



City2City in comfort & style

ANNUAL REPORT & FINANCIAL STATEMENTS 2015





WHERE WE GO...

MONTEGO BAY



KINGSTON



SAVANNAH-LA-MAR



LUANA



MBJ AIRPORT



WHO WE ARE

On June 1, 2006, Knutsford Express started its service, committed to providing true world-class transportation to Jamaicans desirous of commuting safely and in style between our capital city Kingston and our tourism capital city of Montego Bay.

The passion underlying our company is to consistently surpass the best service available in Jamaica, including that provided to visitors in our beloved tourism industry. It is through providing quality service with strict emphasis on punctuality, courtesy, comfort and safety that we will be able to grow and be profitable.

Our primary concern is OUR CUSTOMER! Please remember that all our practices and rules are designed with you in mind.

Our commitment to roll out on time is in keeping with the respect that we have for you, your time and our efforts to meet our time targets promised. *(It is important not to inconvenience our passengers by leaving late - check-in early, do not ask us to hold back the bus).*

Our contract with you is to take you City2City with only one rest stop in Ocho Rios to complete our hassle-free journey. *(Please do not ask us to stop en route)*

Knutsford Express provides the most comfortable and effortless way to travel between Kingston, Ocho Rios, Montego Bay, Falmouth, Savannah-La-Mar, Mandeville, Negril, Luana, Gutters and, since 2015, Port Antonio, Port Maria and Annotto Bay.

Travel in ease with our professional drivers trained to efficiently and safely commute our roads and highways. Enjoy the scenery and ride in our air-conditioned environment complete with refreshing bottled water as you recline in your seat.

Sit back and relax, let us do the driving for you.

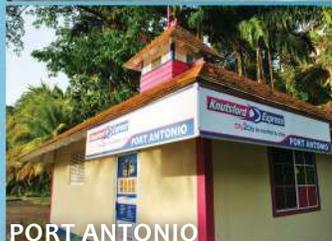
We'll get you there safely and on time.



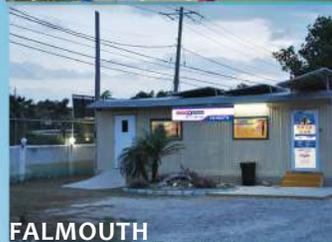
NEGRIL



OCHO RIOS



PORT ANTONIO



FALMOUTH



GUTTERS



MANDEVILLE



PORT MARIA



ANNOTTO BAY

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2015 Annual General Meeting of KNUTSFORD EXPRESS SERVICES LIMITED will be held at the Grandiosa Hotel located at 3 Ramparts Close, Montego Bay on Wednesday, October 28, 2015 at 10:30 a.m. for the purpose of transacting the following business:

- 1. To receive the Audited Accounts for the year ended May 31, 2015 together with the reports of the Directors and Auditors thereon,

The Company is asked to consider, and if thought fit, pass the following resolution:

Resolution No. 1
“That the Audited Accounts for the year ended May 31, 2015, together with the reports of the Directors and Auditors thereon, be and are hereby adopted.”

- 2. To elect Directors.
 - (i) The Directors retiring by rotation in accordance with Regulation 99 of the Company’s Articles of Incorporation are Messrs. Gordon Townsend, Anthony Copeland, Wayne Wray, Peter Pearson and Johann Heaven, who, being eligible for re-election, offer themselves for re-election.

The Company is being asked to consider, and if thought fit, pass the following resolutions:

Resolution No. 2
“That the Directors, retiring by rotation, be re-elected by a Single Resolution.”

Resolution No. 3
“That Messrs. Gordon Townsend, Anthony Copeland, Wayne Wray, Peter Pearson and Johann Heaven be and are hereby re-elected as Directors of the Company.”

- 3. To ratify interim dividends

The company is asked to consider, and if thought fit, to pass the following resolution:

Resolution No. 4
That the interim dividend of fifteen (15) cents per share paid on September 15, 2015 be and is hereby ratified and declared final for 2015.

- 4. To approve the remuneration of the Directors.

The Company is asked to consider, and if thought fit, to pass the following resolution:

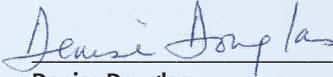
Resolution No. 5
“That the amount shown in the Audited Accounts of the Company for the year ended May 31, 2015 as fees of the Directors for their services as Directors, be and are hereby approved.”

- 5. To appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors.

The Company is asked to consider, and if thought fit, pass the following resolution:

Resolution No. 6
“That the remuneration of the Auditors, CrichtonMullings & Associates, who have signified their willingness to continue in office, be such as may be agreed between the Directors of the Company and the Auditors.”

Dated September 16, 2015
By Order of the Board



Denise Douglas
Company Secretary
Registered Office
3 South Road
Kingston 10

- NOTE:
- 1. A member entitled to attend and vote at the meeting may appoint a proxy, who need not be a member, to attend and so on a poll, vote on his/her behalf. A suitable form of proxy is enclosed. Forms of Proxy must be lodged with the Registrar of The Company, Jamaica Central Securities Depository, 40 Harbour Street, Kingston not less than 48 hours before the time of the meeting.
 - 2. A Corporate shareholder may (instead of appointing a proxy) appoint a representative in accordance with Regulation 77 of the Company’s Articles of Incorporation. A copy of Regulation 77 is set out on the enclosed detachable proxy form.

Knutsford Express

LUXURY COACH & COURIER SERVICE

VISION STATEMENT

To be the premier provider of quality transport solutions by offering a safe, reliable, enjoyable and cost-effective experience, with customer satisfaction as the primary focus.



MISSION STATEMENT

The mission of Knutsford Express is to provide distinctive transport solutions, delivered by well-trained and motivated professionals who consistently deliver worldclass service that adds value to our customers' experience, thereby enhancing profitability.

CHAIRMAN'S STATEMENT



The goals set by our team for the year ending May 31, 2015 were met with great satisfaction. The synchronicity in teamwork and performance in all departments and performance throughout the company supports management's continuous staff development efforts to meet both the Mission and Vision for the company.

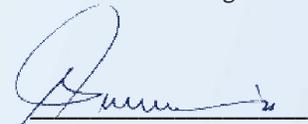
The new, upgraded coaches, with the added amenities of plusher seating, charging ports and an enhanced powertrain to handle the challenges of the new highway, have contributed to the greater satisfaction of our

customers. Listening to the needs of our customers on the south coast, we added an express stop at Gutters, integral to the growth of key markets from Santa Cruz, Junction, Southfield and Treasure Beach. We continue to be rewarded with strong growth from this route.

During the year we opened our Port Antonio operation at the elegant Errol Flynn Marina thus making this special area of the island more accessible to our customers. It also adds affordable travel options to visitors to our island as well as seafarers visiting by boat.

As a company we are always committed to providing the very best to our customers in terms of safety, punctuality, integrity and quality customer service. Our sustained investment in human development and staff training is geared to increasing customer satisfaction.

I take this opportunity to convey my sincere appreciation and thanks to a great cadre of staff, ably supported by a solid team of managers and directors, for a great year.


Gordon Townsend
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



Our company has completed its first full year of being listed on the Junior Market of the Jamaica Stock Exchange and has experienced growth in every area. Our shareholders will be pleased with the continued growth in net profit of \$69M, an increase of 38% over the previous year and the commensurate 20% increase in our company's share price to \$6.10.

We have been responsive to our customers' needs by adding route extensions from Ocho Rios to Port Antonio and on the south coast, adding a stop at Gutters, St. Elizabeth. This has allowed us to increase our revenues by 40% from \$323M to \$451M.

Knutsford Express Services Limited remains healthy as our accumulated surplus has risen to \$177M from \$108M in 2014 while total assets have expanded to \$279M, an increase of 30%.

Our efforts to add value to the transport sector have been recognized as evidenced by the "New Investment, Business Development and Expansion Award" the Montego Bay Chamber of Commerce and the nomination of our CEO for the prestigious Business Observer Business Leader Award.

The safety of our customers and staff are paramount. Accordingly, Knutsford Express continues to focus on increasing the safe operation of our fleet of buses. The new staff position of Safety Officer, in addition to new training modules for our customer transportation officers, maintenance team and other staff have allowed us to further this objective. Our customer transportation officers continue to receive commendations for creating an enjoyable and safe experience in our coaches on the roads.

We have in the last year introduced three (3) new coaches and will increase our fleet by another seven (7) coaches before the end of January 2016, thereby raising the commuting experience between Kingston and Montego Bay. With even more comfortable seats and personalized passenger amenities, we look forward to the growing demand for our service and satisfying ever increasing customer expectations.

A stylized, light blue handwritten signature of Oliver Townsend, appearing as a series of connected loops and lines.

Oliver Townsend
CEO

DIRECTORS' REPORT

The Directors are pleased to present their report for the financial year ended May 31, 2015.

FINANCIAL RESULTS

	\$
Profit before Taxation	74,468,626
Taxation	<u>5,128,830</u>
Net Profit	<u>69,339,796</u>
Retained Earnings at the beginning of the year	108,308,051
Retained Earnings at the end of the year	177,647,847

DIVIDEND

The Directors are recommending that interim dividends of fifteen (15) cents paid on September 15, 2015 be ratified and declared final for 2015 by the shareholders in the general meeting as the Directors do not propose to declare any further dividends from the audited profits realized during the financial year ended May 31, 2015.

THE BOARD

The Directors as at May 31, 2015 were as follows:

Gordon Townsend	Wayne Wray
Oliver Townsend	Peter Pearson
Anthony Copeland	Johann Heaven

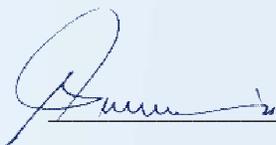
In accordance with Regulation 99 of the Company's Articles of Incorporation, Directors Gordon Townsend, Anthony Copeland, Wayne Wray, Peter Pearson and Johann Heaven will retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS

The company auditors, CrichtonMullings & Associates, have indicated a willingness to continue in office pursuant to the provisions of Section 154(2) of the Companies Act.

The Directors wish to place on record their appreciation and recognition of the dedicated efforts and hard work of the officers and staff of the company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Gordon Townsend

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Knutstford Express Services Limited is a transportation service company dedicated to offering customers an inter-island luxury coach experience in Jamaica of the highest international calibre.

The Company was born out of the desire to bring to the Jamaican marketplace a service equal to or surpassing that offered to tourists visiting Jamaica, but in the area of transportation services. The service began on June 1, 2006 with twenty-eight (28) departures weekly between Montego Bay & Kingston. We now have one hundred and eighty (180) departures weekly from some eleven (11) towns and cities.

Significant time and resources have been invested to ensure the safety and reliability of our buses by modernizing our fleet and employing a world-class maintenance system. We are devoted to serving our customers and remain committed to not cancelling scheduled trips.

While we opened the concept of travel by coach in Jamaica in recent years and have consolidated with the acquisition of the Southcoast Express operation, our goal is to create an experience onboard our coaches at a cost that encourages our customers to leave their vehicles behind. As a result, their time with us will be more relaxing, entertaining and productive.

We are proud of the fact that travel by coach helps our country in many ways:-

- **Reduces pollution** – our service removes scores of vehicles off our roads each day as customers use our environmentally friendly buses.
- **Reduces accident rate on our highways** – for the same reason as above, while our well-maintained coaches, well-trained and defensive driving minded customer transportation officers (CTOs), i.e. our drivers, take our customers safely across the island.
- **Increases productivity of our country** – our customers can do more and achieve more while on the road with us. With our onboard WiFi environment and comfort, our passengers can get work done while relieving stress and reducing personal risk associated with driving themselves.

TYPES OF SERVICES/PRODUCTS OFFERED

We offer the following services:-

- **Scheduled Intercity Luxury Coach Transportation**
This service comprises the core of our business. It is a non-stop service between our Montego Bay, Falmouth, Ocho Rios & Kingston depots via the north coast & Montego Bay, Sav-La-Mar, Luana, Mandeville and Kingston on the south coast.
- **Courier Service**
This is a centre to centre service between our offices that offers a cost-effective seven (7) day operation with customer-friendly office opening hours.
- **Private Hire**
We offer hiring services for select customers
- **Special Event Shuttles**
Our association with major events brings value to patrons that want to party and rest while being taken back to their home town at a very reasonable cost.



FINANCIAL PERFORMANCE

During the last five (5) fiscal years, revenue has increased by a compound annual growth rate (CAGR) of thirty-eight percent (38%) to just over four hundred and fifty one million dollars (\$451M) in 2015, with revenues growing 122% over the last two years.

REVENUE



Net profit has also improved to sixty-nine million (\$69M). This equates to a net profit margin of fifteen per cent (15%) and represents a CAGR of approximately fifty-six per cent (56%). To facilitate customer demand, management has materially increased the size of the coach fleet and has opened several hub stations. Going forward, our plans are to implement and expand connections to our north and south coast routes. We anticipate that this will lead to enhanced revenue and greater profitability.

NET PROFIT AFTER TAXATION



NET PROFIT MARGIN



During the similar period, the Company has grown its asset base by a CAGR of forty-eight per cent (48%) to just over two hundred and seventy-eight million (\$278M). The primary reason is the increase in the coach fleet and the need to provide a greater number of seats to support customer demand. Whereas liabilities which consist mainly of trade payables and bank debt have remained at roughly the same level at around fifty million (\$50M) over the last three years. In this period working capital has moved from twenty-three million (\$23M) in 2013 to eighty one million (\$81M) in 2015.

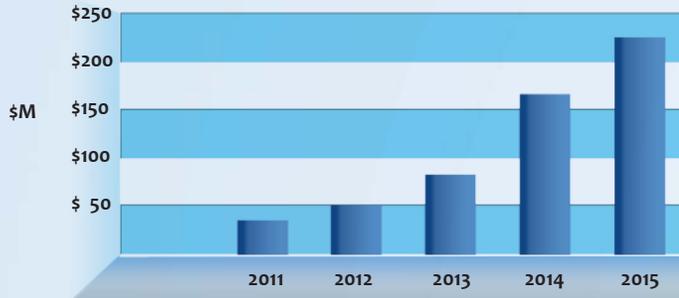
ASSETS & LIABILITIES



MANAGEMENT DISCUSSION AND ANALYSIS

Accumulated surplus has grown by a CAGR of sixty-three per cent (63%) to just over two hundred twenty nine million (\$229M).

EQUITY



Selling, general and administrative expenses increased by 41% in 2015 to \$372M from \$264M over the previous year primarily due to significant strengthening of management and staffing to attend to increased passenger loads, heightened customer expectations while building the structure for continued growth. Our investment in fuel efficient buses have further complemented favourable fuel prices by containing our 2015 fuel costs at \$71M, just 12% over the \$63M in 2014. As a percentage of revenue fuel costs have dropped to 15.6% in 2015, down from 19.5% in 2014.

THE FUTURE

We are very confident about the financial future of Knutsford Express. The Company will continue to benefit from the significant investment in our fleet and customer service.

- **Revenues** - We expect the maturing of our new route to the south coast, further adjustments to our schedule and drop-off locations will combine to drive revenue growth early in the next financial year. In addition, we expect to grow our ridership with continued innovations in our service.
- **Fixed Cost Reduction** – our investment in renewable energy should yield a forty per cent (40%) reduction in our electricity costs.

CORPORATE GOVERNANCE

The Board of Directors of Knutsford Express Services Limited is responsible for the Company's system of corporate governance and is ultimately accountable for the Company's activities, strategy, risk management and financial performance. The Board has the authority, and is accountable to shareholders, for ensuring that the Company is appropriately managed and achieves the strategic objectives it sets.

BOARD OF DIRECTORS COMPOSITION

The Board of Directors is comprised of board members, who are qualified, objective, committed, possess diverse skill sets and the background to effectively serve on the various committees of the board. As at May 31, 2015, the Board comprised four non-executive directors and two executive directors. The names of the directors and their qualifications are set out in the Directors' Profile section of this report.

THE BOARD AND ITS COMMITTEES -

Board of Directors

Gordon Townsend – Chairman
Wayne Wray
Oliver Townsend – CEO/Managing Director
Peter Pearson
Anthony Copeland
Johann Heaven

AUDIT COMMITTEE

Peter Pearson – Chairman
Wayne Wray
Oliver Townsend

COMPENSATION COMMITTEE

Wayne Wray – Chairman
Peter Pearson
Anthony Copeland

The Members of the Committee and their attendance at the respective meetings for the 2015 financial year is reflected in the Table below:

	ANNUAL GENERAL MEETING	BOARD OF DIRECTORS' MEETINGS	AUDIT COMMITTEE MEETINGS	COMPENSATION COMMITTEE MEETINGS
Number of meetings for the year	1	4	4	2
Gordon Townsend	1	4	--	--
Oliver Townsend	1	4	4	2
Anthony Copeland	1	3	1	2
Wayne Wray	1	4	4	2
Peter Pearson	1	4	4	2
Johann Heaven	1	4	1	--

BOARD OF DIRECTORS' PROFILES



Gordon Townsend
Chairman & Non-Executive Director

Gordon Townsend is Chairman of the company. Prior to joining the company he served for over 40 years in the tourism industry where he held numerous positions.

His career in tourism began as a hotelier where he served as Managing Director of the Montego Bay Club Resort for 11 years. In 1982, he shifted his focus to his own newly formed company, Caribic Vacations, a destination management company which provides hosting, transportation and other holiday services to the tourism industry and where he remains as Chairman. During this period, Mr. Townsend has served as Director of the Jamaica Tourist Board and Councillor to the Jamaica Hotel & Tourist Association. He has also served as Deputy Chairman of the Freezones of Jamaica. He currently serves as Chairman of the Management Committee of CATI and the Western Division of HEART Trust Foundation training centre. He is a Justice of the Peace.



Oliver Townsend
Chief Executive Officer & Director

Oliver Townsend is the Chief Executive Officer of the company. Mr. Townsend has served in the Tourism & Service Sector for over 24 years in various management capacities including those that involved marketing locally & overseas. His career began in Caribic Vacations, a family-owned destination management company, where he served as Director of Transport and CEO.

He also serves as Director of Caribic Vacations Limited. Mr. Townsend holds a B.Sc. in Electrical Engineering from the New York Institute of Technology, as well as an MBA from the Florida International University.

BOARD OF DIRECTORS' PROFILES



Anthony Copeland
Executive Director

Anthony Copeland is an Executive Director of the Company with special focus on and responsibility for Operations, Maintenance and Standards. Mr. Copeland began his career in the private sector at Manhattan House in the area of marketing before leaving to serve his country which led to 18 years in the Jamaica Defence Force in the Engineering Regiment.

With this expertise gained in Transport and Logistics his career led him in 1996 to become the Technical Advisor in Metropolitan Management Transport Holdings, with responsibility for designing the public transportation system in the KMTR. His success led to his assignment as Managing Director of the newly formed Montego Bay Metro Limited, which he did successfully for 13 years. He is currently serving as President of the Lion's Club of Montego Bay.



Peter Pearson
Non-Executive Director
and Chairman of The Audit Committee

Peter Pearson, a Non-Executive Director of the company and Chairman of the Audit Committee, joined the Board of Directors on 4 December 2013.

Peter is a graduate of Cornwall College and the University of the West Indies from which he holds a BSc. (Management Studies). Peter is a Fellow of the Institute of Chartered Accountants and a Fellow of the Chartered Association of Certified Accountants.

Peter has significant experience in public accounting and retired as a partner of PricewaterhouseCoopers on 30 June 2013 after 39 years with the firm, with 26 of those as a partner. As an assurance partner his portfolio of clients included companies in hospitality, banking, real estate, government and others. He is presently a director and member of the audit committee of a number of other companies. Peter has been a Justice of the Peace since 1987.



Wayne Wray

Non-Executive Director & Mentor

The company's Non-Executive Director and Mentor, **Mr. Wayne Wray**, was appointed to the Board of Directors on April 17, 2012. His portfolio of experience and expertise includes executive leadership and management positions in the field of finance and banking.

He is a past Chairman of Jamaica Institute of Bankers, as well as the Caribbean Association of Banks. Licensed by the Financial Services Commission as an investment advisor, Mr Wray is the principal director of Wiltshire Consulting & Advisory Limited. He is also Managing Director and Principal Shareholder of 365 Retail Limited, an authorised dealer retailing and distributing petroleum and lubricants for Total Jamaica Limited. He is committed to nation building and serves on the Board of several community development organizations.



Johann Heaven

Non-Executive Director

Mr. Johann Heaven, Non-executive Director, was appointed to the Board of Directors on February 5, 2014 and is currently the Senior Vice President at Proven Management Limited responsible for leading the Investment Team. He has many years of experience in finance and banking, including 10 years at Scotia Investments Jamaica Limited (formerly Dehring Bunting and Golding Limited), where he was Vice President for Projects, Strategic Planning and Research.

Mr. Heaven is a Chartered Financial Analyst (CFA) charter holder, and has a Master's Degree in Finance from the University of London and a Bachelor's Degree in Management and Economics from the University of the West Indies. He is also a member of the Board of Directors of Proven Management Limited, Proven Wealth Limited, Asset Management Company Limited, Jamaican Foundation for Lifelong Learning and Aeronautical Telecommunications Limited.

KNUTSFORD EXPRESS SERVICES LIMITED

LIST OF TOP TEN LARGEST SHAREHOLDERS

As at May 31, 2015

SHAREHOLDER	UNITS
1. Oliver Townsend	33,526,664
2. Anthony Copeland	23,926,664
3. Proven Investment Limited	20,000,002
4. Gordon Townsend	17,526,664
5. Donald Chin/Sonia Chin/Robert Chin/Bruce Chin	979,480
6. Lannaman & Morris (Shipping) Limited	974,899
7. Tricia-Ann Bicarie/Garcia Bicarie	381,652
8. Barbara M. Levy/Andre Levy	381,541
9. Melissa Cammock	300,000
10. David Chin/Joyce Chin	190,792
10. Paula Townsend	190,792
10. Courtney Watson	190,792

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT MAY 31, 2015

DIRECTOR	SHAREHOLDINGS	CONNECTED PARTIES	SHAREHOLDINGS
Oliver Townsend	33,526,664	---	
Anthony Copeland	23,926,664	---	
Johann Heaven	20,000,002	Proven Investment Limited	
Gordon Townsend	17,526,664	---	
Wayne Wray	100,000	Christine Randle	
Peter Pearson	35,000	Yvonne Pearson	

SENIOR MANAGEMENT TEAM

Fritz Davis
Maintenance Manager

Hopeton Thompson
Operations Manager

Joan Johnson
HR & Training Manager

Kedon Peterkin
Customer Service & Jamaica West Manager

OUR GUIDING VALUES

Our guiding values are those enduring values our company feels are important to it. These values outline the behaviours and priorities that guide our company's decision making as it relates to our team members and our customers.

The following represents our seven core values:

- SAFETY
- RELIABILITY
- INTEGRITY
- TEAMWORK
- TOTAL CUSTOMER FOCUS
- CONTINUOUS IMPROVEMENT
- MUTUAL RESPECT



SAFETY

The safety of our valued customers is of paramount concern at Knutsford Express. This concern is reflected in making it the cardinal principle at our company and the first among our seven guiding values.

Safety is a value on which we will never compromise, no matter the circumstances. We defer at all times to the functional authority of the Knutsford Express customer transportation officer. If he or she is of the view that a bus is not roadworthy, that view becomes the pre-eminent view, and that bus will not leave the station.

Safety will always be the by-word of Knutsford Express.



RELIABILITY

We are cognizant of the fact that what our customers want most is consistent performance... a service that they can

depend on. We are committed to live this value of reliability every day by:

- doing what we say we are going to do;
- doing it when we say we are going to do it;
- doing it right the first time;
- and getting it done on time.



INTEGRITY

We will be truthful in all our endeavours; and we will be honest and forthright with one another and with our customers, communities, suppliers and other partners.

We will say what we mean; deliver what we promise, and stand for what is right. Being above board in everything we do is what we are about.

TEAMWORK

At Knutsford Express, we believe that teamwork is achieved through trust:

- We, as team members, trust that together we will do better than as individuals apart.
- We, as team members, trust that each will carry his/her fair share of the load.
- Our customers trust that we will meet and exceed their expectations every time.
- We all trust in each other; we regard each other as persons of equal rank; we respect the dignity of the individual by recognizing not only the individual accomplishments, but the feelings and needs of the individual and family as well; and we all share the same company goals and purpose.

We work openly and supportively as a team, aiming towards common goals. We have fun working with each other, and we take pride in our joint accomplishments.

OUR GUIDING VALUES



TOTAL CUSTOMER FOCUS

At Knutsford Express, the guiding value “Total Customer Focus” has a different meaning to what obtains in most organizations. At our place, it speaks to our team members targeting all their efforts on our customers.

We do this because we are acutely aware that our future relies on understanding our customers’ present and future needs. We passionately believe in the primacy of our customers. They are not dependent on us... we are dependent on them. They are not an interruption of our work... they are the purpose of it. We are not doing them a favour by serving them... they are doing us a favour by giving us an opportunity to serve them.



CONTINUOUS IMPROVEMENT

The best organizations are aware of their potential to do better. Quality requires that everyone at Knutsford Express makes the commitment to continuous improvement. Each team member at Knutsford Express is responsible, not only for fixing problems, but also for preventing their occurrence. But even if we can eliminate every problem, continuous improvement still requires us to continually seek breakthroughs that will allow us to meet our customers’ needs in new and innovative ways.

Trust and respect for every team member is critical to embracing a continuous improvement philosophy at Knutsford Express. Each of us will value and respect each other throughout the company. We will openly admit any mistakes we make or any failings that exist in our job, and try to do a better job next time.

Progress is impossible without the ability to admit mistakes.



MUTUAL RESPECT

We, at Knutsford Express, subscribe wholeheartedly to the value of mutual respect. We are committed to listening to our fellow team members; respect and take into account contending views; and respect the individuality of each team member. We give a warm, friendly greeting to each other every day.

We treat each other fairly and consistently. We treat each other with respect and dignity regardless of our position in the organization.

We refrain from making destructive comments about each other. We all feel that our individual contributions are important.

We will not lie to ourselves or to each other. None of us will tolerate any of us doing so. We will depend on each other for the truth.

CORPORATE CUSTOMER PHILOSOPHY

“Going above and beyond for YOU.”

TEAM PHILOSOPHY

We treat every team member at our company with dignity and respect; openly sharing information, providing feedback, and listening to each other. Our environment is one of continuous learning in which all employees, regardless of socio-economic background, gender, level or position, can develop their full potential. We value the unique contributions of all individuals recognizing the diversity of our workforce as a competitive advantage.

There is shared ownership and responsibility for tasks. If one team member falls down on his/her responsibility, another team member will pick up the slack to ensure the success of the team. We will not let the failure of one team member (for whatever reason) cause the entire team to fail. Team members become accountable to each other because all team members are needed to ensure the success of the team.



Auditors' Report & Financial Statements
Year ended May 31, 2015



INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Knutsford Express Services Limited (the "Company"), which comprise of the statement of financial position as at May 31, 2015, the statement of comprehensive income, the statement of changes in equity, and the 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 with the requirements of the Jamaican Companies Act (the "Act"). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 as to whether or not 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 auditor's judgment, including the assessment of the risk 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 in 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 obtained is sufficient and is appropriate to provide a basis for our audit opinion.

Cont. /2

Independent Auditor's Report

Opinion

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Company as at May 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Act.

Report on other Legal and Regulatory Requirements

As required by the Act, we have obtained all the other explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

Crichton Mullings & Assoc.
CrichtonMullings & Associates
Chartered Accountants

Kingston Jamaica
August 26, 2015

KNUTSFORD EXPRESS SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2015

ASSETS	Notes	2015 \$	2014 \$
Non-current Assets			
Goodwill	5	4,500,000	4,500,000
Property, plant and equipment	6	174,222,176	126,048,522
Related party - lease prepayment	9	4,750,000	4,875,000 *
Term deposit - restricted	10	2,439,183	2,363
		<u>185,911,359</u>	<u>132,911,986</u>
Current Assets			
Inventories	7	15,755,144	13,883,587
Other assets	8	20,850,173	870,624
Short term investment	11	12,058,657	11,239,869
Cash and bank balances	12	45,408,631	51,522,654
		<u>94,072,605</u>	<u>82,391,734</u>
Total Assets		<u>279,983,964</u>	<u>215,303,720</u>
EQUITY & LIABILITIES			
Equity			
Share capital	13	51,805,097	51,805,097
Accumulated surplus		177,647,847	108,308,051
		<u>229,452,944</u>	<u>160,113,148</u>
Non-current Liabilities			
Notes payable	15	7,415,168	17,897,379
Shareholders' loans	16	452,840	452,840
Deferred tax liability	17	11,802,146	6,733,316
		<u>19,670,154</u>	<u>25,083,535</u>
Current Liabilities			
Accounts payable and accrued charges	18	19,721,261	9,700,712
Current portion of notes payable	15	11,139,605	16,488,680
Taxation payable	19	-	3,917,645
		<u>30,860,866</u>	<u>30,107,037</u>
Total Equity and Liabilities		<u>279,983,964</u>	<u>215,303,720</u>

The financial statements on pages 19-40: were approved for issue by the Board of Directors on August 26, 2015 and signed on its behalf by:

Oliver Townsend
Director

Anthony Copeland
Director

* - Reclassified to conform to 2015 presentation

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MAY 31, 2015

	<u>Notes</u>	2015 \$	2014 \$
Revenue	4	451,601,345	323,155,481
Less:			
Administrative and general expenses	20	<u>(371,846,001)</u>	<u>(263,541,340)</u>
		79,755,344	59,614,141
Other income		<u>944,597</u>	<u>4,700,000</u>
Operating profit	21	80,699,941	64,314,141
Finance income	22	1,786,262	1,895,601
Finance costs	23	<u>(8,017,577)</u>	<u>(10,319,719)</u>
Profit before taxation		74,468,626	55,890,023
Taxation charge	24	<u>5,128,830</u>	<u>5,597,310</u>
Net profit, being total comprehensive income for the year		<u>69,339,796</u>	<u>50,292,713</u>
Earnings per share	14	<u>\$0.69</u>	<u>\$1.07</u>

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MAY 31, 2015

	<u>Share Capital</u> \$	<u>Accumulated Surplus</u> \$	<u>Total</u> \$
Balance at May 31, 2013	1,000	84,015,338	84,016,338
Transactions with owners:			
Issue of bonus shares (see note 13)	26,000,000	(26,000,000)	-
Issue of additional shares (see note 13)	25,804,097	-	25,804,097
Net profit, being total comprehensive income for the year	-	50,292,713	50,292,713
Balance at May 31, 2014	51,805,097	108,308,051	160,113,148
Net profit, being total comprehensive income for the year	-	69,339,796	69,339,796
Balance at May 31, 2015	51,805,097	177,647,847	229,452,944

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2015

	<u>Notes</u>	2015	2014
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		69,339,796	50,292,713
Items not affecting cash resources:			
Depreciation and amortization		25,220,858	19,037,813
Taxation charge		5,128,830	5,597,310
		<u>99,689,484</u>	<u>74,927,836</u>
(Increase) / decrease in operating assets:			
Other assets		(19,979,549)	24,836,452
Inventories		(1,871,557)	(4,219,045)
Increase in operating liabilities:			
Accounts payable and accrued charges		10,020,548	6,127,474
		<u>87,858,926</u>	<u>101,672,717</u>
Income tax paid		<u>(3,977,644)</u>	<u>(11,019,885)</u>
Net cash provided by operating activities		<u>83,881,282</u>	<u>90,652,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(73,269,512)	(67,124,989)
Term deposit - restricted		(75,719)	(42,925) *
Short term investment		(818,788)	(11,239,869)
Net cash used in investing activities		<u>(74,164,019)</u>	<u>(78,407,783)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issue		-	25,804,097
Proceeds from notes payable		-	41,700,000
Repayment of notes payable		(15,831,286)	(36,561,004)
Net cash (used in) / provided by financing activities		<u>(15,831,286)</u>	<u>30,943,093</u>
NET (DECREASE) / INCREASE IN CASH AND BANK BALANCES		(6,114,023)	43,188,142
OPENING CASH AND BANK BALANCES		51,522,654	8,334,512
CLOSING CASH AND BANK BALANCES		45,408,631	51,522,654

*-Reclassified to conform to 2015 presentation

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

1. IDENTIFICATION

Knutsford Express Services Limited (the "Company ") is incorporated in Jamaica under the Jamaican Companies Act.

On January 14, 2014, Knutsford Express Services Limited became a public listed entity on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to a remission of income taxes for five (5) years providing it complies with the requirements of the Jamaica Stock Exchange Junior Market.

The Company is domiciled in Jamaica, with its registered office located at 10 Harbour Circle, Montego, Bay, St. James.

The Company's main activity is the provision of transportation and courier services.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Basis of preparation

The Company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the relevant requirements of the Jamaican Companies Act (the "Act").

The financial statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, unless otherwise indicated.

The preparation of financial statements in conformity with IFRS and the Act requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

There are no significant assumptions and judgments applied in these financial statements that carry a risk of material adjustment in the next financial year.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(b) Changes in accounting standards and interpretations

Certain standards, interpretations and amendments to existing standards became effective during the financial year. The Company has assessed the relevance of all such standards, interpretations and amendments and has concluded that they have no material impact on the Company's operations.

The Company has identified the following revised or new standards, interpretations and amendments which have been issued but are not yet effective, and which have not been adopted early. Those which may be relevant to the Company's operations are as follows:

- *IFRS 9 'Financial instruments - Amendment', issued July 2014.*
Effective for periods commencing on or after 1 January 2018
- *IAS 16 'Property, plant and equipment - Amendment', issued May 6, 2014.*
Effective for periods commencing on or after 1 January 2016
- *IAS 38 'Intangible Assets - Amendments', issued May 6, 2014*
Effective for periods commencing on or after 1 January 2016
- *IFRS 15 'Revenue from Contracts with Customers', issued May 28, 2014*
Effective for periods commencing on or after 1 January 2017
- *Annual improvements 2014, issued June 2014*
Effective for periods commencing on or after 1 January 2016

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are recorded at historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of replacing part of an item is recognized in the carrying amount of the item if it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

The costs of day-to-day servicing of furniture, fixtures and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation is recognized in the statement of comprehensive income on the straight-line basis, over the estimated useful lives of the assets. The rates of depreciation in use are:

Furniture, fixtures and equipment	10%
Computers	20%
Motor vehicles	12.5%
Leasehold improvement	10%

Property, plant and equipment are periodically reviewed for impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount is written immediately to its recoverable amount.

(b) Other assets

Accounts and other receivables are stated at amortized cost.

Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the Company will not be able to collect the amounts due according to the original terms of the receivables.

(c) Accounts payable and accrued charges

Accounts payable and accrued charges are stated at amortized cost.

(d) Cash and bank balances

Cash comprises cash in hand and cash at bank and are stated at cost.

(e) Inventories

Inventories comprise parts, maintenance items, fuel and other accessories which are utilized for the maintenance of the Company's buses. Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out (FIFO) method.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received from the provision of transportation and courier services in the normal course of business, net of discounts, rebates and consumption taxes. Revenue is recognized in the statement of comprehensive income once the transportation and courier services have been provided to the customer and the receipt of the consideration is probable.

Interest income is recognized on a time proportionate basis using the effective interest method.

(i) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the terms of the relevant lease.

(j) Goodwill

Goodwill represents contracts rights with vendors and customer listings are deemed to have indefinite life. Goodwill is carried at cost less impairment. The Company assesses goodwill for impairment at least on an annual basis or when events or circumstances indicate that the carrying value may be impaired.

(k) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn and incur expenses; whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the operations of the Company are considered as one operating segment.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustments to income tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the statement of financial position date.

A deferred tax asset is recognized only to the extent management can demonstrate that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Related party identification

A party is related to the Company if:

(i) directly or indirectly the party:

- controls, is controlled by, or is under common control with the Company;
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company.

(ii) the party is an associate of the Company

(iii) the party is a joint venture in which the Company is a venturer;

(iv) the party is a member of the key management personnel of the Company

(v) the party is a close member of the family of an individual referred to in (i) or (iv) above

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above.

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

(n) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities. Financial assets and liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities

Financial assets include cash and bank deposits, accounts receivable and other current assets except inventories and any prepayments.

Financial liabilities include notes payable, shareholders' loans, current liabilities except accruals and income tax payable. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

The fair values of the financial instruments are discussed in Note 28.

(o) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

4. REVENUE

Revenue represents income earned from the provision of transportation and courier services excluding discounts, and general consumption tax.

5. GOODWILL

	2015	2014
	\$	\$
Cost:		
Purchased goodwill	4,500,000	4,500,000
Balance at year end	4,500,000	4,500,000

Goodwill resulted from the acquisition of SouthCoast Express Limited. The Company assesses the impairment of goodwill at least on an annual basis or when events or circumstances indicate that the carry value may be impaired.

6. PROPERTY, PLANT AND EQUIPMENT

	Computer \$	Furniture Fixtures and Equipment \$	Leasehold Improvements \$	Motor Vehicles \$	Total \$
At Cost:					
Balance at June 1, 2013	2,811,965	31,392,988	-	75,739,477	109,944,430
Additions	553,595	14,608,454	-	51,962,940	67,124,989
Balance at May 31, 2014	3,365,560	46,001,442	-	127,702,417	177,069,419
Balance at June 1, 2014	3,365,560	46,001,442	-	127,702,417	177,069,419
Additions	1,447,061	14,058,000	6,984,700	50,779,751	73,269,512
Balance at May 31, 2015	4,812,621	60,059,442	6,984,700	178,482,168	250,338,931
Accumulated Depreciation:					
Balance at June 1, 2013	1,264,441	5,172,131	-	25,671,512	32,108,084
Charge for the year	623,353	4,050,199	-	14,239,261	18,912,813
Balance at May 31, 2014	1,887,794	9,222,330	-	39,910,773	51,020,897
Balance at June 1, 2014	1,887,794	9,222,330	-	39,910,773	51,020,897
Charge for the year	824,775	5,484,980	116,412	18,669,691	25,095,858
Balance at May 31, 2015	2,712,569	14,707,310	116,412	58,580,464	76,116,755
Net book value:					
At May 31, 2013	1,547,524	26,220,857	-	50,067,965	77,836,346
At May 31, 2014	1,477,765	36,779,112	-	87,791,644	126,048,522
At May 31, 2015	2,100,052	45,352,132	6,868,288	119,901,704	174,222,176

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

7. INVENTORIES

2015	2014
\$	\$
15,755,144	13,883,587

Inventories represent parts, fuel and accessories as at the yearend which are used for the maintenance of the Company's buses.

8. OTHER ASSETS

2015	2014
\$	\$
Accounts receivable	60,000
Deposit on motor vehicle	399,024
Prepayments	-
Other receivables	411,600
20,850,173	870,624

9. RELATED PARTY – LEASE PREPAYMENT

2015	2014
\$	\$
4,750,000	4,875,000

Lease prepayment represents amounts advanced to a related company, Storage Solutions Limited, for the usage of leased property over forty (40) years. The amount is amortized over the life of the lease.

10. TERM DEPOSIT - RESTRICTED

2015	2014
\$	\$
2,439,183	2,363,464

The term deposit is held with National Commercial Bank Jamaica Limited (NCB) at interest rate of 2.4% per annum. The term deposit is used to secure a loan from NCB (see note 15).

11. SHORT TERM INVESTMENT

2015	2014
\$	\$
12,058,657	11,239,869

This is a USD denominated short term investment which earns interest at 3.75% per annum.

12. CASH AND BANK BALANCES

2015	2014
\$	\$
Current accounts	17,997,585
Foreign currency accounts	32,521,069
Cash balances	1,004,000
45,408,631	51,522,654

The weighted average effective interest rate for cash and bank balances is 0.4% (2014: 0.4%).

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

13. SHARE CAPITAL

	2015	2014
	\$	\$
<u>Authorized share capital:</u>		
100,005,000 Ordinary shares at no par value [a(i)]		
<u>Issued and fully paid:</u>		
100,000,003 (2014: 997) Ordinary shares at no par value	51,805,097	1,000
<u>Additional share issue:</u>		
Nil (2014: 99,999,003) Ordinary shares at no par value [a(ii)]	-	25,804,097
<u>Issue of bonus shares:</u>		
Nil (2014: 3) Ordinary shares at no par value [a(iii)]	-	26,000,000
	<u>51,805,097</u>	<u>51,805,097</u>

- (i) On December 30, 2013, at an extraordinary meeting of Knutsford Express Services Limited, by an ordinary resolution the authorized share capital of the Company was increased from 100,000,000 to 100,005,000 ordinary shares by the creation of 5,000 ordinary shares to rank pari passu in all respects with the existing shares of the Company.
- (ii) During January 2014, the Company raised additional capital of \$99,862,700 from its initial public offering of 99,999,003 shares for its enlistment on the Jamaica Stock Exchange Junior Market. Transaction costs of \$5,374,140 were incurred for the initial public offering. All ordinary shares carry the same voting rights.
- (iii) On December 30, 2013, at an extraordinary meeting of the Company, upon the recommendation of the directors, the sum of \$26 million was capitalized being part of the amount standing to the credit of the Company's revenue reserves to be used for the issue of 3 ordinary shares ranking pari passu to the registered shareholders of the Company as at December 29, 2013.

14. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit after taxation and the weighted average number of shares in issue during the year.

	2015	2014
Net profit attributable to shareholders	\$69,339,796	\$50,292,713
Weighted average number of shares in issue	100,000,003	46,857,114
	<u>\$ 0.69</u>	<u>\$ 1.07</u>

For comparative purposes, the earnings per share for 2014, using the weighted average number of ordinary shares at the end of the 2015 financial year, would be \$0.50.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

15. NOTES PAYABLE

	2015	2014
	\$	\$
Balance at the beginning of the year	34,386,059	29,247,063
Principal repayment	(15,831,286)	(36,561,004)
Additions during the year	-	41,700,000
	18,554,773	34,386,059
Balance at the end of the year	18,554,773	34,386,059
Current portion of notes payable	(11,139,605)	(16,488,680)
	7,415,168	17,897,379

These represent loans from the National Commercial Bank Jamaica Limited with interest rates of 8.5% to 10% per annum. The loans are secured by liens over seven (7) of the Company's Kinglong Coach buses, its term deposit (see note 10), and guarantees from certain of the Company's directors and a related company.

16. SHAREHOLDERS' LOANS

	2015	2014
	\$	\$
	452,840	452,840

These represent advances to the Company by the original shareholders. The loans are interest free, unsecured and have no fixed date of repayment.

17. DEFERRED TAX LIABILITY

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal tax rate of 25%. The following is the analysis of the deferred tax balances for reporting purposes:

	2015	2014
	\$	\$
Deferred tax liabilities	11,802,146	6,733,316

Deferred tax liabilities are attributable to the following:

	2015	2014
	\$	\$
Property, plant and equipment	11,802,146	6,733,316

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

17. DEFERRED TAX LIABILITY (CONT'D)

The movement during the year in the Company's deferred tax position was as follows:

	2015	2014
	\$	\$
Balance at the beginning of the period	6,733,316	,310,270
Movement during the year	<u>5,068,830</u>	<u>,423,046</u>
Balance at the end of the period	<u><u>11,802,146</u></u>	<u><u>6,733,316</u></u>

18. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2015	2014
	\$	\$
Accounts payable	14,833,063	6,146,452
Statutory liabilities	2,553,716	2,203,243
Other accruals	<u>2,334,482</u>	<u>1,351,017</u>
	<u><u>19,721,261</u></u>	<u><u>9,700,712</u></u>

19. TAXATION PAYABLE

Taxation payable in the prior year is based on profits for seven (7) months ended December 31, 2013 adjusted for taxation purposes, subject to the agreement of the Tax Administration Jamaica, and is calculated at 25% (2014: 25%). This is due to the Company's enlistment on the Jamaica Stock Exchange Junior Market effective January 14, 2014 which resulted in a remission from income tax for the next five (5) years. At the end of the five (5) years, the Company is either required to delist and pay all the exempted taxes within the past five (5) years or opt to list on the main exchange for the next five (5) years to maintain the tax exemptions received in the past five (5) years.

Taxation payable at the end of the period is as follows:

	2015	2014
	\$	\$
Net tax liability at the beginning of the year	3,917,645	10,763,266
Income tax charge for the year:	-	4,174,264
Less: taxes paid during the year	(3,917,645)	(10,763,266)
Less: estimated tax payments made during the year	<u>-</u>	<u>(256,619)</u>
Net tax payable at the end of the year	<u><u>-</u></u>	<u><u>3,917,645</u></u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

20. ADMINISTRATIVE AND GENERAL EXPENSES

	2015	2014
	\$	\$
Salaries wages and related expenses	86,856,044	54,653,218
Employer's statutory contribution	31,845,284	16,580,565
Staff uniforms	3,643,766	1,078,086
Staff training and welfare	1,354,337	775,139
Electricity	4,346,981	3,588,401
Telephone	7,943,060	4,724,982
Asset tax	200,000	100,000
Water	1,120,204	682,380
Office supplies	2,937,682	2,863,064
Licence and permits	3,480,436	2,613,432
Fuel	70,536,800	63,172,239
Motor vehicle rental	3,505,305	1,863,000
Motor vehicle repairs and maintenance	2,341,425	3,010,273
Initial public offering expense	-	4,582,195
Repairs and maintenance	3,551,785	4,422,868
Equipment rental	690,796	565,433
Rent	7,776,110	4,844,356
Registration fees	105,803	-
Travelling	5,954,663	2,291,001
Communication equipment	19,000	95,853
Accommodation	399,878	212,300
Advertising and promotion	12,369,307	9,540,686
Professional fees	7,748,025	4,080,817
Directors' fees	280,000	240,000
Passenger supplies	7,003,911	5,438,278
Parts and supplies	38,180,948	23,790,079
Dues and subscription	253,266	-
Wrecker fees	153,300	65,775
Insurance	14,102,433	12,643,325
Cleaning and sanitation	4,402,866	1,466,225
Postage and delivery	244,978	197,014
Toll fees	7,422,730	2,821,600
Printing and stationery	4,102,955	2,726,326
Audit fees	765,000	750,000
Accounting fees	380,000	502,500
Casual labour	-	562,150
Contract labour	2,744,515	15,000
Custom duty	-	1,992,612
Depreciation and amortization	25,220,858	19,037,813
Security	7,861,550	4,952,355
	<u>371,846,001</u>	<u>263,541,340</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

21. OPERATING PROFIT

2015	2014
\$	\$
80,699,941	64,314,141

Stated after charging the following:

2015	2014
\$	\$
Auditor's remuneration	750,000
765,000	750,000

22. FINANCE INCOME

2015	2014
\$	\$
Interest income	238,714
Exchange gains	1,656,887
1,786,262	1,895,601

23. FINANCE COSTS

2015	2014
\$	\$
Loan interest	4,199,562
Interest and penalties	-
Bank charges	6,120,157
5,388,219	6,120,157
8,017,577	10,319,719

24. TAXATION CHARGE

- (a) Income tax, in the prior year, is computed based on profits for seven (7) months ended December 31, 2013 as a result of the Company's enlistment on the Jamaica Stock Exchange Junior Market effective January 14, 2014, which entitles the Company to a remission from income tax for the next five (5) years providing it adheres to the rules and regulations of the Jamaica Stock Exchange Junior Market.

Taxation is computed at 25% (2014:25%) of the profits for seven (7) months ended December 31, 2013, as adjusted for taxation purposes.

The taxation charge is made up as follows:

2015	2014
\$	\$
Current:	
Provision for charge on current profit	4,174,264
Minimum business tax	-
60,000	4,174,264
Deferred:	
Origination and reversal of temporary differences	1,423,046
5,068,830	1,423,046
5,128,830	5,597,310

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

24. TAXATION CHARGE (CONT'D)

(b) Reconciliation of effective tax rate and charge:	2015		2014	
	\$	%	\$	%
Profit before taxation for the year	<u>74,468,626</u>		<u>55,890,023</u>	
Computed tax charge	18,617,156	25	13,972,506	25
Minimum business tax	60,000	-	-	-
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	3,123,123	4	31,250	-
Unrealized exchange gains	(327,397)	-	(473,900)	-1
Remission of income taxes	(16,394,052)	-22	(7,957,546)	-14
Other adjustments	50,000	-	25,000	-
Actual charge and tax rate	<u>5,128,830</u>	7	<u>5,597,310</u>	10

Remission of income tax:

In January 2014, the Company's shares were listed on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to a remission of income tax for five (5) years provided that after the first five (5) years the Company opts to have its shares list on the main exchange for a further five (5) years.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Subject to agreement with the Ministry of Finance and Planning, the income tax payable for which remission will be sought is \$16,394,052 (2014 - \$7,957,546).

25. RELATED PARTIES

The following related party balances are shown separately in the Company's statement of financial position:

	2015	2014
	\$	\$
Lease deposit to related company	<u>4,750,000</u>	<u>4,875,000</u>
Amounts due to key management personnel	<u>452,840</u>	<u>452,840</u>

The Company's statement of comprehensive income includes the following transactions, undertaken with related parties in the ordinary course of business:

	2015	2014
	\$	\$
Transactions with key management personnel:		
- Directors' fees	280,000	240,000
- Management remuneration	<u>9,880,000</u>	<u>6,978,776</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

26. LEASE COMMITMENTS

At May 31, 2015, there were unexpired operating lease commitments in relation to leasehold property, payable as follows:

	2015	2014
	\$	\$
Within one year	7,429,010	5,438,160
Between one and five years	-	5,438,160
	7,429,010	10,876,320

During the year, the total operating lease expenses recognized in the statement of comprehensive income amounted to \$7,776,110.

27. STAFF COSTS

The number of employees at the end of the year was as follows:

	2015	2014
Permanent	79	54

The aggregate payroll costs for these persons were as follows:

	2015	2014
	\$	\$
Salaries and profit related pay	91,854,147	56,506,444
Statutory payroll contributions	31,845,284	16,580,565
	123,699,431	73,087,009

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the Company. Fair values in the financial statements have therefore been presented using various estimation techniques based on market conditions existing at the statement of financial position date.

Generally, considerable judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

The following methods and assumptions have been used.

The amounts included in the financial statements for cash and bank balances, short term investment, other short term assets, receivables and accounts payable reflect the approximate fair values because of short-term nature of these instruments.

The carrying amount of the Company's notes payable approximates fair value as the interest rates on these loans are similar to current market rates.

The fair value of the shareholders' loans cannot be reasonably estimated as they were granted under special terms.

The related party lease prepayment is reflected at amortized cost.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Cash flow risk

The Board of Directors, together with senior management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk of a financial loss arising from a counter-party to a financial contract failing to discharge its obligations. The Company manages this risk by establishing policies for granting credit and entering into financial contracts. The Company's credit risk is concentrated, primarily, in cash and cash equivalents, short-term deposits, receivables and due from related Company.

Exposure to credit risk:

	2015	2014
	\$	\$
Other assets	20,850,173	870,624
Cash and bank balances	45,408,631	51,522,654
	66,258,804	52,393,278

The Company has no significant concentration of credit risk, except for balances held with an investment broker.

The maximum credit exposure, the total amount of loss the Company would suffer if every counter-party to the Company's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position.

There was no change in the Company's approach to its credit risk management during the current or prior period.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management (cont'd):

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

Management aims at maintaining sufficient cash and the availability of funding through an amount of committed facilities. The management maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

	Carrying amount \$	Contractual cash flow \$	Less than 1 year \$	1 - 3 years \$
May 31, 2015:				
Notes payable	18,554,773	20,163,921	12,351,218	7,812,703
Accounts payable and accrued charges	19,721,261	19,721,261	19,721,261	-
	<u>38,276,034</u>	<u>39,885,182</u>	<u>32,072,479</u>	<u>7,812,703</u>
May 31, 2014:				
Notes payable	34,386,059	39,305,588	19,141,668	20,163,920
Accounts payable and accrued charges	9,700,712	9,700,712	9,700,712	-
	<u>44,086,771</u>	<u>49,006,300</u>	<u>22,842,380</u>	<u>20,163,920</u>

(iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Such risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices, such as foreign exchange and interest rates. The elements of market risk that affect the Company are as follows:

(i) Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Company is exposed to foreign currency risk on transactions that it undertakes in foreign currency. The main foreign currencies giving rise to this risk is the United States dollar.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2015

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management (cont'd):

(iii) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

The exposure to foreign currency risk at the statement of financial position date was as follows:

	<u>2015</u>	<u>2014</u>
	<u>US\$</u>	<u>US\$</u>
Foreign currency assets:		
Cash and bank balances	272,338	293,177
Short term investment	103,963	101,406
	376,301	394,583

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company manages this risk by monitoring interest rates daily. Even though there is no formally pre-determined gap limits, to the extent judged appropriate, the maturity profile of the financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close a gap, if it becomes necessary. As at the year end, the Company was not subject to significant interest rate risk.

Sensitivity to interest rate movements:

The Company does not have variable rate instruments nor does it account for any fixed rate financial assets and liabilities at fair value through the statement of comprehensive income, it is therefore not subject to interest rate sensitivity.

(iv) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate because of changes in market interest rates. The Company manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(c) Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide benefits for its stakeholders and to maintain an optional capital structure to reduce the cost of capital. The Company met the capital requirements of at least \$50,000,000 for listing on the Junior Market of the Jamaica Stock Exchange. There was no other externally imposed capital requirement.

There were no changes to the Company's approach to capital management during the year, and this is monitored by the Board of Directors.



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