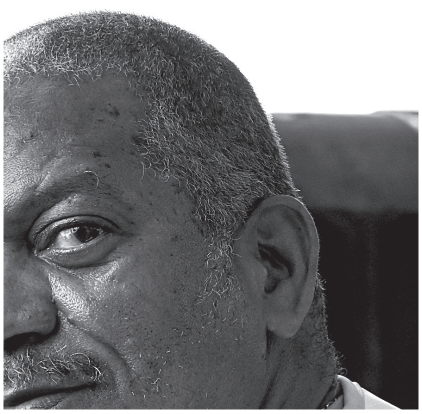
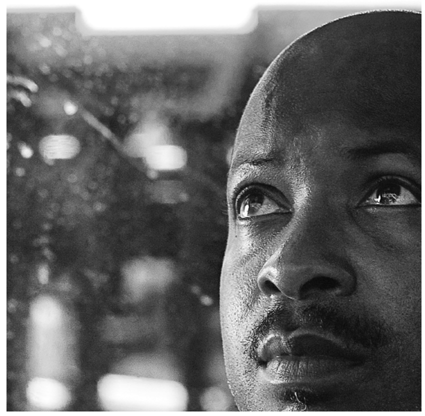
# 2017 ANNUAL REPORT

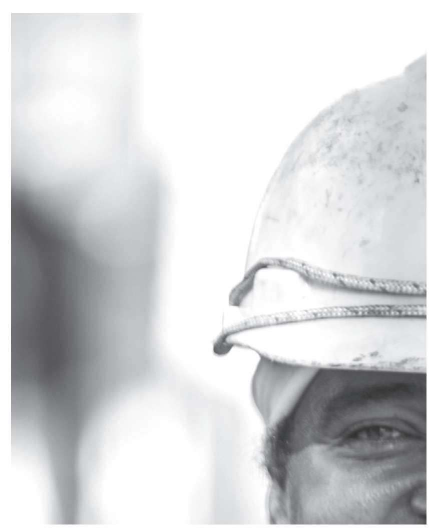
Polaris stands as a symbol of **hope and pride** for what can be achieved and in the vanguard to where **Bermuda** itself needs to go.

Polaris
HOLDING COMPANY LTD.
~ **Quietly Powering** Bermuda~





2017 ANNUAL REPORT

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*THE POLARIS EFFECT*

**Noun: Definition:** *Doing the right thing at the right time for the right reasons; open communication, dialogue and mutual respect between board, management, staff and union, pave the way to success.*

Polaris HOLDING COMPANY LTD.

**MANAGEMENT**

CEO
WARREN W. JONES
*wjones@stevedoring.bm*

Comptroller
LINDA AMARAL
*lamaral@stevedoring.bm*

Dock Operations Manager
ERIC BERKELEY
*eberkeley@stevedoring.bm*

Superintendent
KIMOTHY WILKINSON
*kwilkinson@stevedoring.bm*

Assistant Superintendent
ANTOINE TACKLYN
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Administration Manager
ALOMA MUSSON
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*Polaris Holding Company Ltd.*
2017 ANNUAL REPORT

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CHERYL HAYWARD-CHEW
Chairman, Polaris Holding Company Ltd.

## LIKE A  WINDOW INTO THE COUNTRY

# THE CHAIRMAN'S REPORT

## CHERYL HAYWARD-CHEW

**Like a window into the Country, Polaris Holding Company Ltd. mirrors Bermuda's troubles and triumphs. Cargo volumes represent, at a glance, the economic welfare of the island; the ebb and flow of container numbers a reliable barometer of Bermuda's fiscal health. Socially, the Company's strife laden history of union – management relations and the once contrasting faces of the shareholders and Board to those on the dock's frontline echo in a larger sense the discourse and at times divisive racial and political tensions the island as a whole continues to struggle with.**

As the Island readies itself to embrace the newly elected government,  debt and tensions run high as the Country's social fabric at times appears threadbare, and one cannot help allow pessimism to seep in.

Perhaps as a symbol of hope, and pride for what can be achieved, and in the vanguard to where Bermuda itself needs to go, Polaris stands, for the year ended March 31, 2017, as a metaphor for both the past and the future.

In just two years Polaris reined in debt and cut spending; trimmed fat and built bridges, strengthening relations with staff, customers and other stakeholders. Polaris invested in infrastructure and training, and through mutual respect, positive reinforcement, and a creative forward-looking focus, a Company that a handful of years ago was ridiculed and written-off, has now been reinvented.

Working with our creative partner throughout 2017, the veil hiding Polaris and its subsidiaries was methodically lifted. In December, the 30 minute TV production "The Polaris Effect" was released featuring myself, Director and CEO Warren Jones and BIU President and former stevedore Chris Furbert, discussing the successful partnership between management, the staff and the Union. Also featured was a short video documentary, birthing the tag line "Quietly Powering Bermuda", highlighting all the work that we quietly do to enable the country to function from day to day.

## THE CHAIRMAN'S REPORT (CONT.)

Shareholders were also included in this enhanced communications. Last year Polaris published its first formal Annual Report and moved the Annual General Meeting time and venue to allow for greater shareholder participation.

In fiscal 2017, Polaris reported a profit of $1.22 million, its second year in a row of eye popping returns after three years hemorrhaging red ink. The Company's stock, which languished at $3.05 per share in 2014/2015, ended the year at $4.75 per share, an eight-year high.

Financially and operationally, Polaris is well positioned as it steps into fiscal 2018, a year which may become the Company's greatest ever. However, the Board and management are well aware that now is not the time to rest on our laurels. In 2018, Polaris will continue to support and invest in core operations as evidenced by expanded training programmes and the purchase of heavy equipment and a new terminal operating system. As important in 2018, the Company will continue to look outward beyond the confines of the Hamilton docks to explore new opportunities and potential investments.

Finally, I would like to thank the Polaris Directors and the CEO for their diligence and contribution to the Board. And, on behalf of the shareholders and the Board, thank you to management and staff for their commitment and hard work. I look forward to the Company continuing to strive to exceed the expectations of our customers and stakeholders, and to travel this path of success and growth together, tackling the challenges and opportunities of 2018.

CHERYL HAYWARD-CHEW

Chairman, Polaris Holding Company Ltd.

FINANCIALLY AND OPERATIONALLY, POLARIS IS WELL POSITIONED AS IT STEPS INTO FISCAL 2018.

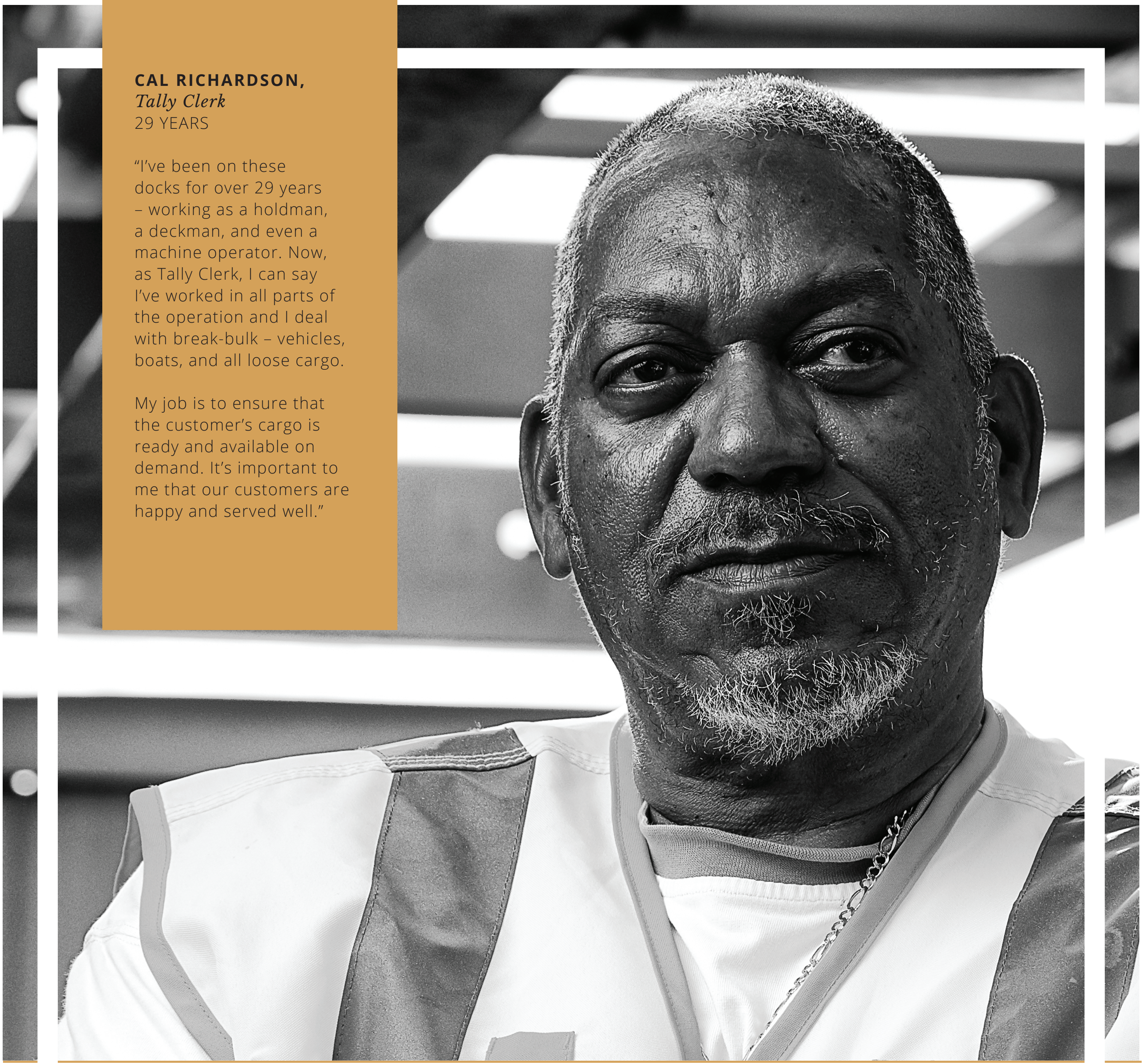
**Cheryl Hayward-Chew**

### Financial Summary

| Fiscal Year End | 31 March 2011 | 31 March 2012 | 31 March 2013 | 31 March 2014 | 31 March 2015 | 31 March 2016 | 31 March 2017 |
|---|---|---|---|---|---|---|---|
| 20-Foot Equivalent Container Moves | 37,449 | 34,910 | 32,841 | 33,955 | 33,104 | 34,901 | 36,806 |
| Stevedoring Revenue* | $10,033 | $ 9,389 | $ 9,000 | $ 9,305 | $ 9,217 | $10,567 | $10,954 |
| Operating Expenses, net of rental income* | 9,474 | 9,055 | 9,050 | 11,080 | 9,508 | 9,066 | 9,662 |
| Results from Operating Activities*+ | 559 | 334 | (50) | (1,775) | (291) | 1,501 | 1,301 |
| Total Comprehensive Income for the Year* | 584 | 301 | (98) | (1,942) | (443) | 1,384 | 1,221 |
| Earnings Per Share | 0.37 | 0.21 | (0.45) | (1.56) | (0.34) | 1.16 | 1.03 |
| Shareholders' Equity* | 11,759 | 11,904 | 11,242 | 8,881 | 8,190 | 9,084 | 10,054 |

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

**Dollar Amounts in Thousands*



**CAL RICHARDSON,**
*Tally Clerk*
29 YEARS

"I've been on these docks for over 29 years – working as a holdman, a deckman, and even a machine operator. Now, as Tally Clerk, I can say I've worked in all parts of the operation and I deal with break-bulk – vehicles, boats, and all loose cargo.

My job is to ensure that the customer's cargo is ready and available on demand. It's important to me that our customers are happy and served well."

# RESILIENCE

PORTRAITS OF POLARIS

# THE BOARD OF DIRECTORS

## POLARIS HOLDING COMPANY LTD.

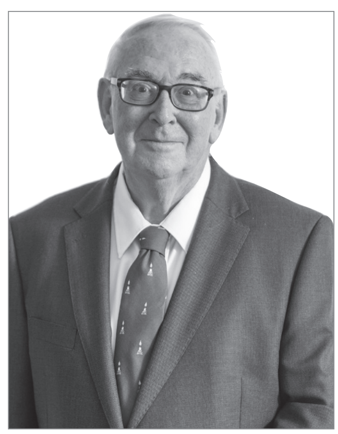
**Cheryl Hayward-Chew** [1, 4]
Chairman

**Wayne Caines** [1, 2, *]
Deputy Chairman

**Jeffrey Conyers** [2, 3]

**George Thomas, Jr.** [2, 4, *]

**Howard Pitcher** [1, 4]



**Paul Hubbard** [2, 3, *]

**Warren Jones**

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

* Independent as defined by the UK Corporate Governance Code 2016

# THE MANAGEMENT TEAM

## POLARIS HOLDING COMPANY LTD.

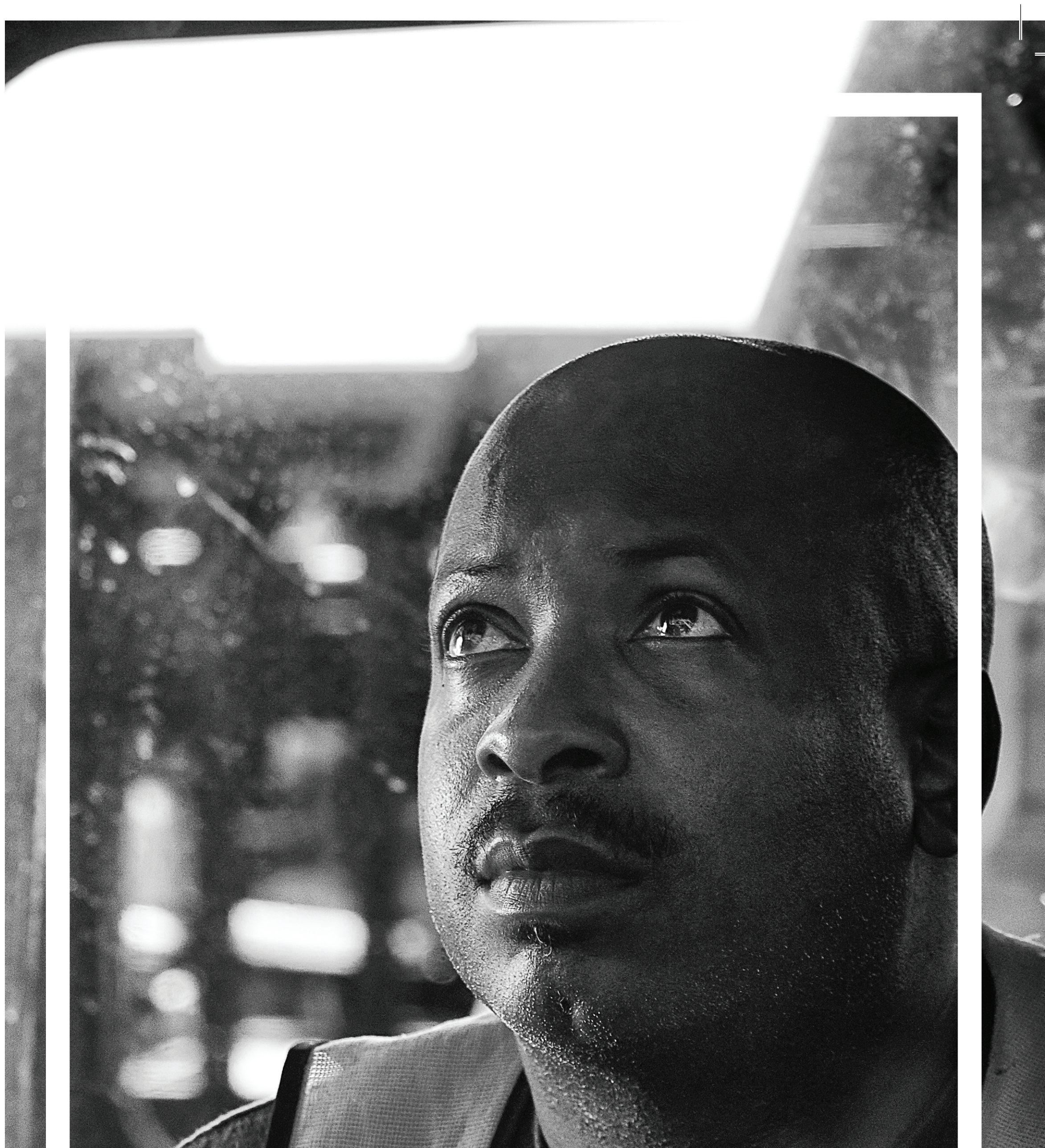
*Pictured from left to right*

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

**CAL STOVELL,**
*Top Loader Operator*
20 YEARS

"I love operating the machinery, learning the ins and outs of the new technology, working with MDU's (Mobile Dispatch Units) and sharing my knowledge with my colleagues.

Our recent Caribbean Maritime University training has given me a new perspective on safety issues and it has proven valuable to our day to day operations. Almost everything in Bermuda comes through these docks – I take my job very seriously because it is so important to the Bermuda economy."



# ENDURANCE

PORTRAITS OF POLARIS

# THE CHIEF EXECUTIVE OFFICER'S REPORT

## WARREN JONES

**Polaris continues to make positive strides forward. While we are certainly not the Company we used to be, we are not the Company we want to be either. As noted by the Chairman, we are not going to rest on our success.**

Over the last year, we have focused on measuring operational efficiency, training staff and upgrading equipment to meet the needs of our customers. Monthly tracking and Company-wide reporting of statistics tells us how many containers we move per hour, how much time is lost to rain, time spent on equipment breakdowns and how much we spend monthly on claims for damages. As you read the report below, you will note how much we have improved year over year.

Two new reach stackers, a fuel truck and a new terminal operating system at a cost of over $1.5 million in fiscal 2017 and during the first quarter of 2018 highlight the extent of investment we continue to make to ensure that we can deliver the service required by our customers specifically and the country of Bermuda generally.

Mutual respect and cooperation is a commitment we take seriously from the top to the bottom of the organization. While we may not always get it right, they are goals that we strive to meet. We have committed to benchmarking and measuring indicators including communication, teamwork and staff feelings about their job and their responsibility to the people of Bermuda. Research Innovations was contracted to measure these amongst other critical indicators.

That survey revealed that 100% of staff takes pride in their job and 100% of staff understands the importance of their job to the well-being of Bermuda. These findings would place Stevedoring Services Limited (SSL) in the top 10% of all businesses in Bermuda.

Through a partnership with the Caribbean Maritime University, SSL commenced certification training for all stevedores. The programme will run over a period of one-year and at its conclusion, staff will have received international certification as port workers. This is important as we look to grow our business outside the confines of the Hamilton Docks. Additionally, SSL mechanics will undertake training towards international certification on Port Equipment.

The recent America's Cup provided SSL with a unique opportunity to operate as the America's Cup Bermuda Manager of the Front Street Superyacht Marina. Under the leadership of SSL retiree Mr. Leonard Burrows, SSL staff rose to this new challenge and performed, outstandingly, enhancing the Polaris brand.

As we look to the future, our aim is to diversify Polaris. We are seeking the right investment to support our high quality brand. We are aggressively looking for opportunities to work outside of the Hamilton Docks and lend our logistics expertise to every ship borne venture into Bermuda.

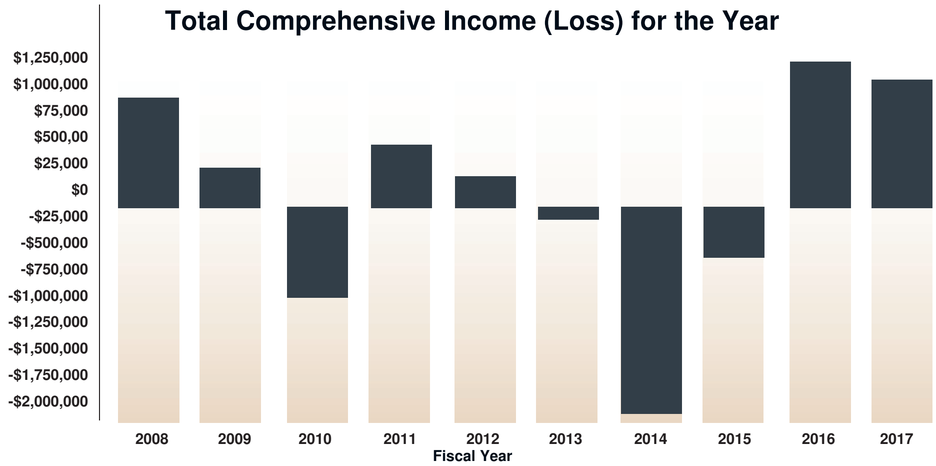
We know without a doubt that no other operation on-Island can beat our productivity or our safety record.

WARREN JONES
CEO, Polaris Holding Company Ltd.

# *POLARIS HOLDING COMPANY LTD. YEAR IN REVIEW*

## REVENUE UP 2.1% FROM BUDGET AND AHEAD OF PRIOR YEAR BY 3.7%.

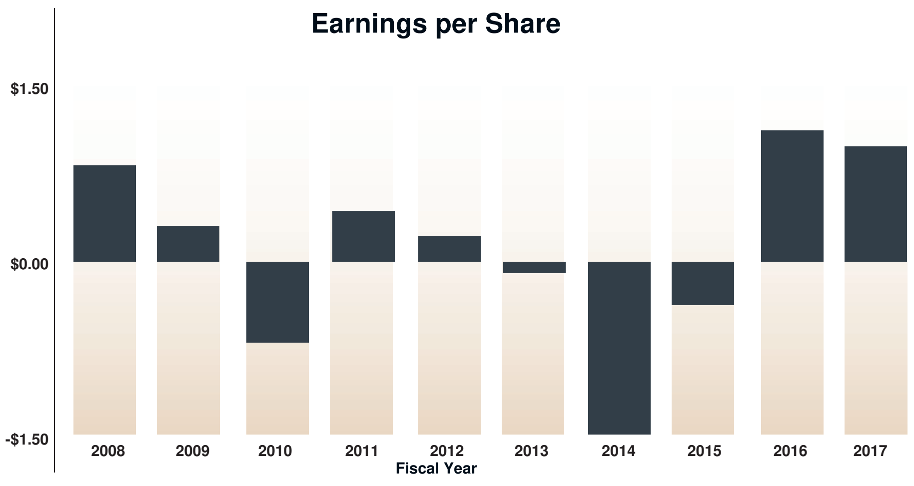
Polaris' consolidated comprehensive income and losses reflect its challenges since the economy softened in 2008. From fiscal 2009 through to fiscal 2015 the Company reflected weak results including restructuring costs and an investment property write down in fiscal 2014. The past two years are believed to be indicative of ongoing stability.




### Earnings Per Share

Earnings Per Share (EPS) is computed by dividing total comprehensive income or loss by the monthly weighted average number of shares.

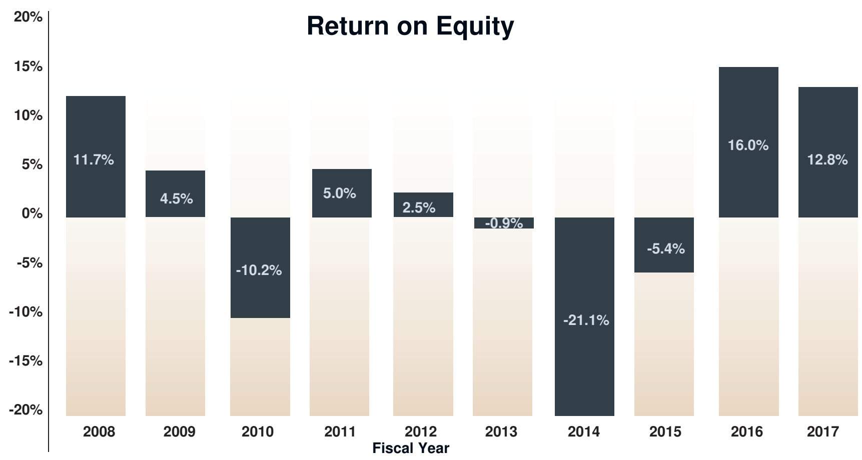
The Company reported earnings per share of $1.03 in fiscal 2017, ahead of budget's $0.90 goal and although not achieving fiscal 2016's level, results surpassed fiscal 2016 once non-operating issues were backed out.



## Return on Equity

Return on Equity (ROE) is computed by dividing total comprehensive income or loss by the average of the year's opening equity and closing equity.

Net equity at the end of fiscal 2017 was $10.1 million, with ROE at 12.8% exceeding the Board's goal of a 12.0% ROE.

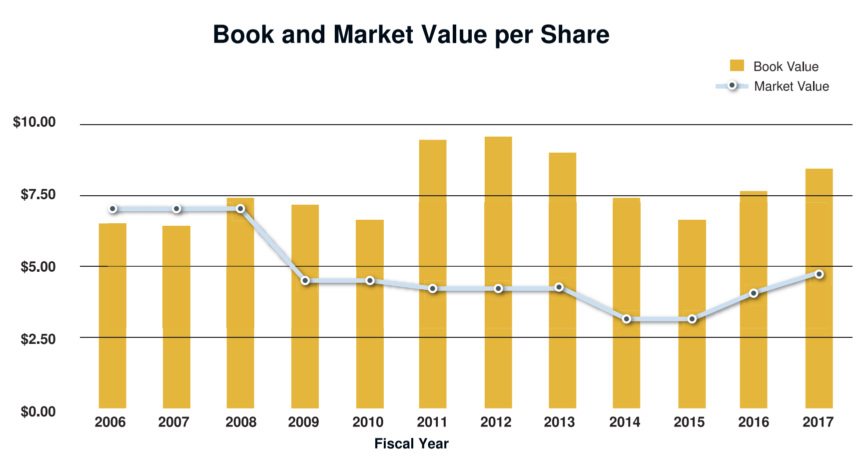



## Book Value and Market Value

Book Value is defined as Total Assets less Total Liabilities at year end per the financial statements, divided by the number of shares outstanding at year end.

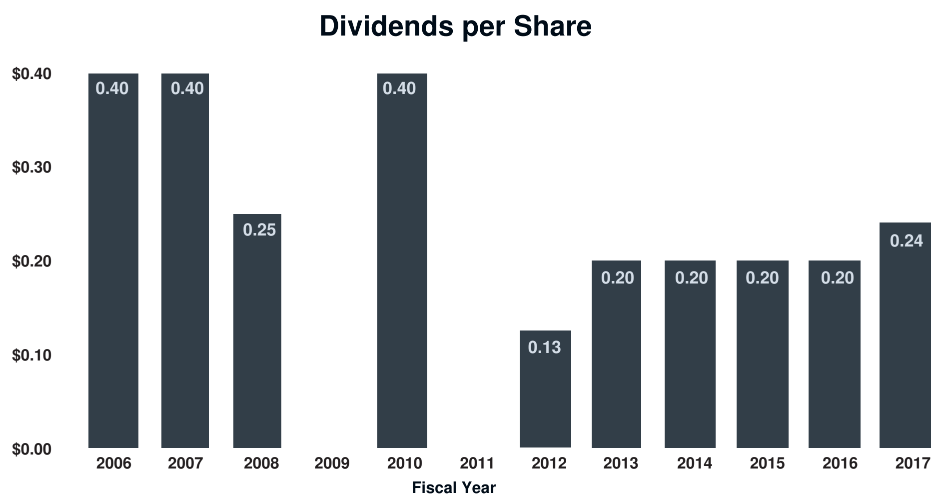
Market Value is based on the last trading price of the Company's stock at year end, through the Bermuda Stock Exchange (BSX).

The below graph reflects Polaris' fluctuating book value, with the rise in fiscal 2011 because the Company wrote its investment property up to $3.0 million. The property was then written down to $2.0 million in fiscal 2014, adversely affecting book value. As at March 31, 2017, book value was $8.48 per share and market value at year-end shifted to $4.75 per share.



### Dividends

Dividends were $0.10 per quarter or $0.40 per annum in the years leading to fiscal 2008 when the economic downturn forced the Company to halt payouts. Dividends were restored briefly, ceasing again in fiscal 2011, then moving back to a more modest $0.20 per share per year in the latter part of fiscal 2012. That payout remained until fiscal 2017's uplift to $0.06 per share per quarter, or a $0.24 dividend in the current year.




The current dividend rate has Polaris retaining 76.8% of its profits inside the Company. With Polaris now debt-free and reflecting $2.65 million in cash at year end, positive ongoing profits are available for capital requirements and will continue to build cash reserves.


**TEAMWORK**
Our team of mechanics keep the equipment running so the docks run smoothly.

## EXPERTISE

Our stevedore gangs expertly navigate complex loading scenarios each day, balancing considerations of tonnage, fragile, bulky cargo, and safety.

**Assets Held for Sale**
The assets held for sale relates to Mill Reach Holding Limited's (MRH) land and building. In Fiscal 2011 MRH's land and building was written up from $99K to $3.0 million, to represent its perceived fair market value at the time. In fiscal 2014 $1.0 million was then written off as an impairment in the investment's value with the remaining balance of $2.0 million allocated - $850K to the building and $1.15 million to the land. Recently the investment's value was confirmed when it was re-appraised at between $2.0 million and $2.25 million.

As at March 31, 2017, the Board of Directors approved for the property to be sold and thus is reclassified as an asset for sale.

**Share Capital**
Historically the Company had 1,244,600 shares outstanding, at a par value of $1.00 per share. By fiscal 2016, the number of outstanding shares was reduced 61,068 to 1,183,532 as a result of a $4.00 per share buy back. In fiscal 2017 an additional 5,200 shares were bought back at $4.00 per share, and the CEO acquired 3,300 shares at $4.00 per share.

**General Reserve**
The Company has segregated $1.25 million of equity as a general reserve, not to be liquidated but rather to be retained for future capital spending needs should they be required.

**Accumulated Other Comprehensive Income**
When prior year revaluations were made to the shares the Company held in BAS, as the gains were unrealized, they were not booked as income but rather accumulated as a separate equity line, 'Accumulated Other Comprehensive Income'. With the BAS shares liquidated, that balance was adjusted to $nil.

**Conclusion**
It is tempting to get carried away with Polaris' recent success. Outside the glitter of recent achievements, management recognizes the need for diversification and is resolute in the mantra of stellar service, fair pricing, disciplined spending and shareholder value.


**AMERICA'S CUP SUPERYACHT PROGRAMME**
*Leonard Burrows (retired) (left) led the dockside team of stevedores during the influx of superyachts that berthed at Number One dock for the 2017 America's Cup. Cavon Spencer (centre) and Richard Branch (right) assist in securing the 230 ft yacht, SKAT.*

# *STEVEDORING SERVICES LIMITED*

Revenue of $10.95 million [Fiscal 2016 - $10.57 million, budget - $10.72 million] continued predominately from freight container discharging and loading, with that function representing 84% or nearly $9.0 million of SSL's revenue stream.

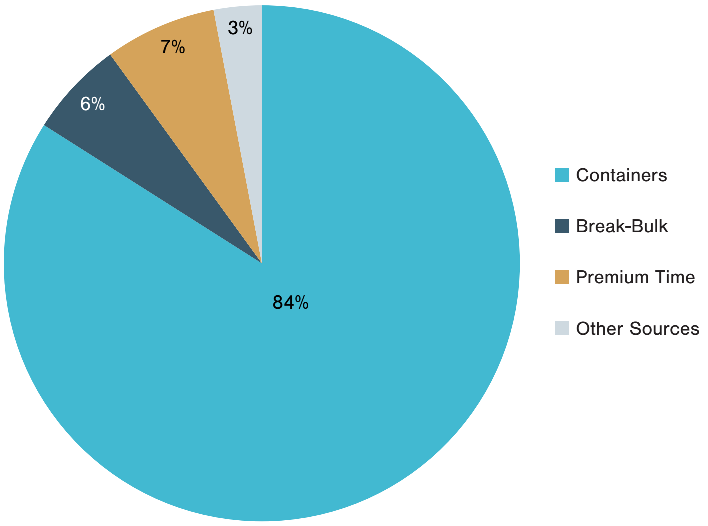

Premium time billing, charged when SSL works in overtime, generated over $700K in revenue, with that income offset by added payroll costs.

Break-bulk cargo represented nearly $700K in inflows for SSL, 6% of its income stream. All other sources of income including cruise and car ship line handling, container ship tie-ups, reefer charges, stripping, offsite work and other miscellaneous income accounted for $325K or 3% of SSL's overall income.

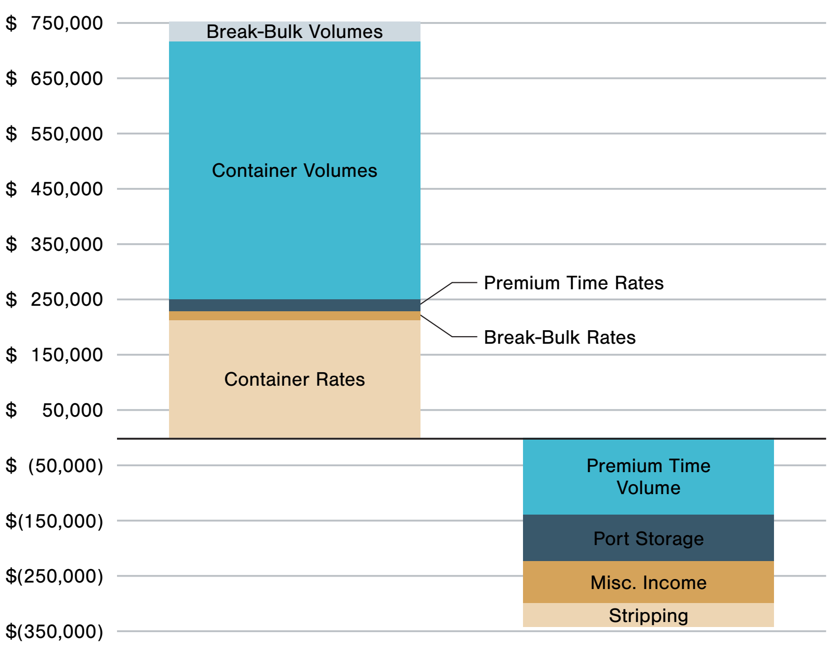
SSL's total expenses for fiscal 2017 were $9.93 million, 1.5% ahead of plan's $9.79 million prediction, the result of spending moving up with revenue growth.

Expenditures were 4.1% above prior year's $9.54 million, although on a normalized basis, after prior year's one-off pension and inventory write back are adjusted out, prior year's expenses were $9.77 million, with the year over year spending uplift of 3.5% consistent with revenue growth.

**SSL REVENUE BREAKDOWN**

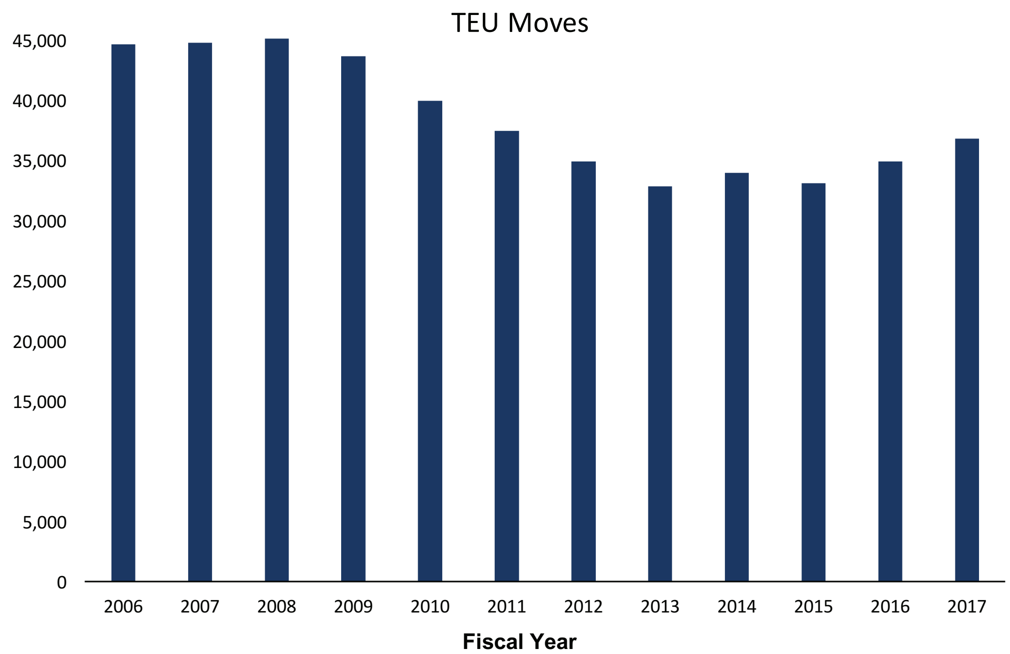



**REVENUE GROWTH AND CONTRACTION YEAR OVER YEAR**



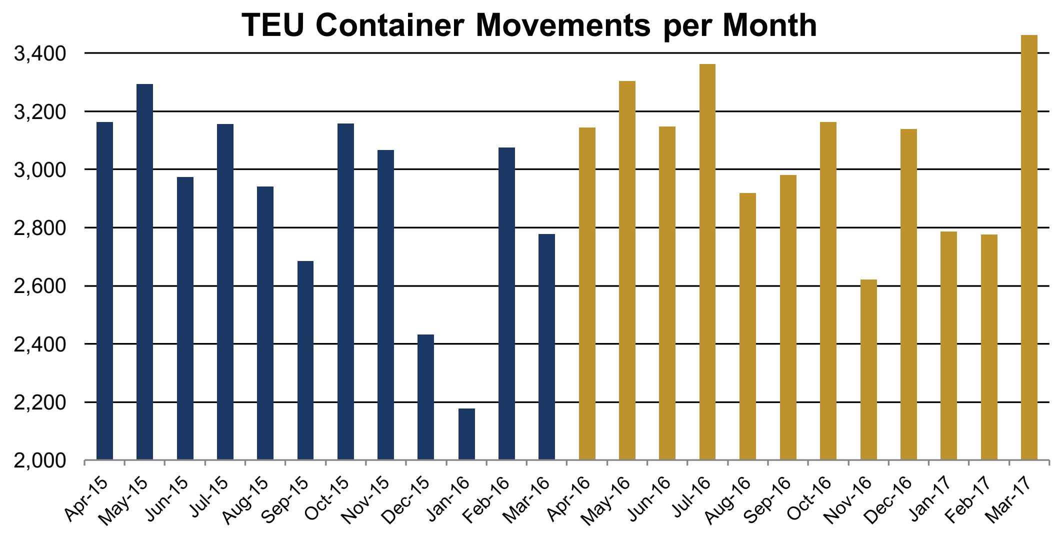
**Container Volumes and Rates**

SSL reflected $8.99 million in container-move revenue on 36,806 TEU moves. TEU* moves rose 5.5% above the prior year and topped plan by 9.3%, with cargo moves slowly growing over the past four years.

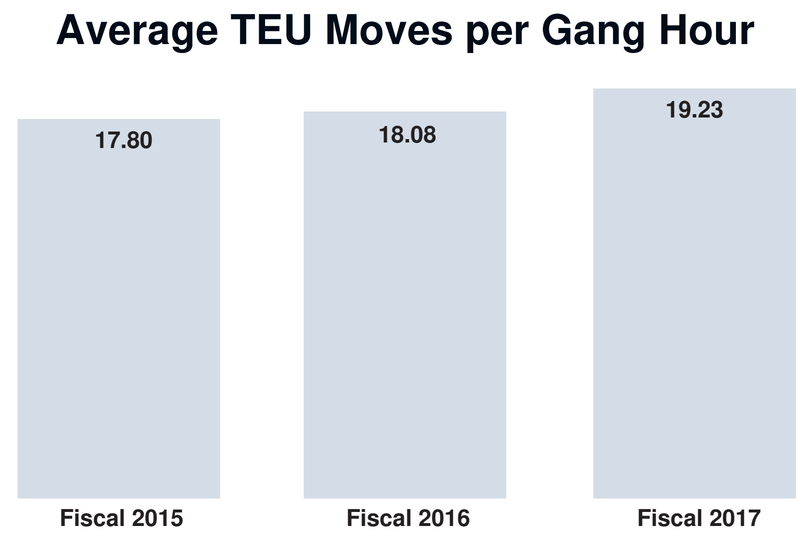



*TEU is twenty-foot equivalent unit

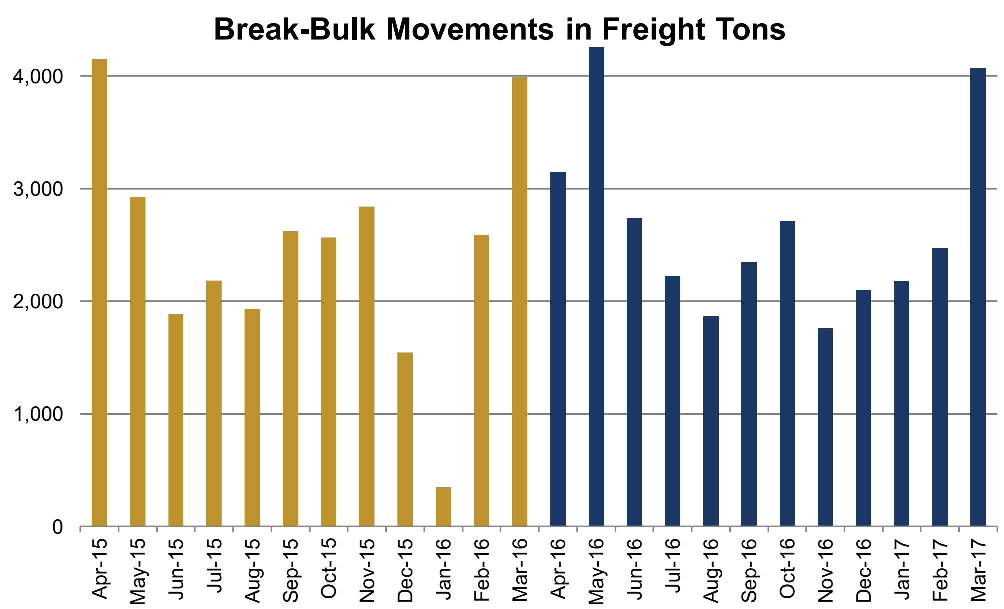
Monthly TEU moves over the past 24 months reflected as below, with SSL finishing the year in strong form, thanks to an active final month.

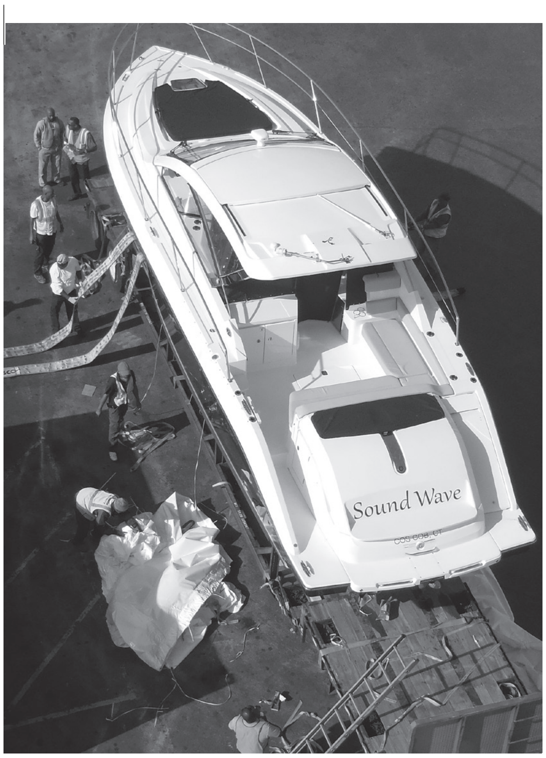


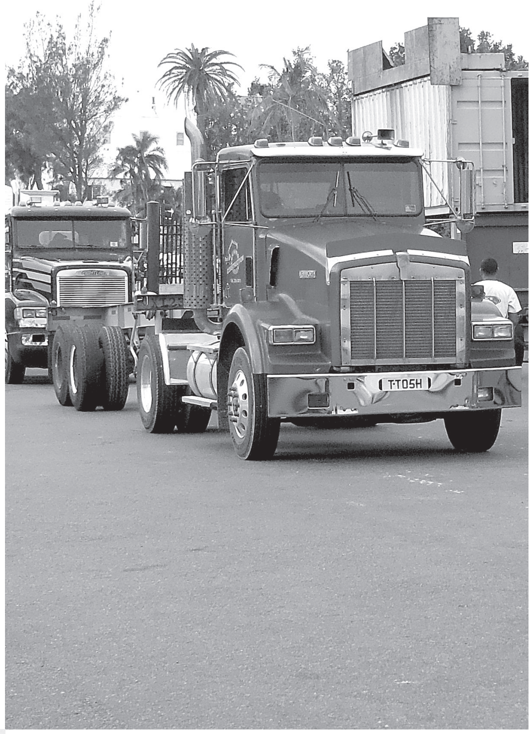
In terms of efficiency, SSL moved on average 19.23 containers per gang hour in fiscal 2017, a pace ahead of fiscal 2016's 18.08 containers per gang hour, and improved from fiscal 2015's average of 17.80 moves per gang hour. SSL's goal for fiscal 2017 was 18.50 moves or better, with actual results beating that threshold.




**Break-Bulk Volumes**
SSL reflected 31,934 freight tons of break-bulk in fiscal 2017, up 8.0% from the 29,574 freight tons carried in fiscal 2016. Budget had predicted a more conservative 26,617 freight tons. Monthly break-bulk movements over the past 24 months reflect as below:




Sound Wave

TS9972
"Big Red"

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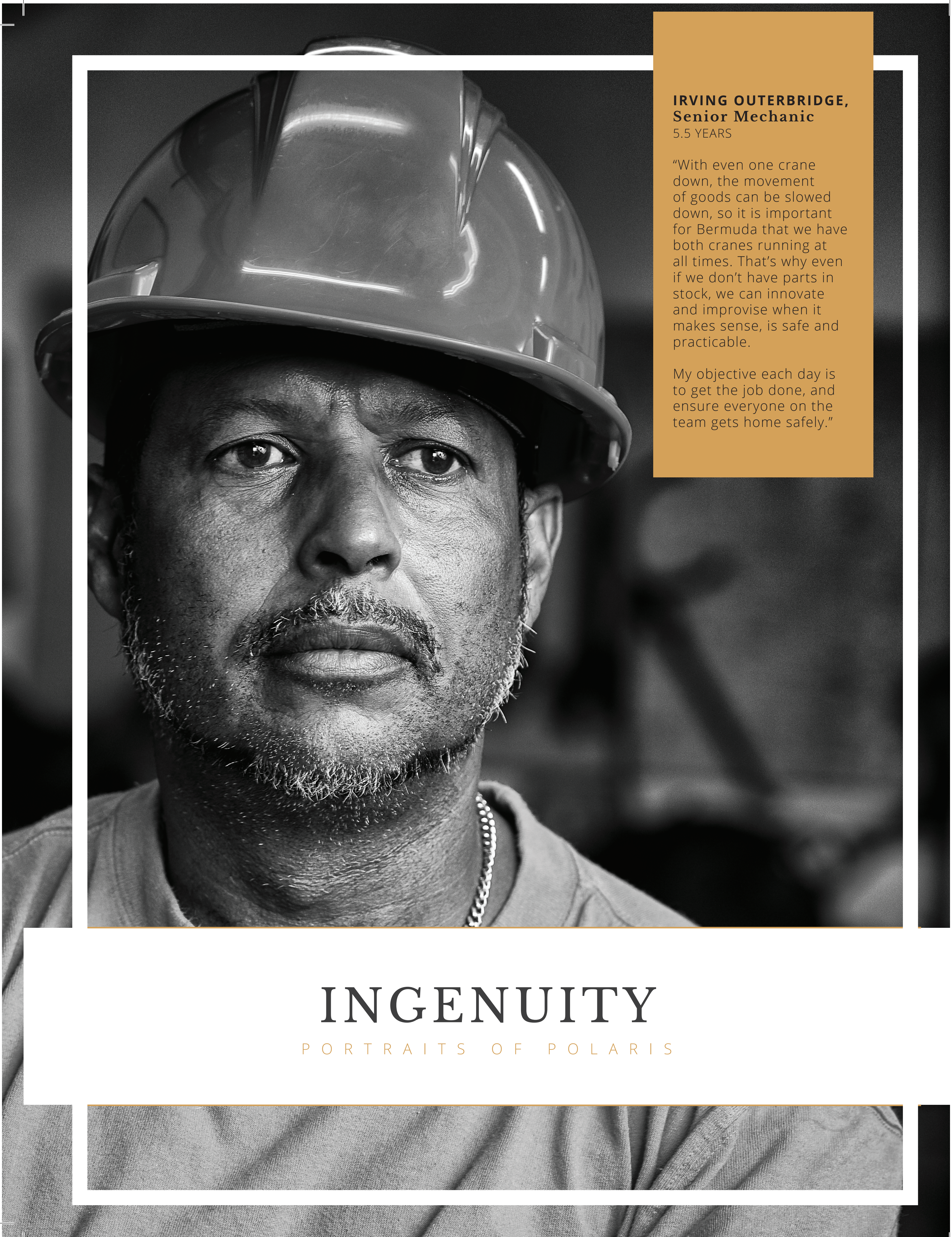
EARLS
STEVEDORING SERVICES LTD-BERMUDA

**IRVING OUTERBRIDGE,**
**Senior Mechanic**
5.5 YEARS

"With even one crane down, the movement of goods can be slowed down, so it is important for Bermuda that we have both cranes running at all times. That's why even if we don't have parts in stock, we can innovate and improvise when it makes sense, is safe and practicable.

My objective each day is to get the job done, and ensure everyone on the team gets home safely."

# INGENUITY

PORTRAITS OF POLARIS

# *EQUIPMENT SALES AND RENTALS LIMITED*

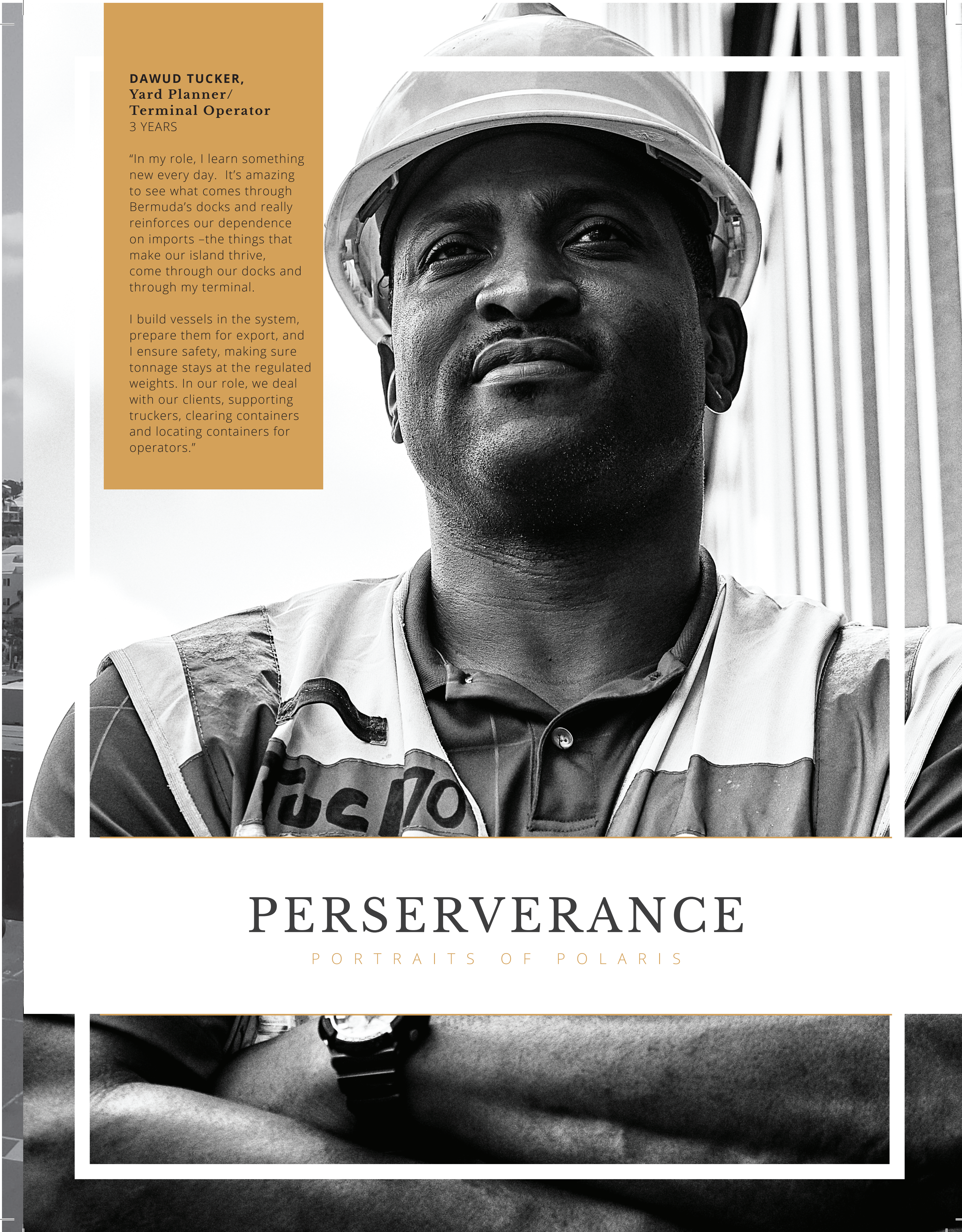

Equipment Sales and Rentals Limited (ES&R) owns and leases to SSL heavy equipment having an original cost of nearly $9.0 million. Operating costs of $1.04 million were represented mainly by amortization with $687K or two-thirds of ES&R's expenses being the write down of heavy equipment.


**Taylor Top Loader** - Purchased June 2008

**Gottwald Crane** - Purchased May 2012

## STACKED IN OUR FAVOUR

WITH OVER 6 ACRES OF DOCK AREA, AND A CAPACITY OF UP TO 1,000 CONTAINERS, OUR TERMINAL OPERATIONS TEAM WORK HARD TO ENSURE PRECISE PLANNING OF THE CARGO FOR EFFICIENT DISCHARGING AND CLEARANCE OF CARGO.



**DAWUD TUCKER,**
**Yard Planner/**
**Terminal Operator**
3 YEARS

"In my role, I learn something new every day. It's amazing to see what comes through Bermuda's docks and really reinforces our dependence on imports –the things that make our island thrive, come through our docks and through my terminal.

I build vessels in the system, prepare them for export, and I ensure safety, making sure tonnage stays at the regulated weights. In our role, we deal with our clients, supporting truckers, clearing containers and locating containers for operators."

# PERSERVERANCE

PORTRAITS OF POLARIS

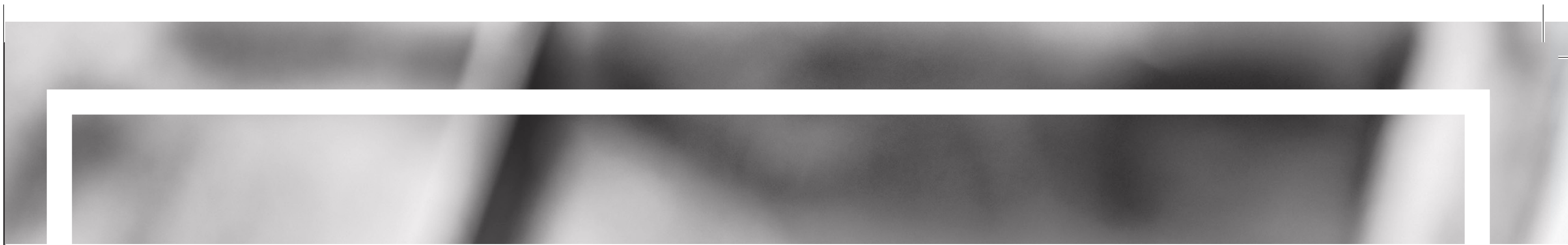
# *MILL REACH HOLDING LIMITED*

Mill Reach Holding Limited (MRH) owns property covering 7 Mill Reach Lane and 11 Mill Reach Lane, in Pembroke Parish, as denoted in the below photo.

The property covers 0.9 acres or 39,204 square feet and includes a large building of approximately 3,743 square feet.

The property was appraised in October 2016 at a value of between $2.0 million and $2.25 million. The investment is reflected on MRH's books at year-end at $1.66 million.

The long-term tenants provided MRH revenue in fiscal 2017 of $142K, consistent with prior year's $140K rent and budget's $143K.



# DETERMINATION

PORTRAITS OF POLARIS

**COLBY HOOPER,**
**Mechanic 1**
13 YEARS

"We service and maintain the heavy equipment that keeps the docks moving. I get my satisfaction from fixing stuff.  On our team, it's our number one job not to stop the flow, we keep the flow going for Bermuda."

# *CONSOLIDATED FINANCIAL STATEMENTS*

**POLARIS HOLDING COMPANY LTD.**

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

March 31, 2017

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

Mailing Address:
P.O. Box HM 906
Hamilton HM DX Bermuda

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

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Polaris Holding Company Ltd.

We have audited the accompanying consolidated financial statements of Polaris Holding Company Ltd. (the "Company") and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the year 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; 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 audit. We conducted our audit 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 financial position of the Company and its subsidiaries as at March 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
July 12, 2017

**POLARIS HOLDING COMPANY LTD.**

Consolidated Statement of Financial Position

March 31, 2017
*(Expressed in Bermuda Dollars)*

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Investments (Note 4) | $ – | $ 111,427 |
| Investment property (Note 5) | – | 1,745,000 |
| Property, plant and equipment (Note 6) | 4,787,356 | 4,788,599 |
| Total non-current assets | 4,787,356 | 6,645,026 |
| **Current assets** | | |
| Cash and cash equivalents (Notes 7 and 18(b)) | 2,649,842 | 3,356,056 |
| Accounts receivable (Notes 14 and 18(b)) | 1,146,967 | 1,033,386 |
| Inventory (Note 8) | 721,543 | 644,702 |
| Prepaid expenses | 292,804 | 292,294 |
| Assets held for sale (Note 5) | 1,660,000 | – |
| Total current assets | 6,471,156 | 5,326,438 |
| Total assets | $ 11,258,512 | $ 11,971,464 |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Long-term debt (Note 11) | $ – | $ 1,586,195 |
| Accrued expenses (Note 17) | 232,575 | 258,403 |
| Total non-current liabilities | 232,575 | 1,844,598 |
| **Current liabilities** | | |
| Accounts payable and accrued expenses | 975,420 | 844,714 |
| Long-term debt - current portion (Note 11) | – | 197,987 |
| Total current liabilities | 975,420 | 1,042,701 |
| Total liabilities | 1,207,995 | 2,887,299 |
| **Equity** | | |
| Share capital (Note 12) | 1,181,632 | 1,183,532 |
| General reserve (Note 13) | 1,250,000 | 1,250,000 |
| Retained earnings | 7,618,885 | 6,687,118 |
| Accumulated other comprehensive income (loss) | – | (36,485) |
| Total equity attributable to the Company's shareholders | 10,050,517 | 9,084,165 |
| Total liabilities and equity | $ 11,258,512 | $ 11,971,464 |

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

Signed on behalf of the Board

_____________ Director          _____________ Director

**POLARIS HOLDING COMPANY LTD.**

Consolidated Statement of Comprehensive Income

Year ended March 31, 2017
*(Expressed in Bermuda Dollars)*

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Stevedoring revenue (Note 14) | $ | 10,953,502 | $ | 10,567,168 |
| Stevedoring expenses (Notes 8, 9 and 10) | | (6,098,222) | | (5,358,905) |
| Stevedoring gross profit | | 4,855,280 | | 5,208,263 |
| Gain on disposal of property, plant and equipment | | 25,845 | | – |
| Rental income (Note 5) | | 141,532 | | 140,266 |
| Total income | | 5,022,657 | | 5,348,529 |
| **Expenses** | | | | |
| Administrative salaries, wages and benefits (Notes 9, 10 and 17) | | 1,619,075 | | 1,812,171 |
| Depreciation (Note 6) | | 711,078 | | 721,184 |
| General and administrative expenses (Note 14) | | 694,199 | | 682,903 |
| Information technology and telecommunication | | 311,303 | | 284,209 |
| Professional fees | | 301,435 | | 262,009 |
| Depreciation of investment property buildings (Note 5) | | 85,000 | | 85,000 |
| Total expenses | | 3,722,090 | | 3,847,476 |
| Results from operations | | 1,300,567 | | 1,501,053 |
| Finance income (Note 15) | | 14,347 | | 14,020 |
| Finance expense (Note 11) | | (93,969) | | (94,402) |
| Net finance expense | | (79,622) | | (80,382) |
| Profit for the year (attributable to owners of the Company) | | 1,220,945 | | 1,420,671 |
| **Other comprehensive income items that may be reclassified to profit or and loss:** | | | | |
| Net change in fair value of available-for-sale investments (Note 4) | | – | | (36,978) |
| Total comprehensive income for the year | $ | 1,220,945 | $ | 1,383,693 |
| Earnings per share (Note 16) | $ | 1.03 | $ | 1.16 |

Rental income relates to a discontinued operation (Note 5). All other items included in the consolidated statement of comprehensive income relate to continuing operations. There are no other components of comprehensive income

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

**POLARIS HOLDING COMPANY LTD.**

Consolidated Statement of Changes in Equity

Year ended March 31, 2017
*(Expressed in Bermuda Dollars)*

| | Share capital | Share premium | General reserve | Retained earnings | Accumulated other comprehensive income (loss) | Total equity |
|---|---|---|---|---|---|---|
| Balance at April 1, 2015 | $ 1,244,600 | $ 122,650 | $ 1,250,000 | $ 5,572,001 | $ 493 | $ 8,189,744 |
| Total comprehensive income (loss): | | | | | | |
| Profit for the year | – | – | – | 1,420,671 | – | 1,420,671 |
| Other comprehensive loss | – | – | – | – | (36,978) | (36,978) |
| Transactions with owners of the Company recognized directly in equity: | | | | | | |
| Shares repurchased (Note 12) | (61,068) | (122,650) | – | (60,554) | – | (244,272) |
| Dividends declared and paid (Note 12) | – | – | – | (245,000) | – | (245,000) |
| Balance at March 31, 2016 | $ 1,183,532 | $ – | $ 1,250,000 | $ 6,687,118 | $ (36,485) | $ 9,084,165 |
| Balance at April 1, 2016 | $ 1,183,532 | $ – | $ 1,250,000 | $ 6,687,118 | $ (36,485) | $ 9,084,165 |
| Total comprehensive income (loss): | | | | | | |
| Profit for the year | – | – | – | 1,220,945 | – | 1,220,945 |
| Other comprehensive loss | – | – | – | – | 36,485 | 36,485 |
| Transactions with owners of the Company recognized directly in equity: | | | | | | |
| Shares issued (Note 12) | 3,300 | 9,900 | – | – | – | 13,200 |
| Shares repurchased (Note 12) | (5,200) | (9,900) | – | (5,700) | – | (20,800) |
| Dividends declared and paid (Note 12) | – | – | – | (283,478) | – | (283,478) |
| Balance at March 31, 2017 | $ 1,181,632 | $ – | $ 1,250,000 | $ 7,618,885 | $ – | $ 10,050,517 |

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

**POLARIS HOLDING COMPANY LTD.**

Consolidated Statement of Cash Flows

Year ended March 31, 2017
*(Expressed in Bermuda Dollars)*

| | 2017 | 2016 |
|---|---|---|
| **Operating activities** | | |
| Profit for the year | $ 1,220,945 | $ 1,420,671 |
| Adjustments for: | | |
| Depreciation | 711,078 | 721,184 |
| Depreciation of investment property | 85,000 | 85,000 |
| Net finance expense | 79,622 | 80,382 |
| Changes in non-cash working capital balances: | | |
| Accounts receivable | (113,581) | (145,996) |
| Prepaid expenses | (510) | (106,107) |
| Inventory | (76,841) | (225,113) |
| Accounts payable and accrued expenses | 104,878 | 137,648 |
| Net cash provided by operating activities | 2,010,591 | 1,967,669 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | (709,834) | (525,914) |
| Proceeds from sale of equity investments (Note 4) | 158,089 | – |
| Interest and dividends received | 4,170 | 14,020 |
| Net cash used in investing activities | (547,575) | (511,894) |
| **Financing activities** | | |
| Long-term debt principal repayments | (1,784,182) | (190,284) |
| Dividends declared and paid | (283,478) | (245,000) |
| Share tendered | – | (244,272) |
| Shares repurchased | (20,800) | – |
| Proceeds from shares issued | 13,200 | – |
| Interest paid | (93,969) | (94,402) |
| Net cash used in financing activities | (2,169,229) | (773,958) |
| (Decrease) increase in cash and cash equivalents | (706,214) | 681,817 |
| Cash and cash equivalents at beginning of year | 3,356,056 | 2,674,239 |
| Cash and cash equivalents at end of year | $ 2,649,842 | $ 3,356,056 |

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

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

1. **General**

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

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

Stevedoring Services Limited, a wholly-owned subsidiary of the Company, is incorporated under the laws of Bermuda and carries on business as a stevedoring company. In March 2016, this subsidiary was awarded a 5 year terminal operator's license by the Corporation of Hamilton to function on the Hamilton docks from March 1 1, 2016 to April 30, 2021. ESR, a wholly-owned subsidiary, is incorporated under the laws of Bermuda and carries on the business of purchasing and leasing heavy operating machinery and equipment. MRH, a wholly-owned subsidiary, is incorporated under the laws of Bermuda and owns investment property at Mill Reach Lane, Pembroke, Bermuda.

2. **Basis of preparation**

*(a) Statement of compliance*

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

The consolidated financial statements were authorized for issue by the Board of Directors on July 12, 2017.

*(b) Basis of measurement*

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

*(c) Functional and presentation currency*

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

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

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

*(d) Use of estimates and judgments*

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

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

*(e) Comparative figures*

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

3. **Significant accounting policies**

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

*(a) Basis of consolidation*

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

*(b) Revenue recognition*

Stevedoring revenues include stevedoring and dock handling revenues, and are recognized in the accounting period in which the services are rendered.

*(c) Investment income*

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

*(d) Property, plant and equipment*

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

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

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

(d) *Property, plant and equipment* (continued)

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

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

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

(e) *Investment property*

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Land held as investment property is not subject to depreciation. The buildings are stated at cost less accumulated depreciation and depreciated on a straight line basis over their estimated useful lives of 10 years.

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

(f) *Financial instruments*

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

Cash and cash equivalents are classified as held-for-trading and are measured at fair value with changes therein recognized in the consolidated statement of comprehensive income.

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

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

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

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

(f) *Financial instruments* (continued)

*Fair value hierarchy*

Accounting standards (IFRS 13) over fair value measurements defines fair value, establishes a framework for measuring fair value using a three-tier hierarchy of inputs to value the Company's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below:

Level 1 – quoted prices in active markets for identical investments

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

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

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets, and other characteristics particular to the investment. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for investments categorized in level 3 of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The fair value hierarchy is disclosed in Note 18(a).

(g) *Comprehensive income/(loss)*

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

(h) *Cash and cash equivalents*

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

(i) *Employee benefits*

The costs of employee benefits payable in respect of the Company's defined contribution pension plan are charged to the consolidated statement of comprehensive income in the year in which the related services are rendered by the employees. The Company pays fixed contributions to a separate entity and has no obligation to pay further amounts. The Company has committed to providing health insurance costs for certain former officers and employees. The present value of the estimate future obligations payable is recognised in full.

(j) *Inventory*

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

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

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

*(k) Foreign currency translation*

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

*(l) Impairment of financial assets*

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

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

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

*(m) Impairment of non-financial assets*

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

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

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

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

*(n) Taxation*

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

*(o) New standards and interpretations not yet adopted*

A number of new standards and amendments to standards are effective for annual periods beginning after April 1, 2016, however, the Company has not applied the following new or amended standards in preparing these consolidated financial statements.

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

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

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

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

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

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

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

4. **Investments**

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Cost | Fair value | Cost | Fair value |
| Equity securities | $ – | $ – | $ 147,912 | $ 111,427 |

During the year the Company recognized a change in unrealized loss of $nil (2016 - $36,978) on its equity investments which are recognized in accumulated other comprehensive income as a separate component within equity.

On July 8, 2016 the Company sold its equity securities for $158,089 with a recognized gain of $10,177 being reflected in finance income (Note 15).

5. **Investment property**

Investment property comprises land and buildings being held in MRH and is depreciated over its estimated useful life. The property, which is leased to three tenants on terms of 36, 48 and 60 months respectively, earned rental income of $141,532 for the year (2016 - $140,266).

**Deemed cost less impairment losses**

| | 2017 | 2016 |
|---|---|---|
| Land | $ 1,150,000 | $ 1,150,000 |
| Buildings | 850,000 | 850,000 |
| | $ 2,000,000 | $ 2,000,000 |

The property was valued by an independent appraiser on March 24, 2014 at a fair value of $2,000,000 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, 2017 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.

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

As at March 31, 2017 the Company's Board of Directors has approved for the investment property to be sold and it has been reclassified as a non-current asset held for sale on the consolidated statement of financial position. There has been no adjustment to the carrying value of the asset held for sale as a result of the reclassification. Rental income of $141,532 (2016 - $140,266) earned from the investment property relates to discontinued operations.

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

6. **Property, plant and equipment**

| | Buildings | Cranes and heavy equipment | Miscellaneous equipment | Furniture and fixtures | Computer equipment | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At April 1, 2015 | $ 296,041 | $ 9,447,383 | $ 745,020 | $ 293,015 | $ 791,140 | $ 11,572,599 |
| Additions | 75,131 | 204,792 | 233,389 | 9,022 | 3,580 | 525,914 |
| At March 31, 2016 | $ 371,172 | $ 9,652,175 | $ 978,409 | $ 302,037 | $ 794,720 | $ 12,098,513 |
| At April 1, 2016 | $ 371,172 | $ 9,652,175 | $ 978,409 | $ 302,037 | $ 794,720 | $ 12,098,513 |
| Additions | 94,584 | 437,463 | 173,812 | – | 3,976 | 709,835 |
| Disposals | – | (1,299,350) | (664,230) | – | – | (1,963,580) |
| At March 31, 2017 | $ 465,756 | $ 8,790,288 | $ 487,991 | $ 302,037 | $ 798,696 | $ 10,844,768 |
| **Accumulated depreciation** | | | | | | |
| At April 1, 2015 | $ 292,634 | $ 4,484,897 | $ 732,540 | $ 293,015 | $ 785,644 | $ 6,588,730 |
| Depreciation for the year | 4,514 | 699,315 | 14,674 | – | 2,681 | 721,184 |
| At March 31, 2016 | $ 297,148 | $ 5,184,212 | $ 747,214 | $ 293,015 | $ 788,325 | $ 7,309,914 |
| At April 1, 2016 | $ 297,148 | $ 5,184,212 | $ 747,214 | $ 293,015 | $ 788,325 | $ 7,309,914 |
| Depreciation for the year | 10,873 | 644,467 | 48,541 | 3,007 | 4,190 | 711,078 |
| Disposals | – | (1,299,350) | (664,230) | – | – | (1,963,580) |
| At March 31, 2017 | $ 308,021 | $ 4,529,329 | $ 131,525 | $ 296,022 | $ 792,515 | $ 6,057,412 |
| **Net book value** | | | | | | |

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

7. **Cash and cash equivalents**

The effective interest rate earned on cash and cash equivalents for the year ended March 31, 2017 was 0.45% (2016 - 0.50%).

8. **Inventory**

Inventory of $721,543 (2016 - $644,702) is stated net of an allowance for obsolescence of $105,038 (2016 - $105,038). Inventory, when issued, is classified as an equipment repairs and maintenance expense. Equipment repairs and maintenance recognized as an expense in the year amounted to $454,839 (2016 - $128,565). Inventory written up during the year amounted to $nil (2016 - $127,100). Equipment repairs and maintenance and inventory written up are included in stevedoring expenses in the consolidated statement of comprehensive income.

9. **Employee pension benefits**

The total expense incurred for the Company's defined contribution plan was $200,641 (2016 - $181,350).

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 17.

10. **Personnel expenses**

| | 2017 | 2016 |
|---|---|---|
| Salaries, wages and employment benefits | $ 4,787,509 | $ 4,689,640 |
| Key management compensation | 518,228 | 481,191 |
| Compulsory payroll tax, social insurance, life, and health contributions | 982,858 | 988,343 |
| Payments to defined contribution pension scheme (Note 9) | 200,641 | 181,350 |
| | $ 6,489,236 | $ 6,340,524 |

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

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

11. **Long-term debt**

In December 2011 a subsidiary company, ESR, secured a 15-year United States dollar loan of $3 million from William E. Meyer Ltd., a related party. The loan is an adjustable promissory note and the monthly payments were $23,723 bearing interest at 5.0% per annum until December 1, 2017 with interest increasing to 5.5% after December 1, 2017. The rate is adjusted and fixed at the beginning of the 6th and 11th year of the loan to reflect a rate equal to 1.5% above a Bermuda Bank's Bermuda dollar corporate base rate. Interest paid to the related party during the year was $93,969 (2016 - $94,402).

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

12. **Share capital**

The Company's authorized share capital is $2,000,000 represented by 2,000,000 common shares of par value $1 each. At March 31, 2017 1,181,632 (2016 - 1,183,532) shares were issued and fully paid. As explained in Note 1, PHC was created to facilitate the restructuring of the SSL group by way of a court approved Scheme of Arrangement. The Scheme was the vehicle by which the shares of SSL were transferred to PHC on the same basis as they were held in SSL, and these new shares replaced the shares of SSL listed on the Bermuda Stock Exchange. The Scheme became effective on March 28, 2011 after shareholder and Supreme Court approval.

As at March 31, 2017, the direct shareholding ownership of directors and officers was 3,650 (2016 - 350) 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:

| | 2017 | 2016 |
|---|---|---|
| $0.06 (2015 - $0.05) cents per qualifying ordinary share – June | $ 71,210 | $ 62,230 |
| $0.06 (2015 - $0.05) cents per qualifying ordinary share – September | 70,898 | 62,230 |
| $0.06 (2015 - $0.05) cents per qualifying ordinary share – December | 70,675 | 62,230 |
| $0.06 (2015 - $0.05) cents per qualifying ordinary share – March | 70,695 | 58,310 |
| | $ 283,478 | $ 245,000 |

In August 2015 the Company issued a share tender, redeeming and cancelling stock at a price of $4.00 per share. During the year nil (2016 - 61,068) shares were tendered at a cost of $nil (2016 - $244,272).

During the year the Company issued 3,300 (2016 – nil) shares to senior management at a price of $4.00 per share. The Company repurchased 5,200 (2016 – nil) shares from a shareholder at a price of $4.00 per share.

*Share option agreement*

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

The options entitle the CEO to acquire up to 5,000 ordinary shares annually for each of the next three years ending March 31, 2018, 2019 and 2020 such number of shares being determined for 2019 and 2020 by the Company's Board of Directors. On April 10, 2017 the CEO exercised 2,500 options at a purchase price of $3.44 per share.

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

13. **General reserve**

General reserve represents amounts appropriated by the directors.

14. **Related party transactions**

Bermuda International Shipping Ltd ("BISL") and Somers Isles Shipping Ltd ("SISL") are companies which are related by virtue of common significant influence by directors of the Company.

The Company earned stevedoring revenue of $5,297,713 (2016 - $5,131,791) from both BISL and SISL. Included in accounts receivable as at March 31, 2017 is $432,960 (2016 - $474,379) 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 $69,774 (2016 - $69,699) from Meyer Technologies Ltd. which are included in general and administrative expenses in the consolidated statement of comprehensive income.

During the year ended March 31, 2017, the Company incurred professional fees of $79,881 (2016 - $84,677) from Forensic First, a company related by common significant influence, which is included in general and administrative expenses in the consolidated statement of comprehensive income.

15. **Finance income**

Finance income comprises of the following:

| | 2017 | 2016 |
|---|---|---|
| Dividend income | $ – | $ 9,861 |
| Gain on sale of investment (Note 4) | 10,177 | – |
| Interest income | 4,170 | 4,159 |
| | $ 14,347 | $ 14,020 |

16. **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, 2017 was based on the income attributable to ordinary shareholders of $1,220,945 (2016 - $1,420,671), and a weighted average number of ordinary shares outstanding of 1,183,091 (2016 - 1,229,333), calculated as follows:

| | 2017 | 2016 |
|---|---|---|
| Issued ordinary shares and weighted average number of shares at April 1, 2016 and March 31, 2017 | 1,183,532 | 1,244,600 |
| Shares tendered in the year | – | (61,068) |
| Shares issued in the year | 3,300 | – |
| Shares repurchased in the year | (5,200) | – |
| Share capital | 1,181,632 | 1,183,532 |

There are no dilutive potential ordinary shares as at March 31, 2017 or March 31, 2016. Share options with a dilutive effect were issued on April 1, 2017 (Note 12).

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

## 17. Commitments

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

## 18. Financial instruments

### (a) *Fair value*

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximates their carrying value due to their short-term maturity. The fair value of investments is based on quoted market prices and is presented in Note 4.

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

Certain items such as inventory, property, plant and equipment and prepaid expenses are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

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

| 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments – equity securities | $ – | $ – | $ – | $ – |
| | $ – | $ – | $ – | $ – |

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

### (b) *Credit risk*

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

At March 31, 2017, 65% (2016 - 70%) of the Company's cash and cash equivalents are held with a single Bermuda bank which has a credit rating of BBB according to the Standard & Poors rating agency as at march 31, 2017. Management does not believe that there is any significant credit risk with respect to its cash and cash equivalents.

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

18. **Financial instruments** (continued)

(b) *Credit risk* (continued)

At March 31, 2017, 94% (2016 - 96%) of the Company's accounts receivable balance is due from three customers.

The Company's major customers have been transacting with the Company for a number of years and significant losses have not occurred. Therefore, management does not believe there is significant credit risk arising from accounts receivable balances. The maximum exposure to credit risk for accounts receivable is represented by the carrying value in the consolidated statement of financial position. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The ageing of accounts receivable at the reporting date is as follows:

| | 2017 | 2016 |
|---|---|---|
| Current | $ 941,393 | $ 856,505 |
| Past 30 days | 202,447 | 182,049 |
| Past 60 days | 181 | 2,818 |
| Past 90 days | 7,946 | 2,014 |
| | 1,151,967 | 1,043,386 |
| Less: allowance for impairment | (5,000) | (10,000) |
| | $ 1,146,967 | $ 1,033,386 |

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

| | 2017 | 2016 |
|---|---|---|
| Balance at March 31, 2016 | $ 10,000 | $ – |
| (Decrease) increase in allowance | (5,000) | 10,000 |
| Balance at March 31, 2017 | $ 5,000 | $ 10,000 |

(c) *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect interest earned on cash and cash equivalents and interest paid on long-term debt. Interest is earned on cash and cash equivalents at variable rates. Interest is paid on the Company's long-term debt at variable rates as explained in Note 11. Management does not believe that the Company is exposed to significant interest rate risk. An increase of one percent in interest rates at the reporting date would have decreased equity and decreased profit for the year by $18,794 (2016 - $18,880) assuming all other variables remain constant. An equal change in the opposite direction would have increased equity and profit by the same amount.

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

18. **Financial instruments** (continued)

*(d) Market risk*

Equity price risk arises from available-for-sale marketable securities held by the Company. The primary goal of the Company's investment strategy is to maximize investment returns. The performance of the investment portfolio is actively monitored. The Company's equity investments are listed on the Bermuda Stock Exchange and are classified as available-for-sale. A two percent increase in market prices at the reporting date, assuming all other variables remain constant, would have increased equity by $nil (2016 - $2,229). An equal change in the opposite direction would have decreased equity by the same amount. There would be no impact on the Company's reported profit for the year.

Management does not believe that the Company is exposed to significant currency risk, as the majority of the Company's transactions are denominated in Bermuda dollars or United States dollars and there are no significant foreign currency denominated assets and liabilities at the reporting date.

*(e) Liquidity risk*

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

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

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

| | Total | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 15 years |
|---|---|---|---|---|---|
| **As at March 31, 2016** | | | | | |
| Accounts payable and accrued expenses | $ 844,714 | $ 597,975 | $ 11,663 | $ 50,212 | $ 184,863 |
| Long-term debt | 2,182,101 | 142,343 | 142,343 | 569,371 | 1,328,044 |
| | $ 3,026,815 | $ 740,318 | $ 154,006 | $ 619,583 | $ 1,512,907 |

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

19. **Capital management**

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

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

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

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

20. **Operating segments**

The reportable operating segments are as follows:

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

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

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

Due to a leasing arrangement between ESR (the "lessor") and SSL (the "lessee") for the use of the heavy port operating equipment, an elimination transaction in the amount of $1,247,870 (2016 - $1,235,553) was recognized under the PHC group structure.

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

20. **Operating segments** (continued)

2017

Revenue/expenses (stated in $000's)

| | PHC | SSL | ESR | MRH | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Stevedoring revenue | $ – | $ 10,954 | $ – | $ – | $ – | $ 10,954 |
| Rental income | – | – | – | 142 | – | 142 |
| Gain on disposal | – | – | 26 | – | – | 26 |
| Inter-segment | 808 | – | 1,248 | – | (2,056) | – |
| Finance income | 11 | 3 | – | – | – | 14 |
| Total revenue | 819 | 10,957 | 1,274 | 142 | (2,056) | 11,136 |
| Stevedoring expenses | – | 6,088 | – | 10 | – | 6,098 |
| Depreciation | – | 24 | 687 | – | – | 711 |
| Depr. of invest. property | – | – | – | 85 | – | 85 |
| Other expenses | 882 | 2,005 | 25 | 16 | – | 2,928 |
| Expenses | 882 | 2,029 | 712 | 101 | – | 3,724 |
| Inter-segment | – | 1,818 | 232 | 6 | (2,056) | – |
| Finance expenses | – | – | 94 | – | – | 94 |
| Total expenses | 882 | 9,935 | 1,038 | 117 | (2,056) | 9,915 |
| Profit (loss) for the year | $ (63) | $ 1,022 | $ 236 | $ 25 | $ – | $ 1,221 |

2016

Revenue/expenses (stated in $000's)

| | PHC | SSL | ESR | MRH | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Stevedoring revenue | $ – | $ 10,567 | $ – | $ – | $ – | $ 10,567 |
| Rental Income | – | – | – | 140 | – | 140 |
| Inter-segment | 674 | – | 1,236 | – | (1,910) | – |
| Finance income | 11 | 3 | – | – | – | 14 |
| Total revenue | 685 | 10,570 | 1,236 | 140 | (1,910) | 10,721 |
| Stevedoring expenses | – | 5,373 | – | – | – | $ 5,373 |
| Depreciation | – | 18 | 703 | – | – | $ 721 |
| Depr. of invest. property | – | – | – | 85 | – | 85 |
| Other expenses | 700 | 2,290 | 19 | 18 | – | 3,028 |
| Expenses | 700 | 7,681 | 722 | 103 | – | $ 9,207 |
| Inter-segment | – | 1,690 | 214 | 6 | (1,910) | – |
| Finance expenses | – | – | 94 | – | – | 94 |
| Total expenses | 700 | 9,371 | 1,030 | 109 | (1,910) | $ 9,301 |
| Profit (loss) for the year | $ (15) | $ 1,199 | $ 206 | $ 31 | $ – | $ 1,420 |

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2017

20. **Operating segments** (continued)

As at March 31, 2017

| | PHC | SSL | ESR | MRH | Total reportable segments | Elimination | Total |
|---|---|---|---|---|---|---|---|
| Assets | $ 4,752 | $ 3,975 | $ 5,193 | $ 2,274 | $ 16,194 | $ (4,935) | $ 11,259 |
| Liabilities | 64 | 1,143 | 1 | – | 1,208 | – | 1,208 |
| Capital expenditure | – | 118 | 592 | – | 710 | – | 710 |

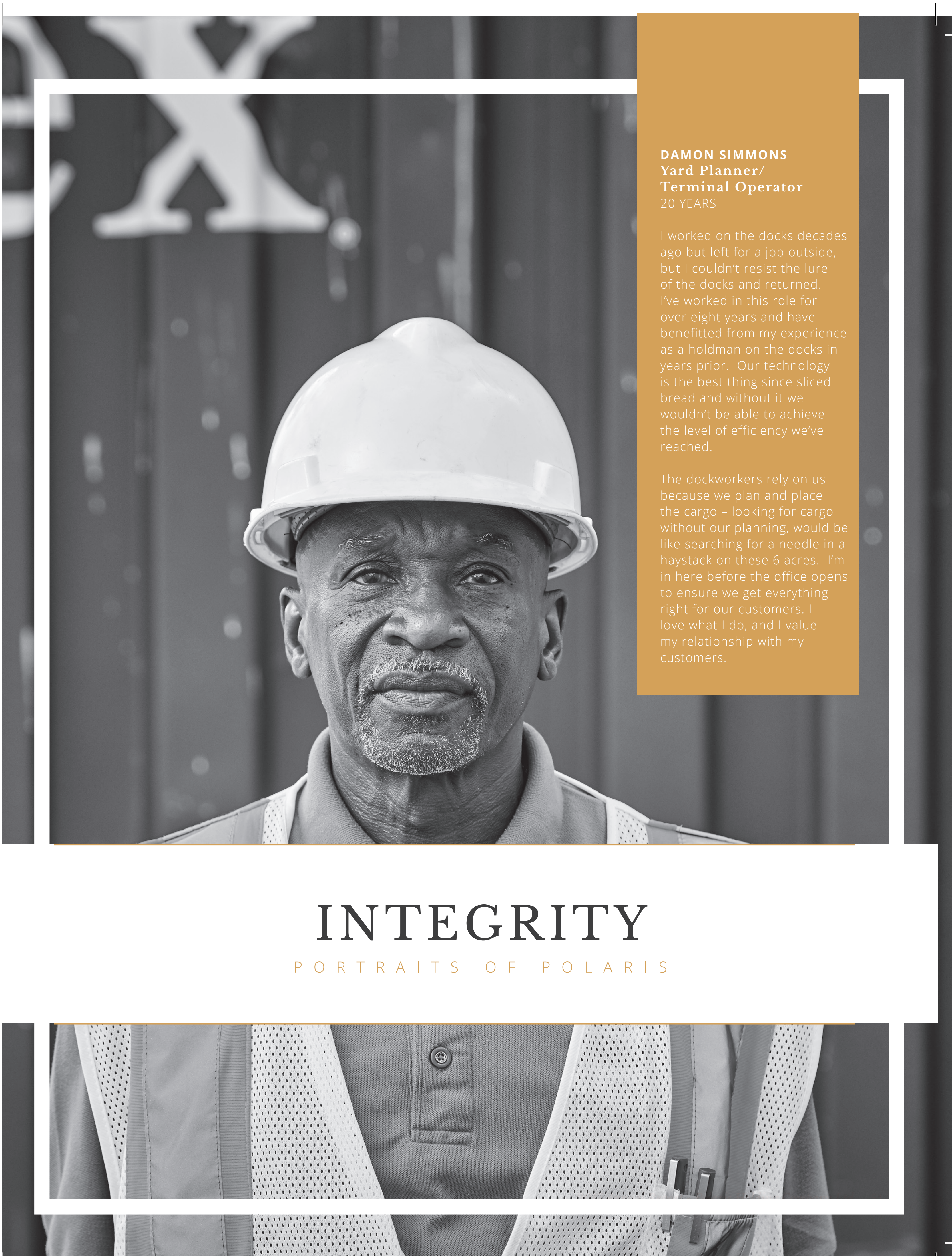
As at March 31, 2016

| | PHC | SSL | ESR | MRH | Total reportable segments | Elimination | Total |
|---|---|---|---|---|---|---|---|
| Assets | $ 5,093 | $ 4,305 | $ 6,009 | $ 2,248 | $ 17,655 | $ (5,684) | $ 11,971 |
| Liabilities | 71 | 3,152 | 1,787 | – | 5,010 | (2,123) | 2,887 |
| Capital expenditure | – | 526 | – | – | 526 | – | 526 |

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

All revenue and expenses related to MRH is in respect of discontinued operations (Note 5).

The Company operates in a single geographic region.



**DAMON SIMMONS**
**Yard Planner/**
**Terminal Operator**
20 YEARS

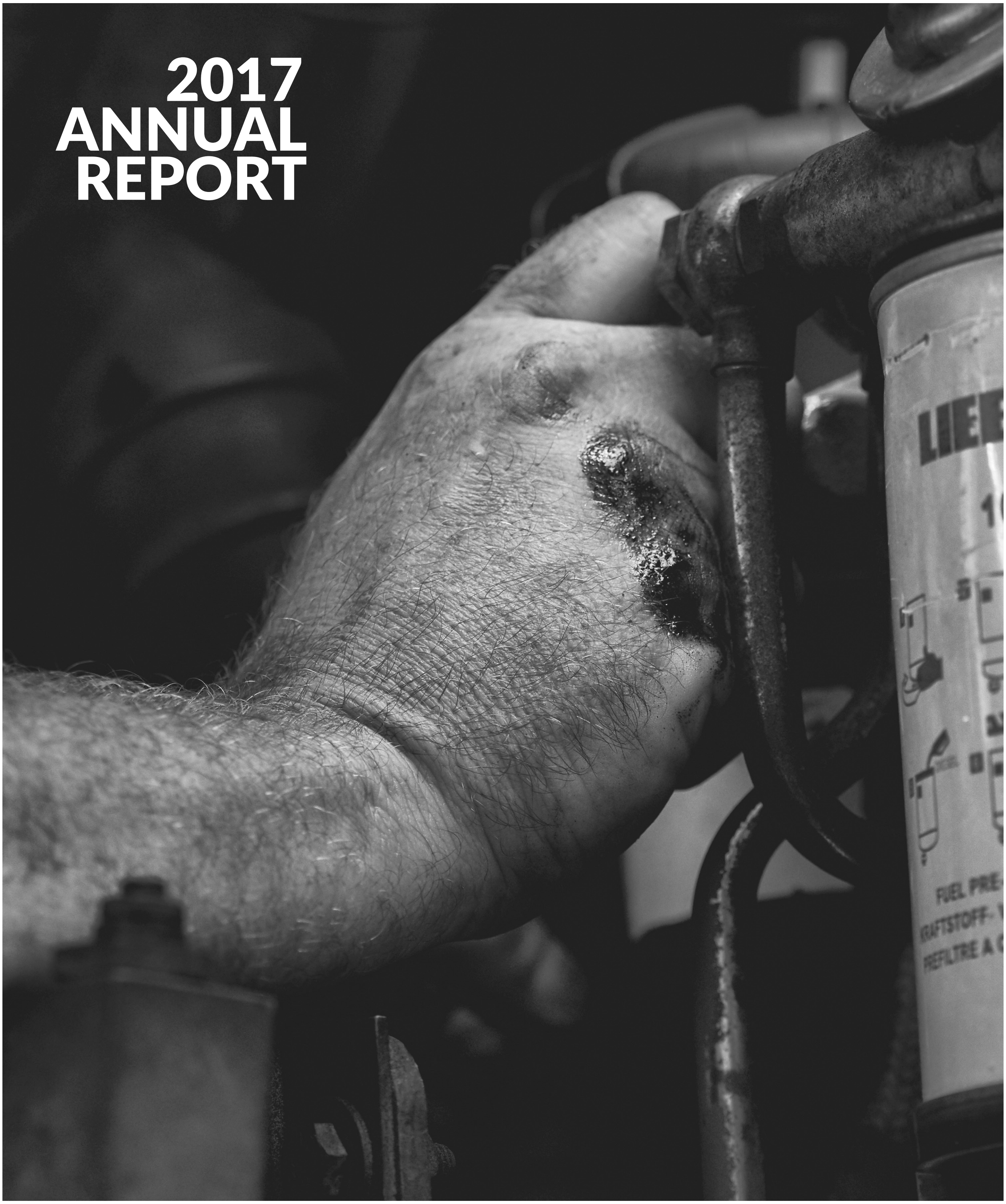
I worked on the docks decades ago but left for a job outside, but I couldn't resist the lure of the docks and returned. I've worked in this role for over eight years and have benefitted from my experience as a holdman on the docks in years prior.  Our technology is the best thing since sliced bread and without it we wouldn't be able to achieve the level of efficiency we've reached.

The dockworkers rely on us because we plan and place the cargo – looking for cargo without our planning, would be like searching for a needle in a haystack on these 6 acres.  I'm in here before the office opens to ensure we get everything right for our customers. I love what I do, and I value my relationship with my customers.

# INTEGRITY

PORTRAITS OF POLARIS

# 2017 ANNUAL REPORT



Polaris
HOLDING COMPANY LTD.
~ Quietly Powering Bermuda~

SSL
STEVEDORING SERVICES LIMITED
A Polaris Company

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

MRH
MILL REACH HOLDING LIMITED
A Polaris Company