THE BIG PICTURE ANNUAL REPORT

Polaris
HOLDING COMPANY LTD.

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CHAIRMAN'S REPORT

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CHERYL HAYWARD-CHEW
Chairman, Polaris Holding Company Ltd.

It was all but impossible for Polaris Holding Company Ltd. ("Polaris") not to achieve a stellar fiscal 2018. With America's Cup hitting Bermuda like a tsunami, the event soaked prosperity into the island for well over 12 months, and pushed imports to levels never before seen.

It would have been easy for Stevedoring Services Limited ("SSL") to profiteer from this bounty, to pump rates higher as it met an insatiable demand. Instead, in addition to providing leadership and acting as an advocate for the cargo industry, SSL provided concessions and contorted to prioritize the fast and steady flow of cargo.

With its terminal operator's license up for renewal in February 2021, perhaps the past two years would have been the time to squeeze spending and maximize gains, abandoning Polaris' long term vision and its commitment to staff, customers and the Bermuda populace as a whole. Instead under the deft stewardship of CEO Warren Jones, Polaris navigated managerial myopia, providing a strong fiscal 2018 and leading the Company into fiscal 2019 and well beyond.

At Polaris, we are proud of who we are, what we have done, and where we plan to go.

Polaris continues to ensure its skilled and motivated workforce are properly equipped to provide the professional services required by its customers. In addition to over $400K to acquire a new terminal operating system, $1.8M was spent on heavy equipment and, if one includes $900K spent in 2017 and over $2.0M in early fiscal 2019, Polaris' total capital spending for heavy equipment over the past 30 months equals $5M.

"TOGETHER WE WILL ATTAIN SUCCESS AND GROWTH..."

SHARPENED DIVERSIFICATION GOALS

In line with the Company's mission to be an employer of choice, the Board's Human Resource and Compensation Committee continues to provide robust support for the personnel decisions of the management team. This includes quarterly reviews of the organizational structure and consideration of management and non-unionized staff appraisals.

With SSL's license renewal date looming, the Board appointed an Investment Committee, charged with sharpened diversification goals. In addition, on completion of the 2018 financial year, the Board concluded that the Finance Committee, had successfully guided refinement of the Company's reporting and financial analysis, and as such the Finance Committee was disbanded. The Board also recognized the expanding demand of risk management oversight, in particular for compliance and cyber security, and as such increased focus and resources in fiscal 2019 on the Audit and Risk Management Committee.

On behalf of the Board of Directors, I would like to thank the management team and staff for their diligence, commitment and hard work. It is only together that we will attain success and growth for Polaris, for each other and for Bermuda.

YEAR 2021

Terminal operator's license up for renewal

+12 MTH

America's Cup soaked prosperity into the island

$5 MIL

Polaris' total capital spending for heavy equipment over the past 30 months

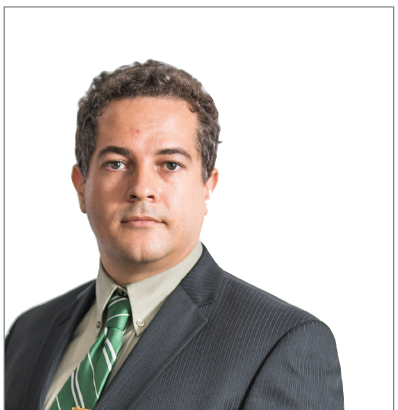
LEADERSHIP

OUR BOARD OF DIRECTORS

Cheryl Hayward-Chew [1, 4]
Chairman of the Board

The Hon. Wayne Caines [1, 2, *, +]
Deputy Chairman

Jeffrey Conyers [2, 3, 5]
Director



Howard Pitcher [1, 3, 4]
Director

Paul Hubbard [2, 3, *]
Director

Tammy Richardson-Augustus [1, 4, 5, *]
Director

Warren Jones [5]
Chief Executive Officer

NOTES:

1. Nomination and Corporate Governance Committee
2. Audit and Risk Management Committee
3. Finance Committee
4. Human Resource and Compensation Committee
5. Investment Committee

* Independent as defined by the UK Corporate Governance Code 2016
\+ Government Minister of National Security

MANAGEMENT TEAM

Pictured from left to right
Eric Berkeley | Dock Operations Manager, Stevedoring Services Limited
Warren W. Jones | Chief Executive Officer, Polaris Holding Company Ltd.
Aloma Musson | Administration Manager, Polaris Holding Company Ltd.
Kimothy Wilkinson | Superintendent, Stevedoring Services Limited
Linda Amaral | Comptroller, Polaris Holding Company Ltd.

"POLARIS NAVIGATED MANAGERIAL MYOPIA..."

REPORT FROM THE CEO

REPORT FROM THE CEO

WARREN JONES
CEO, Polaris Holding Company Ltd.

"IT IS NO SECRET THAT WE HAVE BUT ONE GOAL..."

Fiscal 2018 represents the third consecutive year of profit for Polaris Holding Company Ltd. While it may be tempting to think that our success was the result solely of the America's Cup, the reality is that we have been taking deliberate steps over the past four years to change processes, systems and to develop personnel to create the foundation upon which that success is built.

It is no secret that we have but one goal – to gain renewal of the terminal operating license for the Port of Hamilton. It was just two years ago that we contracted an experienced and internationally renowned stevedore to evaluate our operation and to provide recommendations that would assist us to achieve that goal.

The last two years have been spent implementing those recommendations and focusing on improving our efficiency and service. The improvements cannot be denied and are evidenced in the following pages of this Report. Others can try to measure up to us but will fail because of our knowledge, experience, skill, standards and the lengths to which we have gone to understand what it takes to run this business successfully. Further, our record of developing our Bermudian workforce is second to none and no outside entity would truly understand and support Bermudians in the same manner.

To ensure that we do not become myopic in our view, we ensure that we maintain international linkage.

Our memberships include the Port Management Association of the Caribbean (PMAC), the General Stevedoring Council (GSC) and the Caribbean Shipping Association (CSA). We are regular attendees and participants in meetings and courses where we are received as a respected participant.

We have made a significant investment in dock-handling equipment. A risky but necessary requirement – risky because dock handling equipment is very expensive and we have no guarantee of being the operator of the port at the end of this contract; and necessary because as the operator of Bermuda's only cargo port, we have a responsibility to the people of Bermuda to ensure that they receive safe and efficient service to any ship that comes into our port.

This has led us to seek efficiencies, particularly through our investments. Equipment Sales and Rentals Limited ("ESR") purchased two new reach stackers; but we also sold two other machines which were costing us both time and money through continual breakdowns.

MEMBERSHIPS

- Port Management Association of the Caribbean (PMAC)
- General Stevedoring Council (GSC)
- Caribbean Shipping Association (CSA)

EQUIPMENT

- New Maintenance Agreements
- Quarterly Technician visits

SERVICE AGREEMENTS

- Minimum Service Level Agreements
- Customers not responsible for service interruption costs
- Tracking KPI's for Efficiency

In replacing those machines, we standardized our vehicle fleet to Taylor machines. This represents cost savings on spare parts and time savings to complete repairs. The most important piece of equipment on the port is the crane. The fate of Bermuda is reliant on the uptime of our two cranes. As a result, we negotiated a maintenance agreement with our supplier which sees one of their technicians' on-Island once a quarter to work with our mechanics to service the Gottwald Crane.

Equipment Sales and Rentals also recently took delivery of a new Manitowoc 999 crane. This provides SSL some flexibility through having a third crane. Being so close to the termination of the operating license, one could question why we would make such a significant investment at this time. The purchase of that crane demonstrates our understanding of the risks and requirements of operating a port in an isolated geographic region.

SSL services ships with two mobile cranes. When one of those cranes is out of service for any period of time, the entire Island is at-risk of cargo not being able to be delivered. With the uncertainty around the future of the operating license, we could have taken the position not to risk purchasing another crane, instead, we accepted the responsibility of being the Island's only cargo port operator, ensuring the needs of the community are met. Further, this purchase provides flexibility to properly maintain our equipment and if necessary, to work on other sites besides the Hamilton port.

In response to safety and health concerns, the Corporation of Hamilton was tasked with a multi-day repair of the pavement on the Hamilton Docks. With the cooperation of WEDCO, Bermuda Container Line, the shipping agents, Customs, security and importers, our team showed their mettle and mobilized equipment to temporarily relocate the operation and service the people of Bermuda without a hitch.

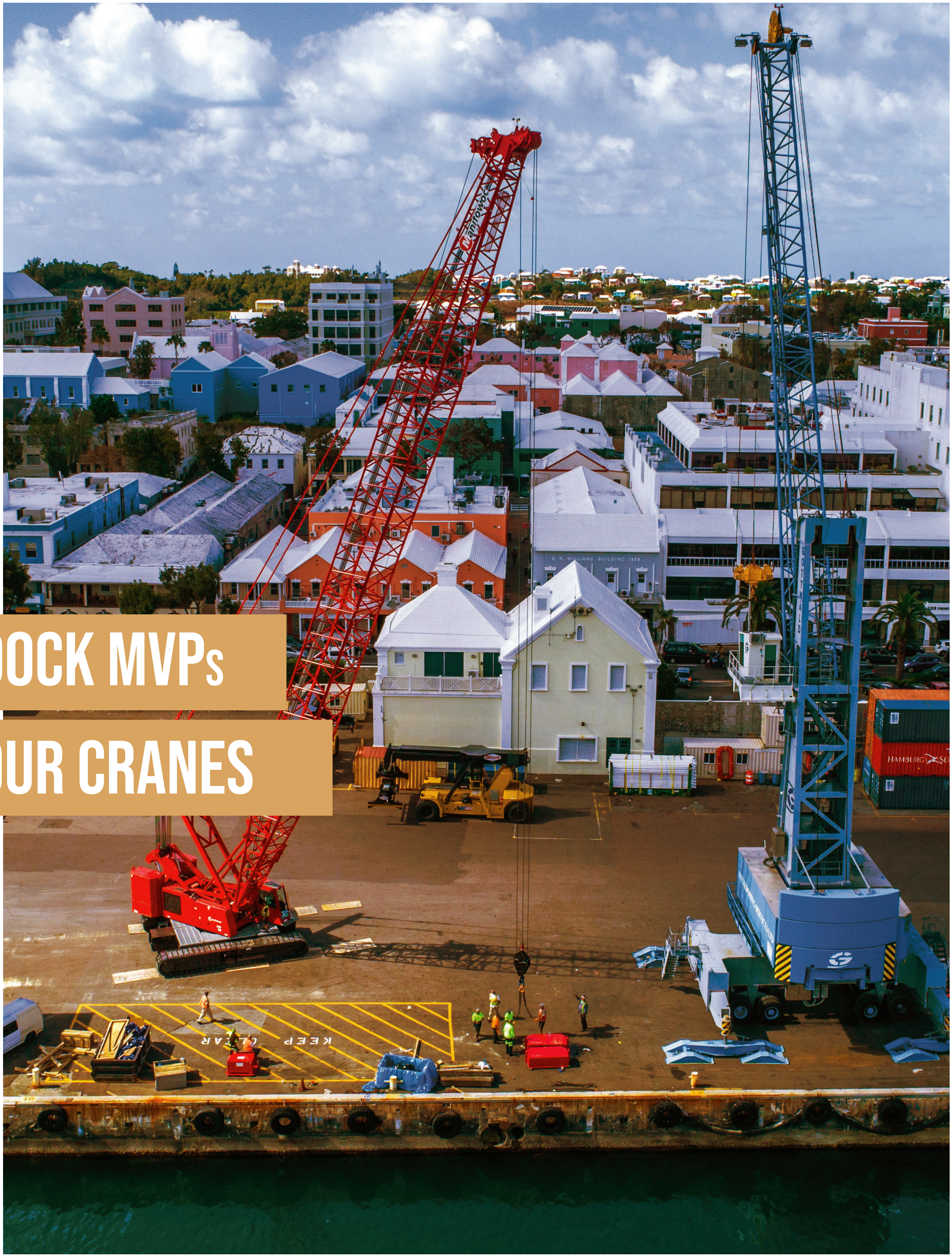
Following an extended period of industrial action which amounted to a ban on overtime, the first disruption of service directly related to the actions of SSL in over five years, an amicable resolution was reached. This was a difficult period for staff and management alike but the positive relationship between the parties continues and full service resumed immediately upon resolution of the dispute.

SSL is focused on providing reliable service. All of these changes reflect our commitment to our customers. Minimum Service Level Agreements with the shipping lines also ensure that the costs of service interruptions are not borne by the customer and tracking Key Performance Indicators ensures our ongoing efficiency.

Notwithstanding the structural and procedural changes we have made, it still takes the people to make it all work. Sharing information with our staff ensures that they are clear on the consequences of our actions and share in the benefits and successes we achieve. Our management team and staff is the reason for our success. Despite many challenges, our commitment to our customer, the people of Bermuda, did not waver.

It is important that I thank Eric Berkeley, Kimothy Wilkinson, Linda Amaral and Aloma Musson - the Management Team, and every member of the staff for their part in the financial success of the Company this past year.

While the road ahead may not be clear to us at this time, our knowledge, experience and record of success are testament to our ability to provide what Bermuda needs.



DOCK MVPs OUR CRANES

CONNECTING WITH OUR TEAM

TRAINING

In our last Annual Report, it was noted that our intent is to ensure the international certification of our workers. The Caribbean Maritime University (CMU) continues to work hand-in-hand with SSL's management team regarding the development of staff. During the year, half of the team was involved in 'Stevedoring Part II' training. Further training is scheduled for the upcoming fiscal year. The garage mechanics also commenced a 'Fundamentals of Port Equipment' course.

In an effort to broaden the knowledge and life experience of SSL's Apprentice, Mr. Jahquan Smith-Deshields was seconded to CMU for a four-month period which commenced on the first day of Cup Match 2017. Jahquan successfully completed the programme in November and while in Jamaica also had the opportunity for on-the-job training at the Port Esquivel Facility.

With the acquisition of two new Taylor Reachstacker machines, SSL's entire fleet now consists of Taylor Reachstackers and top loaders. A Taylor technician provided the garage mechanics instruction on the maintenance of the Taylor machines. SSL intends to train the staff to Taylor Tech level to ensure that our reliance on overseas support is minimized.

LONG SERVICE AWARDS CEREMONY

SSL's first ever Long Service Award Ceremony was held at the Bermuda Underwater Exploration Institute. 261 years of combined service was recognized. Staff were awarded for their service commencing at ten years' and upwards for the years 2016 and 2017.

Also recognized were
Mr. Damon Simmons and Mr. Robert Smith who will retire this year.

The SSL Long Service Awards recognised Stevedoring Staff and retirees who had reached milestones in service for the 2016/2017 period.

EMPLOYEE SURVEY

In 2017, SSL undertook its first employee survey gauging the views of staff on a variety of human resource issues. That first survey now serves as a benchmark for what is to be an annual process.

EDUCATION AWARDS

Once again, SSL provided financial awards to eligible children of employees for educational purposes. Six persons were awarded:

Kaelin and Tahj Cox, children of Top Loader Operator Roderick Cox;
Etteleon Burchall, daughter of Senior Accountant Noelette Burchall;
Jache Butler, daughter of Holdman Joshua Butler;
Zed Scott, son of Deckman Otis Minors; and
Marcus Darrell, son of Garage Administrator Dexter Johnston.

Cheryl Hayward-Chew, Chairman of Polaris Holding Company holds court as she sends back-to-school best wishes to Stevedoring Services Limited Education Awardees and their parents.

CONNECTING WITH THE COMMUNITY

Polaris has developed a framework for sponsorship that seeks to showcase our corporate values through activities that are in line with who we see ourselves to be as a company, and which demonstrate key elements of Bermuda's social and cultural fabric. We continue to invest in the academic pursuits of our staff's children through our educational awards.

Our work on the docks and connection with the world of shipping necessitates a regard for the environment and changing weather patterns. It was a natural fit for us to fund research on risk prediction for Bermuda's climate.

Our staff have a keen interest in sports and our sponsorship of Track and Field, and local cricket have been the main channels by which we have aligned our staff's interest with our corporate investment dollars.

Warren Jones presented Dennis Musson of Cleveland County Cricket Club with the SSL Eastern Counties Man of the Match award for the first of the 2018 series as part of our community outreach

TRACK & FIELD

Under the banner of Stevedoring Services Limited, Polaris provided sponsorship for the Bermuda National Athletics Association's Bermuda Invitational Permit Meet, which took place on Friday, May 11, 2018.

The event took place at the Bermuda National Stadium before hundreds of local and visiting spectators. The event featured international track and field superstars including local standouts such as Bermuda's Paralympian, Jessica Lewis, Sprinter, Tre Houston and Long Jump specialist, Tyrone Smith. Our sponsorship also helped create a platform for Bermuda's junior athletes to compete against international competitors on home soil with local favourite Sakari Famous doing well on the local stage. The Meet included Commonwealth Games medalists, Olympians and major competitors in track and field from Jamaica, USA, BVI, Canada, Bahamas, Barbados, Nigeria, Puerto Rico, Costa Rica, Haiti, Cayman, Guyana and Dominica. Additionally, former World Indoor Champion and Bermuda National Athletics Association official Brian Wellman is a top loader operator within SSL.

***Donna Raynor**, President of the BNAA prepares to present local particpants with their medals at the SSL Sponsored,* **2018 BNAA Bermuda Invitational Permit Meet.**

PHOTO CREDIT: THE ROYAL GAZETTE

CRICKET

In 2017, Polaris renewed its sponsorship of the Cupmatch Man of the Match. Our brand received significant coverage with radio interviews, ads and prominent branding placement on the field. The award provided the selected player with gifts and travel vouchers and we made a public presentation in the weeks following the Cupmatch. In 2018, the sponsorship has taken a new form with radio coverage and sponsorship of the point-of-view video footage from the perspective of a team captain.

SSL staff has had a consistent group presence at the Eastern Counties for a number of years. In fact, we can boast a player within our ranks. In 2017, Polaris sponsored the radio broadcast of the Eastern County matches and netted interviews as the first phase of corporate alignment. In 2018, the partnership expanded with sponsorship of the Junior and Senior Eastern County MVP's. SSL's presence at the Bailey's Bay pitch included placement of a 15-foot semi-permanent billboard.

RISK PREDICTION

We have renewed our partnership with BIOS' Risk Prediction Initiative (RPI). Through Polaris, SSL has joined the corps of committed local and international sponsors that help support BIOS, a hub for global research in oceanography and climate change. As a local company whose business in container management and dock work is directly impacted by international shipping routes and the catastrophes that impact their timeliness, the RPI is a worthy initiative that impacts everybody on the island.

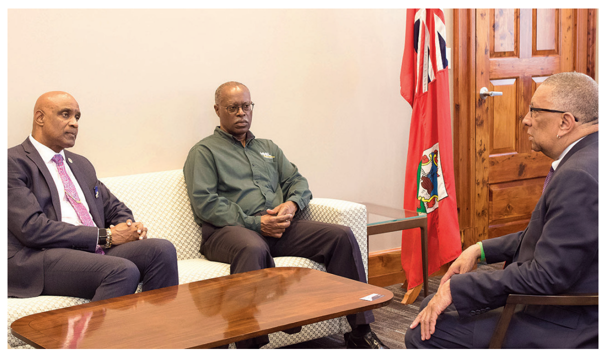
We are a local company and the RPI has a major impact on our nation's ability to predict and mitigate natural catastrophes. We believe in preparation, planning and communication. We are proud that our funds connect with the scientists who are making a difference at BIOS through research and study.

PHOTO CREDIT: WIKIPEDIA

TELLING THE STORY OF OUR TRAINING

In 2016, Stevedoring Services Limited accepted a young summer intern who demonstrated interest, persistence and sacrifice in his desire to work on the docks. He returned a year later and was hired as a paid intern, sent on a challenging journey to train at our partner institute, Caribbean Maritime University in Jamaica and was eventually hired, joining the SSL team,

As part of our mission to tell our story, we connected with Government, the Bermuda College and the media. We produced a ten-minute video that outlines the value of our role building a better Bermudian workforce through investment in training. The video was premiered at the company's inaugural Long Service Awards.



Polaris CEO, Warren Jones along with Caribbean Maritime University Executive Director, Dr. Fritz Pinnock (left) met with the Acting Premier, The Hon. Lt. Col. David Burch to discuss Polaris' training initiatives and potential regional training partnerships.

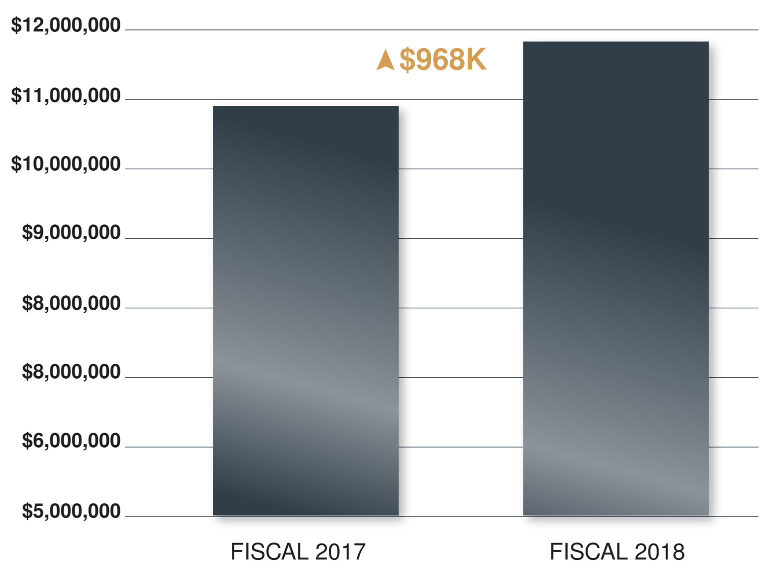
ANALYSING THE BIG PICTURE

OVERVIEW

Fiscal 2018 for Polaris Holding Company Ltd. (“Polaris”), and more broadly for Bermuda, was a lesson in macroeconomic theory, and the fiscal stimulus a major event provides a small country. Volume growth, short-term population expansion, and the effects on consumption and wealth culminated in a $336 million GDP infusion for Bermuda, more specifically known as the America’s Cup.

Polaris was a major benefactor of that largesse. Revenue for the year rose by $968K or 8.8% to $11.92 million [Fiscal 2017 – $10.95 million]. At least 77% of the uplift or $750K is estimated to be the direct result of the America’s Cup pushing cargo volumes upward. A 1.25% rate increase also moved annual revenue up $120K but was offset through the year having one less voyage and thus a reduced top line. Premium time charges accounted for the bulk of Polaris’ remaining revenue growth, although premium time increases were offset by the associated higher overtime costs, with the America’s Cup effects standing alone as fiscal 2018’s principal revenue driver.

Polaris - Revenue Growth



Expenses of $10.81 million were $1.02 million above prior year. Spending was up as a result of a surge in overtime costs, with SSL’s payroll accounting for 68% or $690K of the overall increase.

Polaris reflected a year-end profit of $1.30 million [Fiscal 2017 (restated) - $1.36 million]. While top line outpaced prior year, the heavy spending, particularly payroll, left the total comprehensive profit nominally down from fiscal 2017.

For the prior year, Polaris restated results for the retroactive treating of parts, now reflected as fixed assets and amortized over a four-year period. In the past parts were set-up as an inventory item and expensed as used. The restatement gave rise to a $140K upward adjustment in fiscal 2017, with the revised profit last year being $1.36 million. Without the restatement, fiscal 2018’s results would have been ahead of prior year.

Polaris Holding Company Ltd. - Financial Statement

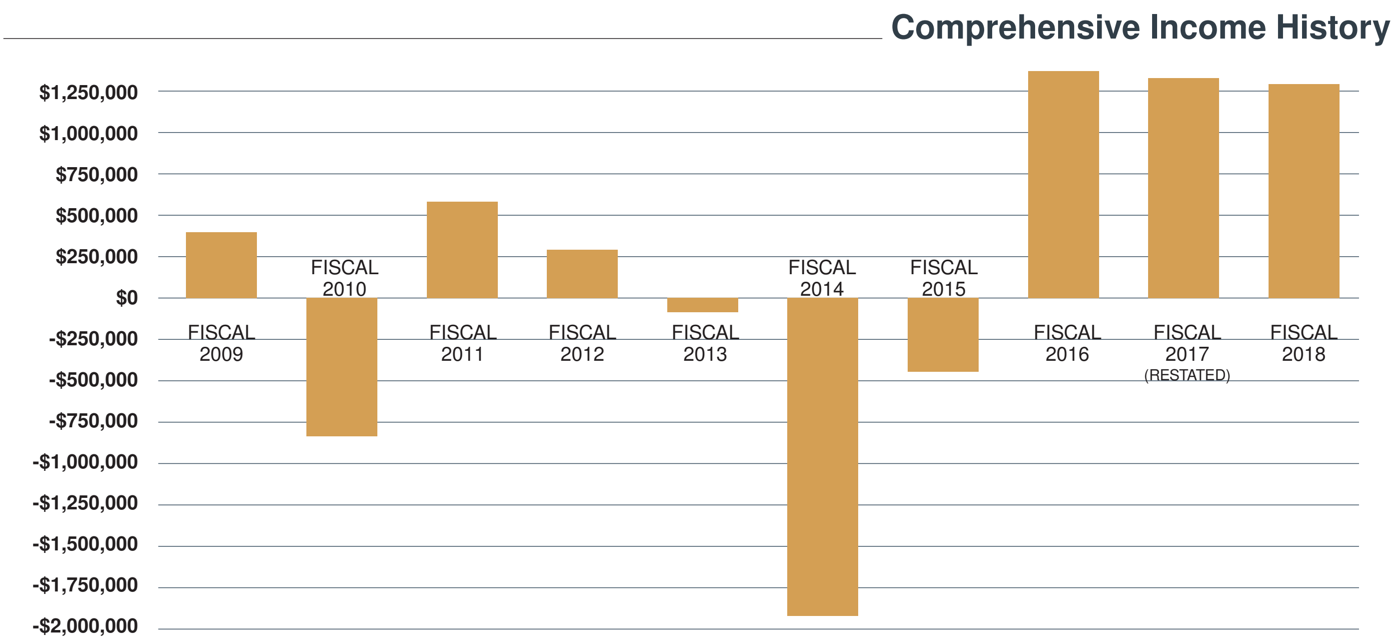
Fiscal Year End (Dollar amount in thousands)	31-Mar-12	31-Mar-13 (restated)	31-Mar-14 (restated)	31-Mar-15	31-Mar-16	31-Mar-17 (restated)	31-Mar-18
20-Foot Equivalent Container Moves	34,910	32,841	33,955	33,104	34,901	36,806	37,906
Stevedoring Revenue	$9,389	$9,000	$9,305	$9,217	$10,567	$10,954	$11,921
Operating Expencies, net rental income	9,055	9,050	11,080	9,508	9,066	9,632	10,656
Results from Operation Activities*	344	(50)	(1,775)	(291)	1,501	1,440	1,294
Total Comprehensive Profit (Loss) for the year	310	(98)	(1942)	(443)	1,384	1,361	1299
Earnings per Share	0.21	(0.45)	(1.56)	(0.34)	1.16	1.15	1.10
Shareholders' Equity	11,904	11,242	8,881	8,190	9,084	10,089	11,020

**March 31, 2014 results include a $1million impairment of investment property*

Key Performance Indicators	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017 (RESTATED)	Fiscal 2018
Return on Equity	-21.1%	-5.4%	16.0%	14.3%	12.3%
Net Cash Growth (Decline)	$321,991	$(143,881)	$681,817	$1,126,511	$141,261
TEU per Container Gang Hour	18.4	16.7	18.1	19.2	17.6
Revenue per Gang Hour	$4,593	$4,424	$5,475	$5,060	$4,654

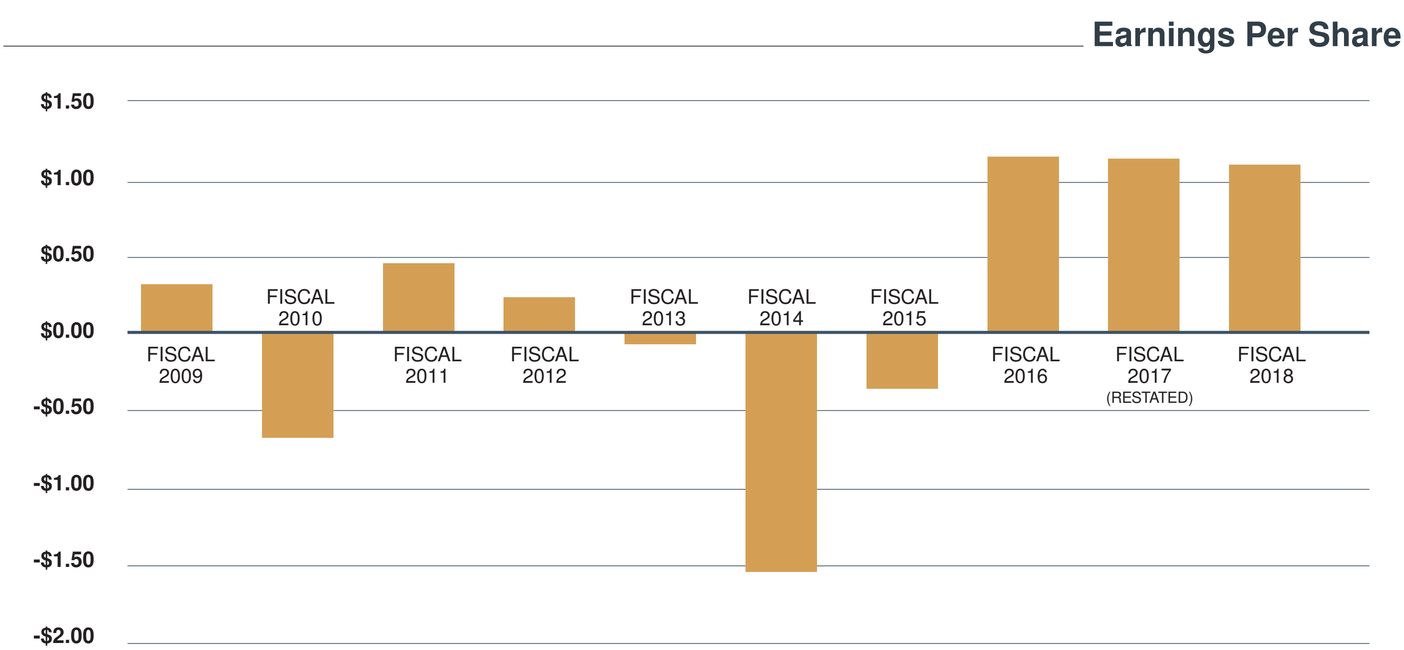
HISTORIC ANALYSIS

Polaris' consolidated net income for the past 10 years' is outlined below, with the past three years reflecting solid returns and ongoing stability after a bumpy half dozen years. Fiscal 2014's results included a $1.0 million property write down.



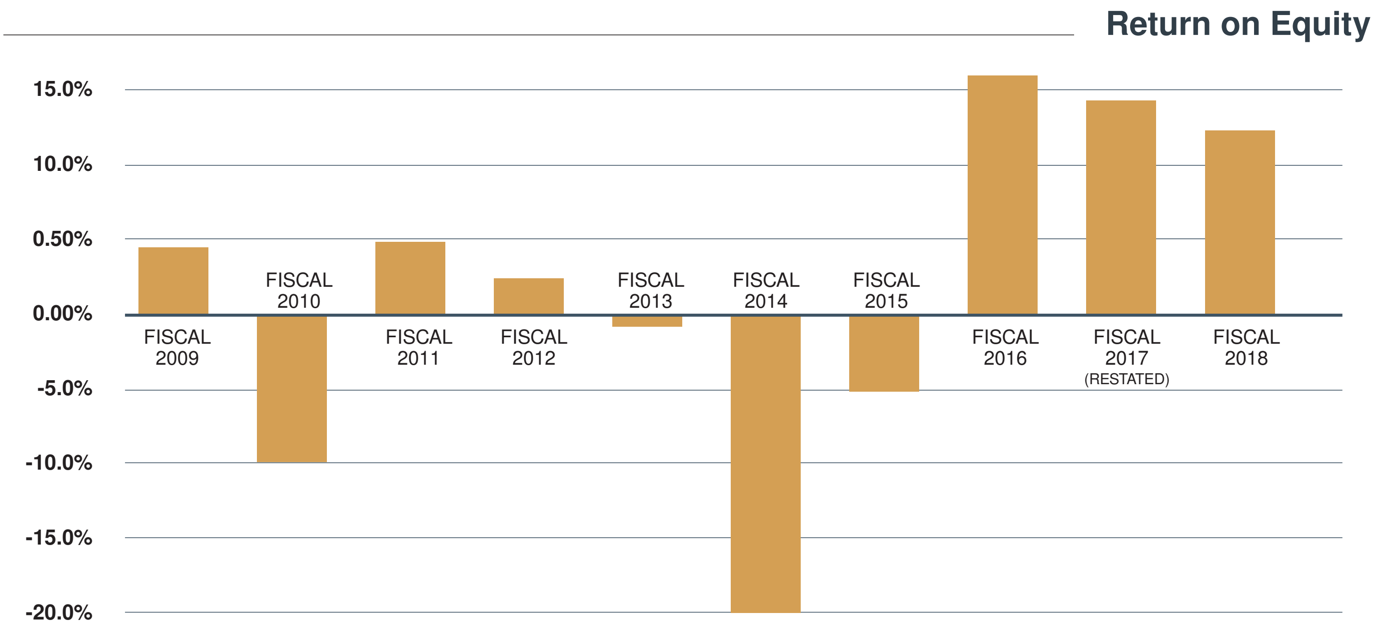
EARNINGS PER SHARE

The Company reported earnings per share of $1.10 in fiscal 2018, a figure slightly softer than fiscal 2017's restated $1.15.



RETURN ON EQUITY

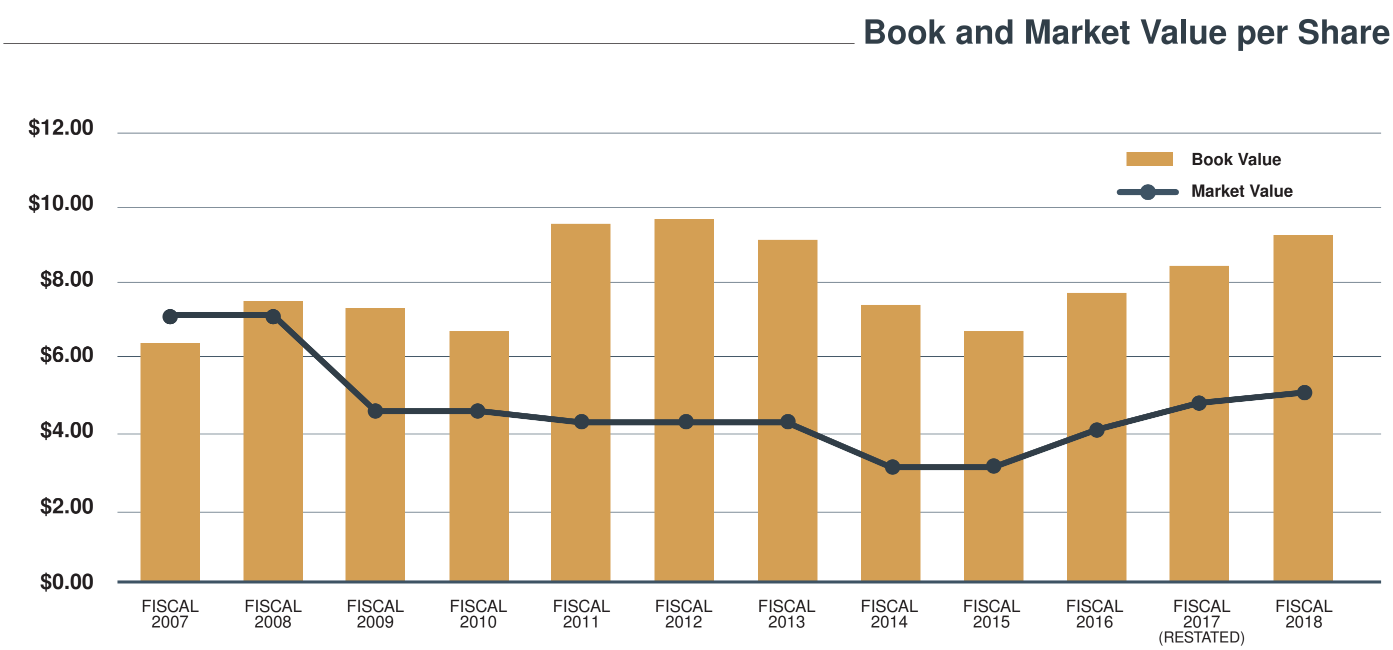
Polaris' equity at the end of fiscal 2018 was $11.02 million, with return on equity 12.3% achieving the Board's goal of a 12.0% or better return on equity.



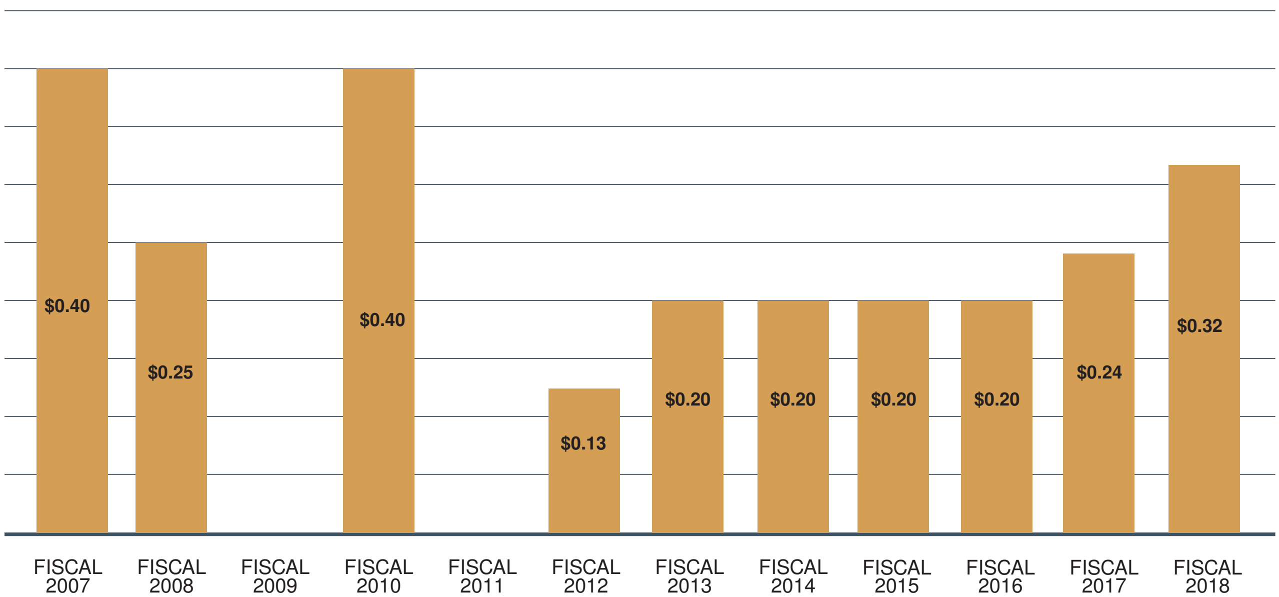
BOOK VALUE AND MARKET VALUE

Polaris' book value rose in fiscal 2011 when the Company wrote its investment property up to $3.0 million. The property was then written down to $2.0 million in fiscal 2015, adversely affecting book value. As at March 31, 2018, book value was $9.31 per share.

Market value per the Bermuda Stock Exchange at year-end grew to $5.00 per share, still well undervalued relative to Polaris' net assets and stable earnings.



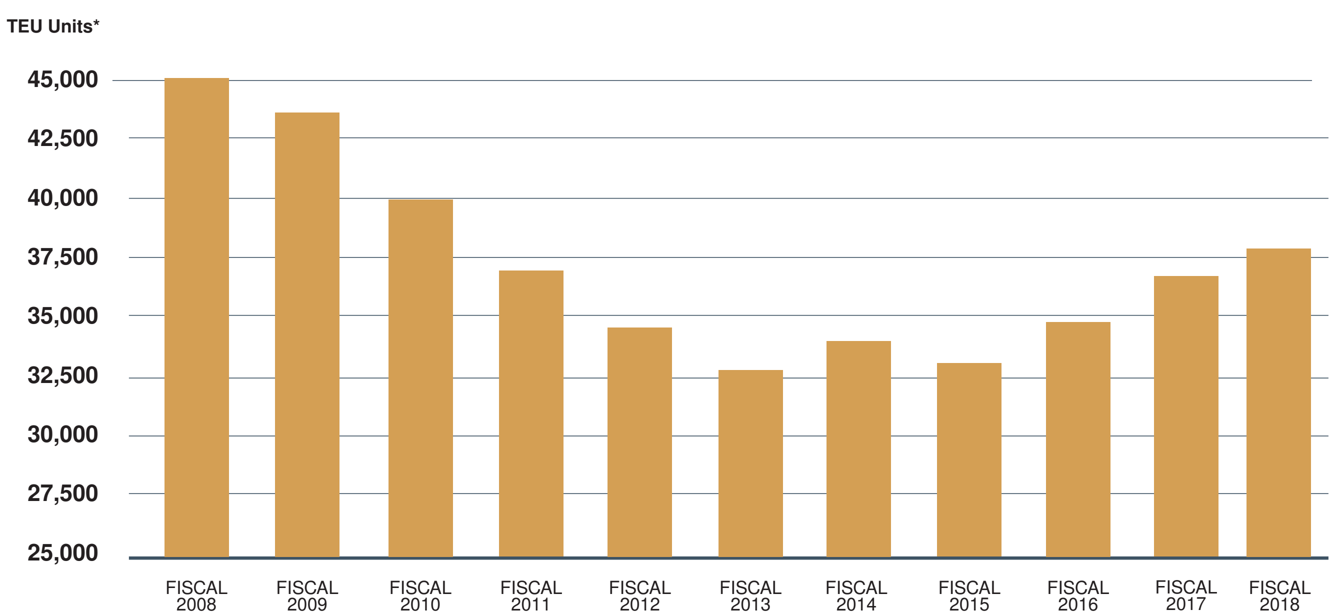
Dividends



DIVIDENDS

While not at past levels of $0.40 per share, dividends reflected another upward climb in fiscal 2018, shifting to $0.32 per share or $0.08 per quarter from $0.24 per share in fiscal 2017. Dividends would have risen higher but the ongoing capital spending utilized most of Polaris' disposable cash flow.

SSL - TEU Moves

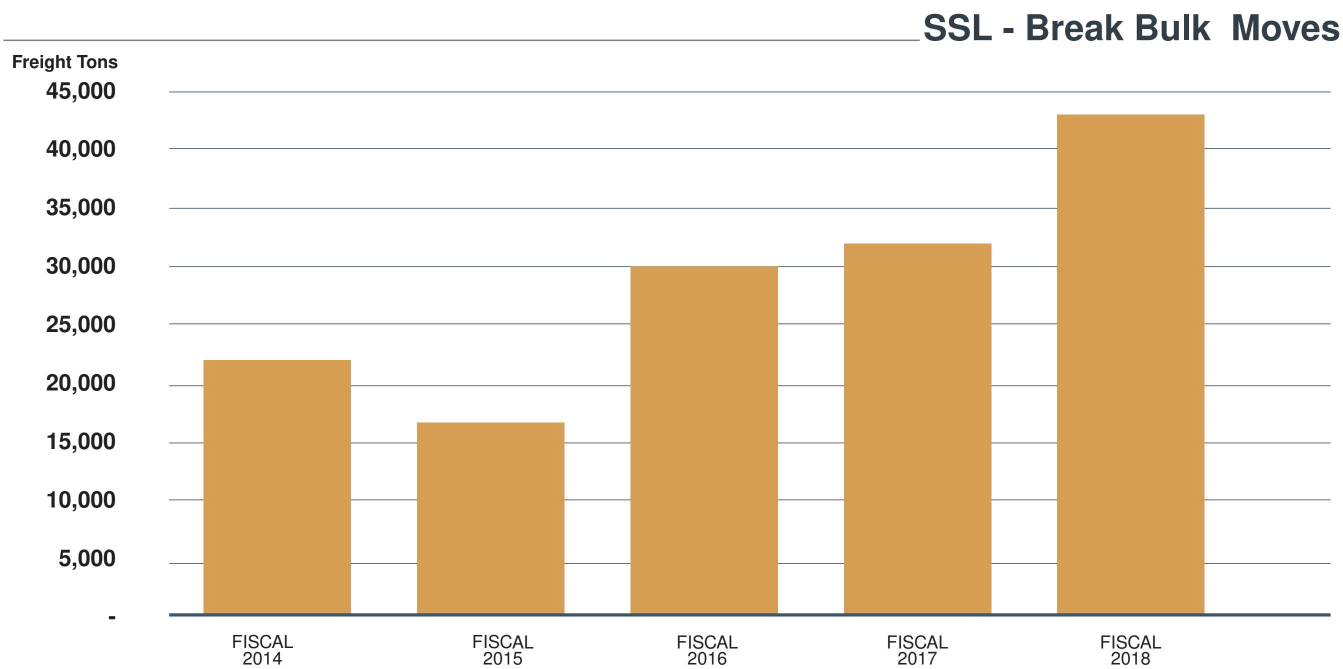


Twenty-foot equivalent container units.

DETAILED ANALYSIS – STEVEDORING SERVICES LIMITED

TEU moves of 37,906 were up 3.0% from fiscal 2017's 36,806 TEUs, despite the year having fewer voyages. While volumes were more than 7,000 TEUs or (15%) below the market's peak in 2008, the year continued Stevedoring Services Limited's steady climb upward from fiscal 2015's economic low of 33,104 TEUs.

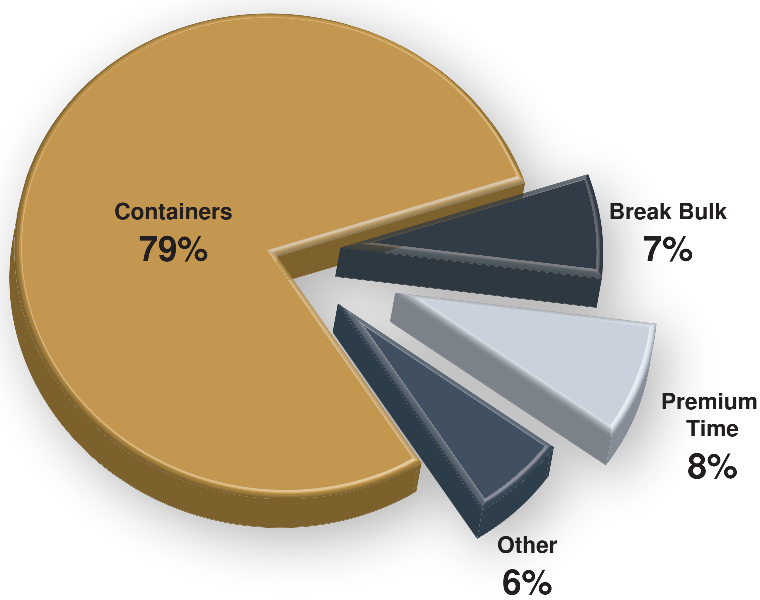
Break Bulk volumes at 42,660 freight tons for fiscal 2018, were at historic levels, and reflected 33.6% ahead of fiscal 2017.



SOURCE OF REVENUE

Consistent with historic patterns, 79% of SSL's fiscal 2018 revenue came from the movement of TEUs [Fiscal 2017 – 81%]. Break bulk and premium time charges collectively represented 15% of the year's revenue [Fiscal 2017 – 13%] and other revenue, inclusive of cruise and car ship line handling and discharging, port storage fees, and other income, totaled $631K or 6% of revenue [Fiscal 2017 - $645K or 6%].

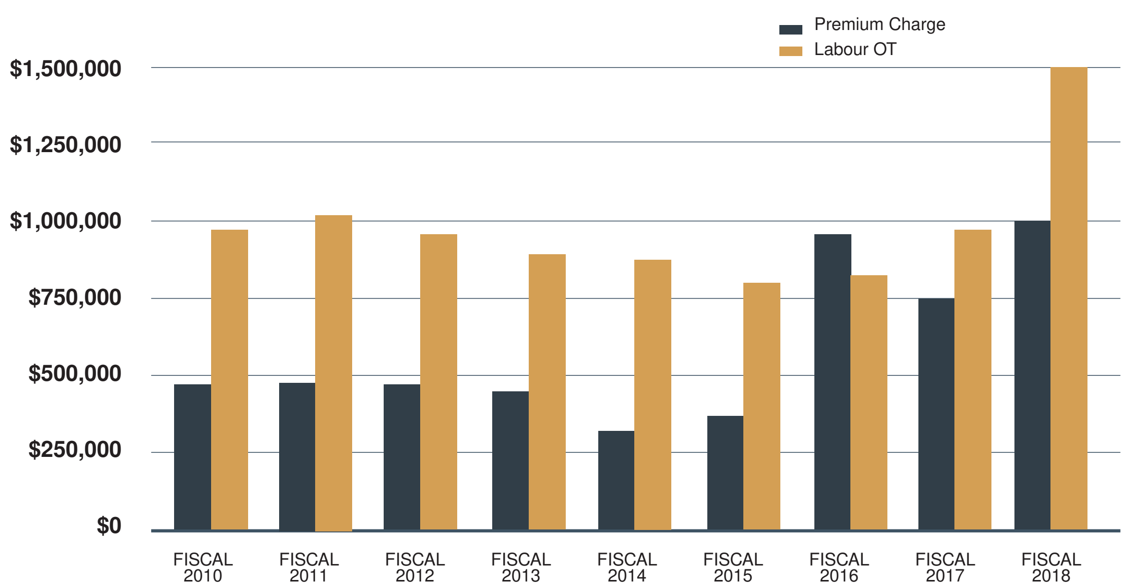
SSL Revenue Breakdown



The increase in premium time billing in fiscal 2018 did not add to SSL's bottom line, as much of SSL's overtime costs were absorbed by the stevedoring company. This was due to an array of reasons from terminal operator and garage mechanic time not being billable to the freight lines, new system training, weekend work to alleviate congestion, and the minimum service level agreement with each freight line providing rate concessions.

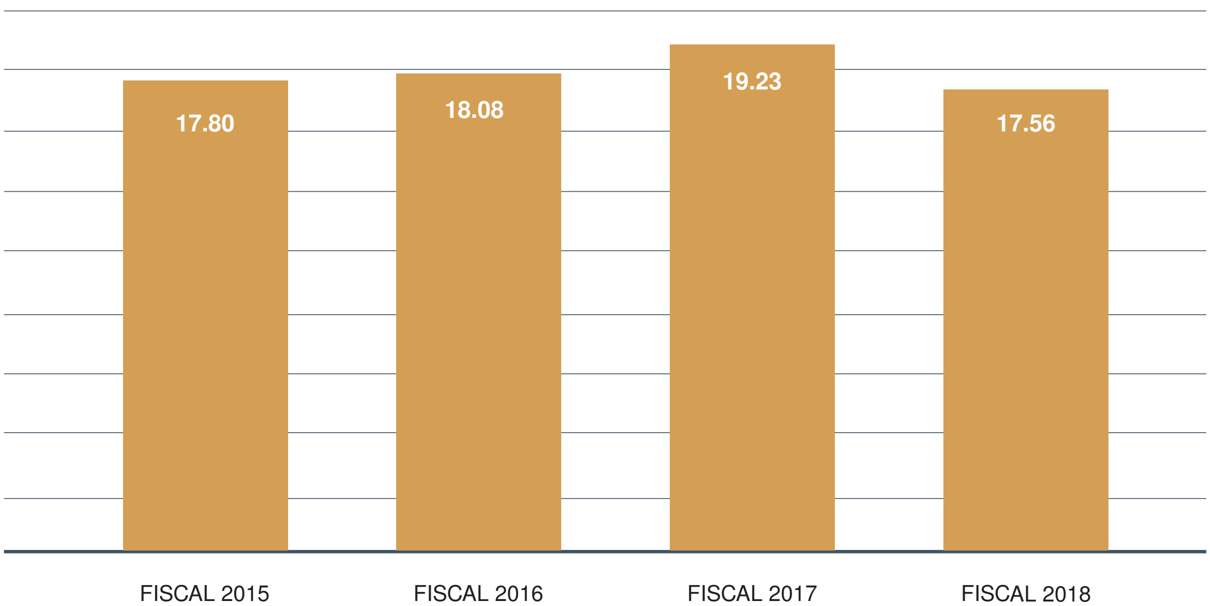
Overtime costs exceeded revenue by more than $500K in fiscal 2018

Premium Time Revenue vs Cost



The year's productivity average was 17.56 TEUs per gang hour. While above the minimum objective, results were off goal's 19.0 TEUs per gang hour, and down from past years.

Average TEU Moves per Gang Hour

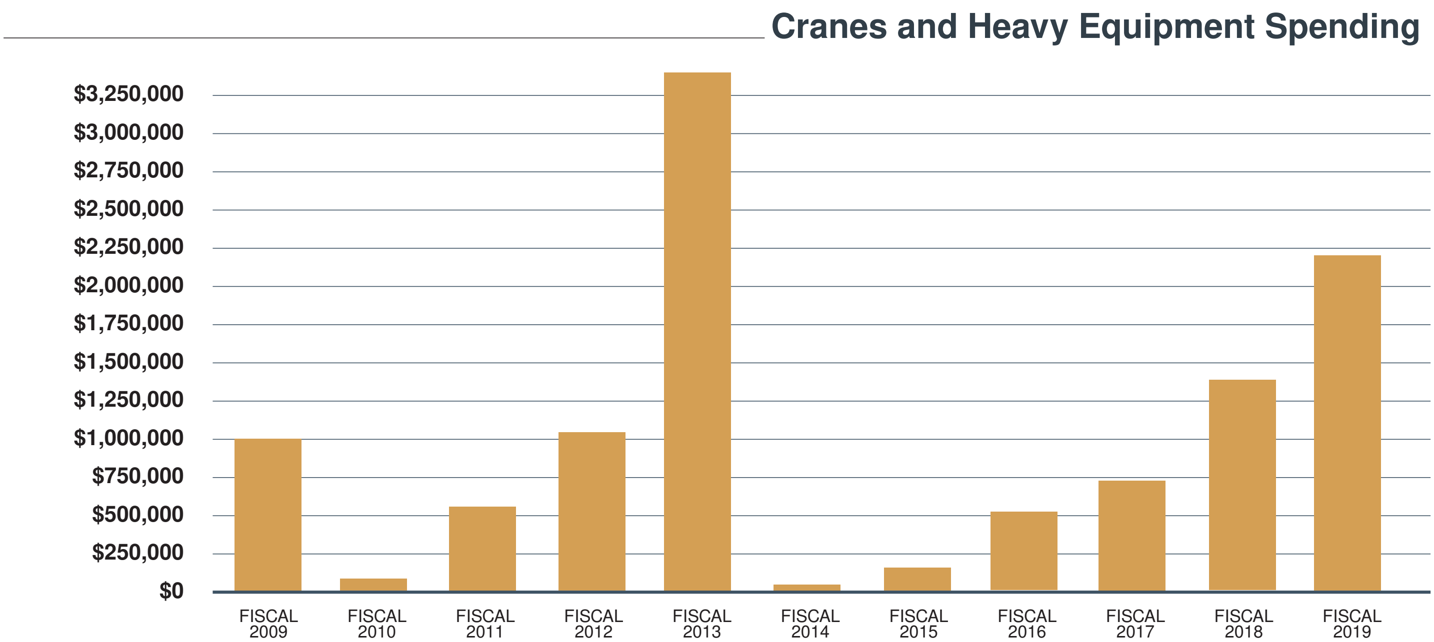


HEAVY EQUIPMENT

During the year, Polaris acquired two Taylor Reachstackers at a total cost of $1.09 million, and incurred $86K with the purchase of a new engine for the Terex crane. Two old Liebherr Reachstackers were sold to an overseas buyer for $30K, with the remaining parts also sold. The equipment was fully depreciated with ESR reflecting a $30K gain [Fiscal 2017 - $26K].

As part of its replacement needs, ESR is consolidating its heavy equipment to a uniform manufacturer, being Taylor, and shedding the hodgepodge of equipment it previously owned.

In addition to the $857K in capitalized parts SSL acquired during the year [fiscal 2017 - $532K], ESR has reflected a steady increase in its capital spending over the past five years, a trend which will continue in fiscal 2019. In fiscal 2019, a 15-year old fully depreciated reachstacker was sold to an overseas buyer for $43K. The purchase of a third crane in early fiscal 2019 cost ESR more than $2.0 million, and a new fork truck will cost $80K.



INVESTMENT PROPERTY

Through Mill Reach Holding Limited ("MRH") Polaris continues to own property covering 7 Mill Reach Lane and 11 Mill Reach Lane, in Pembroke Parish.

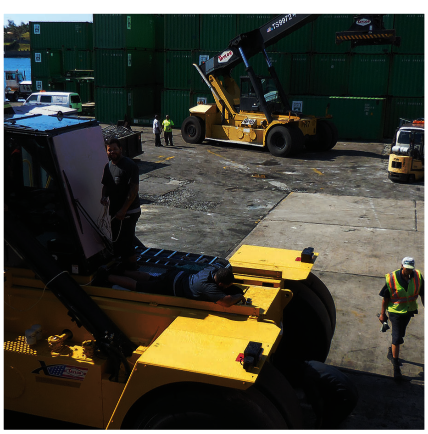
The property covers 0.9 acres or 39,204 square feet and includes two large buildings of approximately 3,743 square feet and 1,850 square feet respectively.

The property was appraised in October 2016 at a value of between $2.0 million and $2.25 million. The investment is reflected on Polaris' books at year-end at $1.58 million.

CONCLUSION

Critical and massive capital spending, reengineering culminating in the installation of a powerful half million-dollar terminal operating system, expansive spending, particularly related to payroll and overtime; all enabled through the year's buoyant operations, solid cash reserves, and the bump afforded by the America's Cup. The result, Polaris reported its third stellar year in fiscal 2018, and management looks forward to a prosperous fiscal 2019.

FINANCIALS



POLARIS HOLDING COMPANY LTD.

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

August 6, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Polaris Holding Company Ltd.

We have audited the accompanying consolidated financial statements of Polaris Holding Company Ltd. (the "Company") and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018 and 2017 and April 1, 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended March 31, 2018 and 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 consolidated financial position of the Company and its subsidiaries as at March 31, 2018 and 2017 and April 1, 2016, and their consolidated financial performance and their consolidated cash flows for the years ended March 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG

Other matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 6, 2018

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Financial Position

March 31, 2018
(Expressed in Bermuda Dollars)

	March 31, 2018	March 31, 2017 (restated)	April 1, 2016 (restated)
Assets			
Non-current assets			
Investments	$ –	$ –	$ 111,427
Investment property (Note 5)	1,575,000	–	1,745,000
Property, plant and equipment (Note 6)	6,543,653	5,547,067	5,331,168
Total non-current assets	8,118,653	5,547,067	7,187,595
Current assets			
Cash and cash equivalents (Note 7)	2,791,103	2,649,842	3,356,056
Accounts receivable (Notes 13 and 17(b))	858,496	1,146,967	1,033,386
Prepaid expenses	233,216	292,804	292,294
Assets held for sale (Note 5)	–	1,660,000	–
Total current assets	3,882,815	5,749,613	4,681,736
Total assets	$ 12,001,468	$ 11,296,680	$ 11,869,331
Liabilities			
Non-current liabilities			
Long term debt (Note 10)	$ –	$ –	$ 1,586,195
Accrued expenses (Note 16)	207,752	232,575	258,403
Total non-current liabilities	207,752	232,575	1,844,598
Current liabilities			
Accounts payable and accrued expenses	773,767	975,420	844,714
Long-term debt – current portion (Note 10)	–	–	197,987
Total current liabilities	773,767	975,420	1,042,701
Total liabilities	981,519	1,207,995	2,887,299
Equity			
Share capital (Note 11)	1,184,132	1,181,632	1,183,532
Share premium (Note 11)	8,250	–	–
General reserve (Note 12)	1,250,000	1,250,000	1,250,000
Retained earnings	8,577,567	7,657,053	6,584,985
Accumulated other comprehensive loss	–	–	(36,485)
Total equity attributable to the Company's shareholders	11,019,949	10,088,685	8,982,032
Total liabilities and equity	$ 12,001,468	$ 11,296,680	$ 11,869,331

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

Year ended March 31, 2018
(Expressed in Bermuda Dollars)

	2018	2017 (restated)
Revenue		
Stevedoring revenue (Note 13)	$ 11,921,039	$ 10,953,502
Stevedoring expenses (Notes 8 and 9)	(6,986,367)	(6,092,913)
Stevedoring gross profit	4,934,672	4,860,589
Gain on disposal of property, plant and equipment	30,000	25,845
Rental income (Note 5)	142,038	141,532
Total income	5,106,710	5,027,966
Expenses		
Administrative salaries, wages and benefits (Notes 8 and 9)	1,531,024	1,484,083
Depreciation (Note 6)	814,149	711,078
General and administrative expenses (Note 13)	745,888	694,199
Professional fees	352,205	301,435
Information technology and telecommunication	283,456	311,303
Depreciation of investment property buildings (Note 5)	85,000	85,000
Total expenses	3,811,722	3,587,098
Results from operations	1,294,988	1,440,868
Finance income (Note 14)	4,448	14,347
Finance expense (Note 10)	–	(93,969)
Net finance income (expense)	4,448	(79,622)
Profit for the year (attributable to owners of the Company)	$ 1,299,436	$ 1,361,246
Earnings per share – basic (Note 15)	$ 1.10	$ 1.15
Earnings per share – fully diluted (Note 15)	$ 1.09	$ 1.15

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

Year ended March 31, 2018
(Expressed in Bermuda Dollars)

	Share capital	Share premium	General reserve	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at April 1, 2016 (restated)	$ 1,183,532	$ –	$ 1,250,000	$ 6,584,985	$ (36,485)	$ 8,982,032
Total comprehensive income:						
Profit for the year	–	–	–	1,361,246	–	1,361,246
Other comprehensive income	–	–	–	–	36,485	36,485
Transactions with owners of the Company recognized directly in equity:						
Shares issued (Note 11)	3,300	9,900	–	–	–	13,200
Shares repurchased (Note 11)	(5,200)	(9,900)	–	(5,700)	–	(20,800)
Dividends declared and paid (Note 11)	–	–	–	(283,478)	–	(283,478)
Balance at March 31, 2017 (restated)	$ 1,181,632	$ –	$ 1,250,000	$ 7,657,053	$ –	$ 10,088,685
Balance at April 1, 2017	$ 1,181,632	$ –	$ 1,250,000	$ 7,657,053	$ –	$ 10,088,685
Total comprehensive income:						
Profit for the year	–	–	–	1,299,436	–	1,299,436
Transactions with owners of the Company recognized directly in equity:						
Shares issued (Note 11)	2,500	8,250	–	–	–	10,750
Dividends declared and paid (Note 11)	–	–	–	(378,922)	–	(378,922)
Balance at March 31, 2018	$ 1,184,132	$ 8,250	$ 1,250,000	$ 8,577,567	$ –	$ 11,019,949

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

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Cash Flows

Year ended March 31, 2018
(Expressed in Bermuda Dollars)

	2018	2017 (restated)
Operating activities		
Profit for the year	$ 1,299,436	$ 1,361,246
Adjustments for:		
Depreciation	814,149	711,078
Depreciation of heavy equipment parts	390,415	314,537
Depreciation of investment property	85,000	85,000
Net finance (income) expense	(4,448)	79,622
Expenses on issuance of shares	2,150	–
Changes in non-cash working capital balances:		
Accounts receivable	288,471	(113,581)
Prepaid expenses	59,588	(510)
Accounts payable and accrued expenses	(226,476)	104,878
Net cash provided by operating activities	2,708,285	2,542,270
Investing activities		
Purchase of property, plant and equipment	(2,241,150)	(1,241,514)
Proceeds on disposal of property, plant and equipment	40,000	–
Proceeds from sale of equity investments	–	158,089
Interest and dividends received	4,448	4,170
Net cash used in investing activities	(2,196,702)	(1,079,255)
Financing activities		
Long-term debt principal repayments	–	(1,784,182)
Dividends declared and paid	(378,922)	(283,478)
Shares repurchased	–	(20,800)
Proceeds from shares issued	8,600	13,200
Interest paid	–	(93,969)
Net cash used in financing activities	(370,322)	(2,169,229)
Increase (decrease) in cash and cash equivalents	141,261	(706,214)
Cash and cash equivalents at beginning of year	2,649,842	3,356,056
Cash and cash equivalents at end of year	$ 2,791,103	$ 2,649,842

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 Rental Limited. ("ESR"), and Mill Reach Holding Company Limited. ("MRH"). The Scheme became effective on March 28, 2011 after shareholder and Supreme Court approval. The group restructuring was accounted for as a combination of entities under common control with transfers being recorded at their carrying value.

Stevedoring Services Limited, a wholly-owned subsidiary of the Company, is incorporated under the laws of Bermuda and carries on business as a stevedoring company. In March 2016, this subsidiary was awarded a 5 year terminal operator's license by the Corporation of Hamilton to function on the Hamilton docks from March 1 1, 2016 to February 28, 2021. ESR, a wholly-owned subsidiary, is incorporated under the laws of Bermuda and carries on the business of purchasing and leasing heavy operating machinery and equipment. MRH, a wholly-owned subsidiary, is incorporated under the laws of Bermuda and owns investment property at Mill Reach Lane, Pembroke, Bermuda.

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 6, 2018.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(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(k) – impairment of financial assets
- Note 3(l) – impairment of non-financial assets
- Note 5 – valuation of investment property
- Note 17(b) – allowance for impairment of accounts receivable

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

(e) Prior period restatement

Effective April 1, 2017, the Company changed its accounting policy due to an error in the classification of heavy equipment parts previously included as inventory. As a result of the change, the Company records these items in property, plant and equipment in accordance with International Accounting Standard 16 - *Property, Plant and Equipment* (see Note 3(d)), to better reflect the utilization of these items by the Company.

Previously, the Company recorded these items as inventory at the lower of cost and net realizable value.

The following table summarizes the adjustments made to the consolidated statement of financial position on the implementation of the new accounting policy and correction of the error:

	Property, plant and equipment	Inventory	Retained earnings
Balances at April 1, 2016, as previously reported	$ 4,788,599	$ 644,702	$ 6,687,118
Impact of the restatement	542,569	(644,702)	(102,133)
Restated balances at April 1, 2016	$ 5,331,168	$ –	$ 6,584,985
Balances at March 31, 2017, as previously reported	$ 4,787,356	$ 721,543	$ 7,618,885
Impact of the restatement at April 1, 2016	542,569	(644,702)	(102,133)
Impact of the restatement during 2017	217,142	(76,841)	140,301
Restated balances at March 31, 2017	$ 5,547,067	$ –	$ 7,657,053

The effects on the consolidated statement of comprehensive income for the year ended March 31, 2017 were as follows:

	2017
Decrease in Stevedoring expenses:	
Increase in depreciation	$ 314,537
Decrease in repairs and maintenance	(454,838)
Increase in profit for the year	140,301
Profit for the year, as previously stated	1,220,945
Profit for the year, as restated	1,361,246

As a result of the change in accounting policy and correction of an error, earnings per share for the year ended March 31, 2017 was restated from $1.10 to $1.15.

(f) Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. As a result, salary costs of $134,992 previously included in administrative salaries, wages and benefits for the year ended March 31, 2017, have been reclassified to stevedoring expenses in the consolidated statement of comprehensive income.

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 and as disclosed in note 2(e) above.

(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.

(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.

(c) Investment income

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and include capitalized borrowing costs. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. 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.

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

Buildings	10 years
Furniture and fixtures	3-4 years
Computer equipment	3-10 years
Cranes and heavy equipment	5-15 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.

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

(f) *Financial instruments*

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

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

Fair value hierarchy

Accounting standards over fair value measurements (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, 2018 or 2017 which are required to be disclosed in accordance with the above fair value hierarchy.

(g) *Comprehensive income*

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

(h) *Cash and cash equivalents*

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

(i) *Employee benefits*

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

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

(j) 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.

(k) Impairment of financial assets

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

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

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

(l) Impairment of non-financial assets

Property, plant and equipment and investment property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognized.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and any risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(m) Taxation

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

4. **New Standards and Interpretations not yet adopted**

A number of new or amended standards are effective for annual periods beginning on or after April 1, 2018 and early adoption is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements.

(i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

Under IFRS 15, the assessment will be based on whether the Company controls the specific goods before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the specific goods. Based on this assessment, the Company does not expect the application of IFRS 15 to result in a significant impact on its consolidated financial statements.

The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. April 1, 2018). As a result, the Company will not apply the requirements of IFRS 15 to the comparative period presented.

(ii) IFRS 9 Financial Instruments

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 for its year ending March 31, 2019.

The actual impact of adopting IFRS 9 on the Company's consolidated financial statements in 2019 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its financial instruments at March 31, 2018.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its preliminary assessment, the Company does not believe that the new classification requirements, if applied at March 31, 2018, would have had a material impact on its accounting for accounts receivable, cash and cash equivalents or investments.

Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

4. **New Standards and Interpretations not yet adopted** (continued)

(ii) *IFRS 9 Financial Instruments* (continued)

Impairment – Financial assets (continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company's preliminary assessment indicated that application of IFRS 9's impairment requirements at March 31, 2018 would have resulted in no change in loss allowances at that date compared with impairment allowances recognised under IAS 39. However, the Company has not yet finalized the impairment methodologies that it will apply under IFRS 9.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Company has not designated any financial liabilities at FVTPL and the Company has no current intention to do so. The Company's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at March 31, 2018.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Company's preliminary assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at April 1, 2018.

4. **New Standards and Interpretations not yet adopted** (continued)

(iii) IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

As a lessor, the Company is not required to make any adjustments for leases except where it is an intermediate lessor in a sub-lease. The Company has no sub-leases. The Company has no material leases in its capacity as lessee at this time that would require it to recognize a right of use asset.

The Company expects that adoption of IFRS 16 will not impact its financial reporting materially. The Company plans to adopt IFRS 16 in the consolidated financial statements for the year ending March 31, 2020 with no material impact expected.

((iv) Other standards

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

- *Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).*
- *Transfers of Investment Property (Amendments to IAS 40).*
- *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration.*
- *IFRIC 23 Uncertainty over Income Tax Treatments.*

5. Investment property

Investment property comprises land and buildings being held in MRH and is depreciated over its estimated useful life. The property, which is leased to three tenants, two on one year terms and one on a four year term to December 31, 2019. Earned rental income was $142,038 for the year (2017 - $141,532).

Deemed cost less impairment losses

	2018	2017	2016
Land	$ 1,150,000	$ 1,150,000	$ 1,150,000
Buildings	850,000	850,000	850,000
	$ 2,000,000	$ 2,000,000	$ 2,000,000

The property was valued by an independent appraiser on March 24, 2014 at a fair value of $2,000,000 which was treated as the deemed cost less impairment losses at that date. The property was subsequently valued by an independent appraiser on October 6, 2016 at a market value of $2,250,000. 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, 2018 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.

	2018	2017	2016
Net book value April 1	$ 1,660,000	$ 1,745,000	$ 1,830,000
Depreciation for the year	(85,000)	(85,000)	(85,000)
Net book value at March 31	$ 1,575,000	$ 1,660,000	$ 1,745,000

As at March 31, 2017, the Company's Board of Directors had approved for the investment property to be sold and accordingly, it was reclassified as available for sale. Rental income of $141,532 earned from the investment property in the year ended March 31, 2017 was previously disclosed as relating to discontinued operations. Subsequently, the Board determined that it was in the best interests of the Company to hold on to the property and, with the Company not actively seeking buyers, the property has been reclassified as investment property as at March 31, 2018. Rental income of $142,038 earned from the investment property in the year ended March 31, 2018 relates to continuing operations.

6. **Property, plant and equipment**

	Heavy equipment parts	Building improvements	Cranes and heavy equipment	Furniture and fixtures	Computer equipment	Total
Cost						
At April 1, 2016 (restated)	$ 1,245,323	$ 371,172	$ 10,630,584	$ 302,037	$ 794,720	$ 13,343,836
Additions	531,679	94,584	611,275	–	3,976	1,241,514
Disposals	(506,027)	–	(1,963,580)	–	–	(2,469,607)
At March 31, 2017 (restated)	$ 1,270,975	$ 465,756	$ 9,278,279	$ 302,037	$ 798,696	$ 12,115,743
At April 1, 2017	$ 1,270,975	$ 465,756	$ 9,278,279	$ 302,037	$ 798,696	$ 12,115,743
Additions	857,163	–	884,550	25,996	473,441	2,241,150
Disposals	(425,813)	–	(644,906)	–	(691,502)	(1,762,221)
At March 31, 2018	$ 1,702,325	$ 465,756	$ 9,517,923	$ 328,033	$ 580,635	$ 12,594,672
Accumulated depreciation						
At April 1, 2016 (restated)	$ 702,754	$ 297,148	$ 5,931,426	$ 293,015	$ 788,325	$ 8,012,668
Depreciation for the year	314,537	10,873	693,008	3,007	4,190	1,025,615
Disposals	(506,027)	–	(1,963,580)	–	–	(2,469,607)
At March 31, 2017 (restated)	$ 511,264	$ 308,021	$ 4,660,854	$ 296,022	$ 792,515	$ 6,568,676
At April 1, 2017	$ 511,264	$ 308,021	$ 4,660,854	$ 296,022	$ 792,515	$ 6,568,676
Depreciation for the year	390,415	17,751	752,750	6,819	36,829	1,204,564
Disposals	(385,813)	–	(644,906)	–	(691,502)	(1,722,221)
At March 31, 2018	$ 515,866	$ 325,772	$ 4,768,698	$ 302,841	$ 137,842	$ 6,051,019
Net book value						
At April 1, 2016 (restated)	$ 542,569	$ 74,024	$ 4,699,158	$ 9,022	$ 6,395	$ 5,331,168
At March 31, 2017 (restated)	$ 759,711	$ 157,735	$ 4,617,425	$ 6,015	$ 6,181	$ 5,547,067
At March 31, 2018	$ 1,186,459	$ 139,984	$ 4,749,225	$ 25,192	$ 442,793	$ 6,543,653

7. **Cash and cash equivalents**

The effective interest rate earned on cash and cash equivalents for the year ended March 31, 2018 was 0.45% (2017 - 0.45%).

8. **Employee pension benefits**

The total expense incurred for the Company's defined contribution plan was $197,172 (2017 - $200,641).

The total pension benefits expense is included in stevedoring 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 16.

9. **Personnel expenses**

	2018	2017
Salaries, wages and employment benefits	$ 5,271,553	$ 4,787,509
Key management compensation	563,754	518,228
Compulsory payroll tax, social insurance, life, and health contributions	1,170,793	982,858
Payments to defined contribution pension scheme (Note 8)	197,172	200,641
	$ 7,203,272	$ 6,489,236

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

10. **Long-term debt**

In December 2011 a subsidiary company, ESR, secured a 15-year United States dollar loan of $3 million from William E. Meyer Ltd., a related party. The loan was an adjustable promissory note and the monthly payments were $23,723 bearing interest at 5.0% per annum until December 1, 2017 with interest increasing to 5.5% after December 1, 2017. The rate was adjusted and fixed at the beginning of the 6th year of the loan to reflect a rate equal to 1.5% above a Bermuda Bank's Bermuda dollar corporate base rate. Interest paid to the related party during the year was $nil (2017 - $93,969).

The loan was repaid in full on March 31, 2017.

11. 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, 2018 1,184,132 (March 31, 2017 - 1,181,632 and April 1, 2016 – 1,183,532) shares were issued and fully paid. As explained in Note 1, PHC was created to facilitate the restructuring of the SSL group by way of a court approved Scheme of Arrangement. The Scheme was the vehicle by which the shares of SSL were transferred to PHC on the same basis as they were held in SSL, and these new shares replaced the shares of SSL listed on the Bermuda Stock Exchange. The Scheme became effective on March 28, 2011 after shareholder and Supreme Court approval.

As at March 31, 2018, the direct and indirect shareholding ownership of directors and officers was 325,717 (2017 – 323,547) 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:

	2018	2017
$0.08 (2017 - $0.06) per qualifying ordinary share – June	$ 94,730	$ 71,210
$0.08 (2017 - $0.06) per qualifying ordinary share – September	94,730	70,898
$0.08 (2017 - $0.06) per qualifying ordinary share – December	94,731	70,675
$0.08 (2017 - $0.06) per qualifying ordinary share – March	94,731	70,695
	$ 378,922	$ 283,478

Subsequent to the year-end, in June 2018 the Company declared a further dividend of $94,731 being $0.08 per qualifying ordinary share.

During the year the Company issued 2,500 (2017 – 3,300) shares to senior management at a price of $3.44 (2017 - $4.00) per share. During the year ended March 31, 2017, the Company repurchased 5,200 shares from a shareholder for consideration of $4.00 per share resulting in a premium on shares issued of $8,250 (2017 - $9,900).

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 next 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 10, 2017 the CEO exercised 2,500 options at a purchase price of $3.44 per share.

12. General reserve

General reserve represents amounts appropriated by the directors.

13. 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 $5,780,825 (2017 - $5,297,713) from both BISL and SISL. Included in accounts receivable as at March 31, 2018 is $554,613 (2017 - $432,960) due from both companies.

Meyer Technologies Ltd is related by virtue of common significant influence by a director of the Company. The Company incurred information technology expenses of $96,269 (2017 - $69,774) from Meyer Technologies Ltd. which are included in general and administrative expenses in the consolidated statement of comprehensive income.

14. Finance income

Finance income comprises of the following:

	2018	2017
Gain on sale of investment	$ –	$ 10,177
Interest income	4,448	4,170
	$ 4,448	$ 14,347

15. 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, 2018 was based on the income attributable to ordinary shareholders of $1,299,436 (2017 - $1,361,246), and a weighted average number of ordinary shares outstanding of $1,182,882 (2017 - 1,183,091).

	2018	2017
Issued ordinary shares and weighted average number of shares at April	1,181,632	1,183,532
Shares issued in the year	2,500	3,300
Shares repurchased in the year	–	(5,200)
Share capital at March 31	1,184,132	1,181,632

Share options with a dilutive effect were issued on April 1, 2017 (Note 11). There were no dilutive potential ordinary shares as at March 31, 2017.

The calculation of diluted earnings per share at March 31, 2018 was based on the income attributable to ordinary shareholders of $1,299,436 (2017 - $1,361,246), and a diluted weighted average number of ordinary shares outstanding of $1,195,382 (2017 - 1,183,091).

16. **Commitments**

The Company has committed to provide and pay the health insurance costs for a former officer and director of the Company for the five years ended March 31, 2020 and it has committed to provide and pay the health insurance costs for a former employee for the rest of her life. The present value of these future obligations is estimated at $207,752 (March 31, 2017 - $232,575 and April 1, 2016 - $258,403) and has been included in accrued expenses in the consolidated statement of financial position.

As at March 31, 2018, the Company had contracted capital commitments in respect of plant and equipment of $1,966,520 (2017 - $nil). These commitments will be met from operations during 2018.

17. **Financial instruments**

(a) Fair value

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximates their carrying value due to their short-term maturity.

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.

(b) Credit risk

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

At March 31, 2018, 65% (2017 - 65%) 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 & Poors rating agency as at March 31, 2018. Management does not believe that there is any significant credit risk with respect to its cash and cash equivalents.

At March 31, 2018, 97% (2017 - 94%) 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. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The ageing of accounts receivable at the reporting date is as follows:

	2018	2017
Current	$ 664,532	$ 941,393
Past 30 days	192,699	202,447
Past 60 days	88	181
Past 90 days	1,177	7,946
	858,496	1,151,967
Less: allowance for impairment	–	(5,000)
	$ 858,496	$ 1,146,967

17. **Financial instruments** (continued)

(b) Credit risk (continued)

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

Balance at March 31, 2017	$ 5,000	$ 10,000
Decrease in allowance	(5,000)	(5,000)
Balance at March 31, 2018	$ –	$ 5,000

(c) Interest rate risk

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

(d) Liquidity risk

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

The table below categorizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are contractual undiscounted consolidated cash flows and represents future payments and principal balances including interest accrual.

As at March 31, 2018	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 15 years
Accounts payable and accrued expenses	$ 981,519	$ 786,627	$ 12,859	$ 27,004	$ 155,029
	$ 981,519	$ 786,627	$ 12,859	$ 27,004	$ 155,029

As at March 31, 2017	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 15 years
Accounts payable and accrued expenses	$ 1,207,995	$ 981,967	$ 12,247	$ 52,723	$ 161,058
	$ 1,207,995	$ 981,967	$ 12,247	$ 52,723	$ 161,058

18. Capital management

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

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

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

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

19. 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.

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

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

Due to a leasing arrangement between ESR (the "lessor") and SSL (the "lessee") for the use of the heavy port operating equipment, an elimination transaction in the amount of $1,251,100 (2017 - $1,247,870) was recognized under the PHC group structure.

19. **Operating segments** (continued)

2018

Revenue/expenses (stated in $000's)

	PHC	SSL	ESR	MRH	Elimination	Consolidated
Stevedoring revenue	$ –	$ 11,921	$ –	$ –	$ –	$ 11,921
Rental income	–	–	–	142	–	142
Gain on disposal	–	–	30	–	–	30
Inter-segment	921	–	1,244	–	(2,165)	–
Finance income	1	3	–	–	–	4
Total revenue	922	11,924	1,274	142	(2,165)	12,097
Stevedoring expenses	–	6,976	–	10	–	6,986
Depreciation	–	67	747	–	–	814
Depreciation of investment property	–	–	–	85	–	85
Other expenses	948	1,935	9	21	–	2,913
Expenses	948	2,002	756	106	–	3,812
Inter-segment	–	1,879	280	6	(2,165)	–
Total expenses	948	10,857	1,036	122	(2,165)	10,798
Profit (loss) for the year	$ (26)	$ 1,067	$ 238	$ 20	$ –	$ 1,299

2017

Revenue/expenses (stated in $000's)

	PHC	SSL	ESR	MRH	Elimination	Consolidated
Stevedoring revenue	$ –	$ 10,954	$ –	$ –	$ –	$ 10,954
Rental income	–	–	–	142	–	142
Gain on disposal	–	–	26	–	–	26
Inter-segment	808	–	1,248	–	(2,056)	–
Finance income	11	3	–	–	–	14
Total revenue	819	10,957	1,274	142	(2,056)	11,136
Stevedoring expenses	–	6,083	–	10	–	6,093
Depreciation	–	24	687	–	–	711
Depreciation of investment property	–	–	–	85	–	85
Other expenses	882	1,869	25	16	–	2,792
Expenses	882	1,893	712	101	–	3,588
Inter-segment	–	1,818	232	6	(2,056)	–
Finance expenses	–	–	94	–	–	94
Total expenses	882	9,794	1,038	117	(2,056)	9,775
Profit (loss) for the year	$ (63)	$ 1,163	$ 236	$ 25	$ –	$ 1,361

19. **Operating segments** (continued)

As at March 31, 2018

	PHC	SSL	ESR	MRH	Total reportable segments	Elimination	Total
Assets	$ 4,358	$ 4,214	$ 4,695	$ 2,293	$ 15,560	$ (3,559)	$ 12,001
Liabilities	52	930	–	–	982	–	982
Capital expenditure	–	1,325	916	–	2,241	–	2,241

As at March 31, 2017

	PHC	SSL	ESR	MRH	Total reportable segments	Elimination	Total
Assets	$ 4,762	$ 3,361	$ 4,459	$ 2,274	$ 14,856	$ (3,559)	$ 11,297
Liabilities	64	1,143	1	–	1,208	–	1,208
Capital expenditure	–	650	592	–	1,242	–	1,242

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

The Company operates in a single geographic region.

AGILITY

THE DOCKYARD MOVE

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