STEADY AT THE HELM

Polaris
HOLDING COMPANY LTD.

Polaris Annual Report 2021

"Fiscal 2021 was a year of trial and transformation for Polaris Holding Company Ltd."

Cheryl Hayward-Chew | **Chairman**

Polaris
HOLDING COMPANY LTD.

SSL
STEVEDORING SERVICES LIMITED
A **Polaris** Company

EEA
EAST END ASPHALT COMPANY LIMITED
A **Polaris** Company

ES&R
EQUIPMENT SALES AND RENTALS LIMITED
A **Polaris** Company

MRH
MILL REACH HOLDING LIMITED
A **Polaris** Company

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Notes from the Helm

Leadership reports on Polaris Holding Company Ltd.'s fiscal 2021 journey.

Chairman's Report

Fiscal 2021 was a year of trial and transformation for Polaris Holding Company Ltd. ("Polaris"), culminating in a net loss of ($511K). This loss, however, does not reflect the scope of Polaris' journey.

On the surface, the 2021 fiscal year ended like it began, with Covid-19 cases rising and a stay-at-home order on the horizon. But Polaris assimilated the difficult lessons of the first quarter and made the tough decisions that would allow the Company to end fiscal 2021 ready to weather the Covid-19 crisis and beyond. Like tempered steel, Polaris was strengthened by the adversities of fiscal 2021 and can now look forward to the future.

It was clear that the seismic shift in the economic landscape required more than temporary expense reductions. A combination of cost-cutting measures occurred within Stevedoring Services Limited ("SSL"), which included outsourcing. The resulting sustainable model kept salaries whole but did include redundancies and triggered a period of labour unrest. Sensitive to the contention within the Company and in the interest of transparency and safeguarding the SSL brand, the Board agreed to meet directly with the Portworkers' Division of the Bermuda Industrial Union. The Board listened to their concerns, after which robust and principled consideration was given.

Polaris maintained relationships with key industry stakeholders both locally and overseas. Strategic synergies were explored and prospective pathways of growth were cultivated to integrate into Polaris' success going forward.

Initially due to the unknown impact of Covid-19, and then because of the forecasted long-term nature of the economic impact, dividends were deferred, and cash projections were closely monitored. As the Company's model shifted and demonstrated it was on solid footing, the decision was taken to re-commence quarterly dividend payments starting in fiscal 2022.

The Polaris Board continues as a diverse group of Directors with a range of perspectives, experiences and qualifications, and the vision of Polaris as "a progressive holding company that supports stability and growth for its investments while maximising shareholder value". At the end of the fiscal year, new Director Tracy Berkeley was appointed to the Board, bringing with her expertise in diverse areas, including human capital management, local and international business, labour relations and hospitality. Out of the eight Directors, the Polaris Board has three independent Directors, with the Chief Executive Officer being the one executive Director. All Directors are standing for re-election in September 2021.

Last year I ended my report saying that Covid-19 would force Polaris to re-think assumptions, and that certainly has been the case. Polaris pushed past initial temporary stop-gap measures to reshape the Company for the new post-Covid-19 reality. It is with this in mind that I thank the staff, management and the Board for their commitment and dedication to the Company and to the community in which we serve.

Cheryl Hayward-Chew
Chairman of the Board
Polaris Holding Company Ltd.

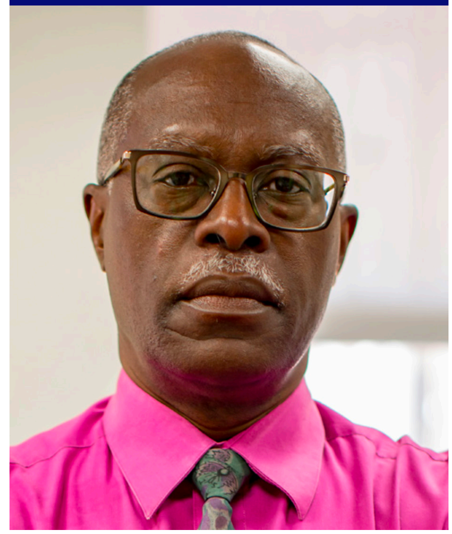
SSL SPENDING FOR THE YEAR
($11 MILLION)
WAS TRIMMED (5.3%)
FROM FISCAL 2020

Mission Accomplished

It is a credit to both the management and staff of Stevedoring Services, East End Asphalt and Polaris that Polaris is positioned for a profitable 2022 financial year!

CEO's Report

It would be great to report that the 2021 fiscal year represented a turnaround from the financial challenges, strained management/staff relationships of the previous year, and that we had seen off the pain and suffering attributed to the Covid-19 Pandemic.



Instead, fiscal 2021 represented the most difficult year in recent memory. Our losses were greater, our relationship with staff deteriorated further, and Covid-19 claimed 33 local lives. To say that the challenge was monumental would be an understatement.

Definitive and urgent steps were necessary. Further, any action had to occur in the first six months of the fiscal year in order to ensure a framework was in place to support a recovery during the second half of the year.

At SSL, we immediately implemented significant changes to mitigate the financial impact created by the substantial drop in revenue. At one point, container volume was down by 34% and breakbulk volume by 94%.

Retirees were not replaced, the lunchtime over the road service was suspended, and the human resource and payroll administration functions were outsourced. However, the most significant decision was outsourcing the SSL garage with the resultant redundancy of four of the staff.

This was the catalyst for major disagreement between management and the unionized staff and ultimately led to two staff walkouts, mediation, arbitration, and an extremely challenging working environment.

Notwithstanding the turmoil, the SSL staff continued to perform above expectations, once again proving that they understand the importance of their role to the sustainability of our Island home.

All of those changes position SSL for what we project to be a profitable fiscal 2022. Further, the garage has been transformed into a dependable service, with consistent uptime, equipment availability and rigorous processes and procedures regarding the repair and maintenance of the equipment.

At East End Asphalt Company Limited ("EEA"), we faced an equally difficult situation. As a direct result of the pandemic, work at EEA was non-existent. Months of effort to build business for what looked like a successful 2021 fiscal year fell away. Frustratingly, the only way forward was to revisit the same customers and 'beat the bushes' to rebuild the business.

At the same time, EEA implemented a training and development programme for present and prospective staff with the intent of improving the product and methods of work.

The most significant effort was put into building collaborative partnerships with the Bermuda Government and the Corporation of Hamilton. The key to success for EEA has to be a highly trained and productive work crew and close alliances and mutual support networks with the Government and Corporation of Hamilton.

These efforts were extremely successful, with ongoing work now scheduled for the Bermuda Government and the Corporation of Hamilton. EEA projects to have its first profitable year under the Polaris banner.

With the financial situation we were facing, and considering the need to limit our losses, we were insular in our focus. We limited our financial support of social activities to a Long Service Award presentation under Covid-19 protocols and the Polaris Holding Company Ltd. Education Award, which we continued to fully fund. We did not provide sponsorship to any outside community activities or events.

There was but one overriding mission, position Polaris to emerge from this once in a lifetime global event while maintaining the employment and benefits of the majority of our staff and continuing to meet the service demands of our customers.

It is a credit to both the management and staff of SSL, EEA and Polaris that I can report - mission accomplished!

Polaris is positioned for a profitable fiscal 2022!

Management is committed to healing the wounds of the previous year and to rebuilding its relationship with staff and the Union which represents them.

I am extremely proud of our management team, who stood together in the face of the complex challenges we faced. I wish to thank them for their hard work, commitment and loyalty.

Without staff, we could not achieve anything. I am thankful to the team of Polaris, SSL and EEA for what they do every day.

Polaris is blessed to have proud and dedicated staff who try daily to give their best.

Management and staff may not always agree on the way forward, and we don't always get it right, but I believe my role is to balance the needs of staff with your expectations as shareholders - the owners of the Company.

Warren Jones
Chief Executive Officer
Polaris Holding Company Ltd.

The Board

The Polaris Board ably faced the challenges posed by the impact of the pandemic. The Board grew with the addition of Tracy Berkeley while the Board Apprentice, Lloyd Holder continued in his role for another year.

CHERYL HAYWARD-CHEW

Chairman of the Board

Chairman, Nomination and Corporate Governance, and Human Resource and Compensation Committees

NG HR

Appointed to the Board in July 2006 and as Chairman in June 2013

WAYNE CAINES

Director

NG AR

Appointed to the Board in October 2009

JEFFREY CONYERS

Director

AR I

Appointed to the Board in July 2006

TAMMY RICHARDSON-AUGUSTUS

Independent Director*

NG HR I

Appointed to the Board in September 2017

HOWARD PITCHER

Chairman, Audit and Risk Management Committee

AR NG HR

Appointed to the Board in February 2014

PAUL HUBBARD

Independent Director*

AR I

Appointed to the Board in March 2015

TRACY BERKELEY

Independent Director*

HR

Appointed to the Board in March 2021

WARREN JONES

Chief Executive Officer
Chairman, Investment Committee

I

Appointed to the Board in September 2016

Board Committee Membership	NG	AR	HR	I
Cheryl Hayward-Chew	C		C	
Wayne Caines	■	■		
Jeffrey Conyers		■		■
Tammy Richardson-Augustus	■		■	■
Howard Pitcher	■	C	■	
Paul Hubbard		■		■
Tracy Berkeley			■	
Warren Jones				C

Committees

- NG Nomination and Corporate Governance
- AR Audit and Risk Management
- HR Human Resource and Compensation
- I Investment
- C Committee Chair

*Independent as defined by the UK Corporate Governance Code

EEA Staff Training & Development

The key to success for EEA has to be a highly trained and productive work crew and close alliances and mutual support networks with the Government of Bermuda and the Corporation of Hamilton.

82.9%

SSL's Container revenue accounted for $8.96 million or 82.9% of fiscal 2021's top line

PLUS

Polaris implemented expense-savings measures including outsourcing of the HR role

Committee Reports from The Board

THE NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Nomination and Corporate Governance Committee ("NCGC") mandate is "to oversee the composition, independence, structure, practices and evaluation of the Board and its committees and play a leadership role in shaping the corporate governance of the Company." The UK Corporate Governance Code guides the NCGC.

The members of the NCGC are Mr. Wayne Caines, Ms. Tammy Richardson-Augustus, Mr. Howard Pitcher and Ms. Cheryl Hayward-Chew chairs the committee.

In fiscal 2021, the NCGC reviewed and updated the Board Profile and Committee Charters and extended Board Apprentice L. Lloyd Holder's contract an additional year. On completion, the NCGC will assess the Board Apprentice Global program and decide the way forward.

In the previous year, the Board agreed that the NCGC seek a nominee to the Board with a background in human capital management. At year-end, Ms. Tracy Berkeley was appointed to the Company Board as well as to the Human Resource and Compensation Committee.

The NCGC is tasked with confirming the Company's independent directors as defined by the UK Corporate Governance Code. The independent directors are Mr. Paul Hubbard, Ms. Tammy Richardson-Augustus and Ms. Tracy Berkeley.

THE AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee ("ARMC") mandate is "to assist the Board with its responsibility for overseeing the integrity of the financial statements, the financial reporting process, internal accounting and financial controls, the engagement and evaluation of independent auditors and compliance with legal and regulatory bodies and their requirements."

The members of the ARMC are Mr. Wayne Caines, Mr. Jeff Conyers, Mr. Paul Hubbard (independent) and it is chaired by Mr. Howard Pitcher. This past year we also had Mr. L Lloyd Holder, the Board Apprentice, attend the committee meetings at the invitation of the Chair.

The ARMC makes recommendations to the Board regarding the independent auditor, monitors the statutory audit, reviews the findings and ensures implementation of the independent auditor recommendations. The ARMC also reviews and ensures the accuracy of the Company's internal reporting and accounting controls, including the quarterly compliance certificate and the business continuity plan.

In fiscal 2021, the ARMC worked with management to ensure all was being done to protect operations from the impact of Covid-19. In addition, the ARMC worked through the challenges of remotely meeting and stayed engaged and supported management as needed. The ARMC continued to work with management to refine the Risk Register.

THE INVESTMENT COMMITTEE REPORT

The Investment Committee (“IC”) mandate is to support the Company’s investment strategy by ensuring that “a prudent framework exists in relation to investment activities. More specifically, the IC mandate is to adhere to the financial objectives set in the Strategic Action Plan adopted by the Board, which seeks to balance risk while striving for a return on equity of 12.0% or better.”

The IC is comprised of Mr. Jeffrey Conyers, Ms. Tammy Richardson-Augustus, Mr. Paul Hubbard, and it is chaired by CEO Mr. Warren Jones. The IC is supported by acting Vice President of Finance Mr. Todd Boyd.

With the Company experiencing a tumultuous period, the IC met on a more frequent basis with a particular focus on EEA in light of its continuing loss position. Additionally, the IC vetted and then supported the cost-saving measures implemented within SSL.

The IC also considered two potential acquisition proposals, although they did not come to fruition.

THE HUMAN RESOURCE AND COMPENSATION COMMITTEE REPORT

The Human Resource and Compensation Committee (“HRCC”) mandate is “to ensure that the human resource and compensation practices support the successful recruitment and retention of executive talent and employees that are capable of achieving the corporate business objectives.” The mandate is aligned with the Company’s Strategic Action Plan objective to ensure that Polaris is appropriately staffed to achieve its vision of being a progressive holding company that supports stability and growth for its investments while maximizing shareholder value.

The members of the HRCC are Ms. Tammy Richardson-Augustus, Mr. Howard Pitcher, Ms. Tracy Berkeley, and it is chaired by Ms. Cheryl Hayward-Chew. The HRCC works closely with Mr. Warren Jones in his capacity of CEO.

Fiscal 2021 was a prolonged and challenging year for the Company. The Covid-19 crisis increased the HRCC’s health and safety oversight, while ongoing Union negotiations and labour unrest expanded the HRCC’s support of management.

A Human Resource compliance and policy audit was conducted to identify gaps and to align SSL and EEA policies and practices. In addition, a process was established for escalating issues that cannot be resolved in the Joint Consultative Committee meetings.

L. Lloyd Holder
Board Apprentice

Bernews

Polaris Marks Two Years With Board Apprentice

April 28, 2021 | 0 Comments

Polaris Holding Company said they are celebrating two successful years with the Board Apprentice Global programme and Board Apprentice L. Lloyd Holder.

A spokesperson said, “In 2019 Polaris welcomed Mr. L. Lloyd Holder as a board apprentice after being introduced to the Board Apprentice Global programme by the Institute of Directors Bermuda.

“As a board apprentice, Mr. Holder has been able to gain first-hand experience of the workings and dynamics of the board. Mr. Holder was appointed based on his knowledge and experience in global information security.”

“Given the priority Polaris puts on training and mentoring Bermudians, it was a natural step for the company to engage in a globally recognised board diversity programme, providing us with the opportunity to mentor professional Bermudians on governance matters,” stated Cheryl Hayward-Chew, Board Chairman.

“It has been a delight to work with Mr. Holder and I was particularly pleased to be responsible with guiding Mr. Holder both during and outside of board meetings. Polaris is proud to have supported his growth towards being a valued asset on the board of any level company.”

Charlotte Valeur, Founder and Chair of Board Apprentice Global commented, “Board Apprentice Global is delighted to congratulate Lloyd Holder on his two years as a board apprentice with host board Polaris Holding Company Ltd.

The Management

"Management is committed to healing the wounds of the previous year and to rebuilding its relationship with staff and the Union which represents them. I am extremely proud of our management team, who stood together in the face of the complex challenges we faced. I wish to thank them for their hard work, commitment and loyalty."
— *Warren Jones, CEO Polaris Holding Company Ltd*

WARREN JONES
Chief Executive Officer
Polaris Holding Company Ltd.

LINDA AMARAL
Comptroller
Polaris Holding Company Ltd.

ALOMA MUSSON
Administration Manager
Polaris Holding Company Ltd.

ERIC BERKELEY
Operations Manager
Stevedoring Services Limited

TRAVIS GILBERT
General Manager
East End Asphalt Company Limited

PAUL MONIZ
Superintendent
Stevedoring Services Limited

KIMOTHY WILKINSON
Superintendent
Stevedoring Services Limited

MERVYN VAN PUTTEN
Superintendent
East End Asphalt Company Limited

LARRY HODGE
Quality Control Manager
East End Asphalt Company Limited

SHAWNETTE MCLARTY
Financial Controller
East End Asphalt Company Limited

DAWNETTE FRANKLIN
Operations Administrator
East End Asphalt Company Limited

Navigating The Numbers

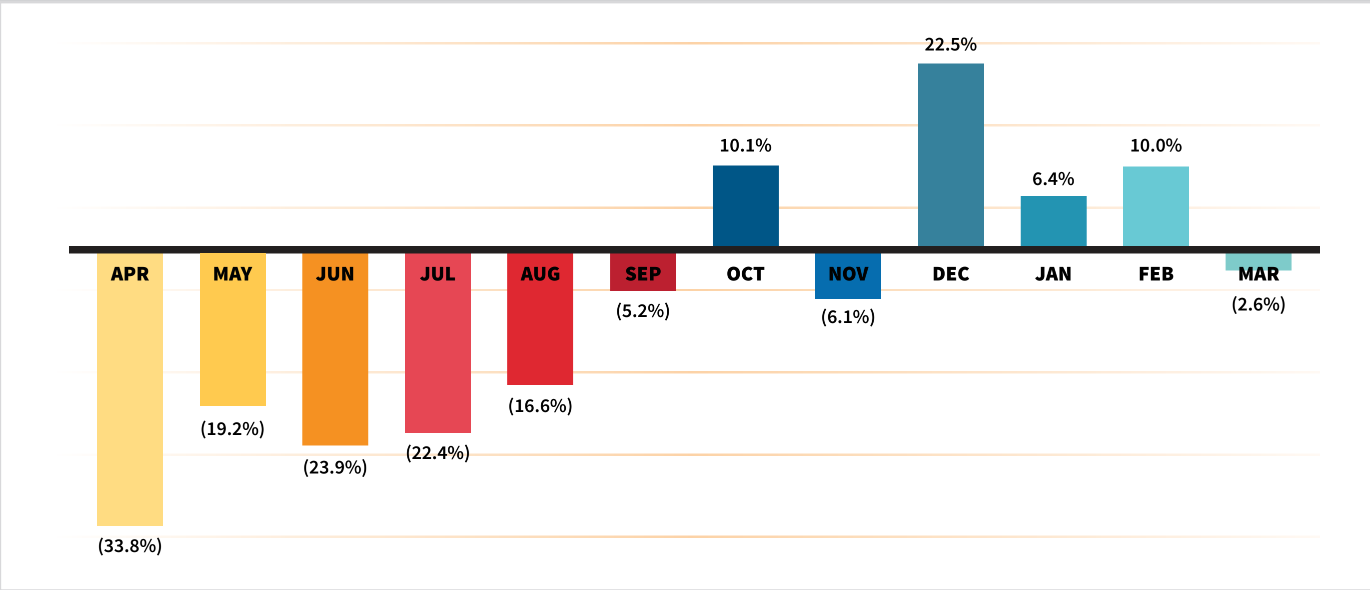
Financial Analysis

Financial Analysis for the Year Ended March 31, 2021.

On April 1, 2020, Polaris began its fiscal year on the heels of a global pandemic, sheltering-in-place and staring at an Orwellian dystopia that was comforted only by the misplaced belief that things would soon return to normal. Twelve months later, as it ended the year and pushed into fiscal 2022, despite vaccines, social distancing, and a year's slog under the viruses' grip, contagion levels hit unprecedented levels and the island slipped back into another shelter-in-place. Thankfully, by May 2021 new Covid-19 cases, which through April spiked to more than 100 per day, fell back to single digits and are continuing to abate, signalling for many the beginning of the pandemic's end.

Fiscal 2021's island-wide financial collapse, and Bermuda's slow and contorted recovery, are well captured by the country's ocean freight container volume year-over-year deviations.

TEU Year Over Year Volume Change



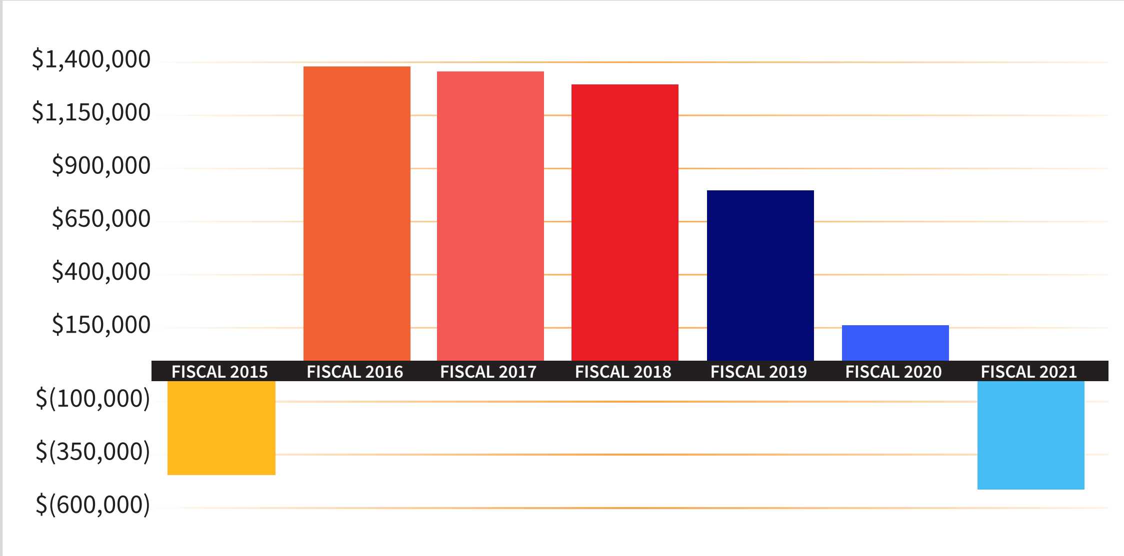
Financial Summary

Fiscal Year End (Dollar amounts in thousands)	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21
20-foot Equivalent Container ("TEU") Moves	33,104	34,901	36,806	37,906	37,425	37,504	34,331
Stevedoring Revenue	$ 9,217	$ 10,567	$ 10,954	$ 11,921	$ 11,563	$ 11,868	$ 10,803
Total Comprehensive Profit (Loss) for the Year	(443)	1,384	1,361	1,299	801	168	(511)
Earnings (Loss) Per Share	(0.34)	1.16	1.15	1.10	0.68	0.14	(0.43)
Shareholders' Equity	8,190	9,084	10,089	11,020	11,442	11,250	10,738

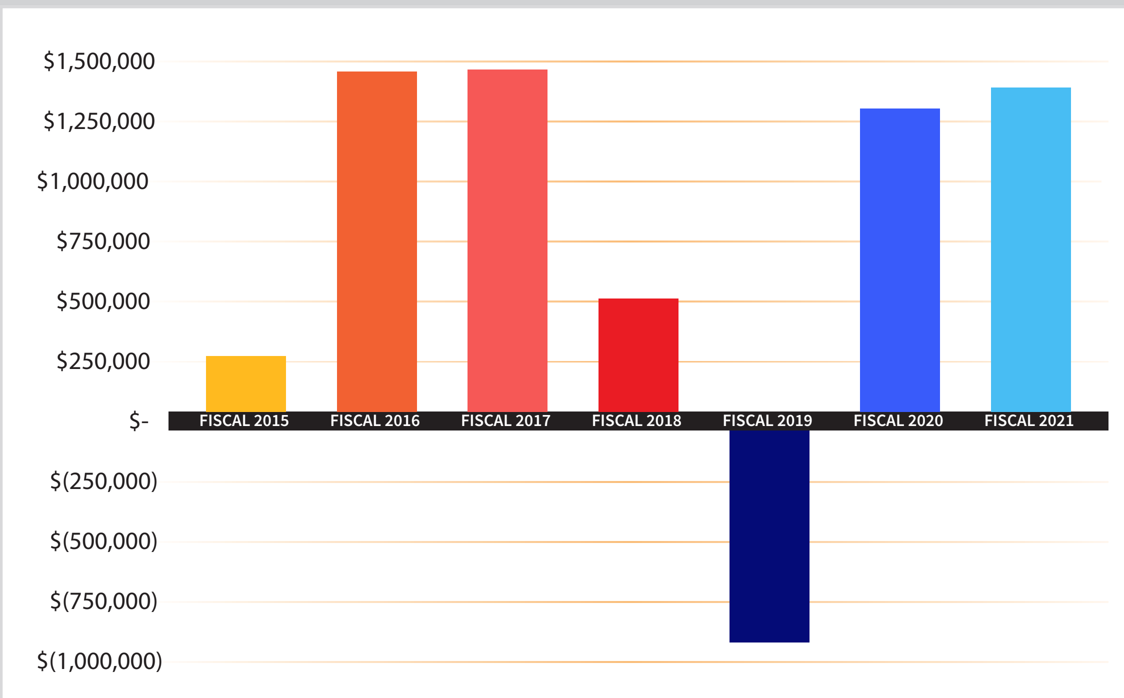
Polaris Holding Company Ltd. (Consolidated)

Polaris' consolidated net income (loss) and net cash provided by Operating and Investment Activities, from fiscal 2015 to fiscal 2021, is as below.

Consolidated Net Income (Loss)



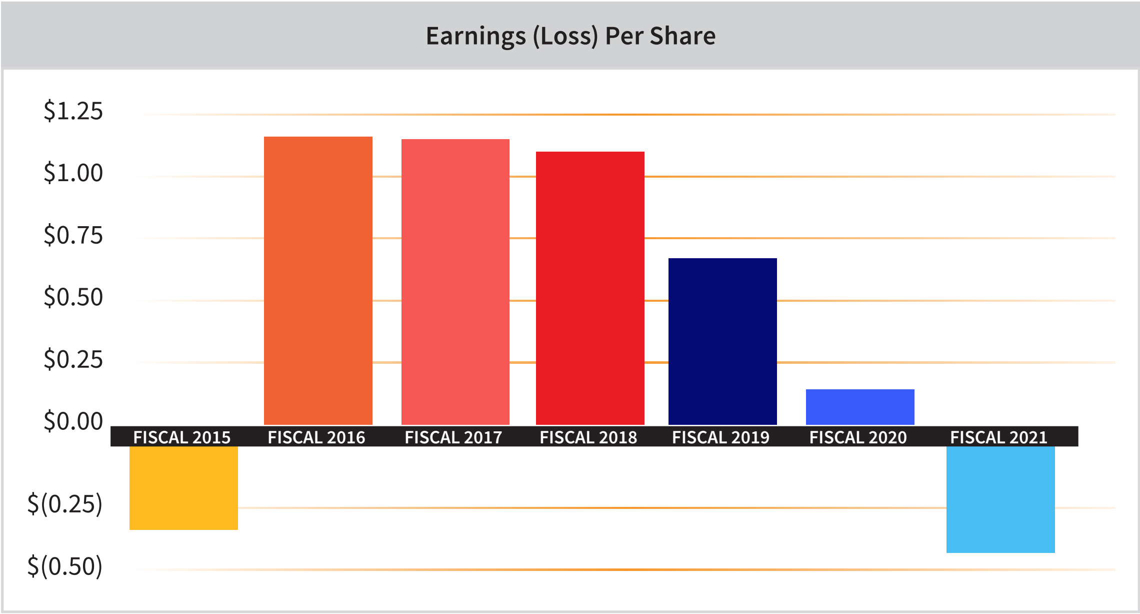
Net Cash Provided by Operating and Investing Activities*



*Exclusive of fiscal 2019's EEA acquisition

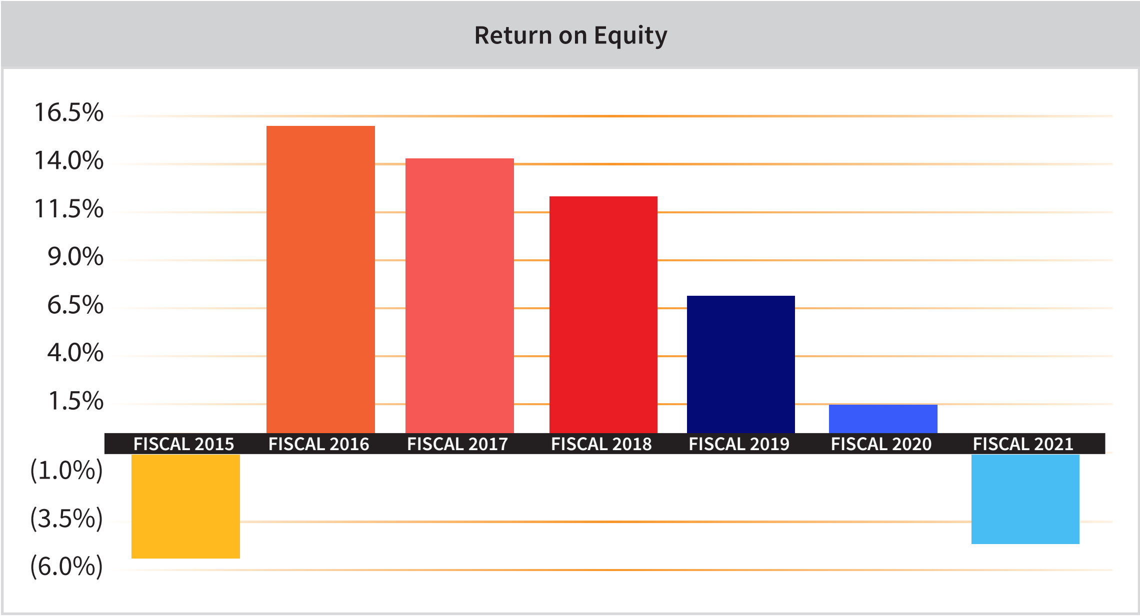
EARNINGS PER SHARE

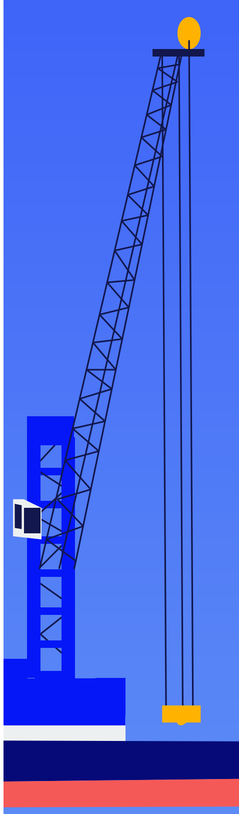
The Company reported a loss per share of ($0.43) in fiscal 2021 [fiscal 2020 - $0.14].



RETURN ON EQUITY

Polaris' equity at the end of fiscal 2021 was $10.74 million [fiscal 2020 - $11.25 million]. Return on equity reflected negative at (4.7%) [fiscal 2020 – 1.5%], due to the loss.

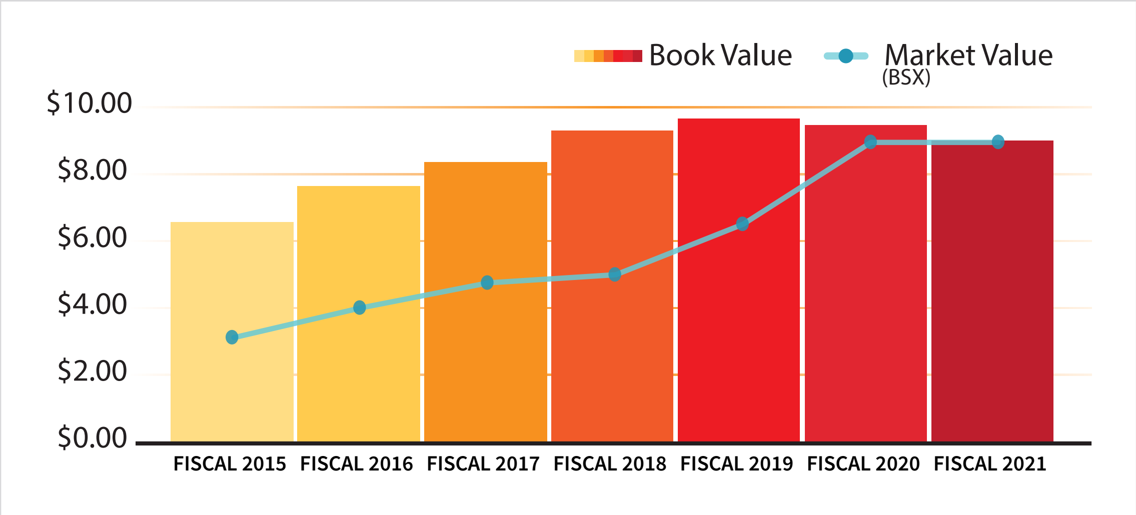




BOOK VALUE AND MARKET VALUE

As at March 31, 2021, book value was $9.05 per share [fiscal 2020 - $9.48 per share]. The stock last traded on May 7, 2020, at $8.95 per share.

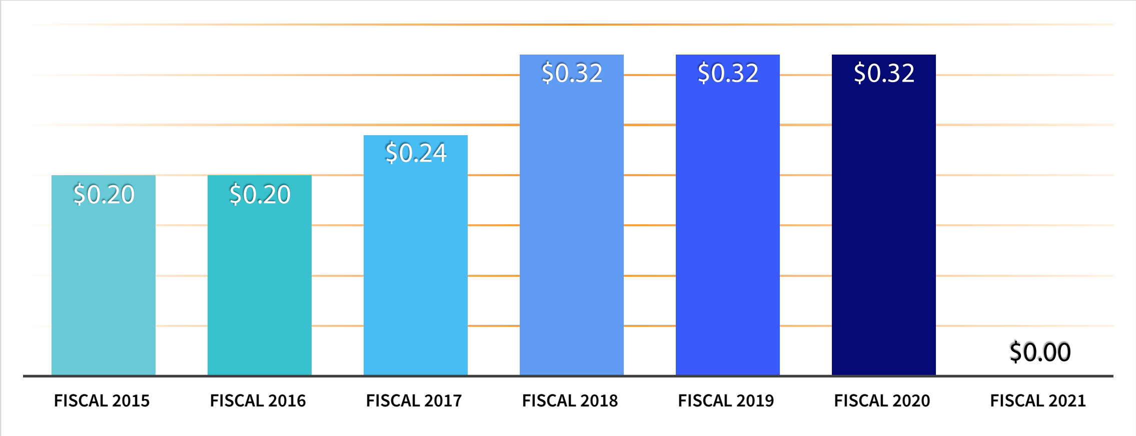
Book and Market Value Per Share

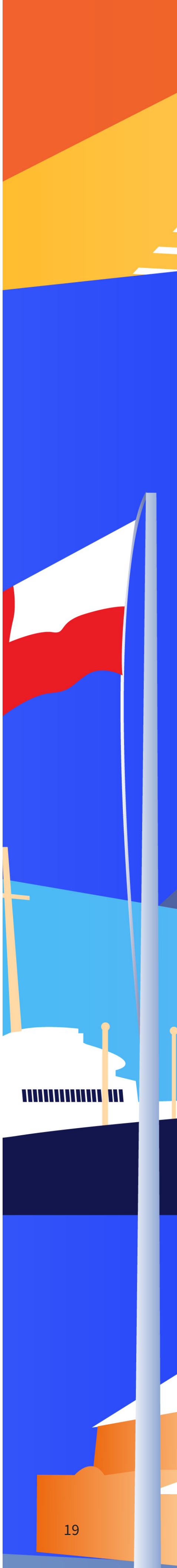


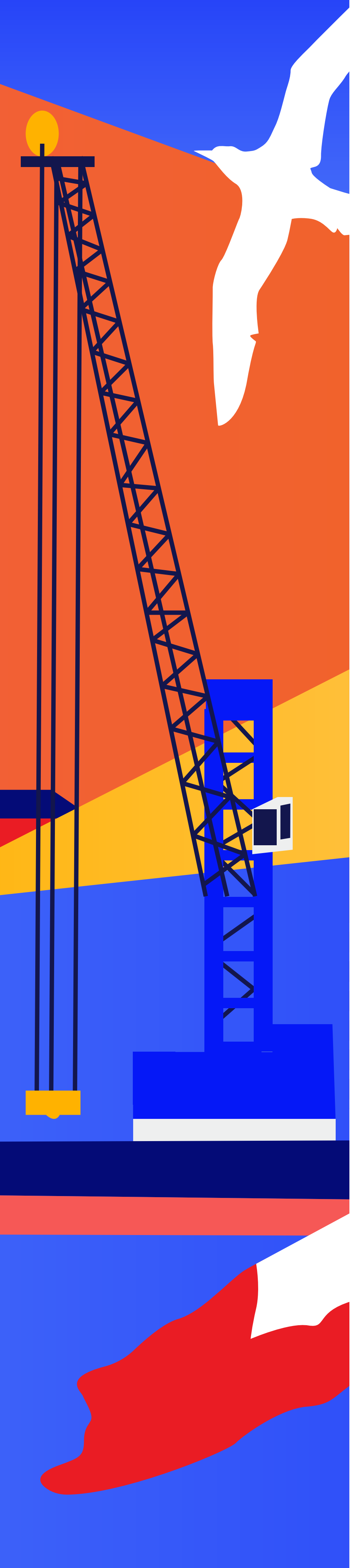
DIVIDENDS

Dividends of $0.08 per quarter or $0.32 per year, which had steadily been paid in fiscal 2018, 2019 and 2020, were suspended in fiscal 2021 due to losses, with no dividends paid during the year.

Dividends







DIVISIONAL OVERVIEW

Stevedoring Services Limited

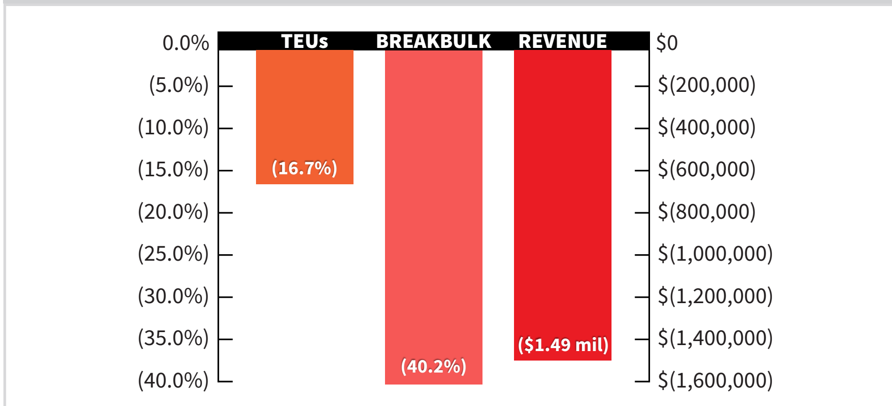
Fiscal 2021 was a story of two halves.

The period of April 1, 2020 to September 30, 2020, saw the division losing ($567K) [fiscal 2020 - $599K]. Relative to the first half of fiscal 2020, fiscal 2021 was represented by a (16.7%) softening in twenty-foot equivalent container moves ("TEU moves"), a (40.2%) fall in breakbulk cargo, and a (22.9%) or ($1.49 million) decline in revenue.

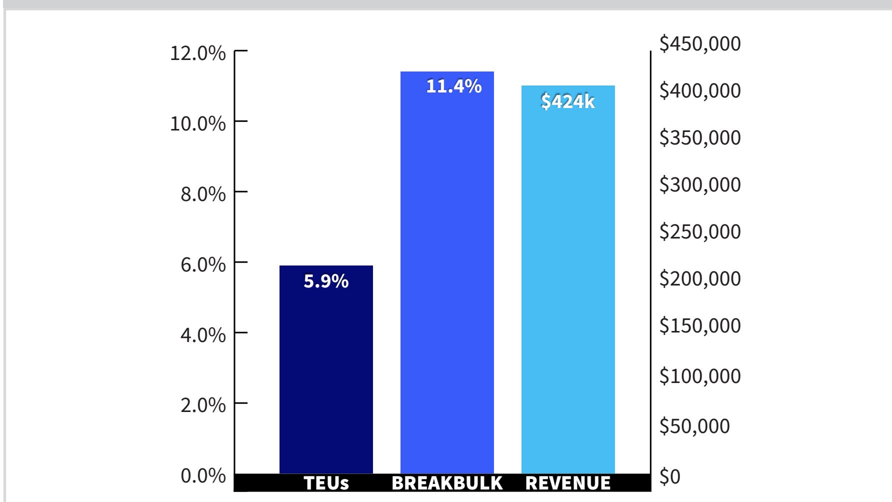
From October 1, 2020, to March 31, 2021, however, SSL's TEU volumes rose 5.9% relative to the second half of fiscal 2020, breakbulk grew by 11.4%, and revenue was up 7.9% or $424K, while at the same time operating expenses were cut.

As a result of revenue growth and cost-cutting, the second half's bottom line, which historically is softer than the first half, improved by more than $1.0 million, although SSL finished the year with a ($198K) deficit [fiscal 2020 - $245K], the division reflected a notable turnaround.

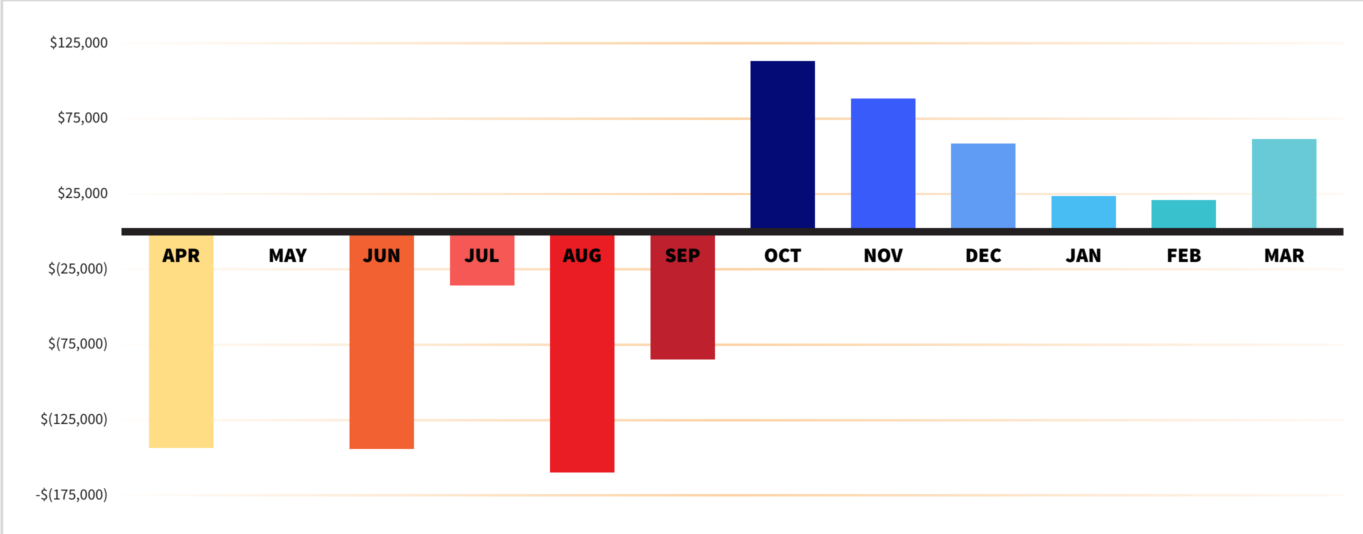
First Six Months vs Prior Year



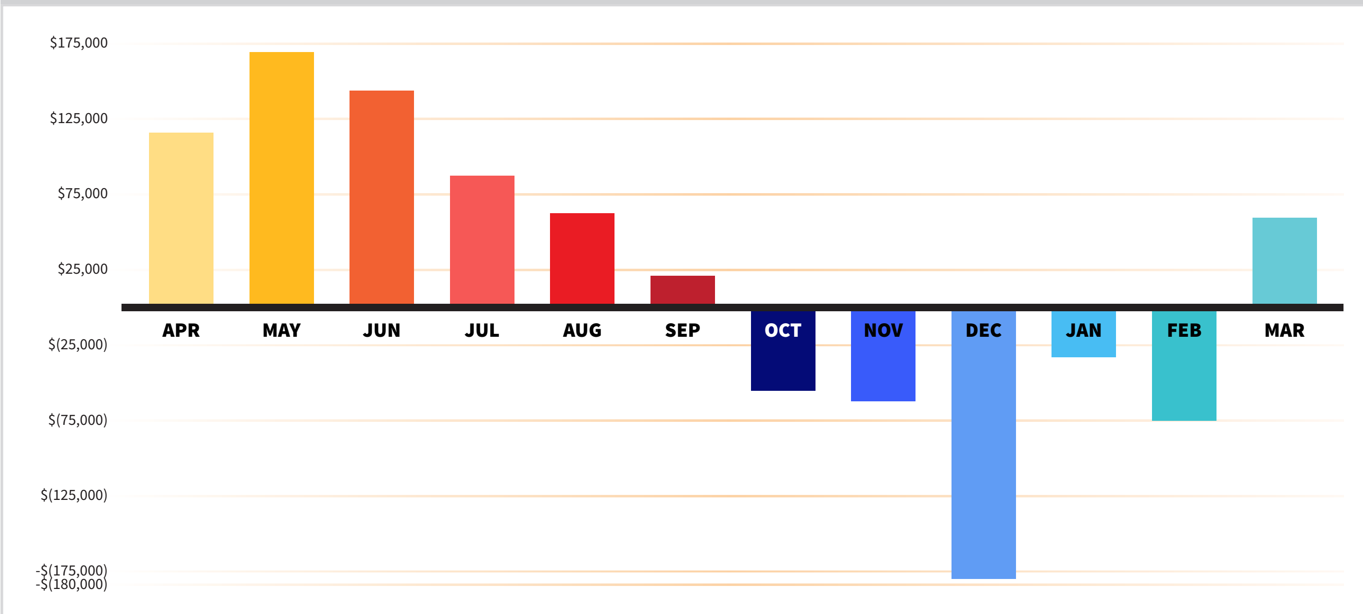
Last Six Months vs Prior Year



SSL - Net Income (Loss) by Month - Fiscal 2021



SSL - Net Income (Loss) by Month - Fiscal 2020



> **AS A RESULT OF REVENUE GROWTH AND COST-CUTTING, THE SECOND HALF'S BOTTOM LINE, WHICH HISTORICALLY IS SOFTER THAN THE FIRST HALF, IMPROVED BY MORE THAN $1.0 MILLION**

REVENUE

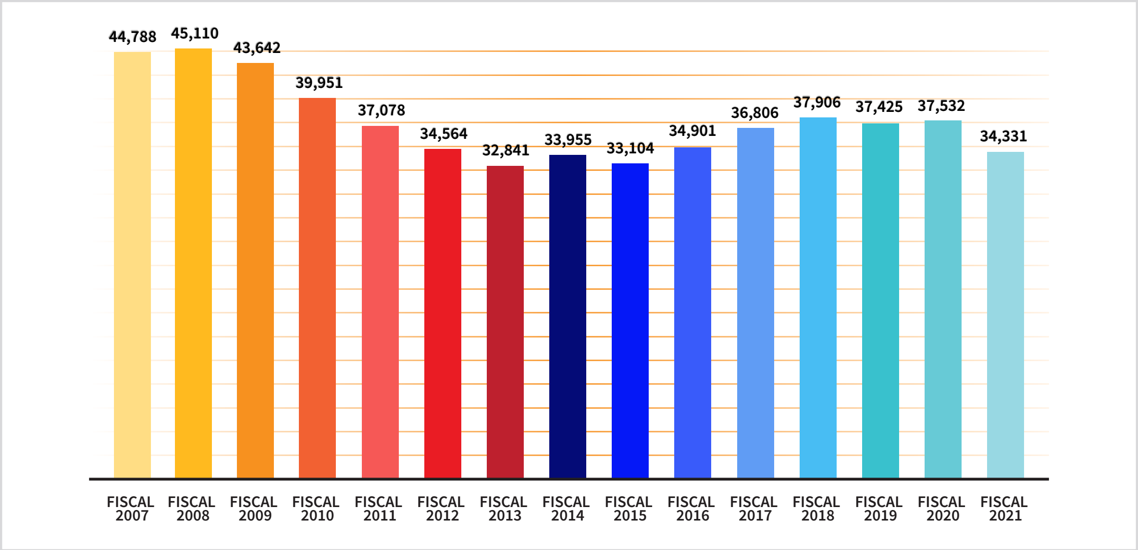
Revenue for the year totaled $10.80 million [fiscal 2020 - $11.87 million]. Top line reflected a year over year decline of (9.0%) due to the fall in cargo.

CONTAINER MOVES

Container revenue accounted for $8.96 million [fiscal 2020 - $9.59 million] or 82.9% of fiscal 2021's top line [fiscal 2020 – 80.6%], derived from the discharging and back loading of TEUs.

The year's TEU volume of 34,331 [fiscal 2020 – 37,504], was down (8.5%) from fiscal 2020.

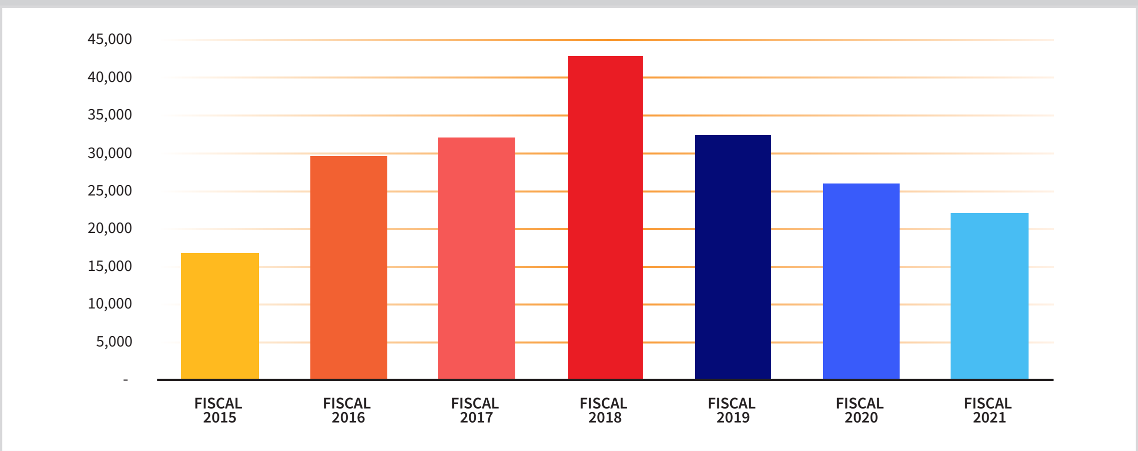
SSL - TEU Moves



BREAKBULK

Breakbulk volume at 22,042 freight tons for the year [fiscal 2020 – 25,987] was (15.2%) below prior year, and well down from fiscal 2018's America's Cup infused high water mark. Fiscal 2021 revenue from breakbulk was $581K [fiscal 2020 - $671K], a (13.4%) decline from fiscal 2020 due to the drop in cargo.

Breakbulk Moves (in Freight Tons)



> **“Polaris is a progressive holding company that supports stability and growth for its investments while maximizing shareholder value”**
>
> Cheryl Hayward-Chew | **Chairman**

PREMIUM TIME (OVERTIME REVENUE)

Premium time charges to the freight lines for labour worked in overtime, exclusive of ship tie up and let go functions, provided SSL $930K in revenue in fiscal 2021 [fiscal 2020 - $997K], a ($67K) or (6.7%) year over year decline.

In addition to the $930K, SSL earned $59K in other charges while in overtime [fiscal 2020 - $93K], (37%) less than in fiscal 2020.

Overtime revenue fluctuates based on freight ship arrivals and their need for work in overtime. Revenue is offset by overtime costs, leaving SSL cost-neutral regardless of volume.

The ban on cruise ships, following the pandemic’s outbreak, limited other callers in Hamilton to two during fiscal 2021. In the prior-year, eighteen cruise ships and other vessels called into Hamilton in need of tie-up and let go services.

SSL EXPENSES

As a result of cost-cutting, and specifically the revamping of SSL’s garage and its reduction in headcount, spending was sharply reduced in the second half of fiscal 2021.

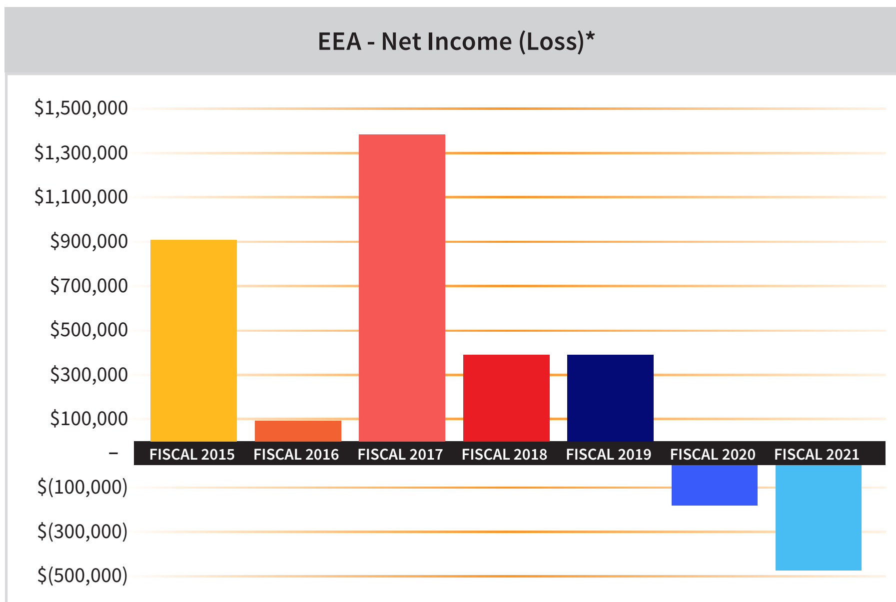
Overall SSL spending for the year, at $11.00 million, was trimmed (5.4%) from prior year [fiscal 2020 - $11.63 million].

DIVISIONAL OVERVIEW

East End Asphalt Company Limited

Prior to Polaris' acquisition, East End Asphalt's ("EEA") net income and cash flow, normalized for an apples-to-apples comparison, was consistently positive.

Unfortunately, fiscal 2021 was adversely affected by Covid-19, starting with April 2020's shelter-in-place which closed operations for the month, resulting in no revenue. Numerous large projects anticipated for the year, were pushed back or deferred into fiscal 2022, giving comfort that fiscal 2021 was an anomaly, with fiscal 2022 reverting EEA to the level of revenue and profitability anticipated when the business was acquired.



*Fiscal 2015 to 2019 results prior to Polaris' acquisition.

Revenue for the year was light at $2.72 million [fiscal 2020 - $3.26 million], down (16.5%) from prior year.

In addition to fiscal 2021's sales being ($538K) behind prior year, top line revenue was down nearly ($2.0 million) or more than (40%) from the average annual revenue EEA reflected in the five years prior to Polaris' March 15, 2019 acquisition.

As a result of the falloff in revenue, EEA reflected a deficit for the year.

CAPITAL EQUIPMENT

EEA started the year with $2.02 million in capital assets, including a plant valued at $1.29 million, heavy equipment of $549K, and $177K in light equipment, vehicles and other assets.

During fiscal 2021 $360K in capital assets were acquired [fiscal 2020 - $506K].

DIVISIONAL OVERVIEW

Equipment Sales and Rentals Limited

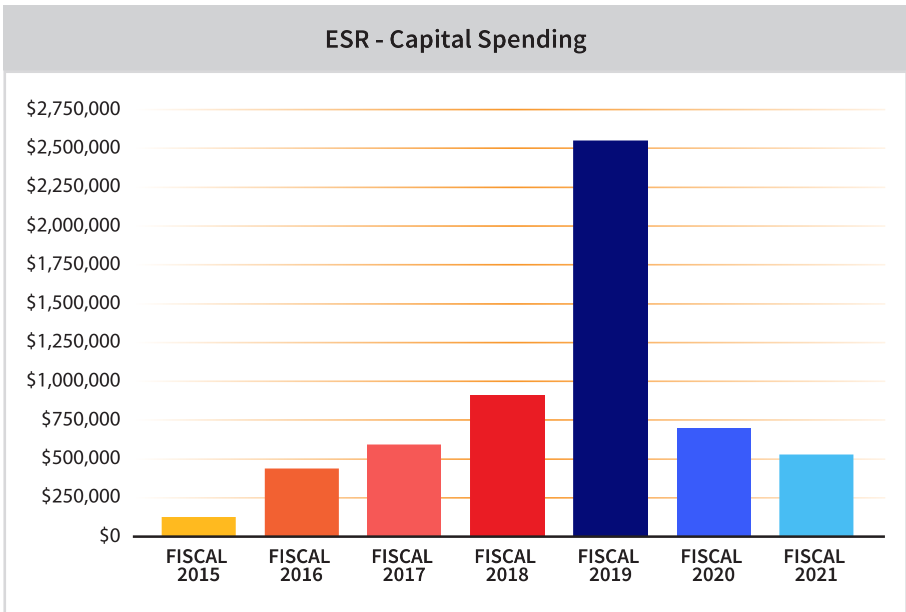
Equipment Sales and Rentals Limited's ("ESR") heavy equipment had a cost base as at March 31, 2021 of $13.19 million [fiscal 2020 - $12.34 million]. After depreciation, the equipment had a year-end depreciated book value of $5.87 million [fiscal 2020 - $6.28 million].

Expenses of $1.22 million [fiscal 2020 - $1.20 million], included $945K in amortization [fiscal 2020 - $846K].

Amortization rose due to high capital spending from prior years. With some heavy equipment fully depreciated at year-end, going forward, amortization will fall.

Capital spending for the year totalled $531K. In the prior year, ESR had partially paid for a new Taylor Reachstacker, with the final payment of $288K, and receipt of the equipment at the start of fiscal 2021. Other outlays included $49K replacing a piston pump on the Terex crane and $189K for the Gottwald crane, including replacing a luffing cylinder.

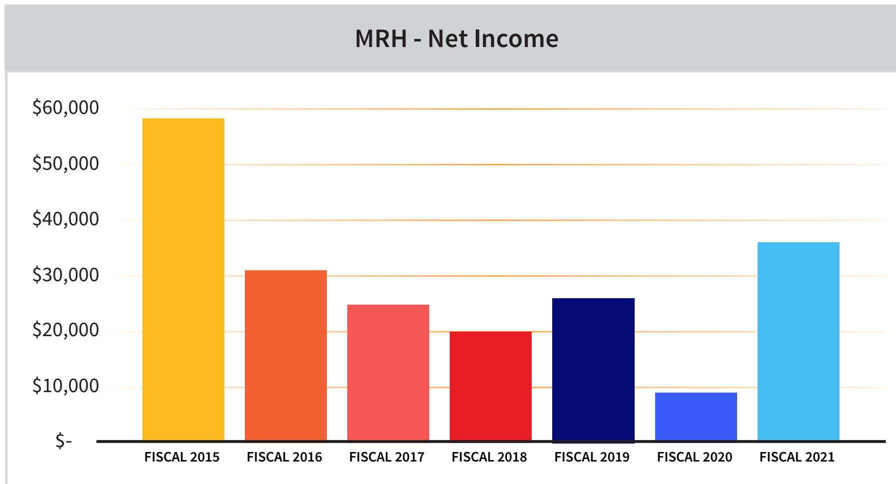
In the prior two years ESR was plagued with equipment problems. Since revamping its garage in fiscal 2021, a full complement of reliable and well-functioning heavy equipment has become the norm.



DIVISIONAL OVERVIEW

Mill Reach Holding Limited

While Mill Reach Holding Limited (“MRH”) is ancillary to the Company’s core business, it has provided a stable cash inflow, with the last couple of years the first in decades to require reinvestment back into the property. Net income for the year was $35K [fiscal 2020 - $9K], with positive cash flow of $103K providing a return of 5.7% on the property’s fair market value.



MRH continues to own and rent 7 Mill Reach Lane and 11 Mill Reach Lane, in Pembroke Parish, a 0.9 acres or 39,204 square foot property which includes a large building of approximately 3,743 square feet, a facility of approximately 1,850 square feet, and a small carpenter shop.

On January 2020, an independent appraiser assessed 7 and 11 Mill Reach Lane, Pembroke and deemed their collective property value to be $1.80 million, broken down as $1.0 million for 7 Mill Reach Lane and $800K for 11 Mill Reach Lane. In May 2021, the independent appraiser affirmed that valuation.

The property is currently reflected on MRH’s books at $1.40 million, with an unrealized gain of $400K.

7 and 11 Mill Reach Lane		
Book Value	Fair Market Value	Unrealized Gain
$ 1.40 million	$ 1.80 million	$ 400K

In fiscal 2021 MRH incurred $30K in capital costs.

The Crew

EDUCATION AWARDS LIGHTEN THE LOAD.

Lyndon Smith, Plant Operator at East End Asphalt Company Limited receives Polaris Holding Company Education Award on behalf of his daughter, Donnalyn Smith.

Lyndon Smith, a long-serving employee of East End Asphalt Company Limited expressed delight at the news that his daughter, Donnalyn Smith would, for the second year in a row, be awarded the annual Polaris Holding Company Limited Education Award valued at $2,500.

The funds would go towards costs associated with Donnalyn's university studies. Donnalyn is in her final year (third year) of General Adult Nursing at University of the West of England.

> **"This means the world to me. I feel blessed and grateful. This education award will cover transportation and food expenses while she is at university, and helps out a lot."**
>
> Lyndon Smith
> **East End Asphalt Company Limited**

Cheryl Hayward-Chew

Polaris Chairman Cheryl Hayward-Chew presents Lyndon Smith, Plant Operator, East End Asphalt with a $2,500 Education Award for his daughter's university studies.

Long Service Awardees

Joshua Butler
SSL — 5 Years

Cavon Spencer
SSL — 15 Years

Wentworth Tucker
SSL — 15 Years

Mark Outerbridge
SSL — 15 Years

Tracy Bean
SSL — 20 Years

Eric Berkeley
SSL — 25 Years

William Pickering
SSL — 25 Years

Lyndon Smith
EEA — 25 Years

Antoine Tacklyn
SSL — 30 Years

Ray Whitecross
EEA — 30 Years

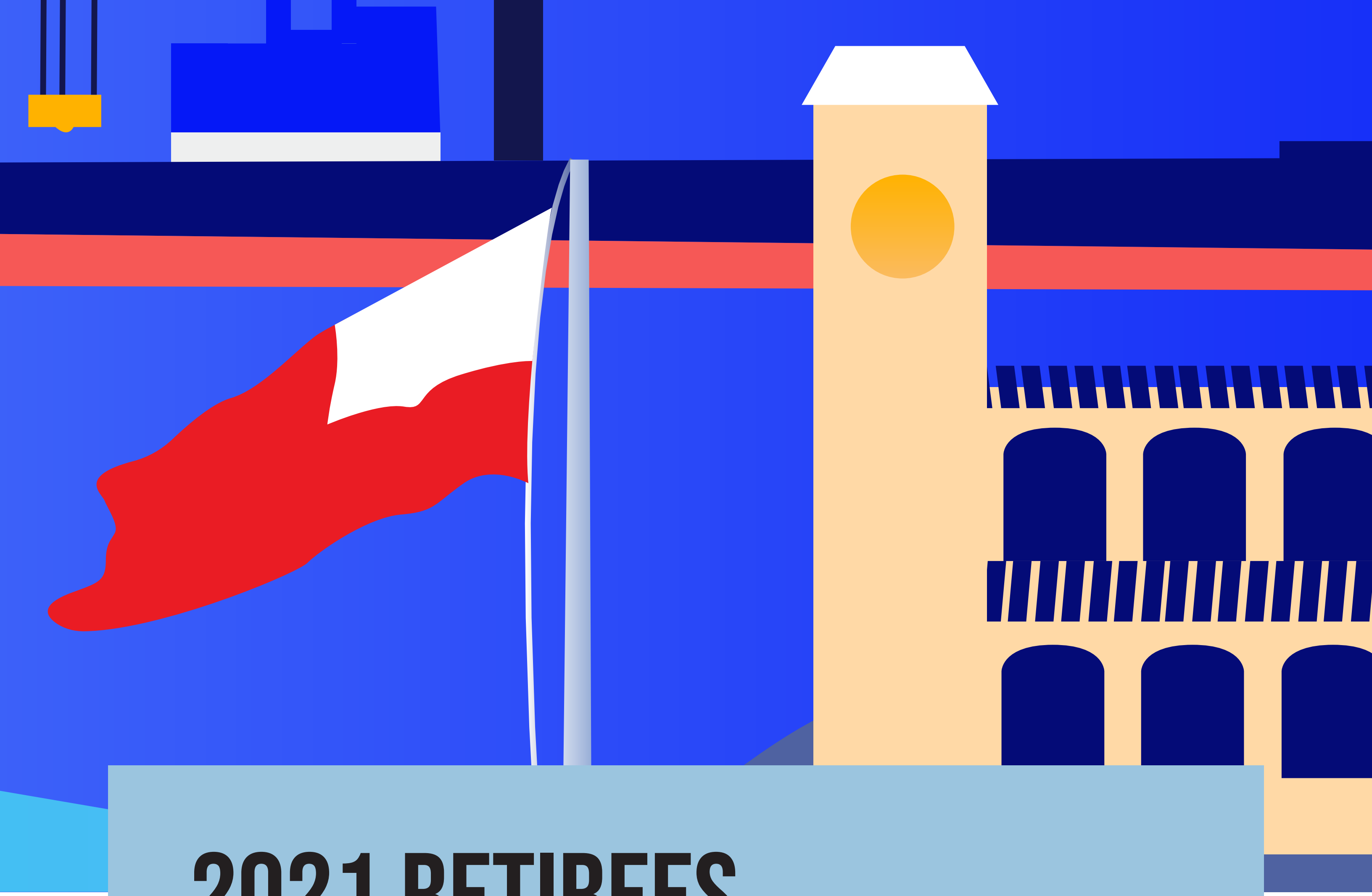
Gregory Fox
SSL — 35 Years

THE CREW.

Crew members from Polaris, SSL and EEA came together at the Hamilton Princess & Beach Club to recognise long serving staff members and retirees alongside their loved ones with attendance by the Board, management and fellow staff members.

CHECK OUT OUR VIDEOS OF PAST LONG-SERVING STEVEDORES

CLICK THE LINK BELOW TO WATCH THE VIDEO:
https://www.youtube.com/watch?v=GuZuxmYViOg



2021 RETIREES.

MERVYN VAN PUTTEN

Superintendent
East End Asphalt Company Limited

37 YEARS

ANDRE CAISEY

Assistant Foreman
East End Asphalt Company Limited

29 YEARS

KIMOTHY WILKINSON

Superintendent
Stevedoring Services Limited

23 YEARS

Guided by Polaris

Audited Financial Statements

POLARIS HOLDING COMPANY LTD.

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

March 31, 2021

The accompanying report of KPMG Audit Limited ("KPMG") is for the sole and exclusive use of Polaris Holding Company Ltd. (the "Company"). No person, other than the Company, is authorized to rely upon the report of KPMG unless KPMG expressly so authorizes. Furthermore, the report of KPMG is as of August 19, 2021, and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

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. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as of March 31, 2021 and 2020, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the auditor's 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, the auditor considers 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of Polaris Holding Company Ltd. and its subsidiaries as of March 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The annual report to shareholders is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
August 19, 2021

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Financial Position

March 31, 2021 and 2020
(Expressed in Bermuda Dollars)

	2021	2020
Assets		
Non-current assets		
Goodwill (Note 16)	$ 1,100,000	$ 1,200,000
Investment property (Note 7)	1,398,635	1,460,731
Property, plant and equipment (Notes 8 and 9)	13,549,241	14,114,283
Total non-current assets	16,047,876	16,775,014
Current assets		
Cash and cash equivalents (Note 10)	2,395,878	1,847,151
Accounts receivable (Notes 19 and 23)	1,333,595	1,130,273
Inventory (Note 11)	341,212	704,740
Prepaid expenses	143,464	95,166
Total current assets	4,214,149	3,777,330
Total assets	$ 20,262,025	$ 20,552,344
Liabilities		
Non-current liabilities		
Long term debt (Note 14)	$ 3,257,820	$ 3,310,079
Accrued expenses	122,209	140,120
Lease liabilities (Note 9)	3,783,685	3,802,170
Total non-current liabilities	7,163,714	7,252,369
Current liabilities		
Accounts payable and accrued expenses (Note 23)	1,160,786	1,083,622
Long-term debt – current portion (Note 14)	272,093	252,625
Lease liabilities (Note 9)	192,590	73,348
Due to director (Note 15)	–	300,000
Unearned revenue	734,361	340,571
Total current liabilities	2,359,830	2,050,166
Total liabilities	9,523,544	9,302,535
Equity		
Share capital (Note 17)	1,187,132	1,187,132
Share premium (Note 17)	24,750	24,750
General reserve (Note 18)	1,250,000	1,250,000
Retained earnings	8,276,599	8,787,927
Total equity attributable to the Company's shareholders	10,738,481	11,249,809
Total liabilities and equity	$ 20,262,025	$ 20,552,344

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

Signed on behalf of the Board

Director

Director

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2021 and 2020
(Expressed in Bermuda Dollars)

	2021	2020
Revenue		
Stevedoring revenue (Notes 6 and 19)	$ 10,803,302	$ 11,867,914
Stevedoring expenses (Notes 12 and 13)	(6,885,119)	(7,478,866)
Stevedoring gross profit	3,918,183	4,389,048
East End Asphalt revenue	2,724,723	3,262,851
East End Asphalt expenses	(1,955,531)	(2,257,177)
East End Asphalt gross profit	769,192	1,005,674
Rental income (Note 7)	160,803	147,830
Total income	4,848,178	5,542,552
Expenses		
Administrative salaries, wages and benefits (Notes 12 and 13)	2,090,139	1,971,672
Depreciation (Note 8)	1,356,479	1,244,757
General and administrative expenses (Note 19)	653,578	676,791
Professional fees	398,682	517,534
Information technology and telecommunication	250,651	278,488
Impairment of goodwill (Note 16)	100,000	139,893
Depreciation of investment property buildings (Note 7)	92,217	87,388
Total expenses	4,941,746	4,916,523
Results from operations	(93,568)	626,029
Finance income (Note 20)	7	22
Finance expense (Notes 9 and 14)	(417,767)	(458,202)
Net finance expense	(417,760)	(458,180)
(Loss) profit for the year (attributable to owners of the Company)	$ (511,328)	$ 167,849
Earnings per share – basic (Note 21)	$ (0.43)	$ 0.14
Earnings per share – fully diluted (Note 21)	$ (0.43)	$ 0.14

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

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

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Changes in Equity

For the years ended March 31, 2021 and 2020
(Expressed in Bermuda Dollars)

	Share capital	Share premium	General reserve	Retained earnings	Total equity
Balance at April 1, 2019	$ 1,184,132	$ 8,250	$ 1,250,000	$ 8,999,960	$ 11,442,342
Total comprehensive income:					
Profit for the year	–	–	–	167,849	167,849
Transactions with owners of the Company recognized directly in equity:					
Shares issued (Note 17)	3,000	16,500	–	–	19,500
Dividends declared and paid (Note 17)	–	–	–	(379,882)	(379,882)
Balance at March 31, 2020	$ 1,187,132	$ 24,750	$ 1,250,000	$ 8,787,927	$ 11,249,809
Total comprehensive income:					
Loss for the year	–	–	–	(511,328)	(511,328)
Balance at March 31, 2021	$ 1,187,132	$ 24,750	$ 1,250,000	$ 8,276,599	$ 10,738,481

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

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Cash Flows

For the years ended March 31, 2021 and 2020
(Expressed in Bermuda Dollars)

	2021	2020
Operating activities		
(Loss) profit for the year	$ (511,328)	$ 167,849
Adjustments for:		
Depreciation	1,561,170	1,394,912
Depreciation of heavy equipment parts	754,229	642,628
Depreciation of investment property	92,217	87,388
Impairment of goodwill	100,000	139,893
Net finance expense	417,760	458,180
Expenses on issuance of shares (Note 17)	–	9,180
Changes in non-cash working capital balances:		
Accounts receivable	(203,322)	534,211
Inventory	363,528	467,661
Prepaid expenses	(48,298)	200,980
Accounts payable and accrued expenses	59,253	(1,235,414)
Unearned revenue	393,790	340,571
Net cash provided by operating activities	2,978,999	3,208,039
Investing activities		
Purchase of property, plant and equipment	(1,560,424)	(1,848,260)
Purchase of investment property	(30,121)	(58,119)
Interest and dividends received	7	22
Net cash used in investing activities	(1,590,538)	(1,906,357)
Financing activities		
Repayment of long-term debt	(32,791)	(237,296)
Net (repayment of) advances from loan from director	(300,000)	300,000
Dividends declared and paid	–	(379,882)
Proceeds from shares issued	–	10,320
Payment of lease liabilities	(295,417)	(290,000)
Interest paid	(211,526)	(248,542)
Net cash used in financing activities	(839,734)	(845,400)
Increase in cash and cash equivalents	548,727	456,282
Cash and cash equivalents at beginning of year	1,847,151	1,390,869
Cash and cash equivalents at end of year	$ 2,395,878	$ 1,847,151

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

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 Rentals Limited. (“ESR”), East End Asphalt Company Limited (“EEA”) and Mill Reach Holding Company Limited. (“MRH”). All subsidiaries are wholly owned and incorporated under the laws of Bermuda. The Scheme became effective on March 28, 2011 after shareholder and Supreme Court approval. The group restructuring was accounted for as a combination of entities under common control with transfers being recorded at their carrying value.

SSL carries on business as a stevedoring company. In March 2016, this subsidiary was awarded a 5-year terminal operator’s licence by the Corporation of Hamilton to function on the Hamilton docks from March 1, 2016 to February 28, 2021. On August 4, 2020 the terminal operator’s licence was extended for a minimum one-year period, extendable at the option of the Corporation of Hamilton for an additional one-year period.

ESR carries on the business of purchasing and leasing heavy operating machinery and equipment. MRH owns investment property at Mill Reach Lane, Pembroke, Bermuda.

The Company acquired EEA on March 14, 2019. EEA carries on business as an asphalt manufacturing and paving company (Note 16).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issue by the Board of Directors on August 19, 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

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

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(b) – timing of the transfer of control of goods and services
- Note 3(h) – impairment of non-financial assets
- Note 3(p) – assumptions made in the determination of the incremental borrowing rate
- Note 3(p) – lease term; whether the Company is reasonably certain to exercise extension options

(e) Going concern

In March 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect Bermuda's economy, supply chain and general population. COVID-19 has caused significant disruption to businesses and economic activity in Bermuda and has resulted in a number of people being furloughed or laid off. The going concern basis of preparation assumption for the Company's consolidated financial statements is dependent upon the generation of stevedoring and other revenues.

To date, the Company has observed a reduction in volumes in both container and breakbulk cargo as well as reduced demand for paving, aggregate and asphalt sales. The net effect has been a reduction to the operational activity for both primary operating subsidiaries, SSL and EEA, and as a result the Company has taken action to reduce its operating costs where possible to offset against the impact of this reduction in volumes. The Company expects COVID-19 to have a significant negative impact on its operating results for the foreseeable future. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on future financial performance of the Company, or to provide a quantitative estimate of this impact which could potentially be significant. However, based on its current operations subsequent to the year-end, and future operating budgets, financial forecasts and cashflow projections, management expects the level of activity will be sufficient to enable the Company to continue to adopt the going concern basis in preparing its consolidated financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated.

(a) Basis of consolidation

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

3. Significant accounting policies (continued)

(b) Revenue recognition

Stevedoring revenues include stevedoring and dock handling revenues, and are recognized in the accounting period in which the services are rendered which is generally at the point when freight is unloaded from vessels.

Performance obligations and revenue recognition policies

The Company recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Revenue stream	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Containers	Containers revenue is based upon the completion of the discharging and backloading process. The performance obligation is the completion of this process. Payment is net 30 days.	Revenue is recognized at a point in time when the performance obligation is satisfied being the point when freight is unladed from the vessels.
Break bulk / Loose Cargo	Break bulk and loose cargo revenue is based upon the completion of the discharging and backloading process. The performance obligation is the completion of this process. Payment is net 30 days.	Revenue is recognized at a point in time when the performance obligation is satisfied.
Labour Surcharges	Labour surcharge revenue, while working overtime, is based upon the completion of labour work process. The performance obligation is the completion of this process. Payment is net 30 days.	Revenue is recognized at a point in time when the performance obligation is satisfied.
Line Handling	Line handling revenue is based upon the completion of the vessel tie up process. The performance obligation is the completion of this process. Payment is net 30 days.	Revenue is recognized at a point in time when the performance obligation is satisfied.
Terminal Handling Charges	Terminal handling charge revenue is based upon the handling and discharging of cargo leaving the docks. The performance obligation is the completion of this process. Payment is net 30 days.	Revenue is recognized at a point in time when the performance obligation is satisfied.

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Performance obligations and revenue recognition policies (continued)

Revenue stream	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition policies**
Port Storage Fees	Port storage fee revenue is based upon the storage of cargo at the docks. The performance obligation is the completion of this process. Payment is due on collection.	Revenue is recognized over time as the performance obligation is satisfied.
Paving	Paving revenue is based on the asphalting of roads and driveways. The performance obligation is the completion of this process. Payment is net 30 days.	Revenue is recognized over time on a monthly basis, based on the stage of completion.
Aggregate and asphalt sales	Aggregate and asphalt sales revenue is based on the acquisition of the material by customers. The performance obligation is the transfer of goods to the customer. Payment is net 30 days.	Revenue is recognized at a point in time when the performance obligation is satisfied.

Rental income

Rental income is recognized as revenue on a straight-line basis over the term of the lease.

(c) Investment income

Investment income comprises interest on bank deposits. 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, if any. 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. 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 ready for use.

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

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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

Buildings and building improvements	10 years
Right of use assets (lease term)	5–50 years
Plant	25 years
Furniture and fixtures	3-5 years
Computer equipment	3-10 years
Vehicles	5 years
Cranes and heavy equipment	5-15 years
Light equipment	5 years
Heavy equipment parts	4 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 on a straight line basis over their estimated useful lives of 10 years. Cost includes expenditure that is directly attributable to the acquisition or construction of the investment property. The fair value of investment property is disclosed in Note 7 to these consolidated financial statements. The fair value measurement for investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

(f) Financial instruments

The Company's financial assets comprise of cash and cash equivalents and accounts receivable. The Company's financial liabilities comprise of accounts payable, loan from director and long-term debt.

(i) Recognition and initial measurement

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. Accounts receivable are initially measured at the transaction price which reflects fair value. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue.

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, the Company determines the classification of its financial assets. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company classifies its financial assets at amortized cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the Company is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset in initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses

The Company's financial assets classified as amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairment gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

The Company classifies its financial liabilities as other financial liabilities. The Company's financial liabilities are subsequently measured at amortized cost using the effective interest method.

(iii) De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flow from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in the consolidated statement of comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

Fair value hierarchy

Accounting standards over fair value measurements (IFRS 13) 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 between financial instruments 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 financial instruments 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 Company does not hold any financial instruments as at March 31, 2021 or 2020 which are required to be disclosed in accordance with the above fair value hierarchy.

(g) Impairment

Financial assets

The Company recognizes loss allowances or expected credit losses ("ECLs") on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to 12 month ECLs for cash and cash equivalents that are determined to have a low credit risk at the reporting date and for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when it is more than 240 days past due.

3. Significant accounting policies (continued)

(g) Impairment (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For financial assets measured at amortized cost the Company applies a simplified approach in calculating the ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on the lifetime ECLs at each reporting date. The Company has established a provision matrix based on its historical loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 240 days past due based on historical experience of recoveries of similar assets.

3. Significant accounting policies (continued)

(h) 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. Goodwill is tested annually for impairment. 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"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. 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. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 or amortization, if no impairment loss had been recognized.

(i) 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.

(j) 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. The Company has committed to providing health insurance costs for certain former officers and employees. The present value of the estimate future obligations payable is recognized in full.

(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) 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.

3. Significant accounting policies (continued)

(m) Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is based on the first-in, first-out principle.

(n) Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 3(h)). Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(o) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is not amortized.

(p) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

3. Significant accounting policies (continued)

(p) Leases (continued)

As a lessee (continued)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lessor transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate of 5.3% as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renew period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the consolidated statement of financial position.

3. Significant accounting policies (continued)

(p) Leases (continued)

As a lessee (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements of IFRS 9 to the net investment in the lease (see Note 3(g)). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

4. Changes to significant accounting policies

There were a number of amendments to standards that were effective for periods beginning on or after April 1, 2020 but they do not have a material effect on the Company's consolidated financial statements. These have been listed below:

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

5. New standards and interpretations not yet adopted

A number of new or amended standards are effective for annual periods beginning after March 31, 2021 and early adoption is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
- *Annual Improvements to IFRS Standards 2018 – 2020*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
- *Reference to the Conceptional Framework (Amendments to IFRS 3)*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

6. Revenue

	2021	2020
Revenue from contracts with customers	$ 13,528,025	$ 15,130,765
Other revenue		
Rental income	160,803	147,830
	$ 13,688,828	$ 15,278,595

6. **Revenue** (continued)

Disaggregation of revenue from contracts with customers

In the following tables, revenue from contracts with customers is disaggregated by major product and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments.

	2021		
	SSL	EEA	Total
Major products and service lines			
Containerized and loose cargo	$ 8,633,115	$ –	$ 8,633,115
Terminal Handling Charges	1,046,765	–	1,046,765
Labour Surcharges	929,535	–	929,535
Line Handling	144,295	–	144,295
Port Storage Fees	49,592	–	49,592
Paving	–	2,030,402	2,030,402
Aggregate asphalt and other sales	–	694,321	694,321
	$ 10,803,302	$ 2,724,723	$ 13,528,025
Timing of revenue recognition			
Products and services transferred over time	$ 49,592	$ 2,030,402	$ 2,079,994
Products and services transferred at a point in time	10,753,710	694,321	11,448,031
Revenue from contracts with customers	$ 10,803,302	$ 2,724,723	$ 13,528,025

	2020		
	SSL	EEA	Total
Major products and service lines			
Containerized and loose cargo	$ 9,408,708	$ –	$ 9,408,708
Terminal Handling Charges	1,133,877	–	1,133,877
Labour Surcharges	996,806	–	996,806
Line Handling	204,737	–	204,737
Port Storage Fees	123,786	–	123,786
Paving	–	2,516,958	2,516,958
Aggregate, asphalt and other sales	–	745,893	745,893
	$ 11,867,914	$ 3,262,851	$ 15,130,765
Timing of revenue recognition			
Products and services transferred over time	$ 123,786	$ 2,516,958	$ 2,640,744
Products and services transferred at a point in time	11,744,128	745,893	12,490,021
Revenue from contracts with customers	$ 11,867,914	$ 3,262,851	$ 15,130,765

7. 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, two on terms expiring December 31, 2024 and one on a term expiring February 29, 2024. Earned rental income was $160,803 for the year (2020 - $147,830). At March 31, 2021, the future minimum lease payments under non-cancellable leases were receivable as follows:

Less than one year	$ 160,803
Between one and five years	438,425
	$ 599,228

Deemed cost less impairment losses

	2021	2020
Land	$ 1,150,000	$ 1,150,000
Buildings	938,240	908,119
	$ 2,088,240	$ 2,058,119

The property was valued by an independent appraiser, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued, on October 6, 2016 at a fair value of $2,250,000 which was treated as the deemed cost less impairment losses at that date. The property was subsequently valued by an independent appraiser on January 29, 2020 at a market value of $1,800,000. The independent appraiser used a combination of the contractor's 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, 2021 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.

	2021	2020
Net book value April 1	$ 1,460,731	$ 1,490,000
Additions	30,121	58,119
Depreciation for the year	(92,217)	(87,388)
Net book value at March 31	$ 1,398,635	$ 1,460,731

8. Property, plant and equipment

	Asphalt Plant	Heavy equipment parts	Building improvements	Cranes and heavy equipment	Furniture and fixtures	Computer equipment	EEA property	Terminal operator's license	Total
Cost									
April 1, 2019	$ 1,250,000	$ 2,533,788	$ 477,722	$ 12,032,345	$ 364,782	$ 715,852	$ 3,600,581	$ 355,276	$ 21,330,346
Additions	89,504	613,456	13,394	1,079,447	–	52,459	–	–	1,848,260
Disposals	–	(451,642)	–	–	–	–	–	–	(451,642)
At March 31, 2020	$ 1,339,504	$ 2,695,602	$ 491,116	$ 13,111,792	$ 364,782	$ 768,311	$ 3,600,581	$ 355,276	$ 22,726,964
April 1, 2020	$ 1,339,504	$ 2,695,602	$ 491,116	$ 13,111,792	$ 364,782	$ 768,311	$ 3,600,581	$ 355,276	$ 22,726,964
Additions	180,713	629,417	7,204	682,023	–	61,067	–	189,933	1,750,357
Disposals	–	–	–	–	–	–	–	–	–
At March 31, 2021	$ 1,520,217	$ 3,325,019	$ 498,320	$ 13,793,815	$ 364,782	$ 829,378	$ 3,600,581	$ 545,209	$ 24,477,321

8. Property, plant and equipment (continued)

	Asphalt plant	Heavy equipment parts	Building improvements	Cranes and heavy equipment	Furniture and fixtures	Computer equipment	EEA property	Terminal operator's license	Total
Accumulated depreciation									
At April 1, 2019	$ –	$ 1,033,464	$ 343,405	$ 5,125,639	$ 312,042	$ 212,233	$ –	$ –	$ 7,026,783
Depreciation for the year	50,846	642,628	17,788	955,640	17,800	95,405	72,072	185,361	2,037,540
Disposals	–	(451,642)	–	–	–	–	–	–	(451,642)
At March 31, 2020	$ 50,846	$ 1,224,450	$ 361,193	$ 6,081,279	$ 329,842	$ 307,638	$ 72,072	$ 185,361	$ 8,612,681
At April 1, 2020	$ 50,846	$ 1,224,450	$ 361,193	$ 6,081,279	$ 329,842	$ 307,638	$ 72,072	$ 185,361	$ 8,612,681
Depreciation for the year	66,107	754,229	22,677	1,094,450	16,954	103,167	72,072	185,743	2,315,399
Disposals	–	–	–	–	–	–	–	–	–
At March 31, 2021	$ 116,953	$ 1,978,679	$ 383,870	$ 7,175,729	$ 346,796	$ 410,805	$ 144,144	$ 371,104	$ 10,928,080
Net book value									
At April 1, 2019	$ 1,250,000	$ 1,500,324	$ 134,317	$ 6,906,706	$ 52,470	$ 503,619	$ 3,600,581	$ 355,276	$ 14,303,563
At March 31, 2020	$ 1,288,658	$ 1,471,152	$ 129,923	$ 7,030,513	$ 34,940	$ 460,673	$ 3,528,509	$ 169,915	$ 14,114,283
At March 31, 2021	$ 1,403,264	$ 1,346,340	$ 114,450	$ 6,618,086	$ 17,986	$ 418,573	$ 3,456,437	$ 174,105	$ 13,549,241

9. Leases

Leases as lessee

The Company leases a property used by EEA, and SSL holds a Terminal Operator's Licence, each as outlined in Note 22.

The Company leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

Set out below are the carrying amounts of right-to-use assets recognized and the movements during the period:

	Terminal operator's licence	EEA property	Total
Balance at April 1, 2019	$ 355,276	$ 3,600,581	$ 3,955,857
Depreciation charge for the year	(185,361)	(72,072)	(257,433)
Balance at March 31, 2020	$ 169,915	$ 3,528,509	$ 3,698,424
Modification to lease liabilities (Note 22)	189,933	–	189,933
Depreciation charge for the year	(185,743)	(72,072)	(257,815)
Balance at March 31, 2021	$ 174,105	$ 3,456,437	$ 3,630,542

Set out below are the carrying amounts of lease liabilities:

	Terminal operator's licence	EEA property	Total
Balance at April 1, 2019	$ 355,276	$ 3,600,581	$ 3,955,857
Accretion of interest	18,830	190,831	209,661
Payment of lease liabilities	(200,000)	(90,000)	(290,000)
Balance at April 1, 2020	$ 174,106	$ 3,701,412	$ 3,875,518
Modification to lease liabilities (Note 22)	189,933	–	189,933
Accretion of interest	10,066	196,175	206,241
Payment of lease liabilities	(200,000)	(95,417)	(295,417)
Balance at March 31, 2021	$ 174,105	$ 3,802,170	$ 3,976,275

9. Leases (continued)

Set out below are the amounts recognized in the consolidated statement of comprehensive income:

	2021	2020
Depreciation expense on right-of-use assets	$ 257,815	$ 257,433
Interest on lease liabilities	206,241	209,661
Expenses relating to short-term leases – IT equipment	6,480	6,480
	$ 470,536	$ 473,574

	2021	2020
Total cash outflow for leases	$ 295,417	$ 290,000

Extension options

Some leases contain extension options exercisable by the Company. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Leases as lessor

The Company leased out its investment property during the years ended March 31, 2021 and 2020. The Company classified this lease as an operating lease, because the lease does not transfer substantially all of the risks and rewards incidental to the ownership of the asset. Rental income recognized by the Company during the year ended March 31, 2021 was $160,803 (2020 - $147,830).

10. Cash and cash equivalents

The effective interest rate earned on cash and cash equivalents for the year ended March 31, 2021 was nil% (2020 - nil%).

11. Inventory

Inventory relating to raw materials of $341,212 (2020 - $704,740) is stated net of an allowance for obsolescence of $nil (2020 - $37,092). Included in EEA expenses in the consolidated statement of comprehensive income are recognized inventory expenses of $571,873 (2020 - $826,312). Inventory totaling $31,291 (2020 - $nil) was written down in the year.

12. **Employee pension benefits**

The total expense incurred for the Company's defined contribution plan was $223,178 (2020 - $236,928).

The total pension benefits expense is included in stevedoring expenses, EEA expenses, administrative salaries, wages and employment 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 and to a former officer and director and former employee as described in Note 22.

13. Personnel expenses

		2021		2020
Salaries, wages and employment benefits	$	5,531,710	$	6,186,535
Key management compensation		676,929		624,821
Compulsory payroll tax, social insurance, life, and health contributions		1,451,764		1,539,373
Payments to defined contribution pension scheme (Note 12)		223,178		236,928
	$	7,883,581	$	8,587,657

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

14. Long-term debt

On March 14, 2019 the Company borrowed $3,800,000 from a Bermuda Bank, comprised of three separate loans:

A $1,500,000 loan at 0.55% above a Bermuda Bank's Bermuda dollar corporate base rate. The loan is amortized over 15 years.

A $1,000,000 loan at 1.20% above a Bermuda Bank's Bermuda dollar corporate base rate. The loan is amortized over 10 years.

A $400,000 loan at 3.2% above a Bermuda Bank's Bermuda dollar corporate base rate. The loan is amortized over 10 years.

Interest paid during the year was $194,653 (2020 - $218,033).

The long-term debt is secured by a fixed and floating debenture over the assets of the Company, cross guaranteed by ESR, MRH and EEA, with a first mortgage over MRH's property in the amount of $2.0 million.

Principal repayments over the next five years are as follows:

2022	$	272,093
2023		287,433
2024		303,655
2025		320,811
2026		338,957
2027 and thereafter		2,006,964
	$	3,529,913

15. Due to director

On April 1, 2019 a director loaned the Company $300,000 bearing quarterly interest payments of 10.0% and repayable in two years. The debt was denominated in United States dollars, was unsecured and could be repaid early without penalty. On June 17, 2020, retroactive to April 1, 2020, the interest was amended to 5.3%. Interest paid during the year was $16,000 (2020 - $30,000). On March 31, 2021 the loan was fully repaid.

16. Goodwill

On March 14, 2019, the Company acquired 100% of the shares and voting interests in East End Asphalt Company Limited ("EEA"). Goodwill of $1,339,892 represents the excess purchase price of $4,189,497 over the net assets in EEA at the time of acquisition of $2,849,605. Goodwill arose through a number of synergies gained from the existing operations.

	2021	2020
Balance at April 1	$ 1,200,000	$ 1,339,892
Impairment loss	(100,000)	(139,892)
	$ 1,100,000	$ 1,200,000

Impairment

At year-end, management conducted an impairment review on the goodwill allocated to EEA. The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The cash flow projections included specific estimates for five years based on expectations of future outcomes taking into account past experience. The discount rate of 10.5% (2020: 9.0%) was a pre-tax measure based on the Company's strategic return on investment and approximates the weighted average cost of capital.

The recoverable amount of the CGU was determined to be higher than its carrying amount, however management elected to recognize a further impairment loss of $100,000 in the year (2020 - $139,892).

The key assumptions used in the estimation of value in use were a discount rate of 10.5% (2020 - 9.0%) and annual net cashflows of $380,000 (2020 - $380,000). Cash flows are based on prior periods projected for the year ending March 31, 2022 assuming a 5-year projection period plus a perpetuity. Capital expenditures of $250,000 per annum were factored into the cash flow projections, as investment is needed to maintain the current level of operations of the CGU. The Company has assumed an annual growth rate of nil% (2020 - nil%).

Sensitivity Analysis

The Company prepared a stress testing considering the following scenarios taking into account different discount rates and forecasted cashflows. Cashflows have to decrease by 8.2% each year for the impairment model to achieve break even.

The discount rate would have to increase to 11.4% for the impairment model to achieve break even.

17. 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, 2021, 1,187,132 (March 31, 2020 - 1,187,132) 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.

In April 2019 as part of its acquisition of EEA (Note 16), the Company issued 46,154 shares for consideration of $6.50 per share in favor of the seller to be used as security in relation to the final purchase payment of $300,000 due in March 2020. The shares were repurchased by the Company in March 2020 on settlement of the final purchase payment.

As at March 31, 2021, the direct and indirect shareholding ownership of directors and officers was 328,717 (2020 - 328,717) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer, except for the share option agreement referred to below.

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:

	2021	2020
$nil (2020 - $0.08) per qualifying ordinary share – June	$ –	$ 94,970
$nil (2020 - $0.08) per qualifying ordinary share – September	–	94,970
$nil (2020 - $0.08) per qualifying ordinary share – December	–	94,971
$nil (2020 - $0.08) per qualifying ordinary share – March	–	94,971
	$ –	$ 379,882

Share option agreement

On April 1, 2017 the Company established a share option plan that entitles its Chief Executive Officer ("CEO") to purchase shares in the Company at a price equal to 20% below the weighted average of the Bermuda Stock exchange trade price over the 12 months preceding the exercise date.

The options entitle the CEO to acquire up to 5,000 ordinary shares annually for each of the three years ending March 31, 2018, 2019 and 2020, such number of shares being determined for 2019 and 2020 by the Company's Board of Directors. On April 9, 2019 the CEO exercised 3,000 options. At the time the market value of the shares was $6.50 per share, giving rise to a benefit to senior management of $3.06 per share ($9,180). No options were exercised during the year ended March 31, 2021.

18. General reserve

General reserve represents amounts appropriated by the directors.

19. 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.

The Company earned stevedoring revenue of $5,469,685 (2020 - $5,662,203) from both BISL and SISL. Included in accounts receivable as at March 31, 2021 is $484,121 (2020 - $203,288) due from both companies.

Meyer Technologies Ltd. And Forensics First Ltd. are related by virtue of common significant influence by a director of the Company. The Company incurred information technology expenses of $193,700 (2020 - $140,349) from Meyer Technologies Ltd. which are included in information technology and telecommunication expenses in the consolidated statement of comprehensive income. The Company incurred consultancy expenses of $92,824 (2020 - $108,760) from Forensics First Ltd. which are included in professional fees in the statement of comprehensive income.

20. Finance income

Finance income comprises of the following:

	2021	2020
Interest income	$ 7	$ 22

21. Earnings per share

Earnings per share is computed by dividing income 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, 2021 was based on the loss attributable to ordinary shareholders of $511,328 (2020 – profit of $167,849), and a weighted average number of ordinary shares outstanding of 1,187,132 (2020 - 1,187,058).

	2021	2020
Issued ordinary shares and weighted average number of shares at April 1	1,187,132	1,184,132
Shares issued in the year	–	3,000
Share capital at March 31	1,187,132	1,187,132

Share options with a dilutive effect were issued on April 1, 2017 (Note 17). The calculation of diluted earnings per share at March 31, 2021 is based on the loss attributable to ordinary shareholders of $511,328 (2020 – profit of $167,849), and a diluted weighted average number of ordinary shares outstanding of 1,187,132 (2020 - 1,189,058).

22. 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, 2021 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 $137,241 (2020 - $154,436) and has been included in accrued expenses in the consolidated statement of financial position.

The Company entered into a Terminal Operator's Licence with respect of the City of Hamilton docks. The license has a 5 year term which commenced on March 1, 2016. On August 31, 2020 the license was extended until February 28, 2022, and on May 21, 2021 the City of Hamilton provided the Company with an official notification that it has sought approval from the Government of Bermuda to enter into direct negotiations with SSL for an augmented license with a term of 20 years. Under the current agreement the licence fee for each year is $200,000 or 1.8% of the gross revenue of the operator, SSL, whichever shall be the greater.

The Company leases a property in Hamilton Parish where it operates its EEA subsidiary. The lease has a 20 year term which commenced March 15, 2019 and has an option to be extended for 30 additional years. The Company may terminate the lease, with six months' notice, at any point during the lease's first 10 years. Rent was $90,000 per year in years one and two, increasing to $220,000 per year in the third year, and rising by the rent section of the Bermuda Consumer Price index thereafter.

As at March 31, 2021, the Company had contracted capital commitments in respect of plant and equipment of $nil (2020 - $324,363). These commitments were met from operations during the year ended March 31, 2021.

23. Financial instruments

Fair value

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, long-term debt and amount due to director approximates their carrying value due to their short-term maturity or because they attract market rates of interest.

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.

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.

23. Financial instruments (continued)

(a) Cash and cash equivalents and investments

At March 31, 2021, 88% (2020 - 87%) of the Company's cash and cash equivalents are held with a single Bermuda bank which has a credit rating of BBB+ according to the Standard & Poor's rating agency. Management does not believe that there is any significant credit risk with respect to its cash and cash equivalents.

The following table presents an analysis of the credit quality of cash and cash equivalents at amortized cost by reference to the external credit rating and default rates published by Standard & Poor's:

	2021	2020
BBB+	$ 2,106,669	$ 1,605,296
B	289,209	241,855
Impairment loss	–	–
	$ 2,395,878	$ 1,847,151

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. 12-month and lifetime probabilities of default are based on historical data supplied by Standard & Poor's for each credit rating and are recalibrated based on current bond yields and credit default swap prices. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties, and accordingly no impairment loss has been recorded.

23. Financial instruments (continued)

(b) Accounts receivable

Included in accounts receivable is unbilled work in progress of $86,890 (2020 - $41,676). At March 31, 2021, 72% (2020 - 64%) of the Company's accounts receivable balance is due from three customers.

The Company's major customers have been transacting with the Company for a number of years and significant 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.

Expected credit loss assessment for individual customers

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the type of product purchased.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at March 31, 2021:

As at March 31, 2021	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current	nil%	$ 1,251,705	$ nil	No
Past 30 days	nil%	26,324	nil	No
Past 60 days	nil%	5,130	nil	No
Past 90 days	nil%	50,436	nil	No
		$ 1,333,595	$ nil	

Loss rates are based on the actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

23. Financial instruments (continued)

(b) Accounts receivable (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at March 31, 2020:

As at March 31, 2020	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current	nil%	$ 1,079,396	$ nil	No
Past 30 days	nil%	69	nil	No
Past 60 days	nil%	9,042	nil	No
Past 90 days	32%	–	nil	No
		$ 1,088,597	$ nil	

Loss rates are based on the actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	2021	2020
Balance at April 1	$ –	$ 18,727
Impairment provision on acquisition of EEA	–	–
Amounts written off	–	(18,727)
Net re-measurement of loss allowance	–	–
Balance at March 31	$ –	$ –

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect interest payable on long-term debt and interest earned on cash and cash equivalents. Management does not believe that the Company is exposed to significant interest rate risk.

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.

23. Financial instruments (continued)

Liquidity risk (continued)

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, 2021	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 15 years
Accounts payable	$ 300,970	$ 300,970	$ –	$ –	$ –
Long-term debt	4,607,008	227,918	227,918	455,837	3,695,335
	$ 4,907,978	$ 528,888	$ 227,918	$ 455,837	$ 3,695,335

As at March 31, 2020	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 15 years
Accounts payable	$ 1,223,742	$ 993,131	$ 90,491	$ 30,816	$ 109,304
Due to Director	300,000	–	300,000	–	–
Long-term debt	4,828,390	227,917	227,917	455,833	3,916,723
	$ 6,352,132	$ 1,221,048	$ 618,408	$ 486,649	$ 4,026,027

24. Capital management

The Company's capital comprises shareholders' equity, which consists of share capital, share premium, general reserve and retained earnings. 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.

24. Capital management (continued)

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.

25. 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 investment property to businesses as office and business space in Bermuda.
5. EEA carries on business as an asphalt manufacturing and paving company.

For management purposes, the Group is organized into these five (2020 - five) separate business segments based on their products and services. For financial reporting purposes, these five (2020 - five) 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 $1,439,984 (2020 - $1,340,380) was recognized under the PHC group structure.

25. Operating segments (continued)

2021

Revenue/expenses (stated in $000's)

	EEA	PHC	SSL	ESR	MRH	Elimination	Consolidated
Stevedoring revenue	$ –	$ –	$ 10,803	$ –	$ –	$ –	$ 10,803
EEA revenue	2,725	–	–	–	–	–	2,725
Rental income	–	–	–	–	161	–	161
Inter-segment	–	938	–	1,468	–	(2,406)	–
Total revenue	2,725	938	10,803	1,468	161	(2,406)	13,689
Stevedoring expenses	–	–	6,885	–	–	–	6,885
EEA expenses	1,956	–	–	–	–	–	1,956
Depreciation	13	–	141	945	–	–	1,099
Depreciation of investment property	–	–	–	–	92	–	92
Finance expenses	408	–	10	–	–	–	418
Impairment of goodwill	–	100	–	–	–	–	100
Other expenses	801	947	1,865	9	28	–	3,650
Expenses	1,222	1,047	2,016	954	120	–	5,359
Inter-segment	30	–	2,100	270	6	(2,406)	–
Total expenses	3,208	1,047	11,001	1,224	126	(2,406)	14,200
(Loss) profit for the year	$ (483)	$ (109)	$ (198)	$ 244	$ 35	$ –	$ (511)

25. Operating segments (continued)

2020

Revenue/expenses (stated in $000's)

	EEA	PHC	SSL	ESR	MRH	Elimination	Consolidated
Stevedoring revenue	$ –	$ –	$ 11,868	$ –	$ –	$ –	$ 11,868
EEA revenue	3,263	–	–	–	–	–	3,263
Rental income	–	–	–	–	148	–	148
Inter-segment	–	1,135	–	1,440	–	(2,575)	–
Total revenue	3,263	1,135	11,868	1,440	148	(2,575)	15,279
Stevedoring expenses	–	–	7,468	–	11	–	7,479
EEA expenses	2,257	–	–	–	–	–	2,257
Depreciation	75	–	324	846	–	–	1,245
Depreciation of investment property	–	–	–	–	87	–	87
Finance expenses	439	–	19	–	–	–	458
Impairment of goodwill	–	140	–	–	–	–	140
Other expenses	609	1,135	1,661	5	35	–	3,445
Expenses	1,123	1,275	2,004	851	122	–	5,375
Inter-segment	65	–	2,155	349	6	(2,575)	–
Total expenses	3,445	1,275	11,627	1,200	139	(2,575)	15,111
Profit (loss) for the year	$ (182)	$ (140)	$ 241	$ 240	$ 9	$ –	$ 168

25. Operating segments (continued)

As at March 31, 2021

	EEA	PHC	SSL	ESR	MRH	Total reportable segments	Elimination	Total
Assets	$ 10,388	$ 5,649	$ 3,330	$ 5,437	$ 1,863	$ 26,667	$ (6,405)	$ 20,262
Liabilities	8,261	42	1,221	–	–	9,524	–	9,524
Capital expenditure	531	–	670	360	30	1,591	–	1,591

As at March 31, 2020

	EEA	PHC	SSL	ESR	MRH	Total reportable segments	Elimination	Total
Assets	$ 10,596	$ 5,795	$ 3,546	$ 5,192	$ 1,828	$ 26,957	$ (6,405)	$ 20,552
Liabilities	7,986	78	1,239	–	–	9,303	–	9,303
Capital expenditure	506	–	641	701	58	1,906	–	1,906

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ABOUT THE COVER: *At De Docks*

At De Docks was created as a spin-off of Hollis' *Gotta Go Town* design. *At De Docks* specifically celebrates the docks' importance to the supply and demand chain of Bermuda located in the heart of Hamilton.

This work is a continuation of Hollis' *The People's Collection* series. *The People's Collection* focuses on preserving Bermudian heritage by highlighting people, athletes, politicians, celebrities, animals, places, products, and cuisine. The series captures the designers' experiences and other Bermudian's stories about living on the island and delivers it through the lens of color and design.

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ABOUT THE ARTIST

Shanna Hollis is a contemporary graphic designer and multidisciplinary artist who lives and works in Bermuda. Her designs have been featured in exhibitions locally and internationally. Her work pays tribute to her island, the community, her identity, and experiences.

www.rickfariesgallery.com/collections/shanna-hollis

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