

**POLARIS HOLDING COMPANY LTD.**

**Consolidated Financial Statements**

(With Independent Auditor's Report Thereon)

March 31, 2025

*The accompanying report of KPMG Audit Limited ("KPMG") is for the sole and exclusive use of Polaris Holding Company Ltd. (the "Group"). No person, other than the Group, is authorized to rely upon the report of KPMG unless KPMG expressly so authorizes. Furthermore, the report of KPMG is as of July 24, 2025 and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.*



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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of Polaris Holding Company Ltd.**

### **Opinion**

We have audited the consolidated financial statements of Polaris Holding Company Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at March 31, 2025, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other information**

Management is responsible for the other information. The other information comprises the annual report to shareholders but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The Engagement Partner on the audit resulting in this independent auditor's report is Felicia Wilsen.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
July 24, 2025

**POLARIS HOLDING COMPANY LTD.**

## Consolidated Statement of Financial Position

March 31, 2025 and 2024  
*(Expressed in Bermuda Dollars)*

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment (Notes 8 and 9)	\$ 12,521,747	\$ 12,453,768
Total non-current assets	12,521,747	12,453,768
<b>Current assets</b>		
Cash and cash equivalents (Notes 10 and 20)	1,586,126	1,395,871
Accounts receivable (Notes 17 and 20)	1,728,586	984,399
Inventory (Note 11)	446,402	1,126,274
Prepaid expenses	526,822	748,564
Total current assets	4,287,936	4,255,108
Total assets	\$ 16,809,683	\$ 16,708,876
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long-term debt (Note 14)	\$ 2,088,222	\$ 3,012,083
Accrued expenses	89,105	90,252
Total non-current liabilities	2,177,327	3,102,335
<b>Current liabilities</b>		
Accounts payable and accrued expenses (Note 20)	1,867,174	1,968,201
Long-term debt – current portion (Note 14)	422,820	356,152
Lease liabilities (Note 9)	–	192,008
Unearned revenue (Note 6)	76,181	212,024
Total current liabilities	2,366,175	2,728,385
Total liabilities	4,543,502	5,830,720
<b>Equity</b>		
Share capital (Note 15)	1,192,034	1,190,849
Share premium (Note 15)	59,230	51,752
General reserve (Note 16)	–	1,250,000
Retained earnings	11,014,917	8,385,555
Total equity attributable to the Company's shareholders	12,266,181	10,878,156
Total liabilities and equity	\$ 16,809,683	\$ 16,708,876

*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, 2025 and 2024  
*(Expressed in Bermuda Dollars)*

	<u>2025</u>	<u>2024</u>
<b>Revenue</b>		
Stevedoring revenue (Notes 6 and 17)	\$ 11,844,733	\$ 11,109,093
Stevedoring expenses (Notes 12 and 13)	<u>(6,868,925)</u>	<u>(6,886,752)</u>
Stevedoring gross profit	4,975,808	4,222,341
Surface Experts revenue (Note 6)	5,340,274	3,273,193
Surface Experts expenses (Note 11)	<u>(3,508,048)</u>	<u>(2,631,140)</u>
Surface Experts gross profit	<u>1,832,226</u>	<u>642,053</u>
Total	6,808,034	4,864,394
<b>Expenses</b>		
Administrative salaries, wages and benefits (Notes 12 and 13)	1,969,223	1,855,755
Depreciation (Note 8)	1,114,856	1,027,986
General and administrative expenses	868,061	938,205
Professional fees (Notes 17 and 22)	687,245	768,193
Information technology and telecommunication	<u>311,413</u>	<u>294,084</u>
Total	4,950,798	4,884,223
Results from operations	1,857,236	(19,829)
Finance expense (Notes 9 and 14)	(237,408)	(292,832)
Gain on lease termination (Note 9)	<u>–</u>	<u>456,311</u>
Net profit from continuing operations	\$ 1,619,828	\$ 143,650
Net profit from discontinued operations (Note 7)	<u>–</u>	<u>597,169</u>
Net profit for the year (attributable to owners of the Company)	\$ 1,619,828	\$ 740,819
Earnings per share:		
Net earnings per share – basic (Note 18)	\$ 1.36	\$ 0.62
Net earnings per share – fully diluted (Note 18)	\$ 1.36	\$ 0.62
Earnings per share – continuing operations:		
Net earnings per share – basic (Note 18)	\$ 1.36	\$ 0.12
Net earnings per share – fully diluted (Note 18)	\$ 1.36	\$ 0.12

All items included in the consolidated statement of comprehensive income relate to continuing and discontinuing 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, 2025 and 2024  
*(Expressed in Bermuda Dollars)*

	<u>Share capital</u>	<u>Share premium</u>	<u>General reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at April 1, 2023	\$ 1,189,787	\$ 44,825	\$ 1,250,000	\$ 8,001,566	\$ 10,486,178
<b>Total comprehensive income:</b>					
Profit for the year	-	-	-	740,819	740,819
<b>Transactions with owners of the Company recognized directly in equity:</b>					
Shares issued (Note 15)	1,062	6,927	-	-	7,989
Dividends declared and paid (Note 15)	-	-	-	(356,830)	(356,830)
Balance at March 31, 2024	1,190,849	51,752	1,250,000	8,385,555	10,878,156
<b>Total comprehensive income:</b>					
Profit for the year	-	-	-	1,619,828	1,619,828
<b>Transfer of general reserve to retained earnings</b>	-	-	(1,250,000)	1,250,000	-
<b>Transactions with owners of the Company recognized directly in equity:</b>					
Shares issued (Note 15)	1,185	7,478	-	-	8,663
Dividends declared and paid (Note 15)	-	-	-	(240,466)	(240,466)
Balance at March 31, 2025	\$ 1,192,034	\$ 59,230	\$ -	\$ 11,014,917	\$ 12,266,181

*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, 2025 and 2024  
*(Expressed in Bermuda Dollars)*

	<u>2025</u>	<u>2024</u>
<b>Operating activities</b>		
Profit for the year	\$ 1,619,828	\$ 740,819
Adjustments for:		
Depreciation	1,574,814	1,569,512
Depreciation of heavy equipment parts	725,350	677,247
Net finance expense	237,408	292,832
Gain from lease termination	-	(456,311)
Gain on disposal of assets held for sale	-	(600,268)
Changes in non-cash working capital balances:		
Accounts receivable	(744,187)	178,325
Inventory	679,872	(376,637)
Prepaid expenses	221,742	99,500
Accounts payable and accrued expenses	(102,174)	173,516
Unearned revenue	<u>(135,843)</u>	<u>(79,619)</u>
Net cash provided by operating activities	<u>4,076,810</u>	<u>2,218,916</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment (Note 8)	(2,379,143)	(4,470,405)
Disposal of investment property (Note 7)	-	1,816,886
Proceeds on disposal of property, plant and equipment	<u>11,000</u>	<u>-</u>
Net cash used in investing activities	<u>(2,368,143)</u>	<u>(2,653,519)</u>
<b>Financing activities</b>		
Repayment of long-term debt	(857,193)	(615,502)
Dividends declared and paid	(240,466)	(356,830)
Proceeds from debt issued (Note 14)	-	1,000,000
Proceeds from shares issued	8,663	7,989
Payment of lease liabilities	(192,008)	(164,831)
Interest paid	<u>(237,408)</u>	<u>(292,832)</u>
Net cash used in financing activities	<u>(1,518,412)</u>	<u>(422,006)</u>
Increase (decrease) in cash and cash equivalents	190,255	(856,609)
Cash and cash equivalents at beginning of year	<u>1,395,871</u>	<u>2,252,480</u>
Cash and cash equivalents at end of year	<u>\$ 1,586,126</u>	<u>\$ 1,395,871</u>

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



# **POLARIS HOLDING COMPANY LTD.**

## **Notes to Consolidated Financial Statements**

March 31, 2025 and 2024

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### **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. 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"), Surface Experts Ltd. ("SEL") formerly known as East End Asphalt Company Limited ("EEA"), Mill Reach Holding Company Limited. ("MRH") and Duck's Puddle Properties Ltd. ("DPPL"). All subsidiaries are wholly owned and incorporated under the laws of Bermuda.

SSL carries on business as a stevedoring company. The Company holds the terminal operators license from the Corporation of Hamilton to operate on the Hamiton docks until February 28, 2032.

ESR carries on the business of purchasing and leasing heavy operating machinery and equipment. MRH owned investment property at Mill Reach Lane, Pembroke, Bermuda, which was sold in April 2023, as described in Note 7. Following the sale, MRH was dissolved.

SEL carries on business as an asphalt manufacturing and paving company.

In April 2023, the Company established a new wholly owned subsidiary Duck's Puddle Limited (DPL), in May 2023 this was amalgamated with DPPL, being DPPL the surviving company, DPPL owns 8 Duck's Puddle Drive property which is leased to SEL. Prior to amalgamation, DPPL recognized land and building with no other assets and liabilities. The Company applied concentration test and this transaction was accounted for as an acquisition of properties. As a result, land valued at \$2,293,146 and a building valued at \$500,000 was recognized.

### **2. Basis of preparation**

#### *(a) Statement of compliance*

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

These consolidated financial statements were authorized for issue by the Board of Directors on July 24, 2025.

#### *(b) Basis of measurement*

These 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 these 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 non-financial assets

**3. Material accounting policies**

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

*(a) Basis of consolidation*

These consolidated financial statements include the balances and results of operations of the Company and its wholly owned subsidiaries (together referred to as the “Group”). All inter-company transactions and balances are eliminated on consolidation.

*(b) Revenue recognition*

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

*Performance obligations and revenue recognition policies*

The Group 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.

**3. Material accounting policies (continued)***(b) Revenue recognition (continued)*

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

**3. Material accounting policies (continued)***(b) Revenue recognition (continued)**Performance obligations and revenue recognition policies (continued)*

<b>Revenue stream</b>	<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Port Storage Fees	Port storage fee revenue is based upon the storage of cargo at the docks. The performance obligation is the completion of this process. Payment is due on collection.	Revenue is recognized over time as the performance obligation is satisfied.
Paving	Paving revenue is based on the asphaltting of roads and driveways. The performance obligation is the completion of this process. Payment is net 30 days.	Revenue is recognized over time based on contractual terms.
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 based on the cost-to-cost method.

*Rental income*

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

*(c) Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset and include capitalized borrowing costs. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. Improvements to leased premises are capitalized and depreciated over the remainder of the related lease period. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). Items of property, plant and equipment are depreciated from the date that they are ready for use. Land is not depreciated.

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

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**3. Material accounting policies (continued)**
*(c) Property, plant and equipment (continued)*

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

Buildings and building improvements	10-25 years
Right of use assets (lease term)	1-5 years
Asphalt plant	25 years
Furniture and fixtures	3-5 years
Computer equipment	3-10 years
Vehicles	5 years
Cranes and heavy equipment	5-15 years
Light equipment	5 years
Heavy equipment parts	4 years

*(d) Assets held for sale and discontinued operations*

Discontinued operations are reported when a component of the Company, representing a separate major line of business or area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5"), discontinued operations are reported as a separate element of net income or loss on the consolidated statement of operations and comprehensive income for the comparative periods. When a disposal group is classified as held for sale, assets and liabilities are aggregated and presented as separate line items, respectively, on the consolidated statement of financial position. Comparative periods are not restated on the consolidated statement of financial position. Assets held for sale are not depreciated and are measured at the lower of carrying value and fair value less costs to sell.

*(e) Financial instruments*

The Group's financial assets comprise of cash and cash equivalents and accounts receivable. The Group's financial liabilities comprise of accounts payable, lease liabilities 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 Group 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.

*(ii) Classification and subsequent measurement**Financial assets*

On initial recognition, the Group determines the classification of its financial assets. Financial assets are not reclassified subsequent to their initial recognition unless the Group 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.

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

(e) *Financial instruments* (continued)

(ii) *Classification and subsequent measurement* (continued)

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

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

*Financial assets – Business model assessment*

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

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

*Financial assets – Subsequent measurement and gains and losses*

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

*Financial liabilities – Classification, subsequent measurement and gains and losses*

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

(iii) *De-recognition*

*Financial assets*

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

*Financial liabilities*

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

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

*(e) Financial instruments* (continued)

*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.

*(f) Impairment*

*Financial assets*

The Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when it is more than 90 days past due.

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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

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

*(f) Impairment (continued)*

*Credit impaired financial assets*

At each reporting date, the Group 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group 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.

*(g) 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"). 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.



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

*(h) Cash and cash equivalents*

For the purposes of the consolidated statement of cash flows the Group 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. Cash and cash equivalents are used to manage the Group's short term liquidity commitments

*(i) Employee benefits*

The costs of employee benefits payable in respect of the Group'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 Group pays fixed contributions to a separate entity and has no obligation to pay further amounts. The Group 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.

The grant-date fair value of share-based payment arrangements granted to employees under the Group's share option agreement is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards which approximates to the date when the eligible employees exercise their option to subscribe for shares under the stock option plan.

*(j) Foreign currency translation*

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

*(k) Taxation*

The Group is a registered Bermuda incorporated entity, which is not currently subject to tax on profit, income or capital gains in the Islands of Bermuda. On December 27, 2023 the Bermuda government enacted legislation into law, the Bermuda Corporate Income Tax Act 2023. The Group is not currently in scope for this new legislation. Accordingly, no provision for current or deferred income tax has been made in these consolidated financial statements.

*(l) Inventory*

Inventory is measured at the lower of cost and net realizable value. Provision is made where necessary for obsolete and slow-moving items. The cost of inventory is based on the first-in, first-out principle.

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

*(m) Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. 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 these 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(g)). 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 Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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.

*(n) Leases*

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

*As a lessee*

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

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

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

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

*(n) Leases (continued)*

*As a lessee (continued)*

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

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

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

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

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

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

*Short-term leases and leases of low-value assets*

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

**4. Changes to material accounting policies**

There were a number of amendments to standards that were effective for periods beginning on or after April 1, 2024, but they do not have a material effect on the Group's consolidated financial statements. These have been listed below:

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
- *Lease Liability in a sale and Leaseback (Amendments to IFRS 16)*
- *Non-current Liabilities with Covenants (Amendments to IAS 1)*
- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements*

**5. New standards and interpretations not yet adopted**

A number of new or amended standards are effective for annual periods beginning after March 31, 2025, and early adoption is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

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

- *Lack of Exchangeability – Amendments to IAS 21*
- *Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7*
- *Annual Improvements to IFRS Accounting Standards Volume 11*
- *IFRS 18 Presentation and Disclosure in Financial Statements*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*

**POLARIS HOLDING COMPANY LTD.**

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

**6. Revenue**

	<u>2025</u>	<u>2024</u>
<b>Revenue from contracts with customers – continuing operations</b>	\$ 17,185,007	\$ 14,382,286
<b>Other revenue</b>		
Rental income – discontinued operations (Note 7)	<u>–</u>	<u>8,020</u>
	<u>\$ 17,185,007</u>	<u>\$ 14,390,306</u>

Unearned revenue is derived from the advance consideration received from customers for projects for which revenue is recognized over time. All unearned revenue of \$212,024 as at 31 March 2024 was realized during the year ended March 31, 2025. Unearned revenue of \$76,181 deferred as at March 31, 2025 was all received during the year then ended as advance payments.

*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 Group's reportable segments.

	<u>2025</u>		
	<u>SSL</u>	<u>SEL</u>	<u>Total</u>
<b>Major products and service lines</b>			
Containerized and Break Bulk/			
Loose Cargo	\$ 9,430,189	\$ –	\$ 9,430,189
Terminal Handling Charges	1,306,620	–	1,306,620
Labour Surcharges	743,244	–	743,244
Line Handling	268,885	–	268,885
Port Storage Fees	95,795	–	95,795
Paving	–	2,397,219	2,397,219
Aggregate asphalt and other sales	<u>–</u>	<u>2,943,055</u>	<u>2,943,055</u>
	<u>\$ 11,844,733</u>	<u>\$ 5,340,274</u>	<u>\$ 17,185,007</u>
<b>Timing of revenue recognition</b>			
Products and services transferred over time	\$ 95,795	\$ 2,437,294	\$ 2,533,089
Products and services transferred at a point in time	<u>11,748,938</u>	<u>2,902,980</u>	<u>14,651,918</u>
Revenue from contracts with customers	<u>\$ 11,844,733</u>	<u>\$ 5,340,274</u>	<u>\$ 17,185,007</u>

**POLARIS HOLDING COMPANY LTD.**

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

**6. Revenue (continued)**

	2024		
	<u>SSL</u>	<u>SEL</u>	<u>Total</u>
<b>Major products and service lines</b>			
Containerized and Break Bulk/ Loose Cargo	\$ 8,879,655	\$ –	\$ 8,879,655
Terminal Handling Charges	1,259,412	–	1,259,412
Labour Surcharges	698,296	–	698,296
Line Handling	207,249	–	207,249
Port Storage Fees	64,481	–	64,481
Paving	–	1,888,050	1,888,050
Aggregate asphalt and other sales	–	1,385,143	1,385,143
	<u>\$ 11,109,093</u>	<u>\$ 3,273,193</u>	<u>\$ 14,382,286</u>
<b>Timing of revenue recognition</b>			
Products and services transferred over time	\$ 64,481	\$ 1,949,755	\$ 2,014,236
Products and services transferred at a point in time	<u>11,044,612</u>	<u>1,323,438</u>	<u>12,368,050</u>
Revenue from contracts with customers	<u>\$ 11,109,093</u>	<u>\$ 3,273,193</u>	<u>\$ 14,382,286</u>

**7. Assets held for sale – investment property and discontinued operations**

Investment property was comprised of land and buildings being held in MRH. In April 2023, the Group had sold its investment property for \$1,850,000. The property had a net book value of \$1,216,618 as at March 31, 2023. The gain on sale, before closing costs, was \$640,681, with the net gain after legal spending, stamp duties, and other charges being \$600,268. As of March 31, 2024, MRH has no remaining assets or liabilities, the division was wound down and discontinued.

**Results of discontinued operations**

	<u>2025</u>	<u>2024</u>
<b>Revenue</b>		
Rental income (Note 6)	\$ –	\$ 8,020
<b>Expenses</b>		
Professional fees	–	7,500
General and administrative	–	3,619
Operating loss	–	(3,099)
Gain on sale of property	–	600,268
<b>Net profit from discontinued operations</b>	<u>\$ –</u>	<u>\$ 597,169</u>

**POLARIS HOLDING COMPANY LTD.**

Notes to Consolidated Financial Statements

March 31, 2025 and 2024

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**7. Assets held for sale and discontinued operation (continued)**

**Cash flows used in discontinued operations**

	<u>2025</u>	<u>2024</u>
<b>Operating activities</b>		
Profit for the year	\$ -	\$ 597,169
Adjustments for:		
Gain on disposal of assets held for sale	-	(600,268)
Changes in non-cash working capital balances:		
Prepaid expenses	-	6,410
Net cash provided by operating activities	-	3,311
<b>Investing activities</b>		
Sale of investment property	-	1,816,886
Net cash provided by investing activities	-	1,816,886
Increase in cash and cash equivalents	\$ -	\$ 1,820,197

**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2025 and 2024

**8. Property, plant and equipment**

	Asphalt plant	Heavy equipment parts	Land and building improvements	Cranes, vehicles and equipment	Furniture and fixtures	Computer equipment	Capital property lease (Note 9)	Terminal operator's license (Note 9)	Total
<b>Cost</b>									
April 1, 2023	\$ 1,964,350	\$ 4,837,316	\$ 501,088	\$ 13,403,265	\$ 408,297	\$ 954,818	\$ 3,600,581	\$ 1,286,811	\$ 26,956,526
Additions	309,767	631,439	2,793,146	636,058	28,711	71,284	–	–	4,470,405
Disposals	–	(2,062,448)	(17,068)	–	–	–	(3,600,581)	–	(5,680,097)
At March 31, 2024	\$ 2,274,117	\$ 3,406,307	\$ 3,277,166	\$ 14,039,323	\$ 437,008	\$ 1,026,102	\$ –	\$ 1,286,811	\$ 25,746,834
At April 1, 2024	\$ 2,274,117	\$ 3,406,307	\$ 3,277,166	\$ 14,039,323	\$ 437,008	\$ 1,026,102	\$ –	\$ 1,286,811	\$ 25,746,834
Additions	57,164	838,591	–	1,427,995	–	55,393	–	–	2,379,143
Disposals	–	–	–	(11,000)	–	–	–	–	(11,000)
Derecognition	–	–	(49,223)	–	(14,871)	–	–	(545,209)	(609,303)
At March 31, 2025	\$ 2,331,281	\$ 4,244,898	\$ 3,227,943	\$ 15,456,318	\$ 422,137	\$ 1,081,495	\$ –	\$ 741,602	\$ 27,505,674



**POLARIS HOLDING COMPANY LTD.**

Notes to the Consolidated Financial Statements

March 31, 2025 and 2024

**8. Property, plant and equipment (continued)**

	Asphalt plant	Heavy equipment parts	Land and Building improvements	Cranes, vehicles and equipment	Furniture and fixtures	Computer equipment	Capital property lease (Note 9)	Terminal operator's license (Note 9)	Total
<b>Accumulated depreciation</b>									
At April 1, 2023	\$ 264,065	\$ 3,348,009	\$ 429,111	\$ 7,338,932	\$ 377,214	\$ 628,439	\$ 288,288	\$ 746,059	\$ 13,420,117
Depreciation for the year	90,203	677,247	40,580	1,085,236	35,346	126,741	6,006	185,400	2,246,759
Disposals	—	(2,062,448)	(17,068)	—	—	—	(294,294)	—	(2,373,810)
At March 31, 2024	\$ 354,268	\$ 1,962,808	\$ 452,623	\$ 8,424,168	\$ 412,560	\$ 755,180	\$ —	\$ 931,459	\$ 13,293,066
At April 1, 2024	\$ 354,268	\$ 1,962,808	\$ 452,623	\$ 8,424,168	\$ 412,560	\$ 755,180	\$ —	\$ 931,459	\$ 13,293,066
Depreciation for the year	97,542	725,350	40,825	1,117,383	14,737	118,927	—	185,400	2,300,164
Derecognition	—	—	(49,223)	—	(14,871)	—	—	(545,209)	(609,303)
At March 31, 2025	\$ 451,810	\$ 2,688,158	\$ 444,225	\$ 9,541,551	\$ 412,426	\$ 874,107	\$ —	\$ 571,650	\$ 14,983,927
<b>Net book value</b>									
At April 1, 2023	\$ 1,700,285	\$ 1,489,307	\$ 71,977	\$ 6,064,333	\$ 31,083	\$ 326,379	\$ 3,312,293	\$ 540,752	\$ 13,536,409
At March 31, 2024	\$ 1,919,849	\$ 1,443,499	\$ 2,824,543	\$ 5,615,155	\$ 24,448	\$ 270,922	\$ —	\$ 355,352	\$ 12,453,768
At March 31, 2025	\$ 1,879,471	\$ 1,556,740	\$ 2,783,718	\$ 5,914,767	\$ 9,711	\$ 207,388	\$ —	\$ 169,952	\$ 12,521,747

Fully depreciated assets in the amount of \$609,303 and \$nil were removed from cost and accumulated depreciation during 2025 and 2024, respectively.

**POLARIS HOLDING COMPANY LTD.**

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

**9. Leases***Leases as lessee*

The Group leased a property used by SEL, and SSL holds a Terminal Operator's License, each as outlined in Note 19.

On May 4, 2023, the Group acquired the property where SEL is situated, the division's third-party lease on that property ended, resulting in capital property lease asset and liability to be \$nil as of March 31, 2025 and 2024.

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

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

	Terminal operator's license	Capital property lease	Total
<b>Balance at April 1, 2023</b>	\$ 540,752	\$ 3,312,293	\$ 3,853,045
Depreciation charge for the year	(185,400)	(6,006)	(191,406)
Termination of capital property lease (Note 8)	<u>—</u>	<u>(3,306,287)</u>	<u>(3,306,287)</u>
<b>Balance at March 31, 2024</b>	355,352	—	355,352
Depreciation charge for the year	<u>(185,400)</u>	<u>—</u>	<u>(185,400)</u>
<b>Balance at March 31, 2025</b>	<u>\$ 169,952</u>	<u>\$ —</u>	<u>\$ 169,952</u>

Set out below are the carrying amounts of lease liabilities:

	Terminal operator's license	Capital property lease	Total
<b>Balance at April 1, 2023</b>	\$ 355,217	\$ 3,764,220	\$ 4,119,437
Accretion of interest	36,791	16,711	53,502
Payment of lease liabilities	(200,000)	(18,333)	(218,333)
Termination of capital property lease	<u>—</u>	<u>(3,762,598)</u>	<u>(3,762,598)</u>
<b>Balance at March 31, 2024</b>	192,008	—	192,008
Accretion of interest	7,992	—	7,992
Payment of lease liabilities	<u>(200,000)</u>	<u>—</u>	<u>(200,000)</u>
<b>Balance at March 31, 2025</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**POLARIS HOLDING COMPANY LTD.**

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

**9. Leases (continued)**

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

	<u>2025</u>	<u>2024</u>
Depreciation expense on right-of-use assets	\$ 185,400	\$ 191,406
Interest on lease liabilities	7,992	53,502
Expenses relating to short-term leases – IT equipment	<u>6,480</u>	<u>6,480</u>
	<u>\$ 199,872</u>	<u>\$ 251,388</u>
	<u>2025</u>	<u>2024</u>
Total cash outflow for leases	\$ 200,000	\$ 218,333

*Extension options*

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

**10. Cash and cash equivalents**

Cash and cash equivalents only includes current accounts. The effective interest rate earned on cash and cash equivalents for the year ended March 31, 2025 was nil% (2024 - nil%).

**11. Inventory**

Inventory relating to raw materials of \$446,402 (2024 - \$1,126,274) is stated net of an allowance for obsolescence of \$nil (2024 - \$nil). Included in SEL expenses in the consolidated statement of comprehensive income are recognized inventory expenses of \$1,357,891 (2024 - \$1,069,879). Inventory amounting to \$44,998 was written off during the year ended March 31, 2025 (2024 - \$37,467).

**12. Employee pension benefits**

The total expense incurred for the Group's defined contribution plan was \$213,904 (2024 - \$208,587) (Note 13).

The total pension benefits expense is included in stevedoring expenses, SEL 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 19.

**13. Personnel expenses**

	<u>2025</u>	<u>2024</u>
Salaries, wages and employment benefits	\$ 5,552,341	\$ 5,446,521
Key management compensation – short-term employment benefits	566,528	582,161
Compulsory payroll tax, social insurance, life, and health contributions	1,301,155	1,283,523
Payments to defined contribution pension scheme (Note 12)	<u>213,904</u>	<u>208,587</u>
	<u>\$ 7,633,928</u>	<u>\$ 7,520,792</u>

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

**14. Long-term debt**

On March 14, 2019 the Group 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 repayable over 15 years.

A \$1,900,000 loan at 1.20% above a Bermuda Bank's Bermuda dollar corporate base rate. The loan is repayable over 10 years.

A \$400,000 loan at 3.2% above a Bermuda Bank's Bermuda dollar corporate base rate. The loan was repayable over 10 years. In July 2023, this loan was fully paid off.

A loan of \$ 1,000,000 at 0.50% above a Bermuda Bank's Bermuda dollar corporate base rate was secured in May 2023 to facilitate the purchase of the DPP land. The loan is repayable over 10 years.

As at March 31, 2025, the Group's secured bank loans are subject to a number of financial and non-financial covenants, including:

- An annual Debt Service Coverage Ratio greater than 1.3x;
- An annual Interest Expense Coverage Ratio greater than 2.9x;
- A Total Debt to Net Worth ratio not exceeding 2.0x at any time;
- A Loan to Collateral Value ratio not exceeding 75%;
- Maintenance of the commercial insurance policies as described in the loan documentation; and
- A Consolidated Liabilities to Equity ratio not exceeding 2.5x.

The above covenants are required to be complied with within the next 12 months after the reporting date. As at the reporting date, the Group was in compliance with all covenants required to be met on or before that date. Based on current forecasts and financial projections, management expects to comply with all covenant requirements that fall due within 12 months after the reporting date.

The Group continues to monitor its compliance with all loan covenants and has not identified any conditions or events that would indicate a breach or potential breach of these covenants.

Interest paid during the year was \$229,416 (2024 - \$251,903).

The long-term debt is secured by a fixed and floating debenture over the assets of the Group, cross guaranteed by ESR, DPP, SEL and SSL.

**POLARIS HOLDING COMPANY LTD.**

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

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

Principal repayments are as follows:

2026	\$	423,967
2027		455,747
2028		246,522
2029		225,083
2030 and thereafter		<u>1,159,723</u>
	\$	<u>2,511,042</u>

Reconciliation of repayment of the loan to cash flows from financing activities:

	<u>2025</u>	<u>2024</u>
Balance as at April 1	\$ 3,368,235	\$ 2,983,737
New loan	–	1,000,000
Repayment of long-term debt	<u>(857,193)</u>	<u>(615,502)</u>
Balance as at March 31	<u>\$ 2,511,042</u>	<u>\$ 3,368,235</u>

**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, 2025 1,192,034 (2024 - 1,190,849) shares were issued and fully paid.

	<u>2025</u>	<u>2024</u>
In issue at April 1	1,190,849	1,189,787
Exercise of share options	<u>1,185</u>	<u>1,062</u>
In issue at March 31 – fully paid	<u>1,192,034</u>	<u>1,190,849</u>

As at March 31, 2025 the direct and indirect shareholding ownership of directors and officers was 330,964 (2024 - 329,779) 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:

	<u>2025</u>	<u>2024</u>
\$0.05 (2023 - \$0.10) per qualifying ordinary share – June	\$ 61,741	\$ 118,922
\$0.05 (2023 - \$0.10) per qualifying ordinary share – September	59,521	118,922
\$0.05 (2023 - \$0.05) per qualifying ordinary share – December	59,552	59,493
\$0.05 (2024 - \$0.05) per qualifying ordinary share – March	<u>59,652</u>	<u>59,493</u>
	<u>\$ 240,466</u>	<u>\$ 356,830</u>

**15. Share capital (continued)***Share option agreement (equity settled)*

During the year ended March 31, 2022 the Group established an employee stock option plan ("the Plan"), for all full-time employees with one year or more of tenure. The Plan will operate for a period of 10 years from the effective date being September 17, 2021. The total number of shares reserved and available for issuance under the Plan is 125,000 shares which will be issued from the Company's authorised and unissued share capital. Eligible employees each have an option to acquire up to 125 common shares twice annually on April 1 and October 1 (subject to a minimum subscription of 25 shares) at a price 20% below the weighted average of the Company's Bermuda Stock Exchange trade price, based on the last three trades. Unexercised options expire within 5 business days of the April 1 and October 1 grant dates and are added back to the share option plan. As at March 31, 2025 and 2024 all options granted but not exercised have expired. The total number of shares exercised is 1,185 (2024 - 1,062), out of these shares, 575 shares (2024 - 500) were subscribed by key management employees of the Group for an amount of \$3,364 (2024 - \$3,140).

<b>Stock options</b>	<u>2025</u>	<u>2024</u>
Granted	10,000	11,000
Exercised	(1,185)	(1,062)
Expired	(8,815)	(9,938)
	<u>          </u>	<u>          </u>

**16. General reserve**

As of March 31, 2025, the general reserve of \$nil (2024 - \$1,250,000) represents amounts previously appropriated by the directors, which were no longer deemed necessary and released into retained earnings in fiscal year 2025.

**17. Transactions and balances with parties having significant relationship with the Group**

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 Group.

The Group earned stevedoring revenue of \$5,545,604 (2024 - \$5,294,701) from both BISL and SISL. Included in accounts receivable as at March 31, 2025 is \$471,029 (2024 - \$235,914) due from both companies.

Forensics First Ltd. is related by virtue of common significant influence by a director of the Group. The Group incurred consultancy expenses of \$19,148 (2024 - \$71,932) from Forensics First Ltd. which are included in professional fees in the consolidated statement of comprehensive income.

**18. 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, 2025 is based on the net profit attributable to ordinary shareholders of \$1,619,828 (2024 - \$740,819), and a weighted average number of ordinary shares outstanding of 1,191,442 (2024 - 1,190,318).

Weighted-average number of ordinary shares	<u>2025</u>	<u>2024</u>
Issued ordinary shares at April 1	1,190,849	1,189,787
Effect of shares issued in the year (Note 15)	<u>593</u>	<u>531</u>
Weighted-average number of ordinary shares at March 31	<u>1,191,442</u>	<u>1,190,318</u>

Share options scheme with a dilutive effect were implemented on October 1, 2021 (Note 15). The calculation of diluted earnings per share at March 31, 2025 is based on the gain attributable to ordinary shareholders \$1,619,828 (2024 - \$740,819), and a diluted weighted average number of ordinary shares outstanding of 1,191,442 (2024 - 1,190,318).

**19. Commitments**

The Group 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 (which is unfunded) is estimated at \$93,560 (2024 - \$104,832) and has been included in accrued expenses in the consolidated statement of financial position (Note 12).

The Company entered into a Terminal Operator's License with respect of the City of Hamilton docks. The license has a 5-year term which commenced on March 1, 2016. On August 31, 2020, the license was extended until February 28, 2022, and on May 20, 2022, it was further extended for four additional years, ending February 28, 2026. Under the current agreement the license fee for each year is \$200,000 or 1.8% of the gross revenue of the operator, SSL, whichever shall be the greater. On July 19, 2024, the license was renewed for a further term of six years, commencing March 1, 2026, and expiring February 28, 2032.

The Group had no contracted capital commitments as at March 31, 2025 or 2024.

**20. Financial instruments***Fair value*

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

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

**20. 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.

*Market risk*

The Group has no significant interest rate, foreign exchange or other price risk.

*(a) Cash and cash equivalents and investments*

At March 31, 2025 - 59% (2024 - 53%) of the Group's cash and cash equivalents are held with a single Bermuda bank which has a credit rating of BBB+ according to the Standard & Poor's rating agency. Management does not believe that there is any significant credit risk with respect to its cash and cash equivalents.

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

	<u>2025</u>	<u>2024</u>
BBB+	\$ 931,641	\$ 744,775
B	<u>654,485</u>	<u>651,096</u>
	<u>\$ 1,586,126</u>	<u>\$ 1,395,871</u>

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

*(b) Accounts receivable*

At March 31, 2025, 61% (2024 - 77%) of the Group's accounts receivable balance is due from three customers.

The Group's major customers have been transacting with the Group 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.



**20. Financial instruments (continued)***(b) Accounts receivable (continued)**Expected credit loss assessment for individual customers*

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

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at March 31, 2025:

<b>As at March 31, 2025</b>	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Credit impaired</u>
Current	<1%	\$ 1,584,390	\$ nil	No
Past 30 days	<1%	131,399	nil	No
Past 60 days	<1%	2,575	nil	No
Past 90 days	<1%	10,222	nil	No
Past 240 days	<1%	—	nil	No
		<u>\$ 1,728,586</u>	<u>\$ nil</u>	

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 Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at March 31, 2024:

<b>As at March 31, 2024</b>	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Credit impaired</u>
Current	nil%	\$ 170,304	\$ nil	No
Past 30 days	nil%	682,573	nil	No
Past 60 days	nil%	100,534	nil	No
Past 90 days	nil%	30,988	nil	No
Past 240 days	nil%	—	nil	No
		<u>\$ 984,399</u>	<u>\$ nil</u>	

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 Group's view of economic conditions over the expected lives of the receivables.

March 31, 2025 and 2024

### 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. The Group's exposure to the risk of changes in market interest relates primarily to the Group's variable portion of the interest rate applicable to the long-term debt. A 100 basis point increase or decrease in interest rates at the beginning of the reporting period would have increased or decreased net loss by approximately \$25,000.

*Liquidity risk*

Liquidity risk is the risk the Group will not be able to meet its financial obligations as they fall due. The Group 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 Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting 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.

	<u>Total</u>	<u>6 months or less</u>	<u>6 - 12 months</u>	<u>1 - 2 years</u>	<u>2 - 15 years</u>
<b>As at March 31, 2025</b>					
Accounts payable	\$ 431,353	\$ 431,353	\$ –	\$ –	\$ –
Long-term debt	<u>3,324,264</u>	<u>294,459</u>	<u>294,459</u>	<u>940,435</u>	<u>1,794,911</u>
	\$ 3,755,617	\$ 725,812	\$ 294,459	\$ 940,435	\$ 1,794,911

	<u>Total</u>	<u>6 months or less</u>	<u>6 - 12 months</u>	<u>1 - 2 years</u>	<u>2 - 15 years</u>
<b>As at March 31, 2024</b>					
Accounts payable	\$ 838,032	\$ 838,032	\$ –	\$ –	\$ –
Lease liability	200,000	–	200,000	–	–
Long-term debt	<u>4,486,863</u>	<u>294,234</u>	<u>294,234</u>	<u>1,176,721</u>	<u>2,721,674</u>
	\$ 5,524,895	\$ 1,132,266	\$ 494,234	\$ 1,176,721	\$ 2,721,674

**21. Capital management**

The Group's capital comprises shareholders' equity, which consists of share capital, share premium, general reserve and retained earnings. The Group's capital management approach is driven by its operational requirements whilst functioning within Bermuda's economic, commercial, and regulatory environment. The Group'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 Group'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 Group 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 Group 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 Group's risk profile and outstanding commitments.
- ii. Capable of withstanding a severe economic downturn scenario.
- iii. Remain consistent with the Group's strategic and operational goals whilst maintaining the Board of Directors' and shareholders' expectations.

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

**22. Professional fees**

Included in professional fees is the audit fee of \$102,150 for the year ended March 31, 2025 (2024 - \$114,225).

**23. Contingencies**

The Company is currently involved in an ongoing legal matter related to an employment dispute. A decision was issued by a tribunal during the year, which included a financial award of \$250,345 against the Company. Both the Company and the opposing party have filed appeals, and the matter is currently pending further legal proceedings. While the tribunal has quantified an amount, management, based on legal advice, believes there are valid grounds for appeal and that the ultimate outcome may differ from the initial ruling. As such, the final obligation, if any, cannot be determined with certainty at this time. The Company will continue to monitor the progress of the case and will reassess the provision and related disclosures as the case progresses and more information becomes available.

**24. Subsequent events**

On April 1, 2025, SEL entered into an asset purchase agreement for the acquisition of all assets related to the production of ornamental concrete products. The transfer of ownership and title is scheduled to take place on July 31, 2025.

**25. Operating segments**

The reportable operating segments (all located in Bermuda) 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.

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**25. Operating segments** (continued)

4. MRH previously carried on the business of leasing its investment property to businesses as office and business space in Bermuda, MRH has discontinued operations since the prior year and was dissolved in the current year.
5. SEL carries on business as an asphalt manufacturing and paving company.
6. DPP owns the rental property where SEL is situated.

For management purposes, the Group is organized into five (2024 - six) separate business segments based on their products and services. For financial reporting purposes, these five (2024 - six) companies are the main contributing factors for the consolidated financial statements of PHC. Inter-segment transactions are determined on an arm's length basis.

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 Group 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 \$1,442,359 (2024 - \$1,300,542) was recognized under the PHC group structure.

The SSL segment of the group earns \$11,336,568 from three customers who contributed \$5,777,990 (49%), \$3,167,896 (27%), and \$2,377,740 (20%), respectively, to the total revenue of the group of \$11,844,733.

**POLARIS HOLDING COMPANY LTD.**

Notes to Consolidated Financial Statements

March 31, 2025 and 2024

**25. Operating segments** (continued)

2025

(stated in \$000's)

	<u>SEL</u>	<u>PHC</u>	<u>SSL</u>	<u>ESR</u>	<u>DPP</u>	<u>Elimination</u>	<u>Consolidation</u>
Stevedoring revenue	\$ -	\$ -	\$ 11,845	\$ -	\$ -	\$ -	\$ 11,845
SEL revenue	5,340	-	-	-	-	-	5,340
Inter-segment	-	1,275	-	1,442	220	(2,937)	-
Total revenue	5,340	1,275	11,845	1,442	220	(2,937)	17,185
Stevedoring expenses	-	-	6,869	-	-	-	6,869
SEL expenses	3,508	-	-	-	-	-	3,508
Depreciation	12	-	173	910	20	-	1,115
Interest expense	168	-	-	-	61	-	229
Net change in investment values	-	62	-	-	-	(62)	-
Other expenses	691	1,275	1,861	8	9	-	3,844
Expenses	4,379	1,337	8,903	918	90	(62)	15,565
Inter-segment	352	-	2,295	284	6	(2,937)	-
Total expenses	4,731	1,337	11,198	1,202	96	(2,999)	15,565
Net profit (loss)	\$ 609	\$ (62)	\$ 647	\$ 240	\$ 124	\$ 62	\$ 1,620

**POLARIS HOLDING COMPANY LTD.**

Notes to Consolidated Financial Statements

March 31, 2025 and 2024

**25. Operating segments (continued)**

2024

(stated in \$000's)

	<u>SEL</u>	<u>PHC</u>	<u>SSL</u>	<u>ESR</u>	<u>MRH*</u>	<u>DPP</u>	<u>Elimination</u>	<u>Consolidation</u>
Stevedoring revenue	\$ -	\$ -	\$ 11,109	\$ -	\$ -	\$ -	\$ -	\$ 11,109
SEL revenue	3,273	-	-	-	-	-	-	3,273
Rental income	-	-	-	-	7	-	-	7
Inter-segment	<u>-</u>	<u>1,076</u>	<u>-</u>	<u>1,299</u>	<u>-</u>	<u>202</u>	<u>(2,577)</u>	<u>-</u>
Total revenue	3,273	1,076	11,109	1,299	7	202	(2,577)	14,389
Stevedoring expenses	-	-	6,887	-	-	-	-	6,887
SEL expenses	2,631	-	-	-	-	-	-	2,631
Depreciation	17	-	169	818	-	18	-	1,022
Interest expense	196	-	-	-	-	61	-	257
Gain on sale of property	-	-	-	-	(601)	-	-	(601)
Other expenses	<u>567</u>	<u>1,085</u>	<u>1,770</u>	<u>6</u>	<u>10</u>	<u>14</u>	<u>-</u>	<u>3,452</u>
Expenses	3,411	1,085	8,826	824	(591)	93	-	13,648
Inter-segment	<u>253</u>	<u>-</u>	<u>2,060</u>	<u>258</u>	<u>1</u>	<u>5</u>	<u>(2,577)</u>	<u>-</u>
Total expenses	3,664	1,085	10,886	1,082	(590)	98	(2,577)	13,648
Net profit (loss)	\$ (391)	\$ (9)	\$ 223	\$ 217	\$ 597	\$ 104	\$ -	\$ 741

\*Amount relates to MRH discontinued operations

**POLARIS HOLDING COMPANY LTD.**

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

**25. Operating segments** (continued)As at March 31, 2025

(stated in \$000's)

		<u>SEL</u>		<u>PHC</u>		<u>SSL</u>		<u>ESR</u>		<u>DPP</u>		Total reportable Segments		<u>Elimination</u>		Total
Assets	\$	4,433	\$	5,683	\$	5,480	\$	6,499	\$	1,070	\$	23,165	\$	(6,355)	\$	16,810
Liabilities	\$	2,186	\$	204	\$	1,102	\$	222	\$	830	\$	4,544	\$	–	\$	4,544
Capital expenditure	\$	63	\$	–	\$	932	\$	1,384	\$	–	\$	2,379	\$	–	\$	2,379

As at March 31, 2024

(stated in \$000's)

		<u>SEL</u>		<u>PHC</u>		<u>SSL</u>		<u>ESR</u>		<u>DPP</u>		Total reportable Segments		<u>Elimination</u>		Total
Assets	\$	5,010	\$	12,522	\$	9,932	\$	9,937	\$	2,978	\$	40,379	\$	(23,670)	\$	16,709
Liabilities	\$	3,372	\$	6,749	\$	6,201	\$	3,900	\$	2,862	\$	23,084	\$	(17,253)	\$	5,831
Capital expenditure	\$	453	\$	–	\$	740	\$	681	\$	2,793	\$	4,667	\$	–	\$	4,667