twenty-sixteen

Annual Report

Quietly Powering Bermuda

Polaris
HOLDING COMPANY LTD.

SSL
STEVEDORING SERVICES LIMITED
A Polaris Company

ES&R
EQUIPMENT SALES & RENTALS LIMITED
A Polaris Company

MRH
MILL REACH HOLDING LIMITED
A Polaris Company

Table of contents

section i
Chairman's Report

section ii
Board of Directors

section iii
Management Team

section iv
CEO's Report

section v
Audited Financials

section i

Chairman's Report

I am pleased to introduce our first formal Annual Report; a document that culminates three years of restructure and development and signifies a new and exciting direction for Polaris Holding Company Ltd. ("Polaris" or the "Company").

Two years ago, several months after newly appointed CEO Warren Jones took over, and in the wake of Polaris reporting a ($1.94 million) deficit, Mr. Jones predicted fiscal 2016 would be a profitable year; prophesying the Company's return to a normalized performance after years of decline.

In September, Polaris reported its financial results for the year ended March 31, 2016. The Company announced a 12 month profit of $1.38 million or $1.16 per share.

Fiscal Year End *(Dollar Amounts in Thousands)*	31 March **2011**	31 March **2012**	31 March **2013****	31 March **2014****	31 March **2015**	31 March **2016**
20-Foot Equivalent Container Moves	37,449	34,910	32,841	33,955	33,104	34,901
Stevedoring Revenue	$10,033	$ 9,389	$ 9,000	$ 9,305	$ 9,217	$10,567
Operating Expenses	9,474	9,055	9,050	11,080	9,508	9,066
Results from Operating Activities*	559	334	(50)	(1,775)*	(291)	1,501
Total Comprehensive Profit (Loss) for the Year	584	301	(98)	(1,942)	(443)	1,384
Earnings (Loss) Per Share	0.37	0.21	(0.45)	(1.56)	(0.34)	1.16
Shareholders' Equity	$11,759	$11,904	$11,242	$ 8,881	$ 8,190	$ 9,084

**March 31, 2014 results include an impairment of investment property of One Million dollars*

***March 31, 2013 and 2014 figures as restated in the audited financial statements*

While it is tempting to conclude that the Company's success was simply the result of a more buoyant economy, and while that is part of the story, Polaris' dramatic turnaround and positive position runs far deeper. Polaris' financial success has been primarily built around its staff and a three year administrative clean-up and operational reorganization which saw headcount reduced, pay rates frozen, improved training, enhanced relations with the Corporation of Hamilton, Bermuda Industrial Union, the Company's customers and key stakeholders, and a material investment in equipment, maintenance and infrastructure.

In 2013, the Board committed to bring to the Company a greater level of engagement and accountability, actioned by creating new Committees – Nomination and Corporate Governance, Audit and Risk Management, Finance and Human Resource and Compensation – and ultimately the appointment of CEO Mr. Warren Jones.

Subsequently in this past year, the Polaris Board and CEO engaged in a strategic planning session focused on the identity and direction of the Polaris holding company. The resulting strategic action plan now guides the actions and focuses the energies of the Board, CEO and management team.

POLARIS HOLDING COMPANY LTD. STRATEGIC ACTION PLAN

Through the first objective, "Establish Polaris' market position to accurately reflect its vision/culture", Polaris created its vision, mission and brand. This robust Annual Report is in fact part of objective one.

Vision: To be a progressive holding company that supports stability and growth for its investments while maximising shareholder value.

Mission: With the strength and diversity of its leadership team, Polaris strives to provide progressive and professional services that maximize the value of its investments and positions it as an employer of choice.

With 12.5% return on equity, the current year has set the stage for reaching objective two, "Achieve consistent Net Income equal to 12% Return on Equity by Fiscal 2020".

Finally, objective three is to "Ensure Polaris is appropriately staffed to achieve its vision."

You will find that the proposed slate of Directors for election to the Polaris Board have a broad range of skills and knowledge, with three of the seven being independent and include Mr. George Thomas Jr. who joined this year and CEO Mr. Warren Jones. Of note the Board says farewell to Mr. Eugene Saunders who, after 19 years of service, is not seeking re-election. As we move forward the Board and Committees will continue to ensure ongoing leadership, governance and focus on achieving our objectives.

Reflecting increased participation, at the upcoming AGM the Board seeks to approve an increase in the maximum payable Directors fees from $60,000 to $100,000, the first increase since 2008. Also this year

“In 2013, the Board committed to bring to the Company a greater level of **engagement and accountability...”**

Chairman, **Cheryl Hayward-Chew** | Polaris Holding Company Ltd.

the Board seeks to further expand the Company's relationship with the CEO through his election to the position of Director as well as the introduction of a CEO stock option plan, created to encourage retention and incent him to grow the Company.

In fiscal 2016 as part of its capital management strategy and to best serve shareholders, the Company initiated a share repurchase tender, offering to repurchase stock for $4.00 per share. At the time, Polaris' shares were trading on the BSX for $3.11 per share. Twenty five shareholders with 61,068 of stock, representing 4.9% of the total issuance, offered up their shares for repurchase and cancellation. The buyback cost Polaris $244K.

The future looks bright for Polaris and the financial achievement in 2016 has created the foundation on which to build the Company's success for years to come.

On behalf of the Directors and shareholders, I would like to thank the CEO and management team for their efforts which allow us to now celebrate an extremely successful year.

Cheryl Hayward-Chew
Chairman, Polaris Holding Company Ltd.

section ii

Our Board of Directors

Pictured from left to right
Cheryl Hayward-Chew, Chairman of the Board
Wayne Caines, Deputy Chairman
Paul Hubbard, Director
George Thomas, Director
Jeffrey Conyers, Director
Howard Pitcher, Director
Eugene Saunders, Director

section iii

Management Team

Pictured from left to right

Antoine Tacklyn | Assistant Superintendent, Stevedoring Services Limited
Eric Berkeley | Dock Operations Manager, Stevedoring Services Limited
Warren W. Jones | Chief Executive Officer, Polaris Holding Company Ltd.
Aloma Musson | Administration Manager, Polaris Holding Company Ltd.
Kimothy Wilkinson | Superintendent, Stevedoring Services Limited
Linda Amaral | Comptroller, Polaris Holding Company Ltd.

Polaris
HOLDING COMPANY LTD.

QUIETLY POWERING BERMUDA

Aloma Musson | 2 years | Administration Manager
Polaris Holding Company Ltd.

Aloma Musson is a stickler for detail and ensures that the executive offices and the whole team are a well-oiled machine. She joined the organization from outside of the logistics industry and has carved a place for herself in the revitalized Bermudian firm.

She explained, "After spending over twenty years in the international insurance industry, I expected my move to a local company to be outside my comfort zone.

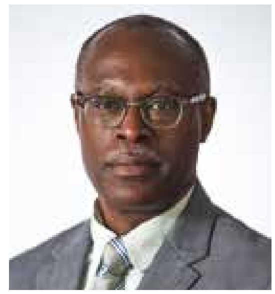
Polaris Holding Company has demonstrated a depth of talent, strong work ethic and camaraderie within which I'm proud to play a part in assisting with the management of this efficient and smooth running local company."

section iv

“From sun up to sun down, a dedicated team of highly skilled workers using state of the art technology, quietly **work to keep Bermuda moving.”**

Polaris is quietly powering Bermuda.

CEO's Report



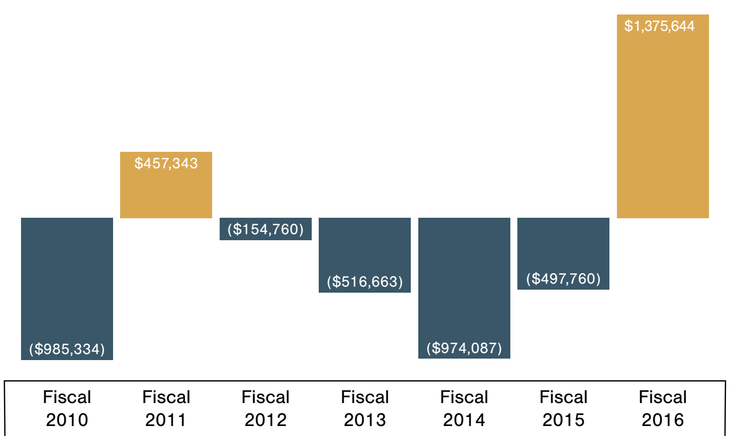
OVERVIEW

It is hard to believe that I am now more than halfway through my third year as CEO of Polaris Holding Company Ltd ("Polaris"). It has been a bumpy few years but in fiscal 2016 Polaris emerged focused, stable and profitable after an extended period of malaise.

Stevedoring Services Limited ("SSL") reported a fiscal 2016 gain of $1.20 million, Equipment Sales and Rentals Limited ("ESR") booked $206K in profits, Mill Reach Holding Limited ("MRH") $ 31K, and the parent company ($52K). Collectively the consolidated Company reported a 12-month profit of $1.38 million - results which sharply contrast the recent past:

Following a positive fiscal 2008, SSL began to slide along with the rest of Bermuda's economy. In comparing the past, ignoring its $1 million paper loss in fiscal 2014 when the Company wrote down its investment property, stepping over its need to restate and write down results in 2011, 2012, 2013, and 2014, and moving beyond its management and Board shake-up; in looking just at adjusted operating income (exclusive of MRH inflows and passive income), the history and change is stark.

Adjusted Operating Income, Net of MRH



SUCCESS FACTORS

While revenue growth in SSL was the notable cause for the year's success, the less obvious but more important story is the Company's administrative clean-up and operational reorganization over the last three years which paved the way for the containment of costs and a more controlled structure:

- Cheryl Hayward-Chew becomes chair in June 2013 as part of a bigger reorganization.

- Warren Jones was hired as Chief Executive Officer in January 2014.

- In June 2014, we negotiated an agreement with the Bermuda Industrial Union. The positive nature of those negotiations and the transparency on both sides of the table represented the beginning of a new relationship between management and its unionized staff.

- Linda Amaral was brought on as Comptroller in September 2014 along with consultant Forensic First Ltd.'s Todd Boyd taking the acting VP of Finance role.

- In fiscal 2014 SSL incurred a variety of one-off costs and legacy charges reshaping the business model, restructuring operations and realigning its balance sheet.

- In fiscal 2014 we began repairing relations with key stakeholders, improving communication and providing the parties with a better understanding of SSL's day-to-day operations. The Government, the chairmen of the three freight lines, Polaris Board members and key importers all toured dock operations at SSL, with quarterly meetings now ongoing between SSL and the agents of the three lines.

- After cutting hiring plans in 2014, headcount was reduced in fiscal 2015 including early retirement, reducing overtime rates, and a salary freeze.

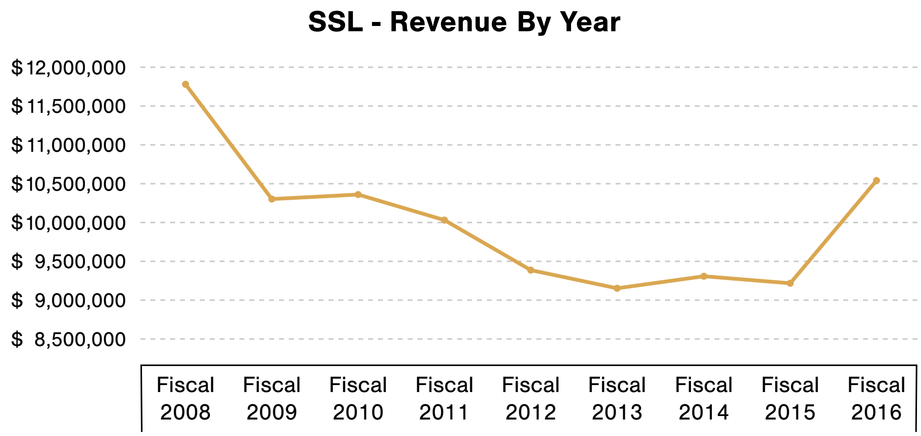
- In fiscal 2016, following its operational reorganization, SSL got buy-in from the three lines, the Corporation of Hamilton and the Ports Authority to implement an inflationary tariff rate increase after a two year freeze.

- Inventory, product ordering and supply usage, culminating in hundreds of thousands of dollars in waste, was throughout fiscal 2015 and 2016 restructured to provide a clean, accurate and well managed system.

- In January 2016 we signed a five-year terminal operator's agreement with the Corporation of Hamilton, cementing our future until 2021.

- In April 2016 an agreement with the BIU established wage rates and the working relationship for the coming year, with increases continuing to be earned only if the Company achieves a minimum level of profitability.

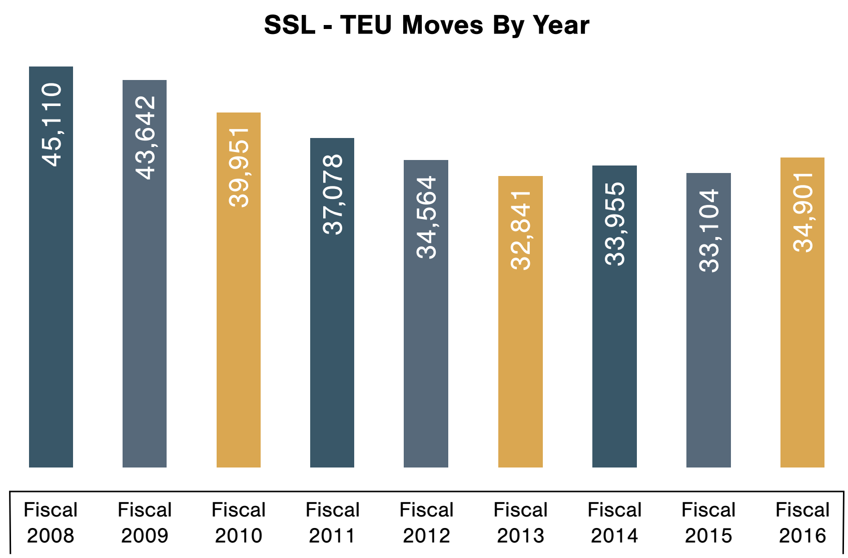
- With our finances, operations, customer relations and staffing all moving in the right direction, in fiscal 2016 we focused on expanding long term revenue opportunities both inside of SSL, as well as through acquisition.



STEVEDORING SERVICES LIMITED

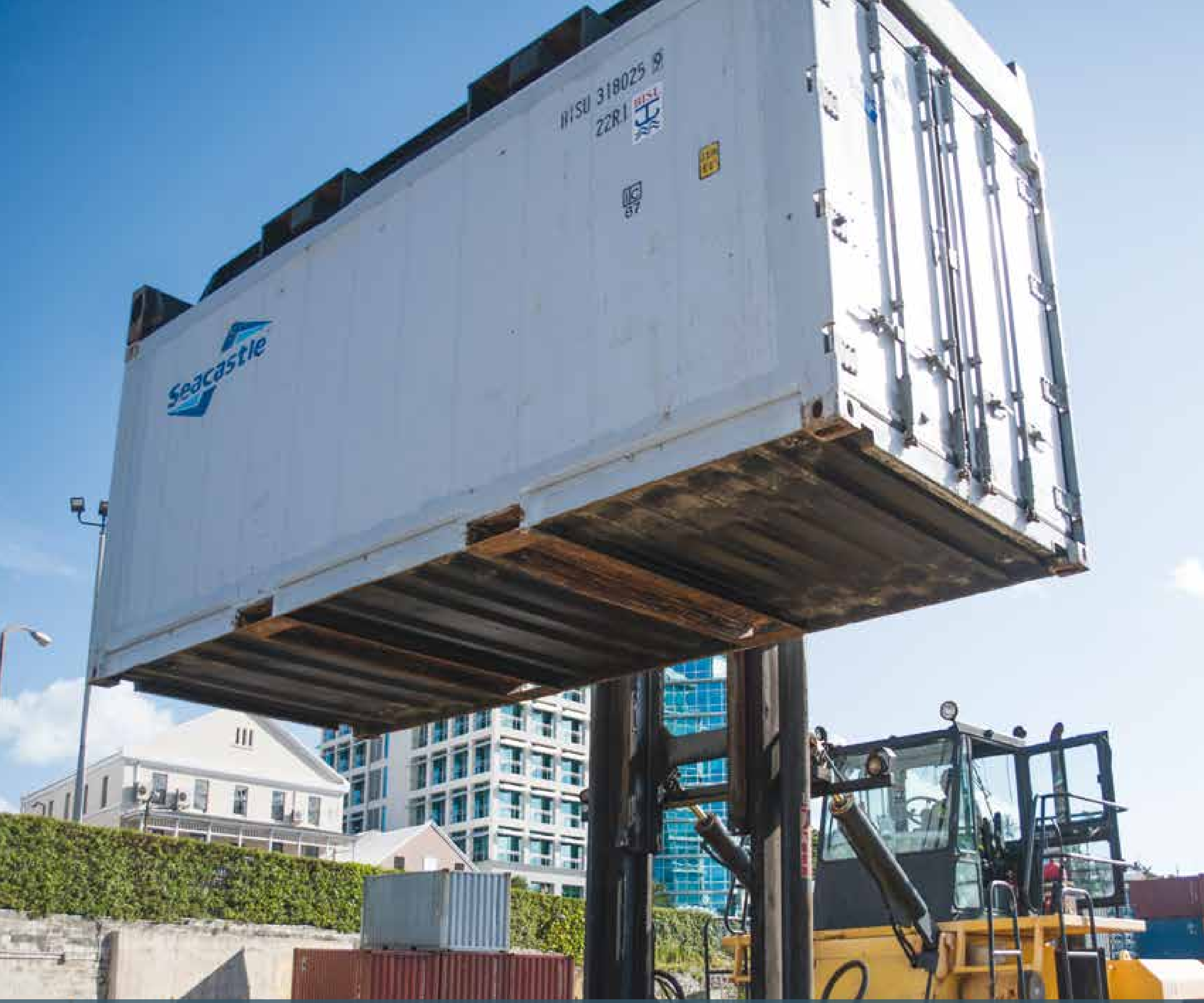
At this point in time, SSL is the key revenue earner for Polaris. It has also been where the bulk of my attention has been focused.

Revenue for the year was $10.57 million, 11.3% or $1.07 million better than fiscal 2016's budget and 14.6% or $1.35 million in front of fiscal 2015.



CONTAINER VOLUMES

34,901 twenty-foot equivalent containers were moved by SSL, a 5.4% improvement from the prior year. The rise is attributed to Bermuda's improving economic stability and the island's modest fiscal growth.



SSL
STEVEDORING SERVICES LIMITED
*A **Polaris** Company*

QUIETLY POWERING BERMUDA

Trevor Smith | 13.5 years | Top Loader Operator, Stevedoring Services Limited

A generation ago, Stevedoring Services Limited did not yet exist in its current form and casual workers would line up on the docks when the ships sailed in and sign up for opportunities to work the dock for a day at a time. Trevor Smith's grandfather was one of those workers. Today, Trevor Smith, Top Loader Operator, has a full time job working these very docks taking advantage of advanced technology and a secure working environment where worker safety is valued.

Smith has always had a passion for operating heavy machinery and feels he has landed his ideal job. A humble man, he doesn't talk much about his work beyond the docks but his eyes light up when he talks about his work-team, his responsibilities within the operation and the company he calls the hub of Bermuda, "We have great management now, and our guys have a great work ethic - and it shows. Our productivity keeps climbing with more containers moved per hour and less men on the docks. Each of us play a part and as the machine operator, there 'ain't no skanking', because it will affect the whole operation."

THE TEAM

Although I may be the leader of the team, the credit for the success of SSL must go to the actual players on the team. Management and staff have worked together through many challenges to maintain and ensure a consistent, effective and professional service to the people of Bermuda.

The Management Team, including Operations Manager, Mr. Eric Berkeley, Superintendent, Mr. Kimothy Wilkinson, Assistant Superintendent, Mr. Antoine Tacklyn, Comptroller, Mrs. Linda Amaral and Administration Manager, Ms. Aloma Musson has developed into a proficient and cohesive unit. I extend on behalf of the Board my thanks to them for their commitment and effort to ensure that SSL meets its obligations to this community.

It might seem unusual to some, but it is of critical importance to us at Polaris to thank the Portworkers Division of the Bermuda Industrial Union and BIU President Mr. Chris Furbert for the work they do daily on behalf of their members - our staff. While we do not agree all the time, we as management appreciate the professionalism of our staff and their expertise at what they do. It is their concern for what they do that fuels the discussions we have and we respect the Portworkers Division in their role to present those issues to us. Our success would not have been possible if we together did not create a framework based on trust, transparency and frank discussion.

SSL's success was built on the backs of our staff. One just needs to stand on the dock and watch and it is immediately apparent that our staff love what they do. There are very few businesses that could boast that when the staff knows that something has to get done, without direction, they get it done. While none of us, management or staff is perfect, and every day is not the same, the success mentioned earlier in dollars, could only be achieved with the support of the staff. For this, they have my thanks and respect.

HEALTH & SAFETY

In line with the Occupational Safety and Health Act 1982, SSL maintains a functioning Safety and Health Committee. Jointly chaired by Mr. Kimothy Wilkinson (Superintendent) and Mr. Sherman Hill (Portworkers Division Representative) the Committee meets monthly with the CEO as a regular attendee to meetings. While not a member, I believe that my attendance demonstrates my commitment to ensuring that safety is taken seriously from the top of the organization and throughout.

SOCIAL FUNCTIONS

A team that works hard should also play hard. The staff spends a lot of time together when they are working and this also serves as a platform for social functions, which included regular luncheons at which many of the staff prepare the food themselves.

Working closely with HM Customs, there is an ongoing banter, which in recent years has been taken off the dock and on the cricket field. SSL recently defeated a team from HM Customs. This represented revenge for a defeat suffered at the hands of HM Customs two years ago.

In April, SSL hosted the first of what we hope will be an annual retiree luncheon held at the Bermuda Industrial Union. With approximately 30 retirees in attendance, SSL honoured those who over many years made the Company what it is today.

CORPORATE RESPONSIBILITY

SSL understands its responsibility beyond the fence which encloses the dock. In this regard, approximately $15K has been donated to local sporting, arts and educational initiatives.

- **The Arts**

SSL provided sponsorship to the United Dance Productions Junior Company for their annual recital. The sponsorship was specifically earmarked to pay for the lights and sound.

- **Sports & Culture**

SSL for the second year in a row is the sponsor for the Annual Cup Match Most Valuable Player Award.

- **Education**

SSL provides an annual education award to qualifying children of employees.

- **Our Youth**

Teen Services

Polaris Holding Company provided sponsorship for the Outstanding Teen Awards programme which recognized young people in 11 areas of excellence, which include academic achievement, leadership, community service, sports, perseverance, most progress, vocational technical/arts, performing arts, visual arts, spiritual leadership and outstanding overall achievement.

School Breakfast Programme

Staff-collected funds, matched by SSL funding, provides foodstuff to select primary schools to assist with breakfast.

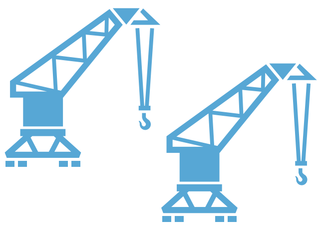
- **Our Environment**

We sponsored the Bermuda Institute of Ocean Sciences (BIOS) Risk Predictive Initiative. This programme spearheaded by the century-old research organisation focuses on hurricane risk specific to Bermuda. The research will support our industry partners and in the long term benefit the shipping and logistics industry on our island.

THE CRANES

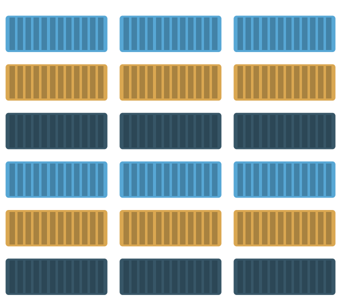
The crane is the lynchpin of the Hamilton Dock Cargo Operation

GOTTWALD & TEREX



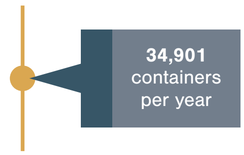
Open for business up to **14 hours** out of 24 hours each day

Operational up to **362 days** each year



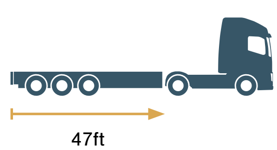
Efficiency: More than **18 containers** per crane per hour

OPERATIONAL LOGISTICS



1,000 container capacity
(20ft equivalents)

Up to **60 tonnes** per container



300 Road Trailers per year
+ **1,800 cars** per year

THE STEVEDORING SERVICES CREW

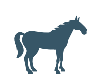
52 highly trained team members ensure the smooth operation of the docks of Bermuda

Foremen
Crane Operators
Heavy Forklift Operators
Mechanics
Deckmen
Holdmen
Terminal Operators
Finance + Administration
Management

34,901
imported containers may contain:

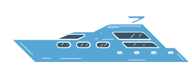
Ambulance

Animals



Produce + Food

Boats + Yachts



Construction Materials

Hazardous Materials

America's Cup Equipment

MARKETING

The Brand Lion

As part of its Strategic Plan, the Board agreed to issue an open request for proposals to Bermuda's marketing and Communications agencies. After reviewing submissions from a number of local agencies, a newly founded boutique agency, The Brand Lion, who submitted the most compelling proposal, was selected to become the agency of record for Polaris Holding Company Ltd.

The Polaris Brand

In the first phase of the marketing activation, The Brand Lion (TBL) focused on refining the brand identity, staying close to the original look and feel for a smooth brand transition. TBL also developed a preliminary set of brand guidelines for internal and external use. Polaris now has new logos, and corporate colours for each of the brands as well as the tools to employ them consistently.

PR, Sponsorship Management, Social Media

In March 2016, amid national protests, incorrect information was disseminated by an organisation via a local media platform. TBL proactively provided crisis public relations management and provided a statement on behalf of Stevedoring Services Limited and was able to counteract the bad press that had started to gain traction and potentially negatively impact the brand name.

We have engaged our marketing consultants to guide us in sponsorship management, extracting value, sponsor entitlements and brand consistency from each activation.

The Brand Lion team has created a social media presence and is finalizing development of our new website.

Internal and External Communications

TBL has created a mini-documentary, featuring the voices and perspectives of Stevedoring Services staff and management, creating insight into what it takes to keep the dock operation running smoothly. The video will be featured online and on local television and will serve to educate the general public, shareholders and stakeholders on the value that Polaris provides as it quietly powers Bermuda.

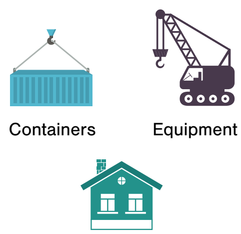
Internal marketing and communication activations will begin in 2017.

THE FUTURE

This has been a phenomenal year for Stevedoring Services Limited after many negative years. However, we have no intention of relaxing in our success. Our goal is to put SSL in the best possible position to renew our Terminal Operating License in 2021. This requires us to continually raise the bar on customer service. To assist us to understand where we are today, SSL recently underwent an independent operational review. The information gleaned from this project is being analyzed and discussions underway to determine our way forward. It is my hope to be able to report further successful strides at this time next year.

Warren Jones
CEO, Polaris Holding Company Ltd.

WHO WE ARE



POLARIS

SSL
STEVEDORING SERVICES LIMITED

ES&R
EQUIPMENT SALES & RENTALS LIMITED

MRH
MILL REACH HOLDING LIMITED

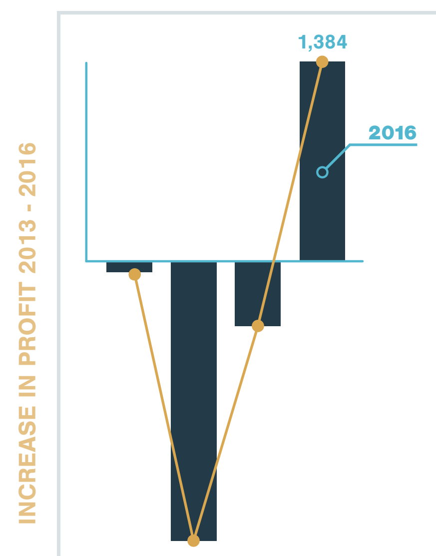
WHAT WE DO

Moved **34,901 containers** this year (2015-2016)

PROFIT

IN *THOUSANDS*

2013	2014	2015	2016
(98)	(1,942)	(443)	1,384



BSX Return on Shareholder equity

12.5%

SSL
STEVEDORING SERVICES LIMITED
*A **Polaris** Company*

QUIETLY POWERING BERMUDA

Ankoma Cannonier | 4 years | Holdman, Stevedoring Services Limited

Cannonier is a cricketer off the job, but credits his strength, patience and hand-eye coordination honed on-the-pitch for his on-the-job skill at safely catching, holding and guiding the multi-ton containers and cargo, as a Holdman. The teamwork and camaraderie that come to play in cricket, are likewise essential to the smooth running of the day-to-day operations. Cannonier explains the interdependence between the holdmen, the deckmen, the crane operators, top loaders and foremen and likens the relationships to the players within an orchestra. Everyone needs to play and play well for the music to come out right.

Ankoma knows that his job, that has him positioned atop, between or below an array of weighty containers, break bulk cargo and sometimes containers of hazardous chemicals, can be dangerous. In response to how he deals with it, he answers, “always be careful, you read your deckman, and your surroundings at all times.” While the job is tough he reminds himself that his job is one “any man on the island would want, it is seen as a career...a life-job.” And continues, explaining why he chose to be a Stevedore, “I’m doing this to give my kids as good a life as possible. I’m a provider.”

section v

Audited Financials

POLARIS HOLDING COMPANY Ltd.

Consolidated Financial Statements
(With Independent Auditor's Report Thereon)

March 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Polaris Holding Company Ltd.

We have audited the accompanying consolidated financial statements of Polaris Holding Company Ltd. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2016, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year ended March 31, 2016, 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.

Auditor's 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, 2016, and its consolidated financial performance and its consolidated cash flows for the year ended March 31, 2016 in accordance with International Financial Reporting Standards.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
August 19, 2016

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Financial Position

March 31, 2016
(Expressed in Bermuda Dollars)

	2016	2015
Assets		
Non-current assets		
Investments (Note 4)	$ 111,427	$ 148,405
Investment property (Note 5)	1,745,000	1,830,000
Property, plant and equipment (Note 6)	4,788,599	4,983,869
Total non-current assets	6,645,026	6,962,274
Current assets		
Cash and cash equivalents (Notes 7 and 18(b))	3,356,056	2,674,239
Accounts receivable (Notes 14, and 18(b))	1,033,386	887,390
Inventory (Note 8)	644,702	419,589
Prepaid expenses	292,294	186,187
Total current assets	5,326,438	4,167,405
Total assets	$ 11,971,464	$ 11,129,679
Liabilities		
Non-current liabilities		
Long-term debt (Note 11)	$ 1,586,195	$ 1,784,182
Accrued expenses (Note 17)	258,403	280,619
Total non-current liabilities	1,844,598	2,064,801
Current liabilities		
Accounts payable and accrued expenses	844,714	684,850
Long-term debt - current portion (Note 11)	197,987	190,284
Total current liabilities	1,042,701	875,134
Total liabilities	2,887,299	2,939,935
Equity		
Share capital (Note 12)	1,183,532	1,244,600
Share premium (Note 13)	–	122,650
General reserve (Note 13)	1,250,000	1,250,000
Retained earnings (Note 3)	6,687,118	5,572,001
Accumulated other comprehensive (loss) income	(36,485)	493
Total equity attributable to the Company's shareholders	9,084,165	8,189,744
Total liabilities and equity	$ 11,971,464	$ 11,129,679

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

Signed on behalf of the Board

________________ Director

Cheryl Hayward-Chew

________________ Director

Wayne Caines

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Comprehensive Income (loss)

Year ended March 31, 2016
(Expressed in Bermuda Dollars)

	2016	2015
Revenue		
Stevedoring revenue (Notes 14)	$ 10,567,168	$ 9,217,427
Stevedoring expenses (Notes 8 and 10)	(5,358,905)	(5,852,367)
Stevedoring gross profit	5,208,263	3,365,060
Rental income (Note 5)	140,266	136,800
Total income	5,348,529	3,501,860
Expenses		
Administrative salaries, wages and benefits (Note 9, 10 and 17)	1,812,171	1,741,416
Depreciation (Note 6)	721,184	693,243
General and administrative expenses (Note 14)	682,903	665,550
Information Technology and Telecommunication	284,209	316,594
Professional fees	262,009	306,494
Depreciation of investment property buildings (Note 5)	85,000	70,000
Total expenses	3,847,476	3,793,297
Results from operations	1,501,053	(291,437)
Finance income (Note 15)	14,020	16,075
Finance expense (Note 11)	(94,402)	(148,072)
Net finance expense	(80,382)	(131,997)
Income (loss) for the year (attributable to owners of the Company)	1,420,671	(423,434)
Other comprehensive income items that may be reclassified to profit or and loss:		
Net change in fair value of available-for-sale investments (Note 4)	(36,978)	(19,229)
Total comprehensive income (loss) for the year	$ 1,383,693	$ (442,663)
Earnings per share (Note 16)	$ 1.16	$ (0.34)

All items included in the consolidated statement of comprehensive income relate to continuing operations. There are no other components of comprehensive income (loss).

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

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Changes in Equity

Year ended March 31, 2016
(Expressed in Bermuda Dollars)

	Share capital	Share premium	General reserve	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at April 1, 2014	$ 1,244,600	$ 122,650	$ 1,250,000	$ 6,244,355	$ 19,722	$ 8,881,327
Total comprehensive loss:						
Loss for the year	–	–	–	(423,434)	–	(423,434)
Other comprehensive loss	–	–	–	–	(19,229)	(19,229)
Transactions with owners of the Company recognized directly in equity:						
Dividends declared and paid (Note 12)	–	–	–	(248,920)	–	(248,920)
Balance at March 31, 2015	$ 1,244,600	$ 122,650	$ 1,250,000	$ 5,572,001	$ 493	$ 8,189,744
Balance at April 1, 2015	$ 1,244,600	$ 122,650	$ 1,250,000	$ 5,572,001	$ 493	$ 8,189,744
Total comprehensive income (loss):						
Income for the year	–	–	–	1,420,671	–	1,420,671
Other comprehensive loss	–	–	–	–	(36,978)	(36,978)
Transactions with owners of the Company recognized directly in equity:						
Share repurchases (Note 12)	(61,068)	(122,650)	–	(60,554)	–	(244,272)
Dividends declared and paid (Note 12)	–	–	–	(245,000)	–	(245,000)
Balance at March 31, 2016	$ 1,183,532	$ –	$ 1,250,000	$ 6,687,118	$ (36,485)	$ 9,084,165

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

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Cash Flows

Year ended March 31, 2016
(Expressed in Bermuda Dollars)

	2016	2015
Operating activities		
Net income (loss) for the year	$ 1,420,671	$ (423,434)
Adjustments for:		
Depreciation	721,184	693,243
Depreciation of investment property	85,000	70,000
Net finance expense	80,382	131,997
Changes in non-cash working capital balances:		
Accounts receivable	(145,996)	5,079
Prepaid expenses	(106,107)	78,204
Inventory	(225,113)	(40,231)
Accounts payable and accrued expenses	159,864	(99,733)
Accrued expenses (Note 18)	(22,216)	(22,252)
Net cash provided by operating activities	1,967,669	392,873
Investing activities		
Purchase of property, plant and equipment	(525,914)	(142,652)
Disposal of property, plant and equipment	–	6,044
Interest and dividends received	14,020	16,075
Net cash used in investing activities	(511,894)	(120,533)
Financing activities		
Long-term debt principal repayments	(190,284)	(1,003,182)
Dividends declared and paid	(245,000)	(248,920)
Share repurchases	(244,272)	–
Interest paid	(94,402)	(148,072)
Net cash used in financing activities	(773,958)	(1,400,174)
Increase (decrease) in cash and cash equivalents	681,817	(1,127,834)
Cash and cash equivalents at beginning of year	2,674,239	3,802,073
Cash and cash equivalents at end of year	$ 3,356,056	$ 2,674,239

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

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

1. **General**

Polaris Holding Company Ltd. (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 ("SSL") group by way of a court approved Scheme of Arrangement (the "Scheme"). The Scheme was the vehicle by which the shares of SSL were transferred to PHC on the same basis as they were held in SSL, and these new shares replaced the shares of SSL 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 SSL, Equipment Sales and Rental Ltd. ("ESR"), and Mill Reach Holding Company Ltd. ("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 of the Company, is incorporated under the laws of Bermuda and carries on business as a stevedoring company. In March 2016, this subsidiary was awarded a 5 year terminal operator's license by the Corporation of Hamilton to function on the Hamilton docks from March 1 1, 2016 to April 30, 2021. ESR, 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. MRH, 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 SSL.

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 August 18, 2016.

(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.

(c) *Functional and presentation currency*

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

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

2. **Basis of preparation** (continued)

(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(l) – impairment of financial assets
- Note 3(m) – impairment of non-financial assets
- Note 5 – valuation of investment property
- Note 8 – valuation of inventory
- Note 18(b) – allowance for impairment of accounts receivable

(e) *Comparative figures*

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods 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.

(d) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are 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 remainder of 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.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

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

(d) Property, plant and equipment (continued)

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	5-15 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 cost less accumulated depreciation and accumulated impairment losses. Land held as investment property is not subject to depreciation. The buildings are stated at cost less accumulated depreciation and depreciated over their estimated useful lives of 10 years. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets.

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.

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.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

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

(f) Financial instruments (continued)

Fair value hierarchy

Accounting standards (IFRS 13) 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 18(a).

(g) Comprehensive income/(loss)

Comprehensive income/(loss) consists of profit/(loss) 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 consolidated 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.

(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 the lower of cost and net realizable value. Provision is made where necessary for obsolete or slow-moving items. Cost includes expenditures incurred in acquiring the inventory and bringing it to its existing location and condition.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

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

(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 consolidated statement of financial position 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.

(m) Impairment of non-financial assets

Property, plant and equipment and investment property 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

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

(n) 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.

(o) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015, however, the Company has not applied the following new or amended standards in preparing these consolidated financial statements.

IFRS 9 Financial Instruments
IFRS 9 published in July 2014, replaces the existing guidance in IAS *39 Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 Leases
IFRS 16 establishes a new framework for lessee accounting which requires that all leased assets be recognized on the statement of financial position if the lease definition is met. It replaces existing lease accounting guidance contained in IAS 17 *Leases*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 *Revenue from Contracts with Customers* is also early adopted.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

4. **Investments**

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

	2016		2015	
	Cost	Fair value	Cost	Fair value
Equity securities	$ 147,912	$ 111,427	$ 147,912	$ 148,405

At March 31, 2016, the Company's holdings in equity securities consist of one security of a company incorporated and operating from Bermuda.

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 recognized a change in unrealized loss of $36,978 (2015 - $19,229) on its equity investments which are recognized in accumulated other comprehensive income as a separate component within equity.

Subsequent to year end on July 8, 2016 the Company sold the security for $158,089 with a recognized gain of $10,177.

5. **Investment property**

Investment property comprises land and buildings being held in MRH and is depreciated over its estimated useful life. The property, which is leased to three tenants on terms of 36, 48 and 60 months respectively, earned rental income of $140,266 for the year (2015 - $136,800).

Deemed cost less impairment losses

	2016	2015
Land	$ 1,150,000	$ 1,150,000
Buildings	850,000	850,000
	$ 2,000,000	$ 2,000,000

The property was valued by an independent appraiser on March 24, 2014 at a fair value of $2,000,000. The independent appraiser used a combination of the contractors approach, comparable analysis and investment approach in determining the fair value. Given the reduced level of real estate transactions in Bermuda in recent years, this measurement would be classified as Level 3 in the fair value hierarchy (Note 3(f)). This fair value is considered to not be significantly different as at March 31, 2016 and March 31, 2015 based on market conditions. Impairment losses on assets carried at deemed cost less impairment losses are measured as the difference between the carrying amount of the asset and the fair value. Impairment losses are recognized in profit or loss.

	2016	2015
Balance at April 1	$ 1,830,000	$ 1,900,000
Depreciation for the year	(85,000)	(70,000)
Balance at March 31	$ 1,745,000	$ 1,830,000

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

6. **Property, plant and equipment**

	Buildings	Cranes and heavy equipment	Miscellaneous equipment	Furniture and fixtures	Computer equipment	Total
Cost						
At April 1, 2014	$ 296,041	$ 9,327,051	$ 734,754	$ 293,015	$ 1,788,823	$ 12,439,684
Additions	–	126,376	10,266	–	6,010	142,652
Disposals	–	(6,044)	–	–	(1,003,693)	(1,009,737)
At March 31, 2015	$ 296,041	$ 9,447,383	$ 745,020	$ 293,015	$ 791,140	$ 11,572,599
At April 1, 2015	$ 296,041	$ 9,447,383	$ 745,020	$ 293,015	$ 791,140	$ 11,572,599
Additions	75,131	204,792	233,389	9,022	3,580	525,914
At March 31, 2016	$ 371,172	$ 9,652,175	$ 978,409	$ 302,037	$ 794,720	$ 12,098,513
Accumulated depreciation						
At April 1, 2014	$ 290,228	$ 3,796,943	$ 730,171	$ 293,015	$ 1,788,823	$ 6,899,180
Depreciation for the year	2,406	687,954	2,369	–	514	693,243
Disposals	–	–	–	–	(1,003,693)	(1,003,693)
At March 31, 2015	$ 292,634	$ 4,484,897	$ 732,540	$ 293,015	$ 785,644	$ 6,588,730
At April 1, 2015	$ 292,634	$ 4,484,897	$ 732,540	$ 293,015	$ 785,644	$ 6,588,730
Depreciation for the year	4,514	699,315	14,674	–	2,681	721,184
At March 31, 2016	$ 297,148	$ 5,184,210	$ 747,214	$ 293,015	$ 788,325	$ 7,309,914
Net book value						
At April 1, 2014	$ 5,813	$ 5,530,108	$ 4,583	$ –	$ –	$ 5,540,504
At March 31, 2015	$ 3,407	$ 4,962,486	$ 12,480	$ –	$ 5,496	$ 4,983,869
At March 31, 2016	$ 74,024	$ 4,467,965	$ 231,195	$ 9,022	$ 6,395	$ 4,788,599

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

7. **Cash and cash equivalents**

The effective interest rate earned on cash and cash equivalents for the year ended March 31, 2016 was 0.50% (2015 - 0.50%).

8. **Inventory**

Inventory of $644,702 (2015 - $419,589) is stated net of a provision for obsolescence of $105,038 (2015 - $232,139). Inventory, when relieved, is classified as an equipment repairs and maintenance expense. Equipment repairs and maintenance recognized as an expense in the year amounted to $128,565 (2015 - $325,336). Inventory written up (down) during the year amounted to $127,100 (2015 - ($325,336)). Equipment repairs and maintenance and inventory written down are included in stevedoring expenses in the consolidated statement of comprehensive income (loss).

9. **Employee pension benefits**

The total expense incurred for the Company's defined contribution plan was $181,350 (2015 - $169,328).

The total pension benefits expense is included in administrative salaries, wages and benefits in the consolidated statement of comprehensive income (loss). Employee benefits also include the expense of providing health insurance benefits to employees during the term of their employment and to a former officer and director and former employee as described in Note 17.

10. **Personnel expenses**

	2016	2015
Salaries, wages and employment benefits	$ 4,689,640	$ 4,446,381
Key management compensation	481,191	496,996
Compulsory payroll tax, social insurance and health scheme contributions	988,343	1,068,527
Payments to defined contribution pension scheme (Note 9)	181,350	169,328
Retirement packages, severance costs and other employee benefits	–	97,650
	$ 6,340,524	$ 6,278,882

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

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

11. **Long-term debt**

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 5.0% per annum. The rate is adjusted and fixed at the beginning of the 6th and 11th year of the loan to reflect a rate equal to 1.5% above a Bermuda Bank's Bermuda dollar corporate base rate. Interest paid to the related party during the year was $94,402 (2015 - $104,775).

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

2017	$ 197,987
2018	202,499
2019	213,922
2020	225,988
2021 and beyond	943,786
	$ 1,784,182

In December 2009 the Company secured a loan of $2,693,934 from a Bermuda bank. The loan was a variable rate promissory note and the amount outstanding at March 31, 2016 was $nil (2015 - $ nil). The interest rate was set at 2.90% above the bank's Bermuda dollar base rate. The effective interest rate for the year was nil % (2015 - 6.40%). Interest expense for the year was $nil (2015 - $43,297). The loan was repaid in full in 2015.

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, 2016 1,183,532 (2015 - 1,244,600) shares were issued and fully paid. As explained in Note 1, PHC was created to facilitate the restructuring of the SSL group by way of a court approved Scheme of Arrangement. The Scheme was the vehicle by which the shares of SSL were transferred to PHC on the same basis as they were held in SSL, and these new shares replaced the shares of SSL listed on the Bermuda Stock Exchange. The Scheme became effective on March 28, 2011 after shareholder and Supreme Court approval.

As at March 31, 2016, the direct shareholding ownership of directors and officers was 350 (2015 - 350) 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:

	2016	2015
0.05 (2014 - 0.05) cents per qualifying ordinary share – June	$ 62,230	$ 62,230
0.05 (2014 - 0.05) cents per qualifying ordinary share – September	62,230	62,230
0.05 (2014 - 0.05) cents per qualifying ordinary share – December	62,230	62,230
0.05 (2014 - 0.05) cents per qualifying ordinary share – March	58,310	62,230
	$ 245,000	$ 248,920

During the year the Company issued a share tender, redeeming and cancelling stock at a price of $4.00 per share, 61,068 (2015 – nil) shares were tendered at a cost of $244,272.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

13. **Share premium and general reserve**

Share premium represents amounts received on subscription for share capital in excess of the stated par value. Share premiums were reduced by the shares repurchased in the year.

General reserve represents amounts appropriated by the directors.

14. **Related party transactions**

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 BISL and SISL.

The Company earned Stevedoring revenue of $5,131,791 (2015 - $4,917,778) from both BISL and SISL. Included in accounts receivable as at March 31, 2016 is $474,379 (2015 - $459,621) due from both companies.

Meyer Technologies Ltd is related by virtue of common significant influence by a director of the Company. Meyer Technologies Ltd is a subsidiary of the Meyer Group of Companies. The Company incurred information technology expenses of $69,699 (2015 - $82,900) from Meyer Technologies Ltd. which are included in general and administrative expenses in the consolidated statement of comprehensive income (loss).

During the year ended March 31, 2016, the Company incurred professional fees of $84,677 (2015-$51,123) from Forensic First, a company related by significant influence, which is included in general and administrative expenses in the consolidated statement of comprehensive income (loss).

15. **Finance income**

Finance income comprises of the following:

	2016	2015
Dividend income	$ 9,861	$ 12,326
Interest income	4,159	3,749
	$ 14,020	$ 16,075

16. **Earnings per share**

Earnings per share is computed by dividing income (loss) for the year by the monthly weighted average number of shares outstanding during the year.

The calculation of basic earnings per share at March 31, 2016 was based on the income attributable to ordinary shareholders of $1,420,671 (2015 - loss $(423,434)), and a weighted average number of ordinary shares outstanding of $1,229,333 (2015 - 1,244,600), calculated as follows:

	2016	2015
Issued ordinary shares and weighted average number of shares at April 1, 2015 and March 31, 2016	1,244,600	1,244,600
shares repurchased in quarter four	(61,068)	–
Share capital	1,183,532	1,244,600

There were no dilutive potential ordinary shares as at March 31, 2016 or March 31, 2015.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

17. **Commitments**

The Company has committed to provide and pay the health insurance costs for a former officer and director of the Company for the five years ended March 31, 2020 and it has committed to provide and pay the health insurance costs for a former employee for the rest of her life. The present value of these future obligations is estimated at $258,403 (2015 - $280,619) and has been included in accrued expenses in the consolidated statement of financial position.

18. **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 18(e) and takes into account the interest rate of the loan. This is considered a level 2 measurement in the fair value hierarchy (Note 3(f)).

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:

2016	Level 1	Level 2	Level 3	Total
Investments – equity securities	$ 111,427	$ –	$ –	$ 111,427
	$ 111,427	$ –	$ –	$ 111,427

2015	Level 1	Level 2	Level 3	Total
Investments – equity securities	$ 148,405	$ –	$ –	$ 148,405
	$ 148,405	$ –	$ –	$ 148,405

There have been no transfers between the fair value hierarchy during the year.

(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, 2016, 70% (2015 - 64%) of the Company's cash and cash equivalents are held with a single Bermuda bank.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

18. **Financial instruments** (continued)

(b) *Credit risk* (continued)

At March 31, 2016, 96% (2015 - 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.

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 in 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:

	2016	2015
Current	$ 856,505	$ 880,240
Past 30 days	182,049	2,224
Past 60 days	2,818	–
Past 90 days	2,014	4,926
	1,043,386	887,390
Less: allowance for impairment	10,000	–
	$ 1,033,386	$ 887,390

The movement in the allowance for impairment in respect to trade and other receivables was as follows:

Balance at March 31, 2015	$ –
Increase in provision	10,000
Balance at March 31, 2016	$ 10,000

(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 decreased equity and decreased profit for the year by $18,880 (2015 - $27,261) assuming all other variables remain constant. An equal change in the opposite direction would have increased equity and profit by the same amount.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

18. **Financial instruments** (continued)

(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. 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 $2,229 (2015 - $2,968). 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.

(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 and represents future payments and principal balances including interest accrual.

As at March 31, 2016	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 15 years
Accounts payable and accrued expenses	$ 844,714	$ 844,714	$ –	$ –	$ –
Long-term debt	2,182,101	142,343	142,343	569,371	1,328,044
	$ 3,026,815	$ 987,057	$ 142,343	$ 569,371	$ 1,328,044

As at March 31, 2015	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 15 years
Accounts payable and accrued expenses	$ 684,850	$ 684,850	$ –	$ –	$ –
Long-term debt	2,572,021	142,343	142,343	569,371	1,717,964
	$ 3,256,871	$ 827,193	$ 142,343	$ 569,371	$ 1,717,964

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

19. **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.

PHC'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.

20. **Operating segments**

The reportable operating segments are as follows:

1. PHC carries on business as an investment holding company in Bermuda.
2. SSL carries on the business as a stevedoring company in Bermuda.
3. ESR carries on the business of purchasing and leasing heavy operating machinery and equipment in Bermuda.
4. MRH 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 PHC.

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 a leasing arrangement between ESR (the "lessor") and SSL (the "lessee") for the use of the heavy port operating equipment, an elimination transaction in the amount of $1,235,553 (2015 - $1,224,141) was recognized under the PHC group structure.

Due to a collateral pledge arrangement between ESR (the "borrower") and MRH (the "securer") for a third party loan ESR held, an elimination transaction in the amount of $nil (2015 - $18,000) was recognized under the PHC group structure.

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

20. **Operating segments** (continued)

2016

Revenue/expenses (stated in $000's)

	PHC	SSL	ESR	MRH	Elimination	Consolidated
Stevedoring revenue	$ –	$ 10,567	$ –	$ –	$ –	$ 10,567
Rental Income	–	–	–	140	–	140
Inter-segment	674	–	1,236	–	(1,910)	–
Finance income	11	3	–	–		14
Total revenue	$ 685	$ 10,570	$ 1,236	$ 140	$ (1,910)	$ 10,721
Stevedoring expenses	$ –	$ 5,373	$ –	$ –	$ –	$ 5,373
Depreciation	$ –	$ 18	$ 703	$ –	$ –	$ 721
Depr. of invest. property	–	–	–	85	–	85
Other expenses	700	2,290	19	$ 18	–	3,028
Expenses	$ 700	$ 7,681	$ 722	$ 103	$ –	$ 9,206
Inter-segment	–	1,690	214	6	(1,910)	–
Finance expenses	–	–	94	–	–	94
Total expenses	$ 700	$ 9,371	$ 1,030	$ 109	$ (1,910)	$ 9,300
Profit (Loss) for the year	$ (15)	$ 1,199	$ 206	$ 31	$ –	$ 1,421

2015

Revenue/expenses (stated in $000's)

	PHC	SSL	ESR	MRH	Elimination	Consolidated
Stevedoring revenue	$ –	$ 9,217	$ –	$ –	$ –	$ 9,217
Rental Income	–	–	–	137	–	137
Inter-segment	592	–	1,224	18	(1,834)	–
Finance income	14	2	–	–	–	16
Total revenue	$ 606	$ 9,219	$ 1,224	$ 155	$ (1,834)	$ 9,370
Stevedoring expenses	$ –	$ 5,852	$ –	$ –	$ –	$ 5,852
Depreciation	$ –	$ 32	$ 661	$ –	$ –	$ 693
Depr. of invest. property	–	–	–	70	–	70
Other expenses	670	2,328	5	$ 27	–	3,030
Expenses	$ 670	$ 2,485	$ 666	$ 97	$ –	$ 3,918
Inter-segment	–	1,627	207	–	(1,834)	–
Finance expenses	–	–	148	–	–	148
Total expenses	$ 670	$ 9,839	$ 1,021	$ 97	$ (1,834)	$ 9,793
(Loss) profit for the year	$ (64)	$ (620)	$ 203	$ 58	$ –	$ (423)

POLARIS HOLDING COMPANY LTD.

Notes to the Consolidated Financial Statements

March 31, 2016

20. **Operating segments** (continued)

As at March 31, 2016

	PHC	SSL	ESR	MRH	Total reportable segments	Elimination	Total
Assets	$ 5,093	$ 4,305	$ 6,009	$ 2,248	$ –	$ (5,684)	$ 11,971
Liabilities	71	3,152	1,787	–	–	(2,123)	2,887
Capital expenditure	–	526	–	–	–	–	526

As at March 31, 2015

	PHC	SSL	ESR	MRH	Total reportable segments	Elimination	Total
Assets	$ 4,325	$ 3,296	$ 5,990	$ 2,218	$ 15,829	$ (4,699)	$ 11,130
Liabilities	37	2,081	1,974	–	4,092	(1,152)	2,940
Capital expenditure	–	143	–	–	143	–	143

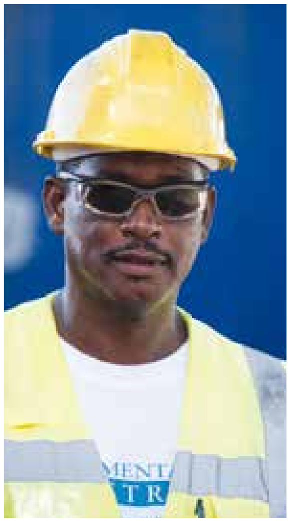
Within SSL the Company is reliant on three major customers each of whom represent more than 10 percent of SSL's revenue.

The Company operates in a single geographic region.

STEVEDORING SERVICES LIMITED
A **Polaris** Company

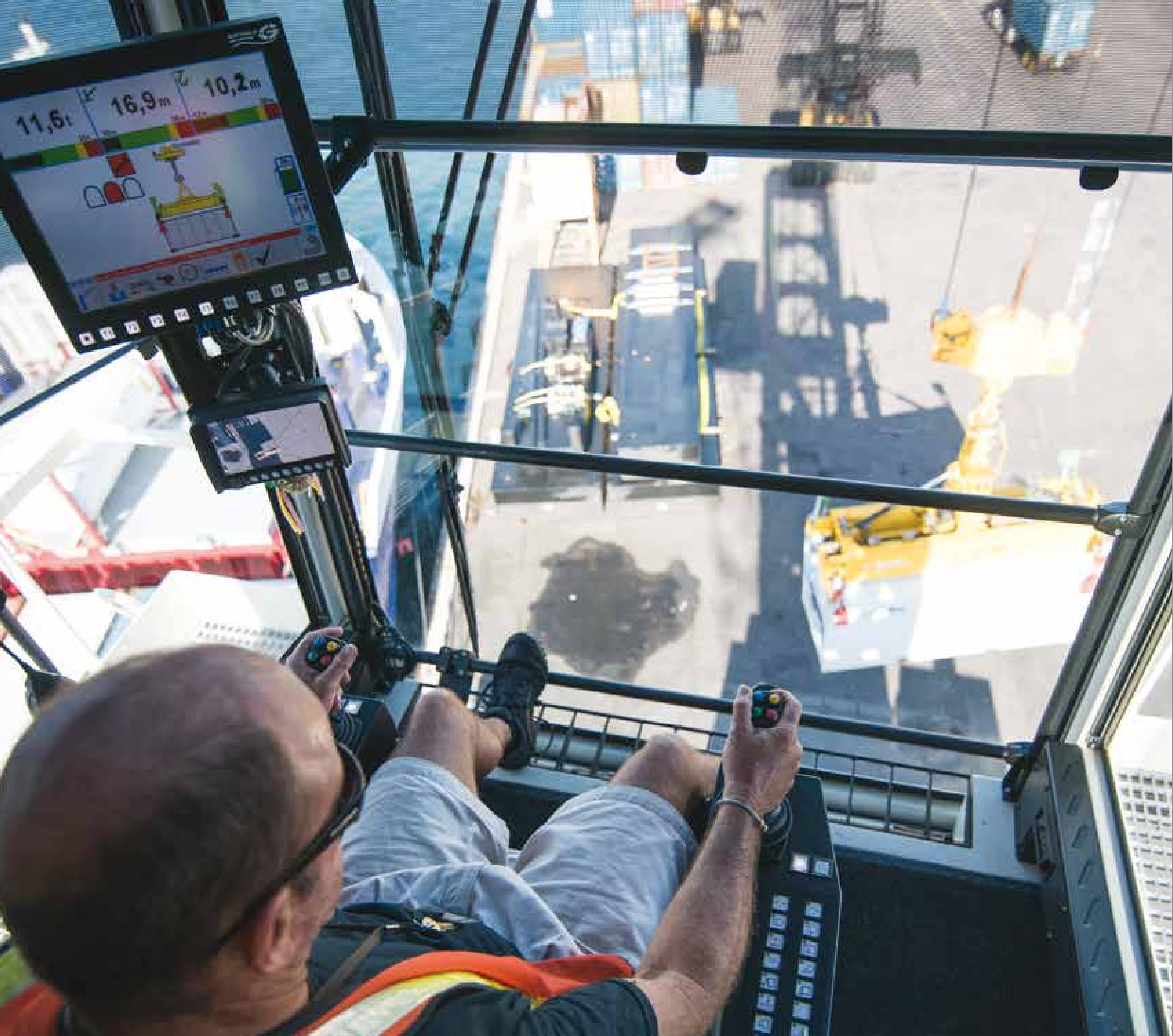
QUIETLY POWERING BERMUDA

Tracy Bean | 16 years | Deckman, Stevedoring Services Limited



Tracey Bean, in his second decade of working on the busy City docks, has grown accustomed to the unsociable working hours and holiday work. He shares how he and his family have learned to make the best of the time they have together, planning special family dinners on the beach when the work ends at a reasonable hour or simply enjoying quality time on the days off.

When asked what technology or equipment is most important in his function as Deckman, he said, “Observation is my greatest tool because we have to know what’s going on around us. I look out for the crew, and the Holdmen, and communicate with the crane operators. In fact, as Deckmen, we are the crane operator’s eyes when he has blind spots.” Of his fellow stevedores, Bean said, “The guys that I work with are like family to me. When it comes down to safety, we all have each other’s back, there is no room for complacency.”



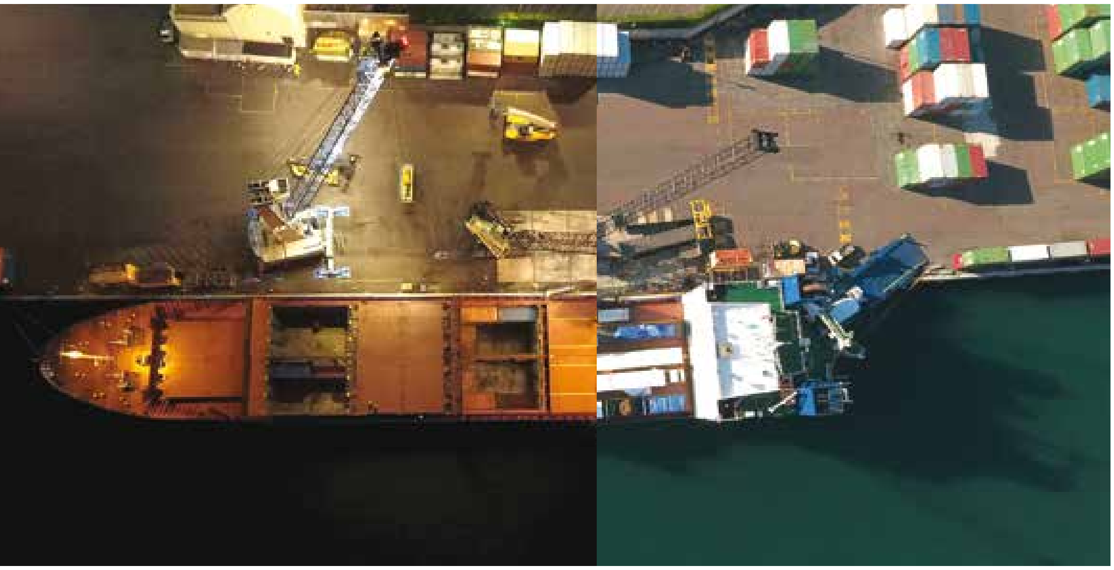
SSL
STEVEDORING SERVICES LIMITED
A **Polaris** Company

QUIETLY POWERING BERMUDA

William Pickering | 19.5 years | Crane Operator
Stevedoring Services Limited

William Pickering works through holidays, weekends and spends long hours operating the cranes which serve as the heart of the dock operation. It all seems worth it watching him beam as he describes how his three children look up to him and his work, and are eager to come onto the dock to watch their dad and his fellow dock workers serve as the engine for Bermuda's economy.

He understands though that to have an optimally run dock requires all hands on deck. He says, "Everybody's job matters – As a crane operator I have to pay attention at all times, be cautious and careful – we all depend on each other to keep things running smoothly and safely - It's like playing football you've got a full team and you have to use everybody in the team"



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