Cargo Handlers Limited

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30 September 2012

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Independent Auditors' Report

To the Members of
Cargo Handlers Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Cargo Handlers Limited set out on pages 1 to 25, which comprise the statement of financial position as at 30 September 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, 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.

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 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 auditor's 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 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cargo Handlers Limited as at 30 September 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and 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 Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants

30 November 2012
Montego Bay, Jamaica

Cargo Handlers Limited

Statement of Comprehensive Income

Year ended 30 September 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012	2011
		$	$
Revenue		127,507,960	149,456,936
Other income	6	3,233,677	3,000,241
Administrative expenses	7	(10,435,564)	(10,560,802)
Other operating expenses	7	(58,275,351)	(90,278,327)
Operating Profit		62,030,722	51,618,048
Interest income		3,153,224	2,727,234
Finance costs	9	(627,180)	(2,362,506)
Profit before Taxation		64,556,766	51,982,776
Taxation	10	3,138	(63,457)
Net Profit, being Total Comprehensive Income for the Year		64,559,904	51,919,319
EARNINGS PER STOCK UNIT	11	1.72	1.41

Cargo Handlers Limited

Statement of Financial Position

30 September 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012	2011
		$	$
Non-Current Assets			
Property, plant and equipment	12	11,933,357	13,905,203
Related companies	13	14,567,759	54,757,495
Current Assets			
Receivables	15	13,726,493	17,128,775
Taxation recoverable		269,394	132,052
Cash	16	99,033,761	44,517,497
		113,029,648	61,778,324
Current Liabilities			
Payables	17	14,198,779	21,581,817
Directors' current accounts	13	494,985	3,371,535
Borrowings	18	-	121,681
		14,693,764	25,075,033
Net Current Assets		98,335,884	36,703,291
		124,837,000	105,365,989
Shareholders' Equity			
Share capital	19	43,175,494	43,175,494
Capital reserve	20	172,311	172,311
Retained earnings		71,860,918	43,334,470
		115,208,723	86,682,275
Non-Current Liabilities			
Deferred tax liability	14	3,232	6,370
Related companies	13	9,625,045	18,677,344
		124,837,000	105,365,989

Approved by the Board of Directors on 30 November 2012 and signed on its behalf by:

Jane Fray — Director

Theresa Chin — Director

Cargo Handlers Limited

Statement of Changes in Equity

Year ended 30 September 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units	Share Capital	Capital Reserve	Retained Earnings	Total
			$	$	$	$
Balance at 30 September 2010		100	100	172,311	3,904,217	4,076,628
Net profit, being total comprehensive income for the year		-	-	-	51,919,319	51,919,319
Transactions with owners:						
Transfer from retained earnings	19	500,000	500,000	-	(500,000)	-
Sub-division of shares	19	32,806,560	-	-	-	-
Issue of shares, net of transaction costs	19	8,318,340	46,834,564	-	-	46,834,564
Purchase of treasury shares	19	(4,159,170)	(4,159,170)	-	-	(4,159,170)
Dividends paid	21	-	-	-	(11,989,066)	(11,989,066)
Balance at 30 September 2011		37,465,830	43,175,494	172,311	43,334,470	86,682,275
Net profit, being total comprehensive income for the year		-	-	-	64,559,904	64,559,904
Transactions with owners:						
Dividends paid	21	-	-	-	(36,033,456)	(36,033,456)
Balance at 30 September 2012		37,465,830	43,175,494	172,311	71,860,918	115,208,723

Cargo Handlers Limited

Statement of Cash Flows

Year ended 30 September 2012

(expressed in Jamaican dollars unless otherwise indicated)

		2012 $	2011 $
Cash Flows from Operating Activities			
Net profit		64,559,904	51,919,319
Items not affecting cash:			
Unrealised exchange gain		(2,424,806)	(41,058)
Depreciation		1,271,478	833,749
Write-off of property, plant and equipment		700,368	505,770
Interest income		(3,153,224)	(2,727,234)
Interest expense		627,180	2,362,506
Taxation		(3,138)	63,457
Provision for bad debts, net of recovery		(1,251,493)	(1,499,429)
Changes in operating assets and liabilities:			
Receivables		4,653,775	8,156,539
Payables		(7,383,038)	4,628,053
Directors' current accounts		(2,876,550)	(24,482,799)
Cash provided by operating activities		54,720,456	39,718,873
Income tax paid		(137,342)	(946,801)
Net cash provided by operating activities		54,583,114	38,772,072
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		-	(3,366,000)
Interest received		3,153,224	2,727,234
Cash provided by/(used in) investing activities		3,153,224	(638,766)
Cash Flows from Financing Activities			
Dividends paid		(36,033,456)	(11,989,066)
Shares issued, net of transaction costs		-	42,675,394
Related companies		31,137,437	(29,139,061)
Interest paid		(627,180)	(2,362,506)
Cash used in financing activities		(5,523,199)	(815,239)
Increase in net cash and cash equivalents		52,213,139	37,318,067
Effect of exchange rate on cash and cash equivalents		2,424,806	41,058
Cash and cash equivalents at beginning of year		44,395,816	7,036,691
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(Note 16)**	99,033,761	44,395,816

Cargo Handlers Limited

Notes to the Financial Statements
30 September 2012
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activity

The Company is incorporated and domiciled in Jamaica and has its registered office at Montego Freeport Shopping Centre, Montego Bay. The Company's principal activity is the provision of stevedoring services.

The Company is listed on the Junior Market of the Jamaica Stock Exchange.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(b) Changes in accounting policies and disclosures

Standards, interpretations and amendments to published standards effective in the current year
Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations.

IAS 24 (Revised) – Related party disclosures (effective from 1 January 2011). The revised standard simplifies the definition of a related party. It clarifies its intended meaning and eliminates inconsistencies from the definition. The revision provides a partial exemption from the disclosure requirements for government-related entities. The adoption of this amendment does not have any impact on these financial statements.

IFRS 7 (Amendment) Financial instruments – Disclosures (effective 1 January 2011). The amendment clarifies the disclosure requirement by emphasising the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. It also clarifies that only those financial assets whose carrying amounts do not reflect the maximum exposure to credit risk need further disclosure of the amount that represents the maximum exposure to such risk. The Company's credit risk disclosures have been amended accordingly.

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies and disclosures (continued)

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company
The following standards, interpretations and amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 October 2012, but the Company has not early adopted them.

IFRS 9 - Financial Instruments part 1: Classification and measurement (effective for annual periods beginning on or after 1 January 2015). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Entities with financial liabilities designated as fair value through profit or loss recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Company is currently examining the effect of this standard on its operations.

The Company has concluded that all other standards, interpretations and amendments to existing standards, which are published but not yet effective are either relevant to its operations but will have no material impact on adoption; or are not relevant to its operations and will therefore have no impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect. This includes amendments resulting from the IASB's ongoing 'Improvements to IFRS' project.

(c) Revenue recognition
Revenue comprises the fair value of consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of General Consumption Tax. The Company recognises revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Company's activities as described below:

Cargo Handlers Limited
Notes to the Financial Statements
30 September 2012
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Revenue recognition (continued)

Sales of services
Sales of stevedoring and baggage handling services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction, assessed on the basis of the actual service provided.

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

(d) Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on the straight line basis at rates which are expected to write off the carrying value of the assets over their expected useful lives. The rates used are:

Buildings	2½%
Furniture, equipment, trailers and forklifts	10%
Golf carts	20%
Motor vehicle	20%

No depreciation is charged on operating assets. All replacements are charged to the statement of comprehensive income.

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the entity. Major renovations are depreciated over the remaining useful life of the related asset.

(e) Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Cargo Handlers Limited

Notes to the Financial Statements
30 September 2012
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(g) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income.

(h) Cash and cash equivalents

Cash is carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, net of bank overdraft. Bank overdraft is shown within borrowings in current liabilities on the statement of financial position.

(i) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on the taxable profit for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Company's liability for current tax is calculated at tax rates applicable at the statement of financial position date.

Deferred income tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

2. Summary of Significant Accounting Policies (Continued)

(i) Income taxes (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred income tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income, in which case deferred income tax is also dealt with in other comprehensive income.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

(j) Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

(k) Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(l) Employee benefits

Equity compensation benefits

The Company granted equity compensation to certain employees and key management. The fair value of the employee services received in exchange for the grant of the equity compensation is recognised as an expense.

Annual leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for these entitlements as a result of services rendered by employees up to the statement of financial position date.

(m) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Company's financial assets comprise related party balances, receivables and cash and cash equivalents.

Cargo Handlers Limited

Notes to the Financial Statements
30 September 2012
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(m) Financial instruments (continued)

Financial liabilities

The Company's financial liabilities comprise payables, directors' current accounts, borrowings, and related party balances.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company's employee trust purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's owners.

(o) Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions and balances are recognised and disclosed for the following:

(i) Enterprises and individuals owning directly or indirectly an interest in the voting power of the Company that gives them significant influence over the Company's affairs and close members of the families of these individuals.

(ii) Key management personnel, that is those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and officers and close members of the families of these individuals.

(p) Dividends

Dividends are recorded as a deduction from equity in the period in which they are approved. Dividends for the year that are declared after the year end date are dealt with in a subsequent events note.

(q) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity'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.

The CODM has been identified as the Board of Directors, in particular the executive members, who make strategic decisions. Based on the internal management reports presented to and reviewed by the CODM, the entire operations of the Company are considered as one operating segment.

3. Financial Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including currency risk and interest rate risk). These activities require the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company periodically reviews its risk management policies and systems to reflect changes in market conditions which might affect its activities.

The Board of Directors is ultimately responsible for the establishment and oversight of the Company's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

(a) Credit risk

The Company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. Credit risk is an important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Company's receivables from customers and banking activities. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

Credit review process

Management performs ongoing analyses of the ability of customers and other counterparties to meet repayment obligations.

(i) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each customer is analysed individually for creditworthiness prior to it offering them a credit facility. The Company has procedures in place to restrict customer credit if the customer has exceeded its credit limit. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company on a cash basis.

(ii) Cash

Cash is maintained at high credit quality financial institutions. Accordingly, management does not expect any counterparty to fail to meet their obligations.

Maximum exposure to credit risk

For items on the statement of financial position, the exposures are based on net carrying amounts as reported in the statement of financial position.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2012

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Exposure to credit risk for trade and other receivables by customer sector

The following table summarises the Company's credit exposure for trade and other receivables at their carrying amounts, as categorised by the customer sector:

	2012	2011
	$	$
Stevedoring	11,110,965	15,158,291
Lumber yard	6,072,293	6,072,293
Other receivables	2,980,832	3,624,873
	20,164,090	24,855,457
Less: Impairment provision	(6,583,865)	(7,835,358)
	13,580,225	17,020,099

Ageing analysis of trade and other receivables that are past due but not impaired

Trade receivables that are less than 30 days past due are not considered impaired. As of 30 September trade receivables of $9,181,573 (2011 - $10,963,935) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade and other receivables was as follows:

	2012	2011
	$	$
31 – 60 days	5,061,963	2,221,186
61 – 90 days	1,882,800	568,360
Over 90 days	2,236,810	8,174,389
	9,181,573	10,963,935

Cargo Handlers Limited
Notes to the Financial Statements
30 September 2012
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

The ageing of impaired receivables was as follows:

	2012	2011
	$	$
Over 90 days	6,583,865	7,835,358

Movement analysis of provision for impairment of trade and other receivables
The movement on the provision for impairment of trade and other receivables was as follows:

	2012	2011
	$	$
At 1 October	7,835,358	6,335,929
Provision made during the year	203,846	1,763,065
Receivables written off during the year	(7,559)	(163,636)
Recovery of impaired receivables	(1,447,780)	(100,000)
At 30 September	6,583,865	7,835,358

The creation and release of provisions for impaired receivables have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process
The Company's liquidity management process includes:

(i) Monitoring future cash flows and liquidity regularly. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure funding if required.

(ii) Maintaining a portfolio of bank balances that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit.

Cargo Handlers Limited

Notes to the Financial Statements
30 September 2012
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities

The maturity profile of the Company's financial liabilities at year end based on contractual undiscounted payments was as follows:

	Within 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
			2012			
Payables	13,509,903	-	-	-	-	13,509,903
Directors' current accounts	494,985	-	-	-	-	494,985
Related companies	72,188	144,376	649,691	9,625,045	-	10,491,300
	14,077,076	144,376	649,691	9,625,045	-	24,496,188
			2011			
Payables	20,424,716	-	-	-	-	20,424,716
Directors' current accounts	3,371,535	-	-	-	-	3,371,535
Borrowings	121,681	-	-	-	-	121,681
Related companies	140,080	280,160	1,260,720	18,677,344	-	20,358,304
	24,058,012	280,160	1,260,720	18,677,344	-	44,276,236

(c) Market risk

The Company takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Board of Directors. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. At 30 September, the Company's net foreign exchange exposure in respect of cash and cash equivalents amounted to $75,978,086 (2011 - $43,237,606).

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

The following table indicates the effect on profit arising from changes in foreign currency rates, primarily with respect to the US dollar. There is no direct impact on equity resulting from changes in the foreign currency rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for depreciation or appreciation of the Jamaican dollar against the US dollar, which represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity was primarily as a result of foreign exchange gains and losses on translation of US dollar-denominated bank balances.

	2012	2011
	$	$
Effect on profit –		
Depreciation 0.4% (2011 – 0.5%)	303,912	216,188
Appreciation 0.4% (2011 – 0.5%)	(303,912)	(216,188)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest rate risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest rate risk arises from its related party and bank balances.

The Company manages interest rate risk by maintaining fixed rate instruments. It also manages the maturities of interest bearing financial assets and interest bearing financial liabilities. At 30 September 2012 and 2011 the Company had no significant exposure to interest rate risk.

(d) 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 optimal capital structure to reduce the cost of capital. The Company met the capital requirement 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.

(expressed in Jamaican dollars unless otherwise indicated)

4. Fair Value Estimation

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. In assessing the fair values of financial instruments, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at the statement of financial position date.

The following methods and assumptions have been used:

(i) The carrying amounts, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities are cash, receivables, payables and current borrowings.

(ii) The fair value of the directors' current accounts and related party balances cannot be reasonably determined as these instruments were granted under special terms and are not likely to be traded in a fair market exchange.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements used in preparing the financial statements of the Company are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In the process of applying the Company's accounting policies, management has arrived at no judgments which it believes would have a significant impact on the amounts recognised in these financial statements. Also, management has derived no estimates for inclusion in these financial statements which it believes have a significant risk of causing a material adjustment to the carrying amounts of these assets and liabilities within the next financial year.

6. Other Income

	2012 $	2011 $
Equipment rental	-	98,293
Foreign exchange gains	1,785,897	144,992
Insurance proceeds from aircraft claim	-	2,476,671
Bad debt recovery	1,447,780	100,000
Miscellaneous	-	180,285
	3,233,677	3,000,241

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7. Expenses by Nature

Total direct, administration and other operating expenses:

	2012	2011
	$	$
Accounting fees	2,159,901	1,670,399
Advertising and promotion	570,000	3,268,265
Auditors' remuneration		
- Current year	1,560,000	1,450,000
- Prior year	-	185,071
Bad debts	206,445	1,765,680
Depreciation	1,271,478	833,749
Directors' emoluments		
- Directors' fees	700,000	250,000
- Management fees	4,200,000	10,350,000
Donations	1,013,465	984,350
Insurance	119,265	6,325,276
Legal and professional fees	-	1,337,746
Other	1,548,675	1,712,042
Registration fees	691,086	497,500
Repairs and maintenance	3,799,680	1,330,463
Security	503,250	327,350
Staff costs (Note 8)	50,068,806	68,256,836
Utilities	298,864	294,402
	68,710,915	100,839,129

8. Staff Costs

	2012	2011
	$	$
Salaries and wages	39,114,803	55,109,693
Statutory contributions	4,795,861	5,653,774
Others	6,158,142	7,493,369
	50,068,806	68,256,836

9. Finance Costs

	2012	2011
	$	$
Interest expense	627,180	2,362,506

Cargo Handlers Limited

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10. Taxation

Taxation is based on the profit for the year adjusted for tax purposes and represents income tax charged at $33^1/_3$%:

	2012	2011
	$	$
Current tax	-	-
Deferred tax (Note 14)	(3,138)	63,457
	(3,138)	63,457

Reconciliation of applicable tax charge to effective tax charge:

	2012	2011
	$	$
Profit before tax	64,556,766	51,982,776
Tax calculated at $33^1/_3$%	21,518,922	17,327,592
Adjusted for the effects of:		
Income not subject to tax	17,004	(12,903)
Expenses not deductible for tax purposes	145,288	319,198
Remission of taxes	(21,800,344)	(17,581,456)
Net effect of other charges and allowances	115,992	11,026
Taxation	(3,138)	63,457

Remission of income tax:
In December 2010 the Company's shares were listed on the Junior Market of the Jamaica Stock Exchange. Consequently, the Company is entitled to a remission of income tax for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5	100%
Years 5 to 10	50%

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 Minister of Finance and Planning, the income tax payable for which remission will be sought is $21,800,344 (2011 - $17,581,456).

Cargo Handlers Limited
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11. Earnings per Stock Unit

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

	2012 $	2011 $
Net profit attributable to stockholders	64,559,904	51,919,319
Weighted average number of stock units in issue	37,465,830	36,772,635
Earnings per stock unit ($)	1.72	1.41

12. Property, Plant and Equipment

	2012					
	Buildings $	Furniture, Equipment, Trailers & Forklifts $	Golf Carts $	Motor Vehicle $	Operating Assets $	Total $
Cost -						
1 October 2011	2,318,815	6,763,887	535,813	3,366,000	4,907,674	17,892,189
Write-off	-	-	-	-	(700,368)	(700,368)
30 September 2012	2,318,815	6,763,887	535,813	3,366,000	4,207,306	17,191,821
Depreciation -						
1 October 2011	357,484	2,869,290	535,812	224,400	-	3,986,986
Charge for the year	57,971	540,307	-	673,200	-	1,271,478
30 September 2012	415,455	3,409,597	535,812	897,600	-	5,258,464
Net book value -						
30 September 2012	1,903,360	3,354,290	1	2,468,400	4,207,306	11,933,357

Cargo Handlers Limited

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12. Property, Plant and Equipment (Continued)

	2011					
	Buildings	**Furniture, Equipment, Trailers & Forklifts**	**Golf Carts**	**Motor Vehicle**	**Operating Assets**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Cost -						
1 October 2010	2,318,815	6,763,887	535,813	-	5,413,444	15,031,959
Additions	-	-	-	3,366,000	-	3,366,000
Write-off	-	-	-	-	(505,770)	(505,770)
30 September 2011	2,318,815	6,763,887	535,813	3,366,000	4,907,674	17,892,189
Depreciation -						
1 October 2010	299,513	2,317,912	535,812	-	-	3,153,237
Charge for the year	57,971	551,378	-	224,400	-	833,749
30 September 2011	357,484	2,869,290	535,812	224,400	-	3,986,986
Net book value -						
30 September 2011	1,961,331	3,894,597	1	3,141,600	4,907,674	13,905,203

13. Related Party Transactions and Balances

(a) Net advances (paid)/received during the year

	2012	**2011**
	$	**$**
AMD Limited	25,861,269	(11,369,256)
Advisors Limited	1,069,685	1,640,831
Good Hope (Holdings) Limited	2,680,927	(1,357,815)
Good Hope Limited	634,496	320,000
Hart Investments Limited	(11,564,931)	200,000
Bilton Limited	2,536,684	12,150,000
Appleton Hall Limited	769,222	2,417,051
Saffack Limited	697,236	(172,342)
Port Handlers Limited	(3,799,465)	13,679,698
Samuel Hart & Son Limited	4,659,533	801,578
Sportswear Producers Limited	7,592,781	8,745,000
	31,137,437	27,054,745

Cargo Handlers Limited

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13. Related Party Transactions and Balances (Continued)

(b) Key management compensation

	2012	2011
	$	$
Salaries and other short-term employee benefits	2,036,027	1,589,219
Share-based payments	-	6,548,260
Statutory contributions	701,980	519,481
	2,738,007	8,656,960
Directors' emoluments -		
Management remuneration		
Management fees and expenses	4,200,000	10,600,000

(c) Transactions in the normal course of business

	2012	2011
	$	$
Professional services rendered by a related party	1,779,016	1,635,071
Interest earned on balances due from related parties	2,638,585	2,382,673
Interest paid on balances due to related parties	608,223	2,158,698

(d) Year end balances arising from transactions with related companies

	2012	2011
	$	$
Due from:		
AMD Limited	2,398,098	28,259,367
Appleton Hall Limited	6,666,339	7,435,561
Hart Investments Limited	1,029,931	-
Saffack Limited	-	278,716
Samuel Hart & Son Limited	2,925,181	7,584,714
Sportswear Producers Limited	-	6,970,000
Good Hope (Holdings) Limited	1,548,210	4,229,137
	14,567,759	54,757,495

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13. Related Party Transactions and Balances (Continued)

(d) Year end balances arising from transactions with related companies (continued)

	2012	2011
	$	$
Due to:		
Port Handlers Limited	98,879	3,898,344
Advisors Limited	4,004,685	2,935,000
Bilton Limited	3,550,684	1,014,000
Saffack Limited	418,520	-
Good Hope Limited	929,496	295,000
Hart Investments Limited	-	10,535,000
Sportswear Producers Limited	622,781	-
	9,625,045	18,677,344

The Company is related to the above companies by having similar ownership and/or management control. Balances due to and/or from these companies have no set repayment terms and are not due for payment within the next twelve months.

The weighted average effective interest rate on the related company balances is 6% (2011 – 9%).

(e) Directors' current accounts
The directors' balances are unsecured, interest free and have no set repayment terms.

14. Deferred Taxation

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal tax rate of $33^1/_3$%.

The movement on the deferred taxation account is as follows:

	2012	2011
	$	$
At beginning of year	(6,370)	57,087
Credited/(charged) during the year (Note10)	3,138	(63,457)
At end of year	(3,232)	(6,370)

The deferred income tax liability of $3,232 (2011 - $6,370) is due to temporary differences on property, plant and equipment. There are no deferred tax assets.

The deferred tax credited/(charged) in the statement of comprehensive income comprises temporary differences on property, plant and equipment of $3,138 (2011 - $63,457).

The amounts shown in the statement of financial position represent a deferred tax liability which is expected to be settled after more than 12 months.

Cargo Handlers Limited

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15. Receivables

	2012 $	2011 $
Trade	17,183,258	21,230,584
Less: Impairment provision	(6,583,865)	(7,835,358)
	10,599,393	13,395,226
Other receivables and prepayments	3,127,100	3,733,549
	13,726,493	17,128,775

16. Cash and Cash Equivalents

	2012 $	2011 $
Cash at bank and in hand	99,033,761	44,517,497

The weighted average effective interest rate for cash is 1.35% (2011 – 0.75%).

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2012 $	2011 $
Cash and bank balances	99,033,761	44,517,497
Bank overdraft (Note 18)	-	(121,681)
	99,033,761	44,395,816

17. Payables

	2012 $	2011 $
Trade	499,842	305,458
Accruals	12,651,799	19,880,151
Other	1,047,138	1,396,208
	14,198,779	21,581,817

18. Borrowings

	2012 $	2011 $
Bank overdraft (Note 16)	-	121,681

The bank overdraft at 30 September 2011 represented cheques which were drawn and not presented to the bank at year end.

The Company has credit facilities of $15,000,000 with The Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 17.25% when overdrawn and the facility is secured by unlimited guarantees of Bilton Limited and the Company's executive directors.

(expressed in Jamaican dollars unless otherwise indicated)

19. Share Capital

	2012	2011
	$	$
The total authorised number of ordinary shares is 46,620,000.		
Issued and fully paid -		
41,625,000	47,334,664	47,334,664
4,159,170 treasury shares	(4,159,170)	(4,159,170)
	43,175,494	43,175,494

The Company's share capital is reflected without a par value.

(a) On 14 October 2010, the shareholders passed a resolution for a capitalisation issue representing 5,000 shares for each share held by the existing shareholders. As a result, $500,000 was transferred from revenue reserves for the benefit of these existing shareholders to acquire 500,000 ordinary shares as fully paid, on a pro rata basis.

(b) On 14 October 2010 the shareholders also approved the sub-division of each of the shares into 66.6 shares, resulting in a total of 33,306,660 shares.

(c) The Company issued 1,039,826 shares to its directors, senior managers and permanent employees for cash of $10,398,260 under a one-time offer.

(d) The Company, through its employee trust fund, purchased 4,159,170 of its own shares for consideration of $4,159,170.

(e) In December 2010, 3,119,344 shares were issued to the general public as part of the Company's initial public offering for a consideration of $38,991,800.

20. Capital Reserve

	2012	2011
	$	$
Realised gains on sale of property, plant and equipment	172,311	172,311

21. Dividends

By resolutions dated 15 December 2011 and 2 July 2012, the Board of Directors approved the payment of interim dividends in the amounts of $0.64 and $0.32 per share respectively.

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22. Segment information

Based on reports reviewed by the Board of Directors, management has determined that the Company has one reportable segment. Revenue is earned from stevedoring and baggage handling operations (Note 2(c)). Baggage handling accounts for less than 10% of revenue and net profit and as such does not meet the criteria to be reported as a separate segment. All revenue is earned externally from customers located in Jamaica. The Company's major customers are Seaboard Freight & Shipping Jamaica Limited and Lannaman & Morris (Shipping) Limited which account for 72 % of revenues. All other customers individually contribute to less than 10% of total revenues.