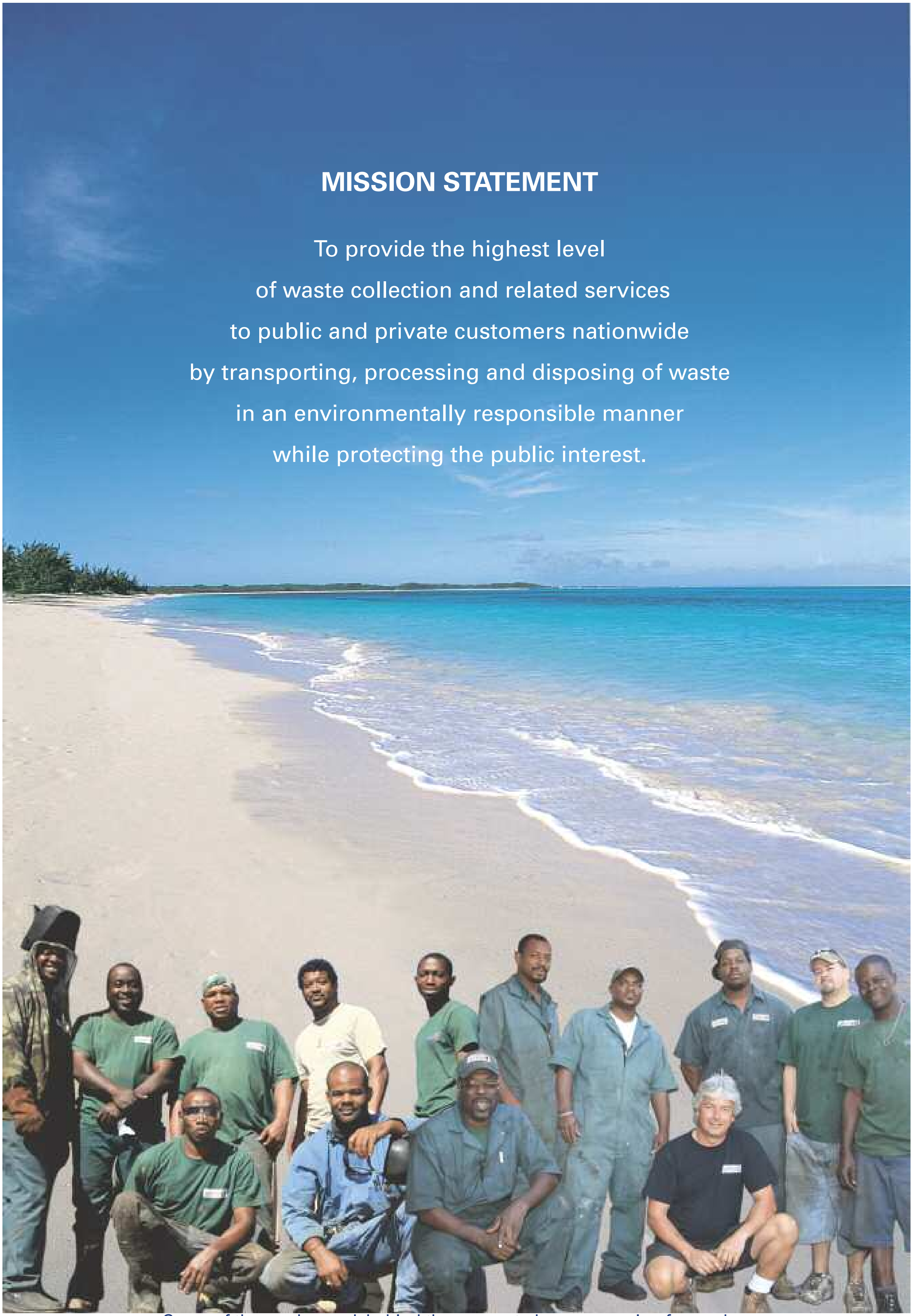
focus on the future

BAHAMAS WASTE

Annual Report 2010

MISSION STATEMENT

To provide the highest level
of waste collection and related services
to public and private customers nationwide
by transporting, processing and disposing of waste
in an environmentally responsible manner
while protecting the public interest.



Some of those who work behind the scenes to keep us moving forward.

TABLE OF CONTENTS

Our focus is to be the partner of choice for customers seeking ecological solutions to The Bahamas' waste and energy needs, providing innovative solutions with an eye on safety, improved efficiency and sound economic practises.

MESSAGE FROM THE CHAIRMAN

I think it's safe to say that we, as a nation and as a company, have seen the backside of a longer than expected severe downturn in our overall economy. However, with the completion of our major recycling efforts, the production of biodiesel fuels and cardboard recycling, we should see almost immediate results for a much more profitable future.

Senior management and staff have spent many hours with the Ministry of Environment formulating plans and submitting bids for the entire island residential collection business. Additionally, we have bid on plans to remediate the existing landfill, build two new cells for future use and contract for the management of the entire facility. This is a huge challenge which we face with great confidence.

Once again I thank our staff for their willingness to pitch in and get the job done, and our Board of Directors for their wise counsel and support.

We truly look forward to 2011 and the future.

Peter Andrews
Chairman

Construction of the
Biodiesel Facility
commenced in the
second quarter of 2010

After pleasantly surprising 2009 results, we experienced a significant dip in our net profits for fiscal 2010. The addition of two new company initiatives - cardboard recycling and waste vegetable oil recycling, and as well as an increase in fuel prices (17% over previous year), were major contributors to this drop in our net profit. As the economy of The Bahamas began to experience the full effects of the global economic recession, we, like other local companies, felt the impact on our bottom line. Our total revenues are down from our forecasted amounts and although our total expenses are also down from our budgeted amounts, they were higher than our expenses in the previous year. We were disappointed that the forecasted decrease in our 2010 net income proved to be greater than we anticipated in our 2010 budget.

It has been a difficult year all around. As many of our customers continue to seek ways to reduce their operating expenses across the board, we have had to reduce some of our prices in order to remain competitive, and retain existing market share. Although we have spent a lot of time and energy on our two new ventures (OCC & WVO), it has become very clear that we need to continue to remain focused on our core businesses, improve market share, reduce our operating expenses and firmly establish market dominance as the premier solid waste service provider in The Bahamas.

Several major projects this year, including the acquisition of Wastenot's rear load business, the completion of the OCC (cardboard) recycling facility and the construction of the WVO (waste vegetable oil) recycling facility, have been funded from operating cash flows.

On the environmental front, our Joint Venture with Green Systems Limited continues to produce a quality mix of mulch, soil and compost which is being well received. Our focus continues to be on improving our sales and marketing, which we are certain will ultimately result in an improved bottom line in this area. The Cardboard Recycling Project continued to be plagued by unexpected delays and although we saw two major shipments being exported to China/India in 2010, we still have to dedicate a lot more effort to the procurement of the raw material.

Construction of the Biodiesel facility commenced in the second quarter of 2010, and I am pleased to report that biodiesel was produced by our plant before the end of the year. We had several design changes due mainly to our local oil use, but feel confident that we have the team in place to respond to any further unforeseen challenges. We are focused now on making sure we produce a good quality ASTM grade fuel, which we will then try to integrate it into our existing fleet without any disruptions.

As we continue to move towards a more environmentally responsible and forward thinking Bahamas Waste, I express my gratitude to not only our shareholders and Directors, but especially to our dedicated employees who make it all possible.

Francisco de Cardenas
Managing Director

ERNST & YOUNG

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Report of Independent Auditors'

The Shareholders and Directors
Bahamas Waste Limited

We have audited the accompanying financial statements of Bahamas Waste Limited (the Company), which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and of its financial performance, changes in shareholders' equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

March 30, 2011

BAHAMAS WASTE LIMITED

BALANCE SHEET

	December 31 2010		December 31 2009	
Assets				
Current assets				
Cash (Note 3)	$	131,232	$	445,144
Accounts receivable, net (Note 4)		1,616,664		1,761,001
Inventories		486,184		345,561
Prepaid expenses and other receivables		26,111		90,247
Deposits		12,900		12,900
Total current assets		2,273,091		2,654,853
Non-current assets				
Investment in associate (Note 5)		103,660		155,551
Intangible asset (Note 6)		125,000		–
Property, Plant and Equipment, net (Note 7)		7,543,012		7,122,377
Total non-current assets		7,771,672		7,277,928
Total assets	$	10,044,763	$	9,932,781
Liabilities and shareholders' equity				
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	354,384	$	325,687
Current-portion of note payable (Note 9)		95,073		83,852
Total current liabilities		449,457		409,539
Non-current liabilities				
Security deposits		**418,318**		417,496
Note payable (Note 8)		–		125,324
Total non-current liabilities		**418,318**		542,820
Total liabilities		**867,775**		952,359
Shareholders' equity				
Share capital (Note 9)		**42,000**		42,000
Contributed surplus		**2,752,113**		2,752,113
Retained earnings		**6,382,875**		6,186,309
Total shareholders' equity		**9,176,988**		8,980,422
Total liabilities and shareholders' equity	**$**	**10,044,763**	$	9,932,781

COMMITMENTS AND CONTINGENCIES (Note 14)

See accompanying notes.

Approved By The Board:

Director

Director

STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31 2010	2009
Income		
Income:		
Sales and services rendered	$ 7,627,311	$ 7,683,512
Less: cost of sales and direct expenses (Note 10)	(5,449,862)	(5,039,714)
Gross profit	2,177,449	2,643,798
Expenses:		
Salaries and related expenses (Notes 11 and 15)	942,457	885,461
General and administrative	508,939	489,811
Repairs and maintenance	149,231	124,712
Professional fees	116,790	136,329
Business license	77,485	77,552
Director's fees (Note 11)	37,500	37,500
Advertising and promotion	31,790	26,177
Office supplies	28,715	30,769
Interest and bank charges (Note 8)	24,380	27,350
Bad debts (Note 4)	22,991	31,586
Registrar and transfer agent fees	21,136	24,051
Donations	17,061	27,002
Total operating expenses	1,978,475	1,918,300
Income from operations	198,974	725,498
Other (expense) income (Note 5)	(2,408)	54,948
Net income for the period being comprehensive income for the year	$ 196,566	$ 780,446
Earnings per share (Note 12**)**	**$ 0.05**	**$ 0.19**

See accompanying notes.

BAHAMAS WASTE LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Year ended December 31				
	Number of Shares	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance at December 31, 2008	4,200,000	$ 42,000	$ 2,752,113	$ 5,615,863	$ 8,409,976
Net income	–	–	–	780,446	780,446
Dividends (Note 13)	–	–	–	(210,000)	(210,000)
Balance at December 31, 2009	4,200,000	42,000	2,752,113	6,186,309	8,980,422
Net income	–	–	–	196,566	196,566
Balance at December 31, 2010	**4,200,000**	**$ 42,000**	**$ 2,752,113**	**$ 6,382,875**	**$ 9,176,988**

See accompanying notes.

STATEMENT OF CASH FLOWS

	Year ended December 31	
	2010	**2009**
Operating activities		
Net income being comprehensive income for the year	$ 196,566	$ 780,446
Adjustments for items not involving use of cash:		
Bad debt expense	22,991	31,586
Depreciation (Note 7)	1,327,733	1,235,479
Gain on disposal of equipment	(6,000)	–
Share of loss (income) from investment in associate (Note 5)	51,891	(12,877)
	1,593,181	2,034,634
Change in non-cash working capital items:		
Decrease (Increase) in accounts receivable	121,346	(296,284)
Increase in inventories	(140,623)	(41,497)
Decrease (Increase) in prepaid expenses and other assets	64,136	(11,838)
Increase (Decrease) in accounts payable and accrued liabilities	28,697	(72,096)
Increase in security deposits	822	9,607
Net cash flow provided by operating activities	1,667,559	1,622,526
Investing activities		
Purchases of property, plant, and equipment (Notes 6 and 7)	(1,748,368)	(965,888)
Purchase of intangible asset (Note 6)	(125,000)	–
Proceeds of sale of equipment (Note7)	6,000	–
Net cash flow used for investing activities	(1,867,368)	(965,888)
Financing activities		
Payment of note payable	(114,103)	(144,148)
Dividends paid	–	(210,000)
Net cash flow used for financing activities	(114,103)	(354,148)
Net change in cash	(313,912)	302,490
Cash position at beginning of the year	445,144	142,654
Cash position at end of the year (Note 3)	$ 131,232	$ 445,144
Supplemental cash flow information		
Interest paid	$ 10,896	$ 20,854

See accompanying notes.

1. Corporate Information

Bahamas Waste Limited (the Company) was incorporated under the laws of the Commonwealth of The Bahamas on August 18, 1987. It is engaged in the business of solid and medical waste collection, disposal and recycling, including the sale, installation, rental, and maintenance of waste compactors and containers. The Company has publicly traded shares which are registered on the Bahamas International Stock Exchange.

The registered office of the Company is located at Alexiou Knowles & Company, St. Andrews Court, Frederick Street, P. O. Box N-4805, Nassau, Bahamas. These financial statements were authorized for issuance by the Company's Board of Directors on March 30, 2011.

2. Summary of Significant Accounting Policies

Statement of compliance

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

Basis of preparation

The financial statements have been prepared on a historical cost basis except for financial assets and liabilities which are stated at fair value. The financial statements are presented in Bahamian dollars, which is the Company's functional currency. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Financial assets and financial liabilities

Financial assets and financial liabilities within the scope of IAS 39 are recognized initially at fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company's financial assets include cash, accounts receivable and investment in associates, while financial liabilities include accounts payable and accrued liabilities, note payable and bank overdraft, as applicable.

Accounts receivable

Accounts receivable, which generally have 30-90 day terms, are recognized and carried at the original invoice amount less an allowance for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Receivables from affiliated companies are recognized and carried at the original invoice amount.

2. Summary of Significant Accounting Policies (continued)

Investment in associate

The Company's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. The income statement reflects the Company's share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, as a change in the Company's equity accounts. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared as at March 31, and interim reports are provided to coincide with the year end of the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss of the Company's investment in its associates. The Company determines at each statement of financial position date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in profit or loss. No impairment charges were recorded at December 31, 2010 or 2009.

Accounts payable and accrued liabilities

Liabilities classified as accounts payable and accrued liabilities which are normally settled on 30-60 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to affiliated companies are carried at the original invoice amount.

Note payable

After initial recognition, interest bearing note payable is subsequently measured at amortized cost using the effective interest rate method.

Trade date accounting

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

2. Summary of Significant Accounting Policies (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of comprehensive income.

Derecognition of financial assets and liabilities

The Company derecognizes financial assets when the contractual rights to cash flows from the asset expires or it transfers the asset and the transfer qualifies for derecognition in accordance with IAS 39, as amended. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Prepaid expenses and other receivables

Prepaid expenses and other receivables are carried at cost which is the fair value of the consideration to be received in the future.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the first-in, first-out method.

Property, plant and equipment

Buildings	20 years
Compactors and containers	5 – 7 years
Transportation vehicles	3 – 7 years
Office vehicles	3 – 7 years
Leasehold improvements	6 years
Computer equipment	3 years

The carrying amounts of the property, plant, and equipment and other non-financial assets are reviewed at each statement of financial position date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset. No such impairment was recorded during the year (2009: Nil).

2. Summary of Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of such intangible assets is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate and are treated as changes in accounting estimates. Amortization expense relative to intangibles with finite useful lives is recognized in the statement of comprehensive income.

Security Deposits

Security deposits represent amounts received as deposits from customers at the signing of a customer service contract. The deposits do not bear interest and are returned to the customer when service stops or are applied to outstanding billings in the event of a service disruption.

Share Capital

Ordinary share capital is recognized at the fair value of the consideration received by the Company.

Revenue and expense recognition

Revenue is recognized to the extent that it is probably that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is based on services provided to customers daily, and is accrued when services are rendered. Expenses are recognized on the accrual basis.

Income taxes

There are no income taxes imposed on the Company in the Commonwealth of The Bahamas.

Related parties

Related parties include companies under the control of the major shareholders of the Company. All balances and transactions with related parties have been disclosed in the financial statements and are stated at cost.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2. Summary of Significant Accounting Policies (continued)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of January 1, 2010:

2009 Improvements to IFRSs (issued in April 2009)

IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Company's chief operating decision maker does not segment assets and liabilities, the adoption of this standard did not have an impact on the financial position and performance of the Company.

IAS 7 Statement of Cash Flows: states that only expenditures that results in the recognition of an asset can be classified as a cash flow from investing activities. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company.

IAS 36 Impairment of Assets: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company.

Other amendments resulting from improvements to IFRSs in 2009 did not have any impact on the accounting policies, financial position or performance of the Company.

New standards, interpretations, and amendments to published standards relevant to the Company that are not yet effective

Certain new standards, interpretations, and amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2011, or later periods but which the Company has not early adopted, as follows:

IAS 24 Related-Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

2. Summary of Significant Accounting Policies (continued)

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The Company does not expect any impact on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation is not expected to have an effect on the financial statements of the Company.

Improvements to IFRSs (issued in May 2010)

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments listed below, are considered to have a reasonable possible impact on the Company:

2. Summary of Significant Accounting Policies (continued)

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programs

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

3. Cash Position

For the purpose of the statement of cash flows, cash comprises the cash on hand and at the bank at the balance sheet date. The Company has an agreement with the RBC Royal Bank (Bahamas) Limited for an overdraft facility of $300,000. The facility is unsecured and bears interest at a rate of Nassau Prime +3% (8.5%) (2009: 8.5%). The Company also maintains an overdraft facility at FirstCaribbean International Bank (Bahamas) Limited of $100,000. The facility is unsecured and bears interest at a rate of Nassau Prime +3.5% (9.0%) (2009: 9.0%). At December 31, 2010, the Company had $400,000 (2009: $400,000) of undrawn funds available from its approved overdraft facilities.

The Company also has a Corporate VISA facility from RBC Royal Bank (Bahamas) Limited with a limit of $50,000 and a Corporate VISA facility from FirstCaribbean International Bank (Bahamas) Limited with a limit of $30,000. As of December 31, 2010 only $2,925 (2009: $1,019) of these amounts were used, which is included in accounts payable and accrued liabilities on the statement of financial position.

4. Accounts Receivable

Accounts receivable consists of the following:

	2010	2009
Receivables from Related Parties	$ 4,170	$ 5,539
Trade receivables	1,750,045	1,882,105
	1,754,215	1,887,644
Less: provision for impairment	(137,551)	(126,643)
	$ 1,616,664	$ 1,761,001

As at December 31, 2010, accounts receivable with a nominal value of $22,991 (2009: $31,586) were impaired and fully provided for. Movements in the provision for impairment include a write-off of $17,641 (2009: $11,586) and restored balances of $5,558 (2009: Nil).

5. Investment in associate

The Company holds a 19% interest in the shares of Green Systems Ltd., a Company incorporated under the laws of the Commonwealth of The Bahamas and engaged in the business of green waste recycling for the manufacture of mulch, compost, and soil. During the year, the Company made no additional investment in the Associate (2009: nil). The Company's share of net loss from its investment in associate was $51,891 for the year ended December 31, 2010 (2009: share in net income of $12,877) and is included in other income in the statement of comprehensive income. The carrying value of the investment in associate is $103,660 (2009: $156,125).

6. Business Acquisition and Intangible Asset

On March 31, 2010, the Company entered into an agreement to acquire the Rear Load Commercial Garbage business from WasteNot Limited effective May 1, 2010. The total purchase was for the sum of $400,000, for which the last installment payment was paid in full as of September 30, 2010.

The fair value of the identifiable assets of WasteNot Limited and the intangible asset derived from the existing customer accounts of WasteNot Limited that were transferred to the Company as at the date of acquisition were as follows:

Equipment	$	275,000
Intangible Asset		125,000
Purchase price of acquisition	$	400,000

The intangible asset relative to the WasteNot customer accounts has been determined to have a finite useful life, and will be amortized over a five-year period.

From the date of acquisition, this additional rear load business has contributed $261,485 of total revenue to the Company.

7. Property, Plant and Equipment

The movement of property, plant, and equipment for the year ended December 31, 2010, was as follows:

	2009 Balance	Additions	Disposals	2010 Balance
Cost				
Land	$ 946,823	$ 39,685	$ –	$ 986,508
Building	2,382,743	20,810	–	2,403,553
Compactors and containers	6,408,834	494,967	–	6,903,801
Transportation vehicles	6,581,184	193,802	(15,000)	6,759,986
Office vehicles	88,435	–	–	88,435
Furniture and equipment	209,366	33,554	–	242,920
Medical waste equipment	1,093,522	–	–	1,093,522
Computer equipment	207,049	41,725	–	248,774
OCC Recycling	–	830,386	–	830,386
Construction in progress	966,766	93,439	–	1,060,205
	18,884,722	1,748,368	(15,000)	20,618,090
Accumulated depreciation				
Building	950,669	123,447	–	1,074,116
Compactors and containers	5,032,743	599,006	–	5,631,749
Transportation vehicles	4,950,464	422,593	(15,000)	5,358,057
Office vehicles	88,194	240	–	88,434
Furniture and equipment	179,781	17,493	–	197,274
Medical waste equipment	415,997	78,477	–	494,474
Computer equipment	144,497	24,511	–	169,008
OCC Recycling	–	61,966	–	61,966
	11,762,345	1,327,733	(15,000)	13,075,078
2010 Book value	$ 7,122,377	$ 420,635	$ –	$ 7,543,012
2009 Book value	$ 7,391,968	$ (269,591)	$ –	$ 7,122,377

7. Property, Plant and Equipment (continued)

The movement of property, plant, and equipment for the year ended December 31, 2009, was as follows:

	2008 Balance	Additions	2009 Balance
Cost			
Land	$ 929,450	$ 17,373	$ 946,823
Building	2,382,743	–	2,382,743
Compactors and containers	6,226,954	181,880	6,408,834
Transportation vehicles	6,461,213	119,971	6,581,184
Office vehicles	88,435	–	88,435
Furniture and equipment	205,385	3,981	209,366
Medical waste equipment	1,093,522	–	1,093,522
Computer equipment	168,439	38,610	207,049
Construction in progress	362,693	604,073	966,766
	17,918,834	965,888	18,884,722
Accumulated depreciation			
Building	827,222	123,447	950,669
Compactors and containers	4,436,182	596,561	5,032,743
Transportation vehicles	4,571,162	379,302	4,950,464
Office vehicles	79,411	8,783	88,194
Furniture and equipment	158,759	21,022	179,781
Medical waste equipment	328,531	87,466	415,997
Computer equipment	125,599	18,898	144,497
	10,526,866	1,235,479	11,762,345
2009 Book value	$ 7,391,968	$ (269,591)	$ 7,122,377
2008 Book value	$ 7,207,137	$ 184,831	$ 7,391,968

Depreciation expense is allocated to cost of sales and direct expenses (Note 10) in the amount of $1,166,138 (2009: $1,072,098) and general and administrative expenses in the amount of $161,595 (2009: $163,381).

At December 31, 2009, $625,302 of costs related to the construction of a cardboard recycling facility and the purchase of related equipment was included in construction in progress. As of May 1, 2010, the facility is now fully operational and depreciation related to those assets is now being recognized.

Fully depreciated property and equipment that are still being used by the Company as of December 31, 2010 amounted to $8,018,617 (2009: $6,968,277).

8. Note Payable

On June 1, 2008, the Company entered into an agreement to purchase property adjacent to its existing location for $500,000. Pursuant to that agreement, the Company paid the vendor $100,000 and entered into a promissory note agreement with the vendor, Davandon Holdings Limited, for the balance of $400,000. The term of the note is five years with an interest rate of 7% per annum. The principals of Davandon Holdings Limited are also the majority shareholders of the Company. During 2010 interest payments on the promissory note amounted to $10,896 (2009: $20,854) and are included in the interest and bank charges in the statement of comprehensive income. As at December 31, 2010, the outstanding note payable amounted to $95,073 (2009: current portion $83,852; non-current portion $125,324) which also equates the current portion for 2010.

9. Share Capital

	2010	2009
Authorized:10,000,000 ordinary shares @ $0.01 each (2009: 10,000,000 shares of $0.01 each)	100,000	100,000
Issued and fully paid: 4,200,000 ordinary shares (2009: 4,200,000 shares)	42,000	42,000

10. Cost of Sales and Direct Expenses

Cost of sales and direct expenses comprise the following:

	2010	2009
Salaries and related expenses	$ 2,200,159	$ 2,023,186
Repairs and maintenance	1,237,643	1,123,036
Depreciation expense (Note 7)	1,166,138	1,072,098
Fuel	542,675	418,248
Landfill fees	169,183	168,161
Autec shipping expenses	90,400	105,500
Other	43,664	129,485
	$ 5,449,862	$ 5,039,714

11. Related-Party Balances and Transactions

The following is a summary of the balances at December 31, 2010 and 2009, and the transactions during the year then ended with related parties:

	2010	2009
Accounts receivable	$ 4,170	$ 5,539
Additions to property, plant, and equipment	$ 94,435	$ 99,573
Accounts payable and accrued liabilities	$ 14,596	$ 8,632
Notes payable	$ 95,073	$ 209,176
Sales and services rendered	$ 21,038	$ 22,412
Repairs and maintenance – cost of sales	$ 98,846	$ 93,259
Professional fees	$ 48,360	$ 48,360
Interest and bank charges	$ 10,896	$ 20,854

Compensation of key Management Personnel of the Company

	2010	2009
Short-term employee benefits	$ 667,995	$ 634,748
Defined contribution pension and medical insurance expense	86,005	70,252
Total compensation paid to key management personnel	$ 754,000	$ 705,000

Pursuant to an approval from the Board of Directors, the Chairman of the Board also provides consulting services to the Company. Fees paid relative to this agreement for the year ended December 31, 2010, amounted to $56,436 (2009: $54,660), inclusive of telephone and medical insurance expenses. The Chairman of the Board is also a major shareholder of the Company. The other non-executive directors were paid directors fees of $37,500 (2009: $37,500) for services rendered and do not receive any other types of benefits from the Company.

12. Earnings per Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2010	2009
Net income attributable to ordinary shares	$ 196,566	$ 780,446
Weighted average number of ordinary shares outstanding	4,200,000	4,200,000
Earnings per share	$ 0.05	$ 0.19

13. Dividends

Dividends are declared at the discretion of the Board of Directors. A dividend payout ratio of 50% – 70% of net income is used as a basis for declared amounts, subject to the capital requirements and liquidity of the Company. During 2010, no dividends were declared and paid by the Board of Directors (2009: $210,000).

There were no dilutive securities outstanding during the year (2009: nil).

14. Commitments and Contingencies

The Company guarantees its compactors sales for a 60-day period from the date of purchase. Any claims pursuant to these guarantees are reimbursable by the manufacturer.

15. Employee Pension Plan

The Company began a defined contribution pension plan on July 1, 2004. The manager of the plan is Colina Financial Advisors Ltd. The Company matches up to 5% of the contributions of the participants of the plan. Contributions to the plan for 2010 amounted to $92,985 (2009: $100,006). Participants are entitled upon termination, retirement, disability or death, to redeem their portion of the plan's assets, and are entitled to a portion of the Company's contributions after participation in the plan for a minimum of five years, with complete vesting after ten years of participation.

16. Financial Risk Management

General

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's ongoing profitability and each individual within the Company is accountable for the risk exposures related to their responsibilities. The Company is exposed to credit risk, liquidity risk, interest rate risk, and market risk. The Company is also subject to general operating risks.

The risk control process does not include business risks such as changes in the environment, technology and industry. These risks are managed through the Company's strategic management processes.

16. Financial Risk Management (continued)

Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks. The Company does not have a significant amount of financial risks due to its operations and as such, separate committees on the Board of Directors are not considered necessary. The Company does not have any trading positions.

Risk Measurement and Reporting Systems

The Company's risks are measured using a method which reflects both expected and unexpected losses. The risk measurements are based on historical experiences. Based on historical experience there are no significant risks of loss from credit risks, liquidity risks, interest rate risks, or market risks.

Risk Concentrations and Credit Risk

The Company does not have any significant concentrations of general risk or credit risk as the majority of its customers do not have business with the Company that is material to its operations; however, the top five of the Company's customers contributed to 20% of the Company's outstanding accounts receivable and sales and services rendered. The Company has experienced credit losses which are in line with management's expectations and are reasonable as its customers are primarily small businesses.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. This risk is mitigated due to management's ability to temporarily borrow funds from its bankers and the monitoring of cash flow needs by management on a daily basis.

16. Financial Risk Management (continued)

At December 31, 2010 and 2009, significant monetary assets and liabilities by remaining maturity were as follows:

	Due on Demand	Less than 3 months	3 – 12 months	More than 12 months	2010
Assets					
Cash	$ 131,232	$ –	$ –	$ –	$ 131,232
Accounts receivable, net	1,616,644	–	–	–	1,616,644
Other receivables and prepaid	26,112	–	–	–	26,112
	$ 1,773,988	$ –	$ –	$ –	$ 1,773,988
Liabilities					
Accounts payable and accrued liabilities	$ 354,385	$ –	$ –	$ –	$ 354,385
Note payable	–	28,502	66,571	–	95,073
Security deposits	418,318	–	–	–	418,318
	$ 772,703	$ 28,502	$ 66,571	$ –	$ 867,776

	Due on Demand	Less than 3 months	3 – 12 months	More than 12 months	2009
Assets					
Cash	$ 445,144	$ –	$ –	$ –	$ 445,144
Accounts receivable, net	1,761,001	–	–	–	1,761,001
Other receivables and prepaid	90,248	–	–	–	90,248
	$ 2,296,393	$ –	$ –	$ –	$ 2,296,393
Liabilities					
Accounts payable and accrued liabilities	$ 325,687	$ –	$ –	$ –	$ 325,687
Note payable	–	19,753	64,099	125,324	209,176
Security deposits	417,496	–	–	–	417,496
	$ 743,183	$ 19,753	$ 64,099	$ 125,324	$ 952,359

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Company's exposure to interest rate risk relates primarily to the overdraft facility and the note payable.

Interest rate risk on the Company's overdraft facilities is not material. The Company does not have exposure to interest rate risk from note payable as the related interest rate is fixed.

16. Financial Risk Management (continued)

Net Fair Value of Financial Instruments and Market Risk

Financial instruments utilized by the Company include recorded assets and liabilities. The Company's financial instruments are either short-term in nature or have interest rates that automatically reset to market on a periodic basis. Where financial assets and liabilities have fixed rates, those rates approximate market interest rates in its operating environment. Accordingly, the estimated fair value is not significantly different from the carrying value for each major category of the Company's recorded assets and liabilities.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in those financial instruments.

As at December 31, 2010, the Company has $103,660 (2009: 155,551) in Level 3 investments.

	2010	2009
Beginning balance	$ 155,551	$ 142,674
Share in (loss)/ gain of associate (Note 5)	(51,891)	12,877
Ending balance	$ 103,660	$ 155,551

The Company's share of the net profit/(loss) of the associate is included in Other Income in the Statement of Comprehensive Income.

17. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2010 and 2009.

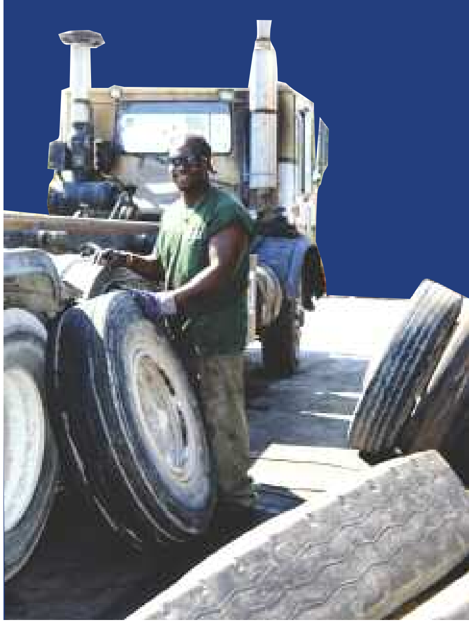
The Company monitors capital uses ratios which compare income, assets and liabilities to capital. The Company does not have any statutory or regulatory capital requirements and as such, management adjusts capital levels as required for the Company's future development plans and returns the remainder of its capital to its shareholders.

18. Subsequent Events

Subsequent to December 31, 2010, the Company commenced operations of its Biodiesel facility, which converts waste vegetable oil into Biodiesel for use in the Company's vehicles and various equipment. As at the balance sheet date, $1,060,205 is cost related to the construction of the facility and the purchase of processing equipment was included as construction in progress. The facility became fully operational as of February 1, 2011.

Giving Back to the Community

A & A Comfort Care
B.A.S.H
Bahamas Air Sea Rescue Association
Bahamas Chamber of Commerce
Bahamas Coastal Awareness
Bahamas Diabetic Association
Bahamas Golf Federation
Bahamas National Trust
Bahamas Red Cross
Bahamas Road Masters Running Club
Bahamas Sailing Association
Camperdown Riding Club
Dean Granger Home
Eastern Community Association
Freedom Farms
Friends of the Environment (Abaco)
Golden Age Retirement Home
Good Samaritan Home
Great Bahamian Seafood & Wine Festival
Holy Family Catholic Church
Junior Baseball League of Nassau
Marathon Bahamas
Mary Ingraham Home
Monty Higgs Kayak Fundraiser
Omega Psi Phi Fraternity, Inc.
Persis Rogers Home for the Aged
Reach Foundation
Rotary Club of East Nassau
Rotary Club of Nassau Sunrise
Rotary Club of South East Nassau
Special Olympics Bahamas
St Anne's District Grand Lodge
St Francis & Joseph Primary School
The Castle on Marshall Road
The Centre for the Deaf
The Children's Emergency Hostel
The Crisis Centre
The Governor-General's Youth Award
The Ranfurly Home for Children
The Ride for Hope
The Safe House
Transfiguration Baptist Church Usher Board
Unity House
RBPF Southwestern Division Summer Youth Programme
The Cancer Society of The Bahamas
RAF Cemetary
All Saints Camp
Proud Paws



The management and staff of Bahamas Waste Limited are pleased to have been able to help these charities and non-profit organisations with either services provided at no charge or monetary donations.

towards a cleaner, greener tomorrow...