2018-2019

annual report

PAVING THE WAY FORWARD

Polaris

HOLDING COMPANY LTD.

annual report

2018 – 2019

PAVING
THE WAY
FORWARD

www.polaris.bm

TABLE OF CONTENTS


AUGUST 2016
SEPTEMBER 2016
OCTOBER 2016

PAVING THE WAY FORWARD

The Chairman's Report

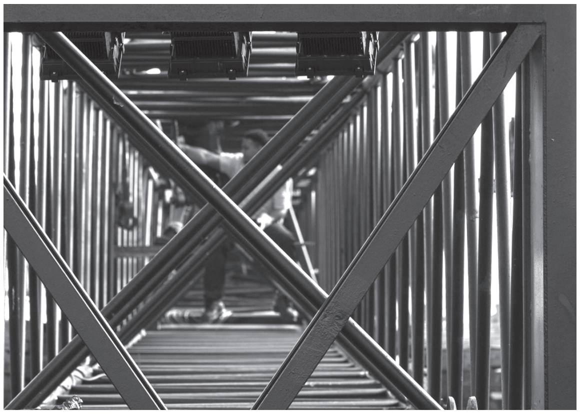
Polaris Holding Company Ltd. ("Polaris") realized a net profit of $801K in 2019. After adjusting for the $210K in acquisition costs and the $56K in losses, both arising from the Company's purchase of East End Asphalt Company Limited ("EEA"), profits would have been $1.07 million, the fourth year in a row of achieving an over one-million dollar gain. Polaris is well on its way to reaching its aspirational fiscal 2016 vision – "to be a progressive holding company that supports stability and growth for its investments while maximizing shareholder value."

The Company's mission states that Polaris position itself as an employer of choice. As such, at the September 2019 Annual General Meeting, the Board will seek the members' consent to issue shares for a Company employee share purchase plan. It is felt that such a plan will give staff the opportunity to earn long-term incentive compensation based on the success of the Company, encourage staff to make a long-term commitment to working for the Company and will align staff interests with that of the Company's shareholders.

The Polaris Board has a diverse membership with a range of perspectives, experiences and qualifications. Out of the seven Directors, the Board has two independent Directors; the Chief Executive Officer is the one executive Director. All Directors are standing for re-election in September 2019. The Board remains committed to continuous improvement in governance and this year we include individual reports from the Board Committees. Also in fiscal 2019 the Company and its subsidiaries contracted M Q Services Ltd. as its Corporate Secretary.

The last quarter of fiscal 2019 was the start of the Terminal Operator's Licence renewal campaign for subsidiary Stevedoring Services Limited ("SSL"). In addition to SSL's established commitment to staff, equipment, customer service and stakeholder relations, the Board launched enhanced communications, meeting directly with Bermuda's influencers to share the Polaris story, giving them opportunity to see operations first hand. In the Board's view, it is crucial for Bermuda to look beyond the historic stereotype of "dockworkers", as stevedores work in a complex, technology-enhanced operation requiring specialized training. And for Bermuda, SSL acts as a linchpin in the logistical flow of goods between the cargo carriers and the island's importers and exporters.

The last quarter of fiscal year 2019 also brought proposed legislation and uncertainty regarding the landlord of the Hamilton docks. Regardless of which entity is controlling the container port and indeed regardless of the container port location, the Company's commitment is steadfast – subsidiary SSL is to be the first and only option for Bermuda's licenced terminal operator.



A key driving force behind the 2011 formation of Polaris was the objective of diversifying beyond the confines of the Hamilton docks. After years of searching for a quality operation with growth potential in a sector aligned with our industrial leanings, EEA was identified.

In the lead up to the EEA acquisition, the Board worked diligently on behalf of the shareholders, with the Investment Committee providing immediate oversight of negotiations and extensive due diligence. On 14 March 2019 the Company's acquisition of EEA for a price of $4.2M was official and the CEO, management and the Board are to be commended for the transaction's successful conclusion.

It is worth repeating that the timing of the acquisition resulted in $210K in acquisition costs and $56K in start up losses associated with EEA, shifting Polaris' fiscal 2019's profits for the year from $1.07 million to $801K.

The EEA acquisition triggered a relative flurry of activity for Polaris on the Bermuda Stock Exchange when 17,000 Company shares traded, bumping up the share market value by 60% to $8.00 per share. While EEA achieved a profitable start in fiscal 2020, given the new debt and debt repayment requirements, the main focus for the Company going forward is cash flow. These requirements include a $300K fiscal 2020 year-end payment to the sellers who hold 46,154 common shares in escrow as a holdback.

The next two years will be a careful balance as Polaris navigates SSL's transition beyond the current Terminal Operator's Licence and expands its identity to include the new staff and operations of EEA. The Board will continue looking to the horizon as the Company continues to strive for long-term sustainable growth. On behalf of the Company, I thank the staff, management team and the Board for their commitment to the Company and their ongoing diligence and hard work that together make Polaris a success.

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

Section II

GOVERNANCE & DIRECTION

The Board

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+
Deputy Chairman

NG AR

Appointed to the Board in October 2009 and Deputy Chairman in June 2013

Jeffrey Conyers

AR I

Appointed to the Board in July 2006

Howard Pitcher
Chairman, Audit and Risk Management Committee

AR NG HR

Appointed to the Board in February 2014

Paul Hubbard
Independent Director*

AR

Appointed to the Board in March 2015

Tammy Richardson-Augustus
Independent Director*

NG HR I

Appointed to the Board in September 2017

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		■		■
Howard Pitcher	■	C	■	
Paul Hubbard		■		
Tammy Richardson-Augustus	■		■	■
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
+Government Minister of National Security

BOARD COMMITTEE REPORTS

The Investment Committee (IC)

The 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. Jeff Conyers, Ms. Tammy Richardson-Augustus and chaired by CEO Warren Jones. The IC is supported by acting Vice President of Finance Mr. Todd Boyd whose role is to aid in managing Polaris' financial capital, minimize risk, and support its financial reporting and filing.

Having made the decision to acquire East End Asphalt Company Limited at the beginning of the financial year, the IC provided a vital role in reviewing proposals, advising the CEO during the negotiations and acting as a sounding board throughout the due diligence process. These were important functions as Polaris effectively navigated the nuances of its first purchase.

The successful acquisition of EEA did not signal the conclusion of activities for the IC. The IC now plays a vital role in ensuring the successful assimilation of EEA to the Polaris Group. In this regard, the CEO provides regular monthly updates on the human resource, capital equipment, financial and operations activities of that Company.

The Human Resource and Compensation Committee (HRCC)

The 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 - to be a progressive holding company that supports stability and growth for its investments while maximizing shareholder value.

The members of the HRCC are the Chair, Ms. Cheryl Hayward-Chew, Ms. Tammy Richardson-Augustus and Mr. Howard Pitcher, working closely with Mr. Warren Jones in his capacity of CEO.

The HRCC's responsibilities include overseeing the Company's overall human resource policies and practices, which include compensation, recruitment, performance goals and objectives for the CEO and senior management. The HRCC also closely monitors labour relations and collective bargaining activities, while overseeing the annual employee survey and the Polaris Holding Company Ltd. Education Awards. During the last fiscal year, the HRCC activities included the update of the Employee Handbook and the CEO's contract as well as the development of HR related key performance indicators.

Following the acquisition of East End Asphalt Company Limited, the HRCC and the CEO closely reviewed the talent, structure, culture, and best practices of EEA in order to facilitate its successful integration into the Company. This took on special significance given EEA is not unionized. The HRCC aims to ensure that Polaris' policies are consistently applied across the Group notwithstanding whether the staff has union representation or not. This will continue to be an ongoing focus as we strive to align around common goals and procedures, maintain morale and ensure customer loyalty during the transition.

The Nomination and Corporate Governance Committee (NCGC)
The 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 NCGC is guided by the UK Corporate Governance Code.

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

The NCGC was introduced to the Board Apprentice Program via the Institute of Directors Bermuda. The program is an optimal way for the Board to gain a unique perspective while not increasing its size. Following a comprehensive interview process, L. Lloyd Holder was selected as the board apprentice starting fiscal year 2020. Based on his experience in global information security, we trust Mr. Holder will be a value add. The NCGC is pleased to be charged with mentoring a young, professional Bermudian on governance matters. Mr. Holder will be permitted to attend, receive board packets and participate in meetings at the pleasure and under the guidance of the Chair but will not be entitled to vote. Further, Mr. Holder will have the same confidentiality obligations as members of the board.

The NCGC is tasked with confirming the Company's independent directors as defined by the UK Corporate Governance Code. In March 2019, the Board considered whether the circumstances of a material loan by Mr. Paul Hubbard (a non-executive director) to the Company and its subsidiaries would impair or appear to impair his independence. The NCGC disclosed the matter to the Board at the first opportunity and its recommendation to the Board was that it did not impede Mr. Hubbard's independence considering all the circumstances including the loan being conducted at arms-length on commercial terms and Mr. Hubbard's experience, knowledge and reputation. The Board confirmed that the independence of Mr. Hubbard as a non-executive director is not compromised. The independent directors are Mr. Paul Hubbard and Ms. Tammy Richardson-Augustus.

At the close of the year, the NCGC conducted its second biennial directors survey. The results were very positive with 90% of the responses favourable, demonstrating a cohesive and engaged Board. Feedback from the survey has directed the NCGC to examine Board composition, training and succession planning in the coming year.

The Audit and Risk Management Committee (ARMC)
The ARMC's 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 the Chair, Mr. Howard Pitcher, Mr. Wayne Caines, Mr. Jeff Conyers and Mr. Paul Hubbard (independent).

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.

During the year, the ARMC increased the frequency of meetings in order to provide consistent oversight. Using the Institute of Directors' guidelines for audit and risk committees, the ARMC worked on modernizing the risk register to ensure it is dynamic and responsive to the needs of the Company and enhanced its review of the Company's cyber security policies and practice.

Section III

STEADY AS SHE GOES: POLARIS RECORDS ITS FOURTH CONSECUTIVE YEAR OF PROFIT.

The Chief Executive Officer's Report

With the America's Cup well behind us and most commentators expressing concern over the economic picture, Polaris has to be credited with being a stable and dependable revenue earner for its shareholders and an example of consistency to the general public.

In the 2018 Annual Report, I stated that our primary goal was to gain renewal of the terminal operating license for the Port of Hamilton. That has not changed! Thus the title for this Report - "Steady As She Goes."

That would not only be representative of our financial results, but also the message we want to send to the Corporation of Hamilton and the Bermuda Government.

We would want them to consider whether Bermuda can afford the disruption of a new terminal operator. What is the plan if there is to be a change? According to our operating license, the request for proposal was supposed to go out in March 2019. That date has now passed. Where does that leave us? Along with the directors and staff, I am sure you, our shareholders, question the rationale of their intent to put the license out to tender.

Hamilton is Bermuda's only cargo port.

I take the view that if Stevedoring Services is the only stevedoring company on the Island and the Corporation of Hamilton has any concerns about our operation of the port, they should notify us of what they are, give us a plan including a specific time period to address those concerns and then monitor our progress by including thresholds and consequences.

SSL has demonstrated on a consistent basis that we are a steady pair of hands - true to our motto - "Quietly powering Bermuda". Without interruption or disruption, SSL has made sure that the goods and products that are required by and for our community are delivered in a timely and efficient manner.

We make no secret of our productivity levels, sharing statistical information with our stakeholders and meeting with them on a regular basis to provide opportunities for them to openly express any concerns with our operation. During this last fiscal year, a quarterly meeting with the truckers was also introduced.

Our investment in staff development remains a priority. SSL provided opportunities for staff to certify as relief crane operators, terminal operators, deckmen, foremen, tally clerks and reachstacker operators. This training was carried out internally and through the formation of a training committee, representing management and the Portworkers' Division of the Bermuda Industrial Union.

Relationships between the Portworkers' Division and management continue to be positive and through monthly joint consultative committee meetings and informal gatherings at opportune times, most concerns are aired before they can fester.

Health & Safety came to the fore with the catastrophic

Photo: Warren Jones makes the case for SSL's retention of the terminal operator's license for 2021 before a room of influencers at the Sandys Rotary Club

failure of a crane cable. Although the cable was being monitored, with input from factory technicians, we were unable to prevent the incident from occurring. Fortunately, there was no resultant injury but through the joint efforts of the Safety & Health Committee, the Joint Consultative Committee and Management, more aggressive protocols will see cables changed out well before their recommended lifespan.

Capital spending, through Equipment Sales and Rentals Limited, was up sharply due the purchase of the new crane. And, in February, the decision was taken to recondition the thirteen-year old Terex Crane. Once this work is complete, SSL will have access to a third crane. This will reduce service downtime and allow for critical work to be carried out on the cranes without being influenced by the weekly shipping schedule.

This is a significant undertaking when one considers that we are staring down the barrel of the end of our terminal operating license. Costs alone for this work will well exceed a quarter of a million dollars and once again demonstrate SSL's commitment to the consistency of the supply chain to the people of Bermuda.

The big news is Polaris' purchase of East End Asphalt Company Limited, making it the fourth member of Polaris' holdings.

While it is still early days, it is evident that the East End staff love what they do and are very good at it. In this first year we seek to stabilize East End Asphalt, develop a consistent workflow and create a positive relationship with its workforce.

All the signs are there that like Stevedoring Services, East End Asphalt Company Limited will be a solid revenue earner within the Polaris portfolio.

It is highly likely that by the time we publish our next annual report in 2020, the decision will have been made regarding the Terminal Operator for the Hamilton Port.

Every action we take is with that in mind. Whether it is another local or an international service provider, they will not be able to walk in the door and operate or compete with the knowledge, experience and service levels we provide.

I don't ever intend to be complacent with our present situation. Our goal is to continually improve, to then evaluate and report our results so that we along with our stakeholders can challenge each other to be better.

Polaris, through its subsidiary Stevedoring Services Limited, has been in this business since 1966. Polaris has invested in Stevedoring Services to improve its equipment, staff, processes and financial procedures to provide the best possible service. SSL is perfectly placed to meet the needs of this community and fully expects to be running the Hamilton Port for decades to come.

Warren Jones,
Chief Executive Officer
Polaris Holding Company Ltd.


E. R. WILLIAMS BUILDING 1959
TAYLOR

POLARIS, PEOPLE, PLACES & THINGS

Long Service Awards Ceremony

Stevedoring Services Limited held its 2nd Annual Long Service Awards marking career service milestones of a number of long serving employees. The Chairman of the Board, Cheryl Hayward-Chew hosted the evening and Chief Executive Officer, Warren Jones joined her in saluting the employees, alongside fellow employees, board members, family and friends at the BUEI Tradewinds Auditorium.

2019 Long Service Stevedore Services Limited Awardees

The evening started with the premiere of the company's newest video, **"Bridging Past and Present: Stories from the Stevedores**." The film produced by The Brand Lion agency featured stunning cinematography and direction by the Into Bermuda team of Nhuri Bashir and Marq Rodriquez. The evening culminated with the presentation of awards, a few heartfelt speeches, a message from BIU president Chris Furbert and plenty of celebrations.

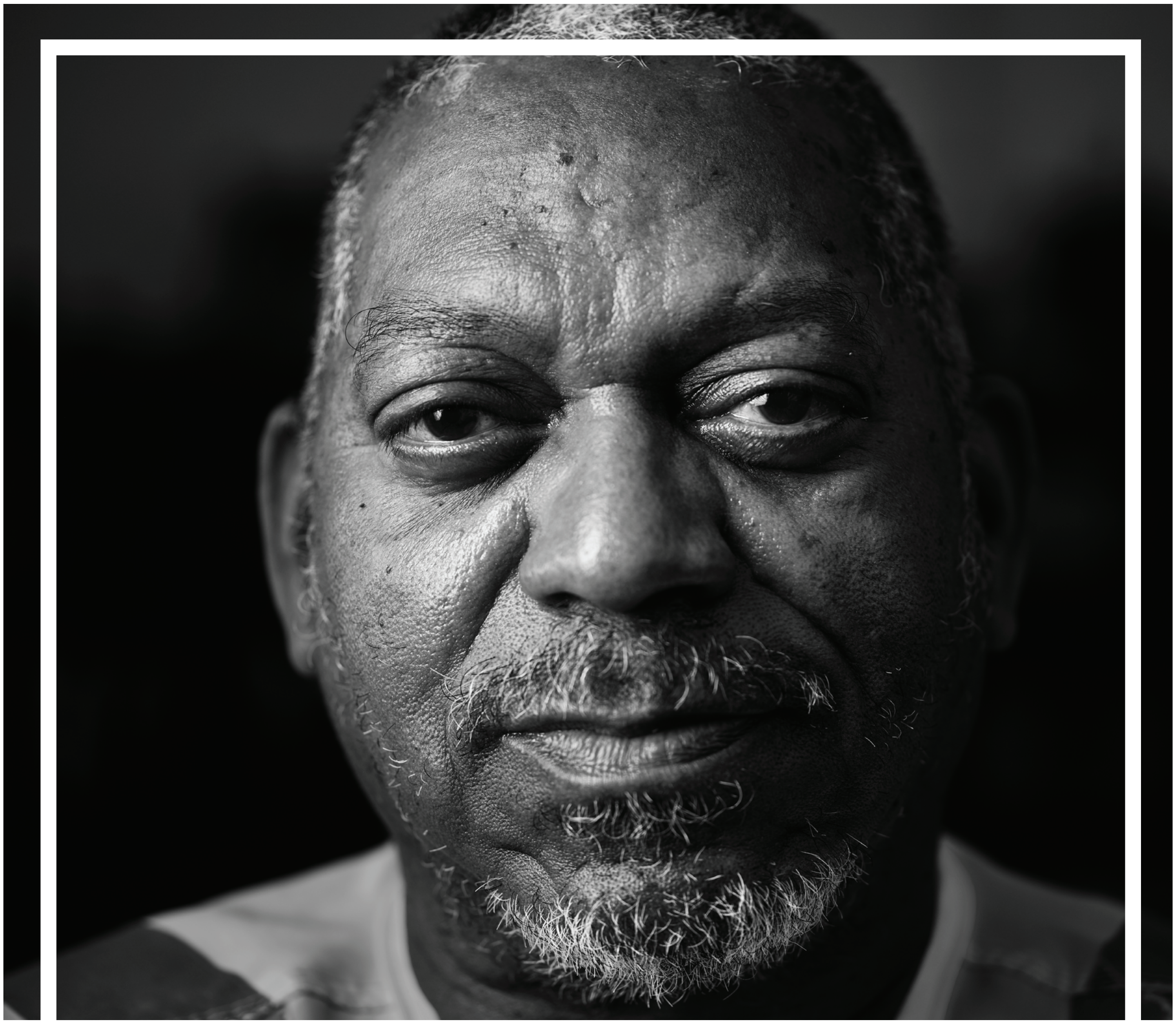
Bridging past and present: stories from the Stevedores

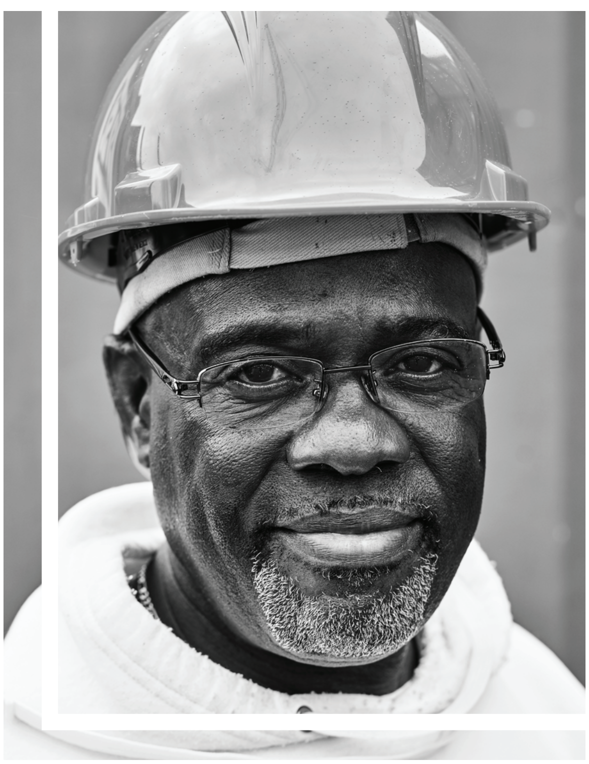
Ahead of the 2019 Long Service Awards, our communications team sought to capture images and tales from long-serving staff members who could share powerful testimonies of how work on the dock has evolved over the past fifty years. From Mrs. Ratteray, who started with Stevedoring Services Limited in 1969, to Mr. Hooper who first worked on the docks as a young teen apprentice, the cinematic short provided a glimpse into the heart of docklife from the men and women who have been quietly powering the operation. The video was shared via social media and garnered thousands of views with scores of comments celebrating the work of the men and women. The iconic black and white images were used in a special tribute to International Workers Day at the Bermuda Industrial Union.

Employee Survey

In 2017, SSL undertook its first employee survey, benchmarking views of staff on a variety of human resource issues. In 2018, 89% of staff expressed that they were either satisfied or very satisfied with their job. Additionally, 75% of staff was of the view that Management was doing a good job.

75% - STAFF MANAGEMENT JOB APPROVAL
89% - STAFF JOB SATISFACTION





Education Award Recipients

The annual **Polaris Holding Company Ltd. Education Awards** was created to assist student-dependents of Polaris employees, with funds for their tertiary level education. The award was shared equally between Tahj Cox, Jaché Butler and Etteleon Burchall each of whom are children of SSL employees.

The Education Award is a way of helping our employees and showing them in a tangible way that their family is a part of our Polaris family.

The Human Resource and Compensation Committee of the Polaris Holding Company Ltd. Board selected three students to receive Education Awards in the amount of $2,500 each.

1. Etteleon Burchall - Spelman College, USA - Junior Year - PreMed (Biology)

Ms. Burchall is the daughter of Senior Accountant Noelette Burchall. Etteleon received $2,160 in 2017 and is entering her second year at Spelman College as a Biology Major.

2. Tahj Cox - Dalhousie, Canada - Third Year - Double Major: Neuroscience and Biology

Mr. Cox is the son of Mr. Roderick Cox. Tahj is entering his third year at Dalhousie University. He received a renewal of $2,500 for 2018 and $2,160 in 2017.

3. Jaché Butler - Bermuda College - Final Year - Education

Ms. Butler is the daughter of Holdman Mr. Joshua Butler. Jache is entering her second year at the Bermuda College and received $2,500 in 2018 and $1,500 in 2017.

Cup Match Man of the Match Award

Polaris ended its relationship with the Annual Cup Match following our inability to agree to a venue for the Man of the Match Award presentation. We supported media coverage of the match however and continued to have our brand associated with the culturally significant national event.

Eastern Counties

Polaris extended its support of the Eastern Counties by sponsoring both the senior and junior counties' 'Man of the Match' awards. In addition, a 'Man of the Series' award was introduced. Presentations of those awards took place immediately following each match on the field of play.

We provided over $3,000 in cash and prizes to the Eastern County Players, garnered significant airtime on radio and tv as sponsors of the MVP programme and Bermuda Broadcasting radio media coverage.


GOTTWALD
16,9m
10,2m
Spreader
86%
F1 F2 F3 F4 F5 F6 F7 F8 F9 F10

Stevedoring Services Limited through Polaris was a sponsor of the 2018 Eastern County Cricket Series

Bermuda Invitational Permit Meet

In May 2018, elite athletes traveled to the island for the Bermuda Invitational Permit Meet, with track and field athletes from the BVI, USA, Nigeria, Bahamas, Barbados,

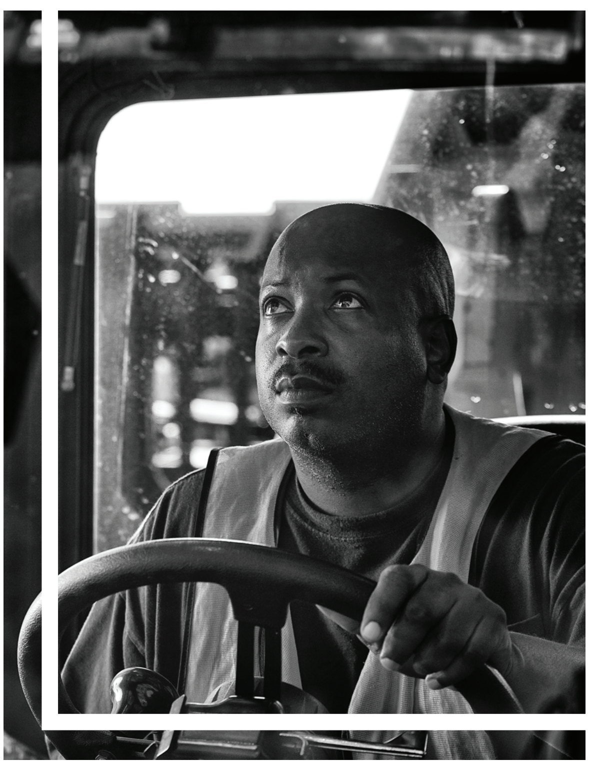
Stevedoring Staff get social with an evening of bowling

US Virgin Islands, Trinidad & Tobago, Puerto Rico, Canada, Grenada, Cayman, Turks & Caicos, Dominica and Great Britain matching up against some of Bermuda's top athletes, while the evening also saw some of the island's top junior runners in action during the school relays. Bermuda's champion paralympian Jessica Lewis also raced in a highly anticipated matchup against international competitors. Polaris was a sponsor with branding exposure that included banner presence, and live mentions of the Polaris brand. The low cost sponsorship offered high value.

Stevedoring Services Limited Staff Social Activities

The unsociable hours and the stressful nature of the industry, drive the stevedore family to develop strong personal working relationships. The staff social committee have had a long history of group social activities – including participation in competitive sports, group social outings, bowling parties and the highlight of the social calendar, a well-attended camp at the Eastern County Cricket series.

The Polaris Christmas Party was a sporty celebration



Stevedoring Services Annual Christmas Event took on a different complexion with the holiday celebrations being transformed from a dinner affair as in years past, into an active day on the links. SSL team members enjoyed a festive day of competition at the Ocean View Golf Course.

Influencer Outreach

As part of our Board's strategic mission to tell our story, we embarked upon a major outreach programme

Operations Manager, Eric Berkeley gives US Consul General, Constance M. Dierman, a tour of the docks. They are pictured on the bridge of the MV Oleander.

to provide key influencers – political, corporate and social – with a unique peek under the hood of the SSL operation. We sought to share the challenges and risks and outline the possibilities for the future of Bermuda's docks. We invited them on tours in order to show them in a tangible way how the smooth running of the docks is imperative to the country's success. We sat down with them and outlined the Company's approach to navigating shareholder value, relationships with the union and developing a Bermudian workforce from the bottom up. Our guests enjoyed a unique perspective on the heart of Bermuda's import and logistics systems that quietly power Bermuda.

We also delivered a presentation at the Sandys Rotary Club meeting on February 20, 2019.


adidas

ANALYSING THE NUMBERS

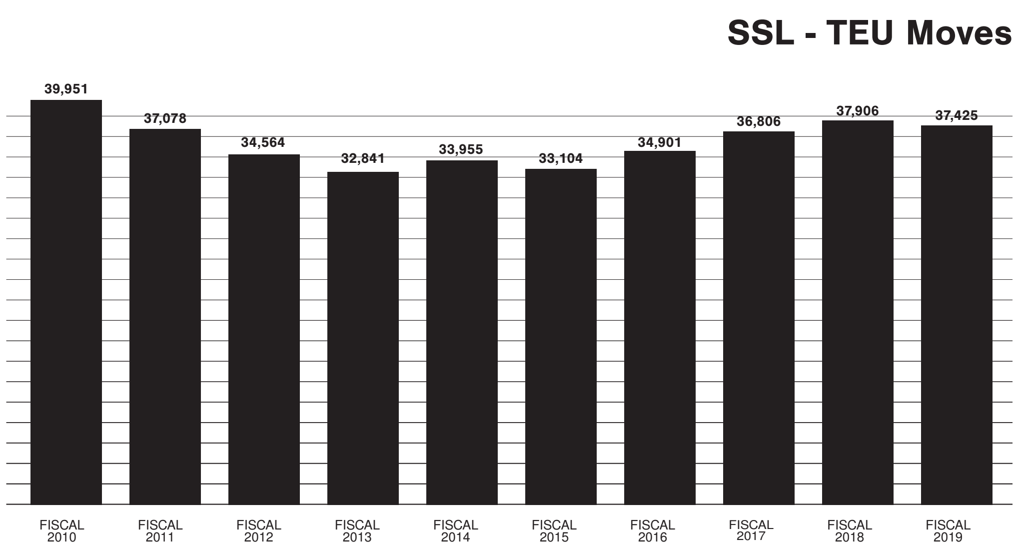
The Broad View

While Bermuda's economy grew over the last 12 months, political pundits, news articles, other public company annual reports and a cacophony of impassioned voices provided commentary on the current climate. Some offered solutions, others, who have lost confidence, bitterly stewed or abandoned altogether an island which once enriched them.

Polaris Holding Company Ltd. shares many of the real concerns the country faces. Polaris seeks growth in Bermuda and endorses progressive positive thinking. Yet Polaris is subtler; more boiler room than news room. Prone to actions over words, the Company's character is embedded in the work itself, a dangerous job requiring caution and team work.

How then does Polaris measure the success of the country, of the Company, and where each is headed? How does anyone gauge from current fiscal results and annual reports an entity's future, its financial value, its character, its ethos?

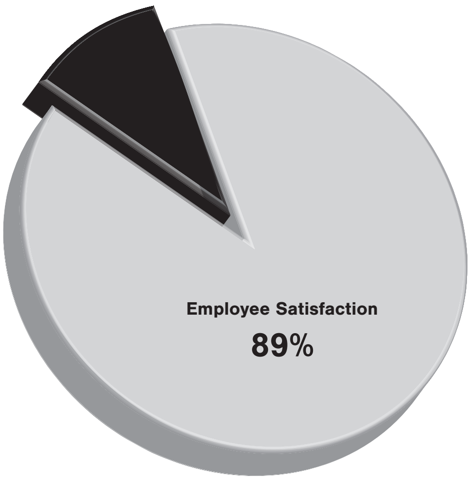
Is it through container volumes handled, perhaps the best barometer of not just Stevedoring Services Limited's ("SSL") success, but the island's overall economic health? In fiscal 2019 SSL moved 37,425 twenty-foot equivalent container units ("TEUs"), with volumes up 1.7% over pre-Americas Cup levels, and with revenue increased 5.6% vs two years earlier.



Is progress measured by profits? Polaris reported, before $210K in acquisition costs and $56K in start up losses related to East End Asphalt Company Limited, a profit of $1.07 million in fiscal 2019 [fiscal 2018 - $1.30 million], its fourth year in a row of more than a million dollar gain. The reported profit for the year after these adjustments was $801K.

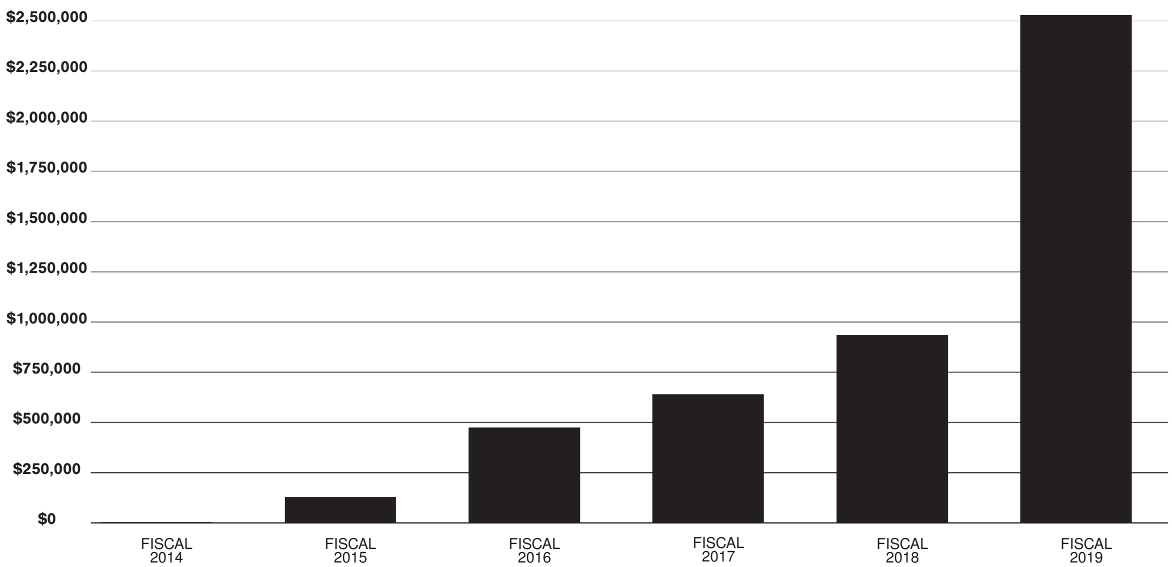
Is achievement guided through employee satisfaction and staff morale? Polaris, which has been ranked by publication The Bottom Line as one of Bermuda's top 10 employers, reflected no staff turnover during the year (other than retirements), with employee surveys measuring satisfaction at 89%.

Polaris Employment Survey

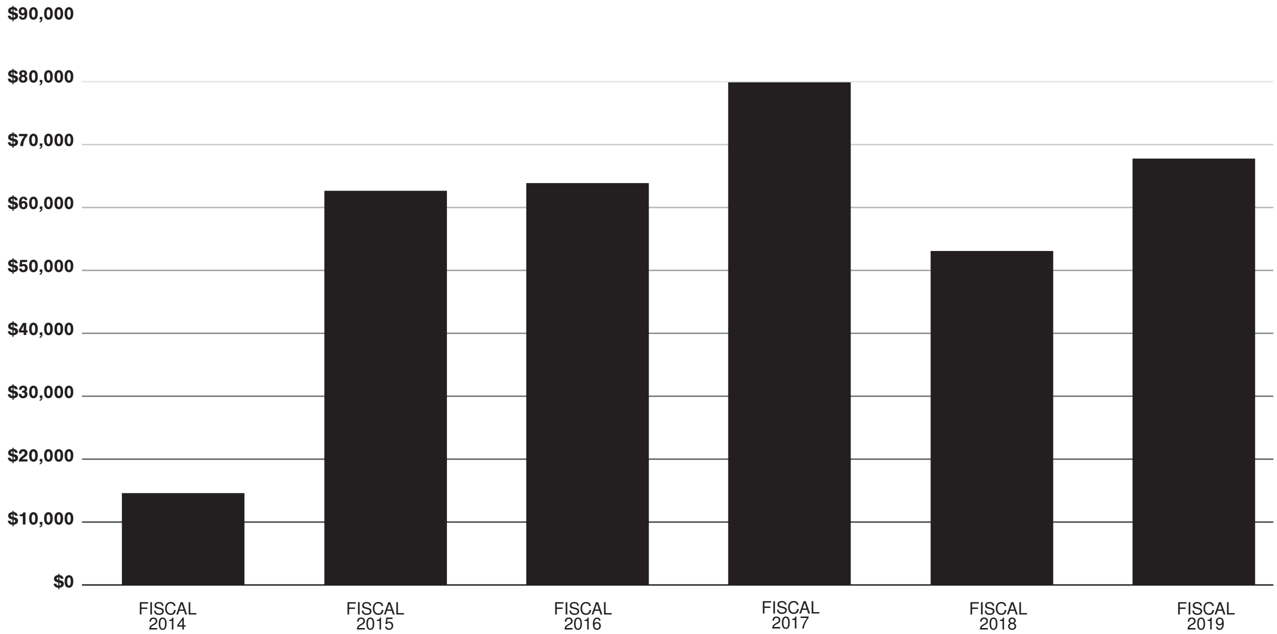


Is long term success predicated through capital investment and dedicated staff training? In fiscal 2019 Polaris continued its trend of re-investing in infrastructure and staff, acquiring a third crane at a cost of $2.33 million, spending $831K on heavy equipment parts, and continuing its focus on training and development.

ESR - Heavy Equipment Spending



SSL - Training and Development



Or is future prosperity cemented through customer satisfaction? From Polaris' perch, with SSL's customer satisfaction at a high, SSL's future is measured through the renewal of its terminal operator's license, a goal Polaris is committed to achieve.

Maybe future confidence is through the measure of the man heading an organization? CEO Warren Jones, since taking the post in January 2014, through to April 5, 2019, has more than doubled the Company's market capitalization, adding $4.24 million in stock market value over that period.

Is success a forward thinking progressive perspective? That view has moved Polaris outside of SSL, past Equipment Sales and Rentals Limited ("ESR"), and beyond its investment property division Mill Reach Holdings Limited ("MRH"). At the end of fiscal 2019, Polaris acquired EEA, a division anticipated to become another bedrock in the Polaris Group's future.

Polaris chooses to invest. Invest in its staff and current operations. Invest, on island, in new business ventures. Invest in Bermuda. The Company's understated resolve - in fiscal 2019 it again added value and strengthened its position, generating shareholder value, building its future, and quietly powering Bermuda.

Polaris Holding Company Ltd. - Financial Summary

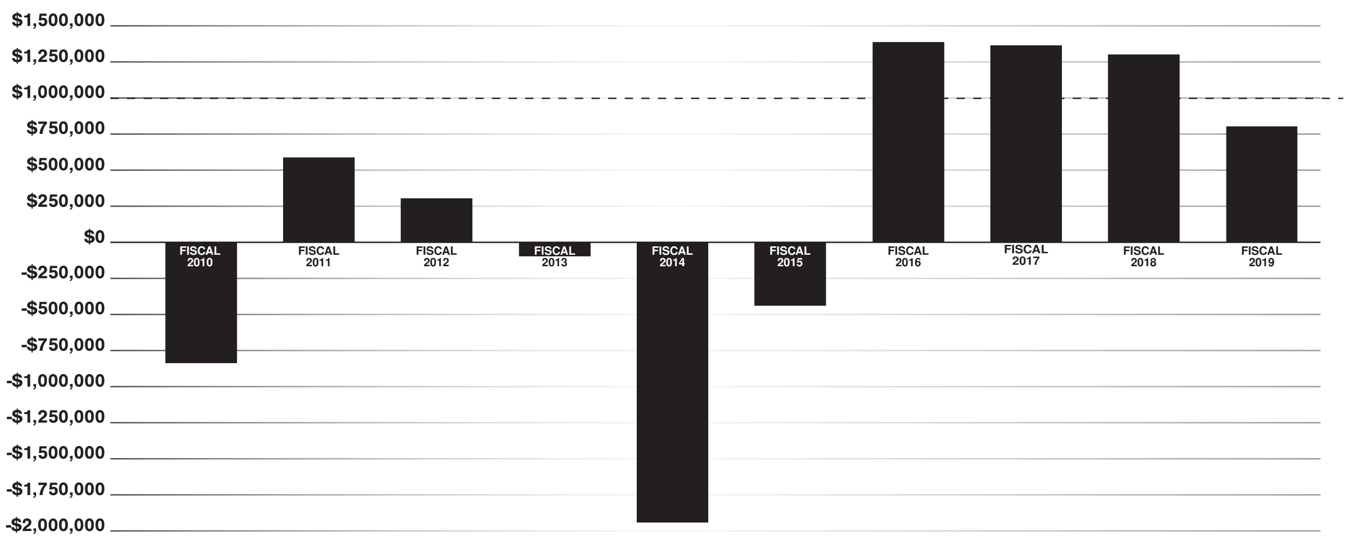
Fiscal Year End (Dollar Amounts in Thousands)	31-Mar-14 (restated)	31-Mar-15	31-Mar-16	31-Mar-17 (restated)	31-Mar-18	31-Mar-19
20-foot Equivalent Container Moves	33,955	33,104	34,901	36,806	37,906	37,425
Stevedoring Revenue	$9,305	$9,217	$10,567	$10,954	$11,921	$11,563
Operating Expenses, net of rental income	11,080	9,508	8,972	9,538	10,656	10,788
Results from Operating Activities *	(1,775)	(291)	1,501	1,440	1,294	810
Total Comprehensive Profit (Loss) for the Year	(1,942)	(443)	1,384	1,361	1,299	801
Earnings Per Share	(1.56)	(0.34)	1.16	1.15	1.10	0.68
Shareholders' Equity	8,881	8,190	8,982	10,089	11,020	11,442

*** March 31, 2014 results include a $1 million impairment of investment property, March 31, 2019 results include $266K in East End Asphalt Ltd. acquistion costs**

Polaris Holding Company Ltd. (Consolidated)

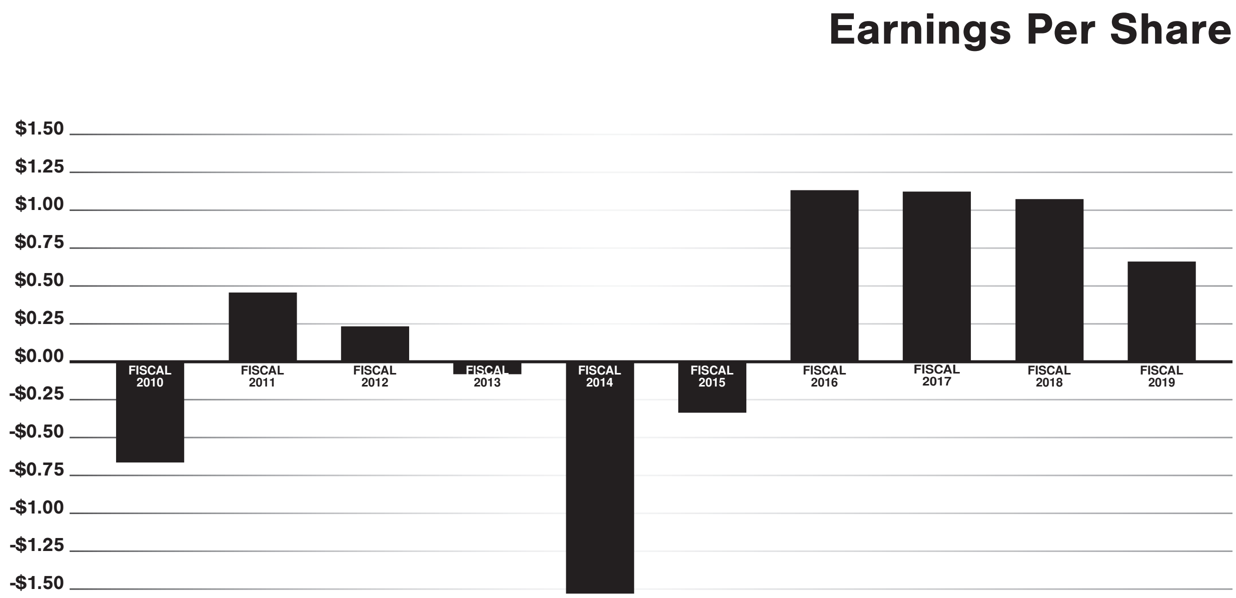
Polaris' consolidated net income for the past 10 years is outlined below. The current year's $801K profit exceeds $1.0 million once EEA's acquisition costs and startup losses are factored out. Fiscal 2014's results included a $1.0 million property write down.

Net Income History



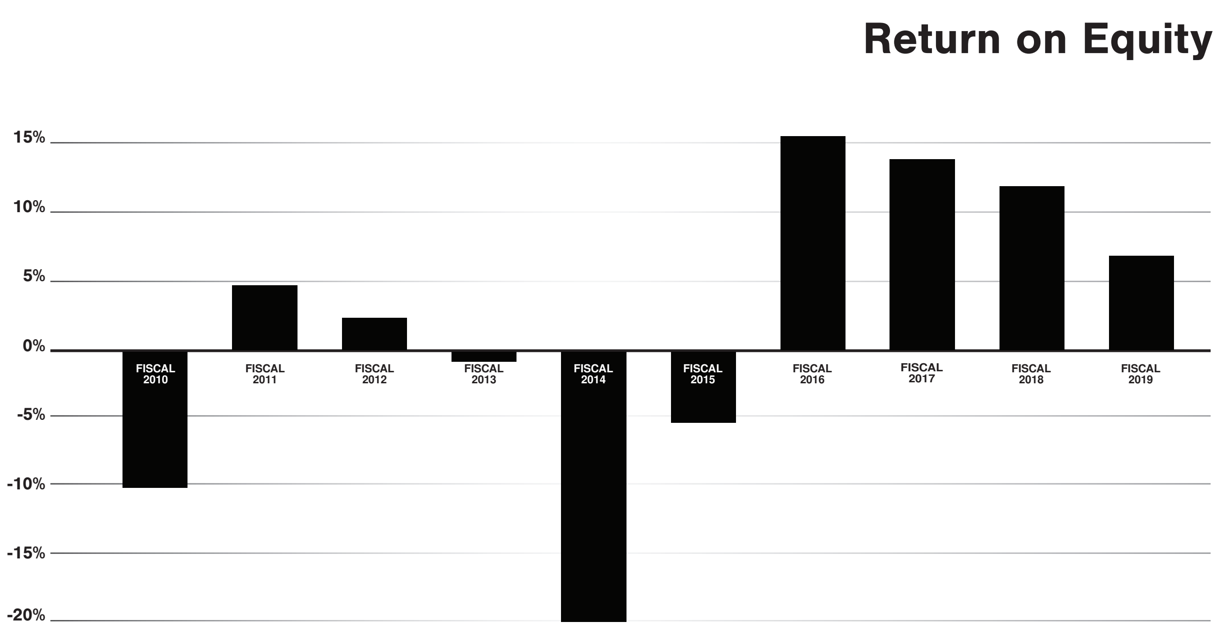
Earnings Per Share

The Company reported earnings per share of $0.68 in fiscal 2019, $0.90 per share if the cost of EEA's acquisition and start up costs were added back [fiscal 2018 - $1.10].



Return on Equity

Polaris' equity at the end of fiscal 2019 was $11.44 million. Return on equity was 7.0%, 9.3% once EEA's acquisition costs and start up losses are factored out. While the Board's goal is a 12.0% or better return on equity, the recent pattern of profits is arguably distorted downward by Polaris' high non-cash amortization charges. Exclusive of SSL's parts, amortization was over $1.0 million in fiscal 2019.

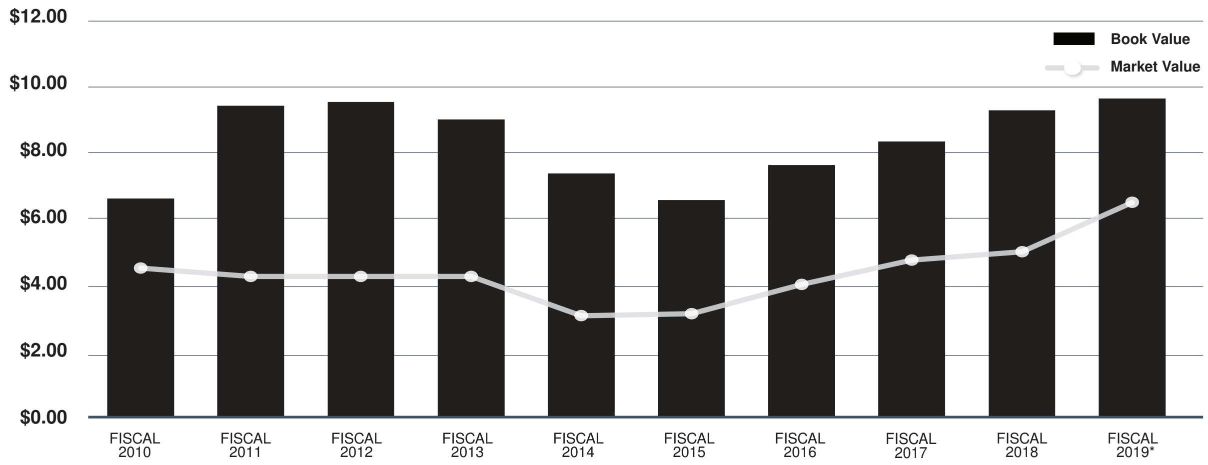


Book Value and Market Value

As at March 31, 2019, book value was $9.66 per share [fiscal 2018 - $9.31 per share].

At the start of fiscal 2019 market value, per the Bermuda Stock Exchange, was $5.00 per share. Following Polaris' acquisition of EEA, market activity moved the shares to $6.50 per share, with the price rising to $8.00 per share in April 2019, before receding recently on lighter trade volumes.

Book and Market Value per Share

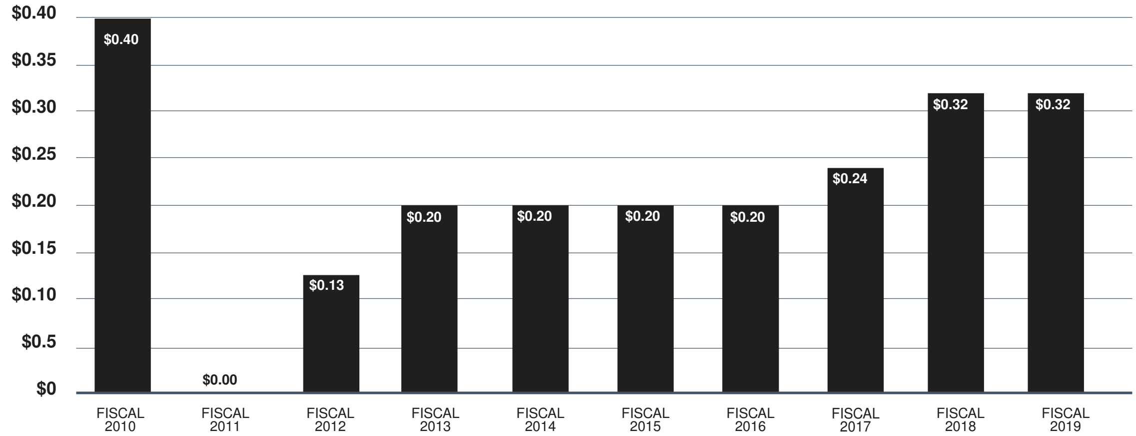


*Market value as at April 04, 2019

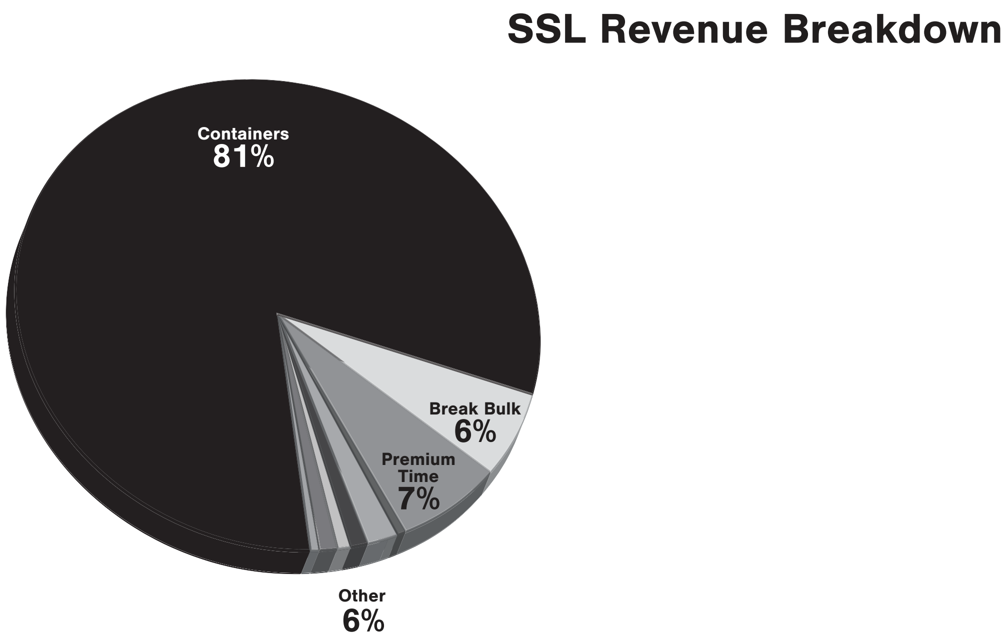
Dividends

As a result of cash flow demands from ESR's purchase of a crane, and Polaris' acquisition of EEA, the Company held dividends at $0.08 per share per quarter, or $0.32 per share for the year.

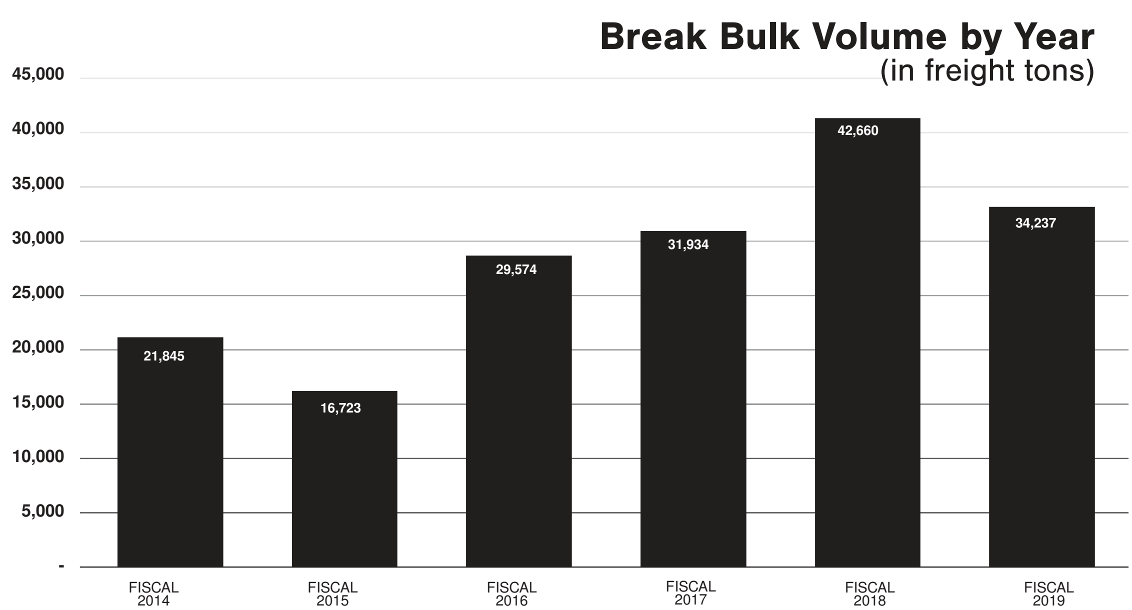
Dividends



As in the past SSL's revenue and success hinges on container volume, with $9.42 million [fiscal 2018 - $9.40 million] or 81% of fiscal 2019's revenue derived from the discharging and back loading of TEUs.

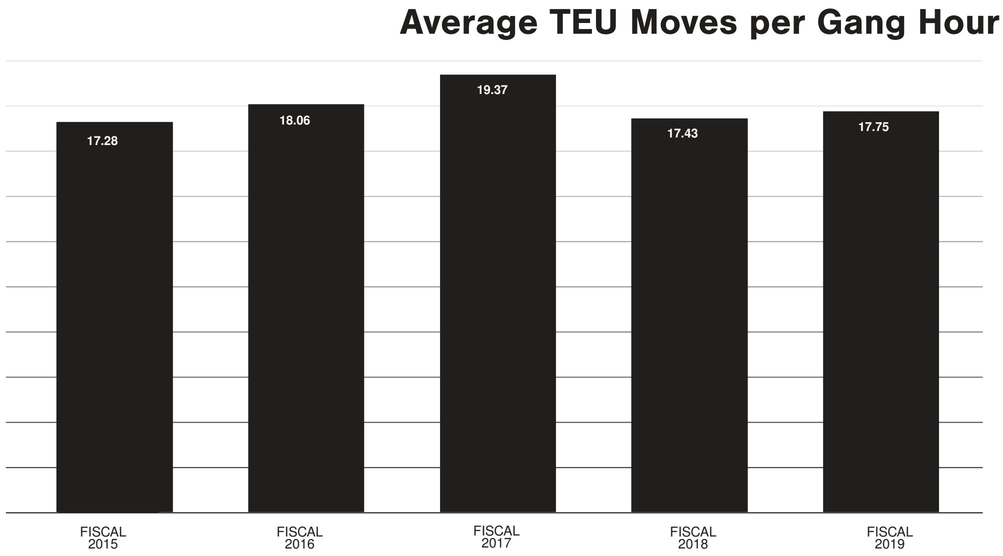


Break bulk volume provided $700K in current year revenue [fiscal 2018 - $937K], 6% of SSL's overall top line; a sharp decline from unprecedented loose cargo volume in fiscal 2018 as a result of America's Cup. The current year's 34,237 freight tons surpassed the break bulk cargo moved in pre-America's Cup years.



Average TEUs per Gang Hour

TEU moves per gang hour were 17.75 container moves in fiscal 2019, beating fiscal 2018, but off earlier years as a result of equipment outages and weather issues.



Equipment Sales and Rentals Limited

At the end of fiscal 2018 a $67K engine was acquired for the Terex crane. In September 2018 it was pulled from service and remained out of commission pending the need for new swing bearings. The $200K repair will be complete in fiscal 2020.

ESR's main purchase in fiscal 2019, a $2.32 million Manitowoc crane, was put into service in September 2018, as the Terex was pulled.

Mill Reach Holding Limited

Through Mill Reach Holding Limited, Polaris owns 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, a valuation, which is believed to be still representative.

The investment is reflected on Polaris' books at year-end at $1.49 million.

East End Asphalt Company Limited

EEA is Bermuda's leading asphalt manufacturing and paving company. EEA uses the highest quality materials to produce a durable asphalt mix product that exceeds industry standards and is routinely tested to maintain quality control. The number one paving contractor on-island, both in terms of jobs completed and standard of workmanship, on March 14, 2019 Polaris acquired EEA for $4.2 million, supported by a $3.8 million loan from a Bermuda bank and a $300k holdback payable in March 2020.

EEA leases 8 Duck's Puddle Drive, off Coney Island Road in Hamilton Parish, a 2.55 acre lot inclusive of an industrial warehouse and office building. The lease has a 20-year term with an option to extend it 30 additional years.
For fiscal 2019, with Polaris operating EEA only 15 days, the focus was on the start up and restructuring processes, which gave rise to a ($56K) operating loss.

The Company took a further $210K charge acquiring EEA including legal and financing fees, and other third party costs performing due diligence.

Section IV

MANAGING THE LOAD

Warren Jones
Chief Executive Officer
Polaris Holding Company Ltd.

Linda Amaral
Comptroller
Polaris Holding Company Ltd.

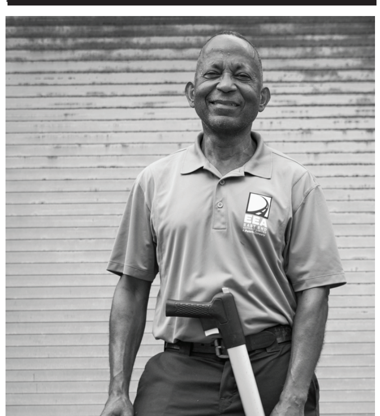
Aloma Musson
Administration Manager
Polaris Holding Company Ltd.

Eric Berkeley
Operations Manager
Stevedoring Services Limited

Kimothy Wilkinson
Superintendent
Stevedoring Services Limited

Hector Lambert
Superintendent
Stevedoring Services Limited

Kira Hines
Financial Controller
East End Asphalt Company Limited

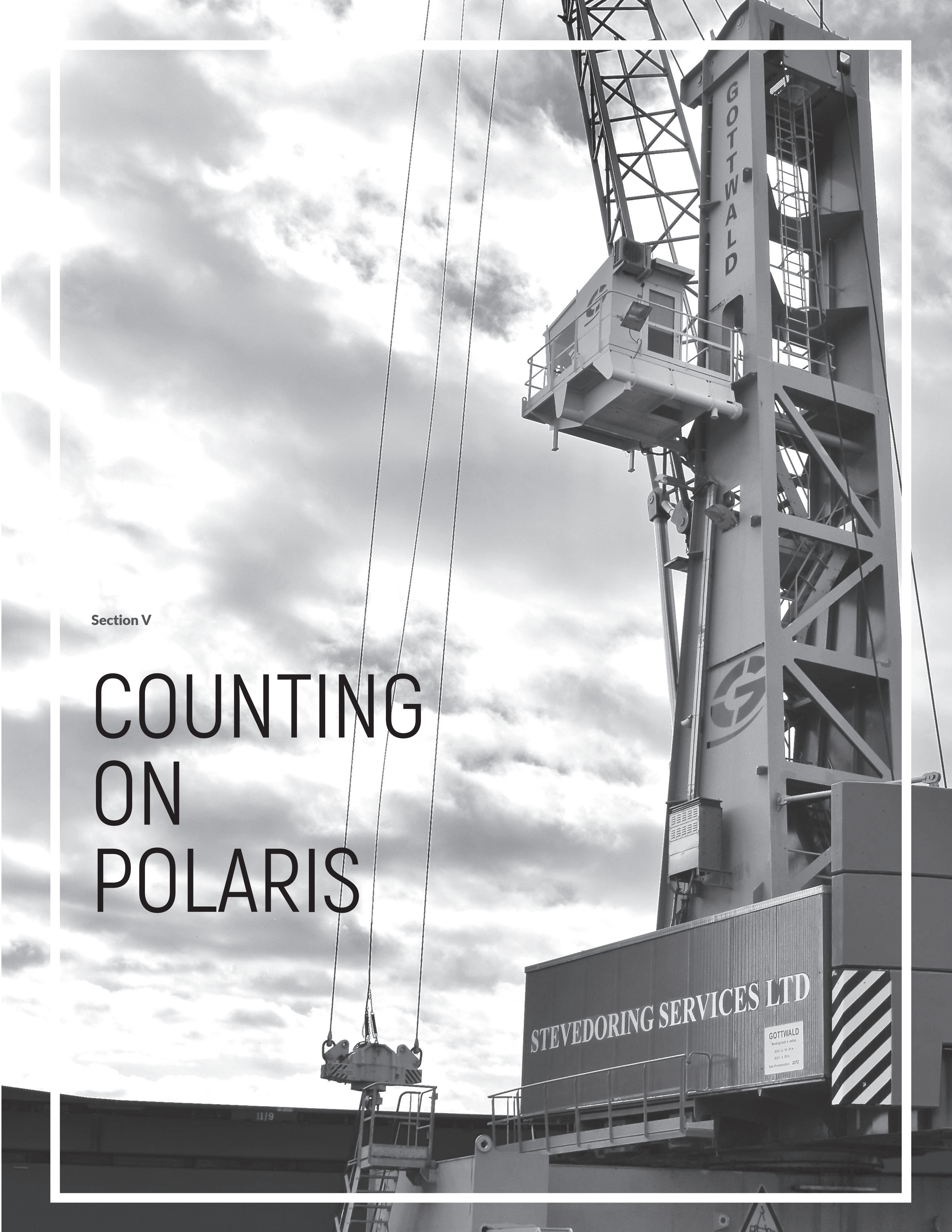


Larry Hodge
Quality Control Manager
East End Asphalt Company Limited

Mervyn Van Putten
Foreman
East End Asphalt Company Limited

Section V

COUNTING ON POLARIS



POLARIS HOLDING COMPANY LTD.

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

March 31, 2019

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

Telephone +1 441 295 5063
Fax +1 441 295 8280
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. (the "Company") and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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, 2019 and 2018, and their consolidated financial performance and their consolidated 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 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
July 30, 2019

POLARIS HOLDING COMPANY LTD.

Consolidated Statement of Financial Position

March 31, 2019 and 2018
(Expressed in Bermuda Dollars)

	March 31, 2019	March 31, 2018
Assets		
Non-current assets		
Goodwill (Note 14)	$ 1,339,892	$ –
Investment property (Note 7)	1,490,000	1,575,000
Property, plant and equipment (Note 8)	10,347,706	6,543,653
Total non-current assets	13,177,598	8,118,653
Current assets		
Cash and cash equivalents (Note 9)	1,390,869	2,791,103
Accounts receivable (Notes 17 and 21)	1,664,484	858,496
Inventory (Note 10)	1,172,401	–
Prepaid expenses	296,146	233,216
Total current assets	4,523,900	3,882,815
Total assets	$ 17,701,498	$ 12,001,468
Liabilities		
Non-current liabilities		
Long term debt (Note 13)	$ 3,562,040	$ –
Accrued expenses (Note 20)	154,715	207,752
Total non-current liabilities	3,716,755	207,752
Current liabilities		
Accounts payable and accrued expenses	2,304,441	773,767
Long-term debt – current portion (Note 13)	237,960	–
Total current liabilities	2,542,401	773,767
Total liabilities	6,259,156	981,519
Equity		
Share capital (Note 15)	1,184,132	1,184,132
Share premium (Note 15)	8,250	8,250
General reserve (Note 16)	1,250,000	1,250,000
Retained earnings	8,999,960	8,577,567
Total equity attributable to the Company's shareholders	11,442,342	11,019,949
Total liabilities and equity	$ 17,701,498	$ 12,001,468

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, 2019 and 2018
(Expressed in Bermuda Dollars)

	2019	2018
Revenue		
Stevedoring revenue (Notes 6 and 17)	$ 11,563,394	$ 11,921,039
Stevedoring expenses (Notes 11 and 12)	(6,952,548)	(6,986,367)
Stevedoring gross profit	4,610,847	4,934,672
East End Asphalt revenue	80,183	–
East End Asphalt expenses	(93,679)	–
East End Asphalt gross loss	(13,496)	–
Gain on disposal of property, plant and equipment	33,806	30,000
Rental income (Note 7)	143,501	142,038
Total income	4,774,658	5,106,710
Expenses		
Administrative salaries, wages and benefits (Notes 11 and 12)	1,479,015	1,531,024
Depreciation (Note 8)	912,786	814,149
General and administrative expenses (Note 17)	758,456	750,888
Professional fees	294,080	352,205
Information technology and telecommunication	226,213	283,456
Acquisition of East End Asphalt (Note 14)	209,580	–
Depreciation of investment property buildings (Note 7)	85,000	85,000
Impairment recovery on accounts receivable	–	(5,000)
Total expenses	3,965,130	3,811,722
Results from operations	809,528	1,294,988
Finance income (Note 18)	1,135	4,448
Finance expense (Note 13)	(9,348)	–
Net finance (expense) income	(8,213)	4,448
Profit for the year (attributable to owners of the Company)	$ 801,315	$ 1,299,436
Earnings per share – basic (Note 19)	$ 0.68	$ 1.10
Earnings per share – fully diluted (Note 19)	$ 0.67	$ 1.09

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, 2019 and 2018
(Expressed in Bermuda Dollars)

	Share capital	Share premium	General reserve	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
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 15)	2,500	8,250	–	–	–	10,750
Dividends declared and paid (Note 15)	–	–	–	(378,922)	–	(378,922)
Balance at March 31, 2018 as previously reported	$ 1,184,132	$ 8,250	$ 1,250,000	$ 8,577,567	$ –	$ 11,019,949
Adjustment on initial application of IFRS 9 (Note 21(a))	–	–	–	–	–	–
Adjusted balance at April 1, 2018	$ 1,181,132	$ 8,250	$ 1,250,000	$ 8,577,567	$ –	$ 11,019,949
Total comprehensive income:						
Profit for the year	–	–	–	801,315	–	801,315
Transactions with owners of the Company recognized directly in equity:						
Dividends declared and paid (Note 15)	–	–	–	(378,922)	–	(378,922)
Balance at March 31, 2019	$ 1,184,132	$ 8,250	$ 1,250,000	$ 8,999,960	$ –	$ 11,442,342

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, 2019 and 2018
(Expressed in Bermuda Dollars)

	2019	2018
Operating activities		
Profit for the year	$ 801,315	$ 1,299,436
Adjustments for:		
Depreciation	912,786	814,149
Depreciation of heavy equipment parts	517,598	390,415
Depreciation of investment property	85,000	85,000
Net finance expense (income)	8,213	(4,448)
Expenses on issuance of shares	–	2,150
Gain on disposal of property, plant and equipment	(33,806)	–
Changes in non-cash working capital balances:		
Accounts receivable	(213,225)	288,471
Inventory	(422,350)	–
Prepaid expenses	(39,591)	59,588
Accounts payable and accrued expenses	996,089	(226,476)
Net cash provided by operating activities	2,612,029	2,708,285
Investing activities		
Purchase of property, plant and equipment	(3,578,631)	(2,241,150)
Acquisition of EEA, net of cash acquired	(3,889,497)	–
Proceeds on disposal of property, plant and equipment	43,000	40,000
Interest and dividends received	1,135	4,448
Net cash used in investing activities	(7,423,993)	(2,196,702)
Financing activities		
Long-term debt raised	3,800,000	–
Dividends declared and paid	(378,922)	(378,922)
Proceeds from shares issued	–	8,600
Interest paid	(9,348)	–
Net cash provided by (used in) financing activities	3,411,730	(370,322)
(Decrease) Increase in cash and cash equivalents	(1,400,234)	141,261
Cash and cash equivalents at beginning of year	2,791,103	2,649,842
Cash and cash equivalents at end of year	$ 1,390,869	$ 2,791,103

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”), 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.

SSL, 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.

The Company acquired East End Asphalt Company Limited (“EEA”) on March 14, 2019. EEA carries on business as an asphalt manufacturing and paving company (Note 14).

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 July 30, 2019.

This is the first set of the Company’s consolidated financial statements in which IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* have been adopted. Changes to significant accounting policies are disclosed in Note 4.

(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(g) – impairment of financial assets
- Note 3(h) – impairment of non-financial assets
- Note 7 – valuation of investment property
- Note 21(b) – allowance for impairment of accounts receivable

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.

(b) Revenue recognition

The Company has initially applied IFRS 15 *Revenue from Contracts with Customers* from April 1, 2018. The effect of initially applying IFRS 15 is described in Note 4.

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 under IFRS 15 (applicable from April 1, 2018)**	**Revenue recognition under IAS 18 (applicable before April 1, 2018)**
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.	Revenue was recognized in the accounting period at which the services were rendered being the point when freight is unloaded from the vessels.

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 under IFRS 15 (applicable from April 1, 2018)**	**Revenue recognition under IAS 18 (applicable before April 1, 2018)**
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.	Revenue was recognized in the accounting period at which the services were rendered being the point when freight is unloaded from the vessels.
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.	Revenue was recognized in the accounting period at which the services were rendered being the point when the overtime was worked.
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.	Revenue was recognized in the accounting period at which the services were rendered being the point when the tie up occurred.
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.	Revenue was recognized in the accounting period at which the services were rendered being the point when the freight is unloaded from the vessels.

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 under IFRS 15 (applicable from April 1, 2018)**	**Revenue recognition under IAS 18 (applicable before April 1, 2018)**
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.	Revenue was recognized in the accounting period at which the services were rendered being the point when the cargo leaves the dock and the port storage fee is paid.
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 at a point in time when the performance obligation is satisfied.	Revenue was recognized in the accounting period at which the work was performed.
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.	Revenue was recognized in the accounting period at which the material is supplied and paid for.

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.

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes 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 and building improvements	10 years
Plant	20 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 values 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 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 – policy applicable from April 1, 2018

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: Policy applicable from April 1, 2018

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: Policy applicable from April 1, 2018

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: Policy applicable from April 1, 2018

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 assets – Classification and subsequent measurement: Policy applicable before April 1, 2018

The Company classified its financial assets as loans and receivables.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before April 1, 2018

The Company's financial assets were measured at amortized cost using the effective interest method.

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, 2019 or 2018 which are required to be disclosed in accordance with the above fair value hierarchy.

(g) Impairment

Financial assets: Policy applicable from April 1, 2018

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)

(g) *Impairment* (continued)

Financial assets: Policy applicable before April 1, 2018

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.

(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.

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

(k) *Foreign currency translation*

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

(l) *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.

(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 Group 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.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(o) *Intangible assets and goodwill*

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

4. **Changes to significant accounting policies**

Except for the changes below, the Company has consistently applied its accounting policies to all periods presented in these consolidated financial statements.

The Company has initially applied IFRS 15 and IFRS 9 from April 1, 2018. A number of other new standards are also effective from April 1, 2018 but they do not have a material effect on the Company's consolidated financial statements (see iii).

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables and contract assets.

(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 replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods and services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has adopted IFRS 15 using the cumulative effect (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. April 1, 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

There was no impact on the Company's consolidated statement of financial position and related consolidated statements of comprehensive income and cash flows upon transition at April 1, 2018.

For a description of the Company's revenue streams that constitute contracts with customers see Note 3(b).

IFRS 15 did not have a significant impact on the Company's accounting policies with respect to other revenue streams.

4. Changes to significant accounting policies (continued)

(ii) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the consolidated statement of comprehensive income. Previously, the Company's approach was to include the impairment of accounts receivable in general and administrative expenses. Consequently, the Company has reclassified impairment recoveries amounting to $5,000 recognized under IAS 39 from 'general and administrative expenses' to 'impairment loss on trade receivables' in the consolidated statement of comprehensive income for the year ended March 31, 2018.

Additionally, the Company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 3(f).

4. **Changes to significant accounting policies** (continued)

(ii) IFRS 9 Financial Instruments (continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at April 1, 2018.

Financial assets

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 2,791,103	$ 2,791,103
Accounts receivable	Loans and receivables	Amortized cost	858,496	858,496
Total financial assets			$ 3,649,599	$ 3,649,599

Financial liabilities

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Accounts payable and accrued expenses	Other financial liabilities	Other financial liabilities	$ 981,519	$ 981,519
Total financial liabilities			$ 981,519	$ 981,519

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and lease receivables. Under IFRS 9 credit losses are recognized earlier than under IAS 39 (Note 3(g)).

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at April 1, 2018 did not result in an increased allowance for impairment.

4. **Changes to significant accounting policies** (continued)

(iii) Other standards

There were a number of amendments to standards that were effective for periods beginning on or after January 1, 2018. These have been listed below:

- *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).*

The adoption of the above amendments does not have a material impact on these consolidated financial statements.

5. **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, 2019 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 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. EEA entered into a material leases in its capacity as lessee on March 14, 2019 which may require it to recognize a right of use asset effective the year ending March 31, 2020 (Note 20).

SSL has a Terminal Operators license effective from March 1, 2016 to February 28, 2021 which may require it to recognize a right of use asset effective the year ending March 31, 2020 (Note 20).

The Company will recognize new assets and liabilities in respect of its operating leases. The nature of expenses related to those leases will now change because the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

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.

5. **New standards and interpretations not yet adopted** (continued)

(ii) *Other standards*

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

- *IFRIC 23 Uncertainty over Income Tax Treatments.*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*
- *Annual improvements for IFRSs 2015 – 2017 Cycle – Amendments to IFRSs 3 & 11, IASs 12 & 23*
- *Amendments to References to Conceptual Framework in IFRS Standards*

6. **Revenue**

	2019	2018
Revenue from contracts with customers	$ 11,643,577	$ 11,921,039
Other revenue		
Rental income	143,501	142,038
	$ 11,787,078	$ 12,063,077

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.

	2019		
	SSL	EEA	Total
Major products and service lines			
Containerized and loose cargo	$ 9,330,935	$ –	$ 9,330,935
Terminal Handling Charges	1,111,128	–	1,111,128
Labour Surcharges	823,323	–	823,323
Line Handling	192,417	–	192,417
Port Storage Fees	105,591	–	105,592
Paving	–	52,768	52,768
Aggregate and asphalt sales	–	27,415	27,415
	11,563,394	80,183	11,643,577
Timing of revenue recognition			
Products and services transferred over time	105,591	–	105,591
Products and services transferred at a point in time	11,457,803	80,183	11,537,986
Revenue from contracts with customers	$ 11,563,394	$ 80,183	$ 11,643,577

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, 2019 and one on a term expiring February 28, 2021. Earned rental income was $143,502 for the year (2018 - $142,038). At March 31, 2019, the future minimum lease payments under non-cancellable leases were receivable as follows:

Less than one year	$ 108,755
Between one and five years	4,125
	$ 112,880

Deemed cost less impairment losses

	2019	2018
Land	$ 1,150,000	$ 1,150,000
Buildings	850,000	850,000
	$ 2,000,000	$ 2,000,000

The property was valued by an independent appraiser, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued, 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, 2019 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.

	2019	2018
Net book value April 1	$ 1,575,000	$ 1,660,000
Depreciation for the year	(85,000)	(85,000)
Net book value at March 31	$ 1,490,000	$ 1,575,000

8. **Property, plant and equipment**

	Asphalt plant	Heavy equipment parts	improvements	Cranes Building equipment	and heavy and fixtures	Furniture equipment	Computer Total
Cost							
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
At April 1, 2018	$ –	$ 1,702,325	$ 465,756	$ 9,517,923	$ 328,033	$ 580,635	$ 12,594,672
Acquisitions through business combinations	1,250,000	–	–	410,000	–	5,000	1,665,000
Additions	–	831,463	11,966	2,568,236	36,749	130,217	3,578,631
Disposals	–	–	–	(463,814)	–	–	(463,814)
At March 31, 2019	$ 1,250,000	$ 2,533,788	$ 477,722	$ 12,032,345	$ 364,782	$ 715,852	$ 17,374,489
Accumulated depreciation							
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
At April 1, 2018	$ –	$ 515,866	$ 325,772	$ 4,768,698	$ 302,841	$ 137,842	$ 6,051,019
Depreciation for the year	–	517,598	17,633	811,561	9,201	74,391	1,430,384
Disposals	–	–	–	(454,620)	–	–	(454,620)
At March 31, 2019	$ –	$ 1,033,464	$ 343,405	$ 5,125,639	$ 312,042	$ 212,233	$ 7,026,783
Net book value							
At March 31, 2017	$ –	$ 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
At March 31, 2019	$ 1,250,000	$ 1,500,324	$ 134,317	$ 6,906,706	$ 52,740	$ 503,619	$ 10,347,706

9. **Cash and cash equivalents**

The effective interest rate earned on cash and cash equivalents for the year ended March 31, 2019 was nil% (2018 - 0.45%).

10. **Inventory**

Inventory relating to raw materials of $1,172,401 (2018 - $nil) is stated net of an allowance for obsolescence of $nil (2018 – nil). Included in the consolidated statement of comprehensive income are recognized inventory expenses of $26,108 (2018 - $nil). Inventory totaling $nil (2018 - $nil) were written down in the year.

11. **Employee pension benefits**

The total expense incurred for the Company's defined contribution plan was $197,409 (2018 - $197,172).

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 20.

12. **Personnel expenses**

	2019	2018
Salaries, wages and employment benefits	$ 5,001,257	$ 5,271,553
Key management compensation	593,719	563,754
Compulsory payroll tax, social insurance, life, and health contributions	1,231,861	1,170,793
Payments to defined contribution pension scheme (Note 11)	197,409	197,172
	$ 7,024,246	$ 7,203,272

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

13. **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 $9,348 (2018 - $nil).

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.

13. **Long-term debt** (continued)

Principal repayments over the next five years are as follows:

2020	$	237,960
2021		252,618
2022		268,216
2023		284,787
2024 and thereafter		2,756,419
	$	3,800,000

14. **Acquisition of East End Asphalt**

On March 14, 2019, the Company acquired 100% of the shares and voting interests in East End Asphalt Company Limited ("EEA") in order to expand its operations.

For the period from March 14 to March 31, 2019, EEA contributed revenue of $80,183 and a loss of $56,263 to the Company's results. If the acquisition had occurred on April 1, 2018, the Company estimates that consolidated revenue would have been $15,863,394 and consolidated profit for the year would have been $1,213,578. In determining these amounts, the Company has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on April 1, 2018.

Consideration transferred

The fair values of consideration transferred consisted of cash of $3,889,497, with an additional holdback amount of deferred consideration of $300,000.

Acquisition-related costs

The Company incurred acquisition-related costs of $209,580 which are included in the consolidated statement of comprehensive income.

Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Property, plant and equipment	$	1,665,000
Inventory		750,051
Accounts receivable		592,763
Prepaid Expenses		23,339
Accounts payable and accrued expenses		(181,548)
	$	2,849,605

14. **Acquisition of East End Asphalt** (continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	**Valuation technique**
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Inventory	The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Accounts receivable comprise gross contractual amounts due of $622,763, of which $30,000 was expected to be uncollectable at the date of acquisition.

If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

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.

15. **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, 2019 1,184,132 (March 31, 2018 - 1,184,132) 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.

As at March 31, 2019, the direct and indirect shareholding ownership of directors and officers was 325,717 (2018 - 325,717) 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:

	2019	2018
$0.08 (2018 - $0.08) per qualifying ordinary share – June	$ 94,730	$ 94,730
$0.08 (2018 - $0.08) per qualifying ordinary share – September	94,730	94,730
$0.08 (2018 - $0.08) per qualifying ordinary share – December	94,731	94,731
$0.08 (2018 - $0.08) per qualifying ordinary share – March	94,731	94,731
	$ 378,922	$ 378,922

15. **Share capital** (continued)

Subsequent to the year-end, in June 2019 the Company declared a further dividend of $94,731 being $0.08 per qualifying ordinary share.

Subsequent to the year end, as part of the Company's acquisition of EEA, it issued 46,154 shares in favor of the seller to be used as security in relation to a final purchase payment of $300,000 due in March 2020. Dividends issued in 2020 on those shares revert to the Company.

During the year the Company issued nil (2018 – 2,500) shares to senior management at a price of $nil (2018 - $3.44) per share.

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 $3.44 per share.

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 10, 2017 the CEO exercised 2,500 options. Subsequent to year end, on April 9, 2019 the CEO exercised 3,000 options.

16. **General reserve**

General reserve represents amounts appropriated by the directors.

17. **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 $5,787,922 (2018 - $5,780,825) from both BISL and SISL. Included in accounts receivable as at March 31, 2019 is $615,476 (2018 - $554,613) 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 $87,997 (2018 - $96,269) from Meyer Technologies Ltd. which are included in general and administrative expenses in the consolidated statement of comprehensive income.

18. **Finance income**

Finance income comprises of the following:

	2019	2018
Interest Income	$ 1,135	$ 4,448

19. **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, 2019 was based on the income attributable to ordinary shareholders of $801,315 (2018 - $1,299,436), and a weighted average number of ordinary shares outstanding of $1,184,132 (2018 - 1,182,882).

	2019	2018
Issued ordinary shares and weighted average number of shares at April	1,184,132	1,181,632
Shares issued in the year	–	2,500
Share capital at March 31	1,184,132	1,184,132

Share options with a dilutive effect were issued on April 1, 2017 (Note 15). The calculation of diluted earnings per share at March 31, 2019 was based on the income attributable to ordinary shareholders of $801,315 (2018 - $1,299,436), and a diluted weighted average number of ordinary shares outstanding of 1,194,132 (2018 - 1,195,382).

20. **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 $181,719 (2018 - $207,752) 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 licence has a 5 year term which commenced March 1, 2016. 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 division. The lease has a 20 year term which commenced March 15, 2019, and has an option to be extended 30 additional years. The Company may terminate the lease, with six months' notice, at any point during the lease's first 10 years. Rent is $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.

The Company owes the seller of EEA $300,000, due on March 14, 2020. Subsequent to year end the Company issued $46,154 common shares to the seller as security for the liability (Note 15).

As at March 31, 2019, the Company had contracted capital commitments in respect of plant and equipment of $85,470 (2018 - $1,966,520). These commitments will be met from operations during 2020.

21. **Financial instruments**

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.

21. **Financial instruments** (continued)

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.

(a) *Cash and cash equivalents and investments*

At March 31, 2019, 88% (2018 - 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 & Poor's rating agency as at March 31, 2019. 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 and Poor's:

	2019	2018
BBB+	$ 1,140,450	$ 1,829,604
B	161,288	961,499
Impairment loss	–	–
	$ 1,301,738	$ 2,791,103

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 and 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.

On initial application of IFRS 9, the Company recognized an impairment allowance as at April 1, 2018 on cash and cash equivalents in the amount of $nil (see Note 4). The amount of the allowance is $nil as at March 31, 2019.

(b) *Accounts receivable*

At March 31, 2019, 97% (2018 - 97%) 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.

21. **Financial instruments** (continued)

Credit risk (continued)

(b) *Accounts receivable* (continued)

Expected credit loss assessment for individual customers

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances.

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, 2019:

As at March 31, 2019	Weighted - average loss rate	Gross carrying amount	Loss allowance	Credit - impaired
Current	nil%	$ 1,246,309	$ nil	No
Past 30 days	nil%	348,659	nil	No
Past 60 days	nil%	28,845	nil	No
Past 90 days	32%	59,398	(18,727)	Yes
		$ 1,683,211	$ (18,727)	

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. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

	2019	2018 Individual impairments
Balance at April 1 under IAS 39	$ –	$ 5,000
Adjustment on initial application of IFRS 9 (Note 4)	–	–
Balance at April 1 under IFRS 9	–	5,000
Impairment provision on acquisition of EEA	30,000	
Amounts written off	(11,273)	–
Net re-measurement of loss allowance	–	(5,000)
Balance at March 31	$ 18,727	$ –

21. **Financial instruments** (continued)

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.

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, 2019	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 15 years
Accounts payable and accrued expenses	$ 2,459,156	$ 1,990,939	$ 313,502	$ 29,348	$ 125,367
Long-term debt	5,284,242	227,918	227,918	455,833	4,372,573
	$ 7,743,398	$ 2,218,857	$ 541,420	$ 485,181	$ 4,497,940

As at March 31, 2018	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 9 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

22. **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.

22. **Capital management** (continued)

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.

23. **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 (2018 – four) separate business segments based on their products and services. For financial reporting purposes, these five (2018 – 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 $1,340,380 (2018 - $1,251,100) was recognized under the PHC group structure.

23. **Operating segments** (continued)

2019

Revenue/expenses (stated in $000's)

	EEA	PHC	SSL	ESR	MRH	Elimination	Consolidated
Stevedoring revenue	$ –	$ –	$ 11,563	$ –	$ –	$ –	$ 11,563
East End revenue	80	–	–	–	–	–	80
Rental income	–	–	–	–	144	–	144
Gain on disposal	–	–	–	34	–	–	34
Inter-segment	–	1,026	–	1,340	–	(2,366)	–
Finance income	–	1	–	–	–	–	1
Total revenue	80	1,027	11,563	1,374	144	(2,366)	11,822
Stevedoring expenses	–	–	6,943	–	10	–	6,953
East End Asphalt expenses	94						94
Depreciation	–	–	109	804	–	–	913
Depreciation of investment property	–	–	–	–	85	–	85
Other expenses	42	1,237	1,677	3	17	–	3,070
Expenses	42	1,237	1,786	807	102	–	3,974
Inter-segment	–	–	2,050	310	6	(2,366)	–
Total expenses	136	1,237	10,779	1,117	118	(2,366)	11,021
	–	–	–	–	–	–	–
Profit (loss) for the year	$ (56)	$ (210)	$ 784	$ 257	$ 26	$ –	$ 801

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 isposal	–	–	30	–	–	30
Inter-segment	921	–	1,244	–	(2,165)	–
Finance ncome	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 xpenses	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

23. **Operating segments** (continued)

As at March 31, 2019

	EEA	PHC	SSL	ESR	MRH	Total reportable segments	Elimination	Total
Assets	$ 7,013	$ 6,719	$ 3,602	$ 4,952	$ 1,819	$ 24,105	$ (6,404)	$ 17,701
Liabilities	4,220	502	1,537	–	–	6,259	–	6,259
Capital expenditure	–	–	1,029	2,550	–	3,579	–	3,579

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

24. **Subsequent events**

Subsequent to year end a Director loaned the Company $300,000 US bearing quarterly interest payments of 10.0% and repayable in two years. The debt is unsecured and can be repaid early without penalty.

2018~2019

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Polaris Holding Company Ltd. Annual Report

Presented by The Board of Directors

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Art Production:

The Brand Lion

Photography:

Nhuri Bashir, Shai Scott, Deanne Wade,

Alia Hamza, Shawn Simmons (Fotogenix)

Printer:

Island Press

2018-2019

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HOLDING COMPANY LTD.