management is currently assessing the impact of the adoption of this standard.

- *IFRS 13, Fair Value Measurement*

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13's full impact. The standard is effective for accounting periods beginning on or after January 1, 2013. Management is currently assessing the impact of the adoption of this standard.

#### 4. Investments

Investments classified as available-for-sale comprise the following:

	2013		2012	
	Cost	Fair value	Cost	Fair value
Equity securities	\$ 147,912	\$ 172,564	\$ 295,459	\$ 938,688

**POLARIS HOLDING COMPANY LIMITED**

Notes to the Consolidated Financial Statements

March 31, 2013

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4. **Investments (continued)**

At March 31, 2013, the Company's holdings in equity securities consist of one security of a company incorporated and operating from Bermuda. During the year the Company sold its holding of 10,800 shares in an insurance company with global operations for proceeds of \$911,412 resulting in a realized gain of \$803,891.

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

During the year the Company had unrealized gains of \$24,652 (2012 - \$36,219) on its equity investments which are recognized in other comprehensive income as a separate component within equity. During the year ended March 31, 2012, the Company recognized an impairment charge on its equity investments of \$40,024.

5. **Investment property**

Investment property comprises land being held in MRH and is not depreciated. The property, which is leased to two tenants on a month-by-month basis, earned rental income of \$101,249 for the year (2012 - \$100,847).

	<u>2013</u>	<u>2012</u>
Cost	\$ 3,000,000	\$ 3,000,000

The property was valued by an independent appraiser on March 8, 2011 at a value of \$3,000,000. This value is not considered to be significantly different as at March 31, 2013 based on market conditions.

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**POLARIS HOLDING COMPANY LIMITED**

Notes to the Consolidated Financial Statements

March 31, 2013

<b>6. Property, plant and equipment</b>		Buildings	Cranes and heavy equipment	Miscellaneous equipment	Furniture and fixtures	Computer equipment	Total
<b>Cost</b>							
At April 1, 2011	\$	296,041	9,767,319	729,754	293,015	1,788,823	12,874,952
Additions		—	1,042,060	—	—	—	1,042,060
Disposals		—	(2,972,375)	—	—	—	(2,972,375)
At March 31, 2012	\$	296,041	7,837,004	729,754	293,015	1,788,823	10,944,637
At April 1, 2012	\$	296,041	7,857,004	729,754	293,015	1,788,823	10,944,637
Additions		—	3,387,768	—	—	—	3,387,768
Disposals		—	(1,897,721)	—	—	—	(1,897,721)
At March 31, 2013	\$	296,041	9,327,050	729,754	293,015	1,788,823	12,434,684
<b>Depreciation</b>							
At April 1, 2011	\$	258,719	6,879,543	729,754	287,655	1,752,338	9,908,009
Depreciation for the year		15,437	489,991	—	4,279	20,638	530,345
Disposals		—	(2,972,375)	—	—	—	(2,972,375)
At March 31, 2012	\$	274,156	4,397,159	729,754	291,934	1,772,976	7,465,979
At April 1, 2012	\$	274,156	4,397,159	729,754	291,934	1,772,976	7,465,979
Depreciation for the year		13,400	639,142	—	1,081	15,847	669,470
Disposals		—	(1,897,721)	—	—	—	(1,897,721)
At March 31, 2013	\$	287,556	3,138,580	729,754	293,015	1,788,823	6,237,728
<b>Carrying amounts</b>							
At April 1, 2011	\$	37,332	3,593,455	—	5,360	36,485	3,672,622
At March 31, 2012	\$	21,885	4,145,524	—	1,081	15,847	4,184,337
At March 31, 2013	\$	8,485	6,188,470	—	—	—	6,196,955

**POLARIS HOLDING COMPANY LIMITED**

Notes to the Consolidated Financial Statements

March 31, 2013

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**7. Cash and cash equivalents**

The effective interest rate earned on cash and cash equivalents for the year ended March 31, 2013 was 0.18% (2012 - 0.20%).

**8. Inventory**

Inventory of \$1,194,558 (2012 - \$1,265,445) is stated net of a provision for obsolescence of \$184,907 (2012 - \$95,166). Inventory recognized as an expense amounted to \$321,085 (2012 - \$397,432) and is included in stevedoring expenses in the consolidated statement of comprehensive income.

**9. Employee pension benefits**

The total expense incurred for the Company's defined contribution plan was \$175,998 (2012 - \$185,516).

The total pension benefits expense is included in employee benefits in the consolidated statement of comprehensive income. Employee benefits also include the expense of providing health insurance benefits to employees during the term of their employment.

**10. Personnel expenses**

	<u>2013</u>	<u>2012</u>
Short term employment benefits	\$ 4,293,251	\$ 4,421,709
Key management compensation	329,271	331,460
Compulsory payroll tax, social insurance and health scheme contributions	872,591	762,592
Payment to defined contributions pension scheme (Note 9)	175,998	185,516
Other employee benefit expense	<u>34,500</u>	<u>33,436</u>
	<u>\$ 5,705,611</u>	<u>\$ 5,734,713</u>

Personnel expenses are included in stevedoring expenses and administrative salaries and wages in the consolidated statement of comprehensive income.

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## POLARIS HOLDING COMPANY LIMITED

### Notes to the Consolidated Financial Statements

March 31, 2013

#### 11. Long-term debt

In December 2009 the Company secured a loan of \$2,693,934 from a Bermuda bank. The loan is a variable rate promissory note and at year end the monthly payments were \$31,738. The loan is due for repayment on July 26, 2016. The interest rate is set at 2.90% above the bank's Bermuda dollar base rate. The effective interest rate for the year was 6.40% (2012 - 6.23%).

In December 2011 a subsidiary company, ESR, secured a 15 year United States dollar loan of \$3 million from William E. Meyer Ltd., a related party. The loan is an adjustable promissory note and at year end the monthly payments were \$23,723 currently bearing interest at 5% per annum. The rate is adjusted and fixed at the beginning of the 6<sup>th</sup> and 11<sup>th</sup> year of the loan to reflect a rate equal to 1.5% above the Bermuda dollar base rate. Interest paid to the related party during the year was \$145,140. Interest for the year ended March 31, 2012 of \$37,359 was capitalized as a component of the cost of additions to cranes and heavy equipment included in property plant and equipment (Note 6). The Company made a balloon principal repayment of \$500,000 on March 14, 2013.

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

2014	\$	489,344
2015		519,055
2016		550,596
2017		324,969
2018 and thereafter		<u>1,582,873</u>
	\$	<u>3,466,837</u>

#### 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 March 31, 2013 1,244,600 (2012 - 1,244,600) shares were issued and fully paid. As explained in Note 1, Polaris Holding Company Limited was created to facilitate the restructuring of the Stevedoring Services Limited group by way of a court approved Scheme of Arrangement. The Scheme was the vehicle by which the shares of Stevedoring Services Limited were transferred to Polaris Holding Company Limited on the same basis as they were held in Stevedoring Services Limited, and these new shares replaced the shares of Stevedoring Services Limited listed on the Bermuda Stock Exchange. The Scheme became effective on March 28, 2011 after shareholder and Supreme Court approval.

As at March 31, 2013, the total directors' and officers' shareholdings were 61,211 (2012 - 61,211) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer.

The holders of common shares are entitled to receive dividends as declared from time to time. The following dividends were declared and paid by the Company:

	<u>2013</u>	<u>2012</u>
0.05 (2012 - 0.05) cents per qualifying ordinary share – June	\$ 62,230	\$ 62,230
0.05 (2012 - 0.025) cents per qualifying ordinary share – September	62,230	31,115
0.05 (2012 - 0.025) cents per qualifying ordinary share – December	62,230	31,115
0.05 (2012 - 0.025) cents per qualifying ordinary share – March	<u>62,230</u>	<u>31,115</u>
	<u>\$ 248,920</u>	<u>\$ 155,575</u>



**POLARIS HOLDING COMPANY LIMITED**

Notes to the Consolidated Financial Statements

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**13. Share premium and general reserve**

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

General reserve represents amounts appropriated by the directors.

**14. Related party transactions**

Bermuda Container Line Ltd ("BCL"), Bermuda International Shipping Ltd ("BISL"), and Somers Isles Shipping Ltd ("SISL"), are companies which are related by virtue of common significant influence by directors of the Company. Meyer Freight Ltd is the agent for Bermuda International Shipping Ltd and Somers Isle Shipping Ltd.

During the year, the Company earned stevedoring revenue from Bermuda Container Line Ltd., of \$3,792,051 (2012 - \$3,898,368). Included in accounts receivable at year end is \$394,053 (2012 - \$343,266) due from Bermuda Container Line Ltd.

The Company also earned stevedoring revenue of \$4,890,609 (2012 - \$5,442,523) from both Bermuda International Shipping Ltd and Somers Isle Shipping Ltd. Included in accounts receivable as at March 31, 2013 is \$471,072 (2012 - \$364,647) due from both companies.

**15. Finance income**

Finance income comprises of the following:

	<u>2013</u>	<u>2012</u>
Gain on sale of investments (Note 4)	\$ 803,891	\$ -
Dividend income	31,282	26,060
Interest income	<u>4,967</u>	<u>11,442</u>
	<u>\$ 840,140</u>	<u>\$ 37,502</u>

**16. Earnings per share**

Earnings per share is computed by dividing profit for the year by the monthly weighted average number of shares outstanding during the year.

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**POLARIS HOLDING COMPANY LIMITED**

Notes to the Consolidated Financial Statements

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**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 4.

The fair value of the long-term debt is included in Note 17(e) and takes into account the interest rate of the loan.

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.

The fair value hierarchy table below summarizes the inputs used to value the Company's financial assets carried at fair value:

<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments – equity securities	\$ 172,564	\$ –	\$ –	\$ 172,564
	\$ 172,564	\$ –	\$ –	\$ 172,564
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments – equity securities	\$ 938,688	\$ –	\$ –	\$ 938,688
	\$ 938,688	\$ –	\$ –	\$ 938,688
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

*(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, 2013, 70% (2012 - 76%) of the Company's cash and cash equivalents are held with a single Bermuda bank.

At March 31, 2013, 80% (2012 - 96%) of the Company's accounts receivable balance is due from three customers.

Management does not believe that there is any significant credit risk with respect to its cash and cash equivalents as the financial institutions at which these balances are held are regulated by the Bermuda Monetary Authority.

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**POLARIS HOLDING COMPANY LIMITED**

Notes to the Consolidated Financial Statements

March 31, 2013

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17. **Financial instruments (continued)**

*(b) Credit risk (continued)*

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 consolidated statement of financial position. 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>2013</u>	<u>2012</u>
Current	\$ 845,536	\$ 665,838
Past 30 days	225,063	70,029
Past 60 days	—	90
Past 90 days	<u>11,215</u>	<u>6,071</u>
	1,081,814	742,028
Less: allowance for impairment	<u>(1,000)</u>	<u>(1,000)</u>
	<u>\$ 1,080,814</u>	<u>\$ 741,028</u>

There was no movement in the allowance for impairment in respect of accounts receivable during the year.

*(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 interest paid on long-term debt. Interest is earned on cash and cash equivalents at variable rates. Interest is paid on the Company's long-term debt at variable rates as explained in Note 11. 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 equity and profit for the year by \$39,644 (2012 - \$23,000) assuming all other variables remain constant. An equal change in the opposite direction would have decreased equity and profit 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. 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 equity by \$3,451 (2012 - \$18,774). An equal change in the opposite direction would have decreased equity by the same amount. There would be no impact on the Company's reported profit 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 reporting date.

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POLARIS HOLDING COMPANY LIMITED

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March 31, 2013

17. Financial instruments (continued)

(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 consolidated cash flows.

	<u>Total</u>	<u>6 months6 or less</u>	<u>- 12 months</u>	<u>1 - 2 years</u>	<u>2 - 15 years</u>
<b>As at March 31, 2013</b>					
Accounts payable and accrued expenses	\$ 590,010	\$ 590,010	\$ -	\$ -	\$ -
Long-term debt	<u>4,065,284</u>	<u>332,771</u>	<u>332,771</u>	<u>1,331,083</u>	<u>2,068,659</u>
	<u>\$ 4,655,294</u>	<u>\$ 922,781</u>	<u>\$ 332,771</u>	<u>\$ 1,331,083</u>	<u>\$ 2,068,659</u>
<b>As at March 31, 2012</b>					
Accounts payable and accrued expenses	\$ 699,351	\$ 699,351	\$ -	\$ -	\$ -
Long-term debt	<u>5,849,063</u>	<u>332,771</u>	<u>332,771</u>	<u>665,542</u>	<u>4,517,979</u>
	<u>\$ 6,548,414</u>	<u>\$1,032,122</u>	<u>\$ 332,771</u>	<u>\$ 665,542</u>	<u>\$ 4,517,979</u>

## POLARIS HOLDING COMPANY LIMITED

Notes to the Consolidated Financial Statements

March 31, 2013

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### 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. The Company'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.

Polaris Holding Company 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. Operating segments

The reportable operating segments are as follows:

1. Polaris Holding Company Limited carries on business as an investment holding company in Bermuda.
2. Stevedoring Services Limited carries on the business as a stevedoring company in Bermuda.
3. Equipment Sales and Rental Limited carries on the business of purchasing and leasing heavy operating machinery and equipment in Bermuda.
4. Mill Reach Holding Limited carries on the business of leasing its land to businesses as office and business space in Bermuda.

For management purposes, the Group is organized into these four separate business segments based on their products and services. For financial reporting purposes, these four companies are the main contributing factors for the consolidated financial statements of Polaris Holding Company Limited.

Management including the chief operating decision maker, monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on the profit or loss of the company which is explained in the table below.

Due to leasing arrangement between Equipment Sales and Rental Limited (the "lessor") and Stevedoring Services Limited (the "lessee") for the use of the heavy port operating equipment, an elimination transaction in the amount of \$1,344,000 (2012 - \$999,000) was recognized under the Polaris Holding Company Limited group structure.

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POLARIS HOLDING COMPANY LIMITED

Notes to the Consolidated Financial Statements

March 31, 2013

19. Operating segments (continued)

2013

Revenue/expenses (stated in \$000's)

	PHC	SSL	ESR	MRH	Elimination	Consolidated
External revenue	\$ -	\$ 9,140	\$ -	\$ 83	\$ -	\$ 9,223
Inter-segment	229	-	1,344	18	(1,591)	-
Other income	771	25	-	-	-	796
Total revenue	\$ 1,000	\$ 9,165	\$ 1,344	\$ 101	\$ (1,591)	\$ 10,019
Expenses	\$ 48	\$ 8,028	\$ 865	\$ 34	\$ -	\$ 8,975
Loss on sale equipment	-	-	295	-	-	295
Inter-segment	-	1,344	247	-	(1,591)	-
Total expenses	\$ 48	\$ 9,372	\$ 1,407	\$ 34	\$ (1,591)	\$ 9,270
Profit (loss) for the year	\$ 952	\$ (207)	\$ (63)	\$ 67	\$ -	\$ 749

2012

Revenue/expenses (stated in \$000's)

	PHC	SSL	ESR	MRH	Elimination	Consolidated
External revenue	\$ -	\$ 9,389	\$ -	\$ 101	\$ -	\$ 9,490
Inter-segment	-	-	999	-	(999)	-
Other income	-	36	1	-	-	37
Total revenue	\$ -	\$ 9,425	\$ 1,000	\$ 101	\$ (999)	\$ 9,527
Expenses	\$ -	\$ 8,381	\$ 858	\$ 23	\$ -	\$ 9,262
Inter-segment	-	999	-	-	(999)	-
Total expenses	\$ -	\$ 9,380	\$ 858	\$ 23	\$ (999)	\$ 9,262
Profit for the year	\$ -	\$ 45	\$ 142	\$ 78	\$ -	\$ 265

**POLARIS HOLDING COMPANY LIMITED**

Notes to the Consolidated Financial Statements

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19. **Operating segments (continued)**

As at March 31, 2013

	<u>PHC</u>	<u>SSL</u>	<u>ESR</u>	<u>MRH</u>	<u>Total reportable segments</u>	<u>Elimination</u>	<u>Total</u>
Assets	\$ 1,319	\$ 4,780	\$ 8,119	\$ 3,176	\$ 17,394	\$ (1,591)	\$ 15,803
Liabilities	12	1,031	4,572	33	5,648	(1,591)	4,057
Capital expenditure	—	—	3,388	—	3,388	—	3,388

As at March 31, 2012

	<u>PHC</u>	<u>SSL</u>	<u>ESR</u>	<u>MRH</u>	<u>Total reportable segments</u>	<u>Elimination</u>	<u>Total</u>
Assets	\$ —	\$ 6,604	\$ 8,295	\$ 3,108	\$ 18,007	\$ (999)	\$ 17,008
Liabilities	—	1,412	4,657	33	6,102	(999)	5,103
Capital expenditure	—	189	853	—	1,042	—	1,042

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