

# **Cargo Handlers Limited**

**Financial Statements  
30 September 2013**

# Cargo Handlers Limited

Index

30 September 2013

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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 24, which comprise the statement of financial position as at 30 September 2013 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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*PricewaterhouseCoopers, Fairview Office Park, Unit C2, 10 Alice Eldemire Drive, Box 180, Montego Bay, Jamaica  
T: (876) 952 5065, F: (876) 952 1273, [www.pwc.com/jm](http://www.pwc.com/jm)*



**Members of Cargo Handlers Limited  
Independent Auditors' Report  
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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 2013, 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.

A handwritten signature in cursive script that reads "Private Horu Corp".

Chartered Accountants

29 November 2013  
Montego Bay, Jamaica

# Cargo Handlers Limited

## Statement of Comprehensive Income

Year ended 30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013	2012
		\$	\$
<b>Revenue</b>		157,488,556	127,507,960
Other income	6	13,831,260	3,233,677
Administrative expenses	7	(12,567,031)	(10,435,564)
Other operating expenses	7	<u>(74,753,857)</u>	<u>(58,275,351)</u>
<b>Operating Profit</b>		83,998,928	62,030,722
Interest income		2,210,177	3,153,224
Finance costs	9	<u>(1,265,210)</u>	<u>(627,180)</u>
<b>Profit before Taxation</b>		84,943,895	64,556,766
Taxation	10	<u>3,465</u>	<u>3,138</u>
<b>Net Profit, being Total Comprehensive Income for the Year</b>		<u><u>84,947,360</u></u>	<u><u>64,559,904</u></u>
 <b>EARNINGS PER STOCK UNIT</b>			
	11	<u><u>2.27</u></u>	<u><u>1.72</u></u>

# Cargo Handlers Limited

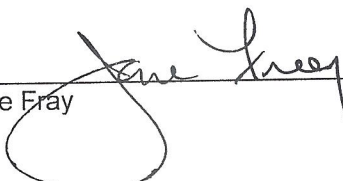
## Statement of Financial Position

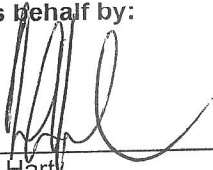
30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$	2012 \$
<b>Non-Current Assets</b>			
Property, plant and equipment	12	10,832,685	11,933,357
Related companies	13	25,111,092	14,567,759
Deferred tax asset	14	233	-
<b>Current Assets</b>			
Receivables	15	19,208,244	13,726,493
Taxation recoverable		465,368	269,394
Cash	16	131,017,928	99,033,761
		150,691,540	113,029,648
<b>Current Liabilities</b>			
Payables	17	16,430,989	14,198,779
Directors' current accounts	13	3,400,150	494,985
Borrowings	18	19,763	-
		19,850,902	14,693,764
<b>Net Current Assets</b>		<u>130,840,638</u>	<u>98,335,884</u>
		<u>166,784,648</u>	<u>124,837,000</u>
<b>Shareholders' Equity</b>			
Share capital	19	43,175,494	43,175,494
Capital reserve	20	172,311	172,311
Retained earnings		93,516,313	71,860,918
		136,864,118	115,208,723
<b>Non-Current Liabilities</b>			
Deferred tax liability	14	-	3,232
Related companies	13	29,920,530	9,625,045
		<u>166,784,648</u>	<u>124,837,000</u>

Approved by the Board of Directors on 29 November 2013 and signed on its behalf by:

  
 \_\_\_\_\_  
 Jane Fray Director

  
 \_\_\_\_\_  
 Mark Hart Director

# Cargo Handlers Limited

## Statement of Changes in Equity

Year ended 30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units	Share Capital \$	Capital Reserve \$	Retained Earnings \$	Total \$
<b>Balance at 30 September 2011</b>		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)
<b>Balance at 30 September 2012</b>		37,465,830	43,175,494	172,311	71,860,918	115,208,723
Net profit, being total comprehensive income for the year		-	-	-	84,947,360	84,947,360
Transactions with owners:						
Dividends paid	21	-	-	-	(63,291,965)	(63,291,965)
<b>Balance at 30 September 2013</b>		37,465,830	43,175,494	172,311	93,516,313	136,864,118



# Cargo Handlers Limited

## Statement of Cash Flows

Year ended 30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 \$	2012 \$
<b>Cash Flows from Operating Activities</b>		
Net profit	84,947,360	64,559,904
Items not affecting cash:		
Unrealised exchange gain	(13,218,081)	(2,424,806)
Depreciation	1,267,808	1,271,478
Write-off of property, plant and equipment	53,124	700,368
Interest income	(2,210,177)	(3,153,224)
Interest expense	1,265,210	627,180
Taxation	(3,465)	(3,138)
Provision for bad debts	-	196,287
	<u>72,101,779</u>	<u>61,774,049</u>
Changes in operating assets and liabilities:		
Receivables	(4,970,179)	4,653,775
Recovery of bad debt	(511,572)	(1,447,780)
Payables	2,232,210	(7,383,038)
Directors' current accounts	2,905,165	(2,876,550)
Cash provided by operating activities	<u>71,757,403</u>	<u>54,720,456</u>
Tax withheld at source	(195,974)	(137,342)
Net cash provided by operating activities	<u>71,561,429</u>	<u>54,583,114</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(220,260)	-
Interest received	2,210,177	3,153,224
Cash provided by investing activities	<u>1,989,917</u>	<u>3,153,224</u>
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(63,291,965)	(36,033,456)
Related companies	9,752,152	31,137,437
Interest paid	(1,265,210)	(627,180)
Cash used in financing activities	<u>(54,805,023)</u>	<u>(5,523,199)</u>
Increase in net cash and cash equivalents	18,746,323	52,213,139
Effect of exchange rate on cash and cash equivalents	13,218,081	2,424,806
Cash and cash equivalents at beginning of year	<u>99,033,761</u>	<u>44,395,816</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 16)</b>	<u>130,998,165</u>	<u>99,033,761</u>



# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 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 International Financial Reporting Interpretations Committee (IFRIC), 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 is immediately relevant to its operations.

- **IAS 1 (Amendment), 'Financial statement presentation'** (effective for periods beginning on or after 1 July 2012). The main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The adoption of this amendment does not have any impact on these financial statements.

#### ***Standards, interpretations and amendments to published standards issued but not yet effective and not early adopted by the Company***

- **IFRS 9, 'Financial Instruments'**, (effective for annual periods beginning on or after 1 January 2015). This standard addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 removes also the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value.

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

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

#### ***Standards, interpretations and amendments to published standards issued but not yet effective and not early adopted by the Company (continued)***

- **IFRS 9, 'Financial Instruments'**, (effective for annual periods beginning on or after 1 January 2015) (continued)  
 For financial liabilities, IFRS 9 retains most of the IAS 39 requirements, including amortised cost accounting for most financial liabilities and the requirement to separate embedded derivatives. The main change is where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The adoption of IFRS 9 is currently not expected to have a material impact on the Company's financial position or results.
- **IFRS 13, 'Fair Value Measurement'**, (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. This standard is not expected to have any impact on the Company's financial statements.
- **IAS 1 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 January 2013). This amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period, that is, the opening position. No notes are required to support this balance sheet. When management provides additional comparative information voluntarily, for example, statement of profit and loss, balance sheet, it should present the supporting notes to these additional statements. This amendment will impact the Company to the extent that a third balance sheet is presented in accordance with IAS 8.
- **IAS 32 (Amendment) 'Financial instruments: Presentation'** (effective for annual periods beginning on or after the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The Company will apply the amendment from 1 January 2014 but it is not expected to have a significant impact on the financial statements.
- **IAS 36 (Amendment), 'Impairment of assets'**, (effective for annual periods beginning on or after 1 January 2014). This amendment removed certain disclosures of the recoverable amount of Cost Generating Units (CGUs) which had been included in IAS 36 by the issue of IFRS 13. The amendment is not expected to have a significant impact on the financial statements.

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.

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (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:

#### 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. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured. 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.

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (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.

### (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. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. 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.

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (i) Current and deferred income tax

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.

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.

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (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.

#### *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.



# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (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.

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

#### **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.

#### **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:

	2013	2012
	\$	\$
Stevedoring	16,801,148	11,110,965
Lumber yard	6,072,293	6,072,293
Other receivables	2,260,611	2,980,832
	<u>25,134,052</u>	<u>20,164,090</u>
Less: Impairment provision	(6,072,293)	(6,583,865)
	<u>19,061,759</u>	<u>13,580,225</u>

#### **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 \$10,957,379 (2012 - \$9,181,573) 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:

	2013	2012
	\$	\$
31 – 60 days	5,315,530	5,061,963
61 – 90 days	4,013,395	1,882,800
Over 90 days	1,628,454	2,236,810
	<u>10,957,379</u>	<u>9,181,573</u>

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

The ageing of impaired receivables was as follows:

	2013	2012
	\$	\$
Over 90 days	6,072,293	6,583,865

### ***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:

	2013	2012
	\$	\$
At 1 October	6,583,865	7,835,358
Provision made during the year	-	203,846
Receivables written off during the year	-	(7,559)
Recovery of impaired receivables	(511,572)	(1,447,780)
At 30 September	6,072,293	6,583,865

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 high grade 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 2013

(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 \$
<b>2013</b>						
Payables	15,191,804	-	-	-	-	15,191,804
Directors' current accounts	3,400,150	-	-	-	-	3,400,150
Related companies	1,795,364	-	-	29,922,726	-	31,718,090
	20,387,318	-	-	29,922,726	-	50,310,044
<b>2012</b>						
Payables	13,509,903	-	-	-	-	13,509,903
Directors' current accounts	494,985	-	-	-	-	494,985
Related companies	869,850	-	-	9,665,000	-	10,534,850
	14,874,738	-	-	9,665,000	-	24,539,738

### (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 of 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 \$113,528,769 (2012 - \$75,978,086).

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(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.

	2013	2012
	\$	\$
Effect on profit –		
Depreciation 10% (2012 – 0.4%)	(11,352,877)	(303,912)
Appreciation 1% (2012 – 0.4%)	<u>1,135,288</u>	<u>303,912</u>

#### *Interest rate risk*

Interest rate risk is the risk that the value of 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 2013 and 2012 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.

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Foreign exchange gains	13,319,688	1,785,897
Bad debt recovery	<u>511,572</u>	<u>1,447,780</u>
	<u>13,831,260</u>	<u>3,233,677</u>



# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 7. Expenses by Nature

Total direct, administration and other operating expenses:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Accounting fees	2,400,386	2,159,901
Advertising and promotion	25,413	570,000
Auditors' remuneration	1,700,000	1,560,000
Bad debts	29,595	206,445
Depreciation	1,267,808	1,271,478
Directors' emoluments		
- Directors' fees	635,000	700,000
- Management fees	4,200,000	4,200,000
Donations	2,062,005	1,013,465
Insurance	118,759	119,265
Legal and professional fees	79,330	-
Loss on exchange	586,080	421,012
Other	1,427,603	771,095
Payment for damaged cargo	4,002,212	356,568
Registration fees	767,746	691,086
Repairs and maintenance	1,403,516	3,799,680
Security	-	503,250
Staff costs (Note 8)	65,773,601	50,068,806
Utilities	841,834	298,864
	<u>87,320,888</u>	<u>68,710,915</u>

## 8. Staff Costs

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	54,168,208	39,114,803
Statutory contributions	5,565,664	4,795,861
Other	6,039,729	6,158,142
	<u>65,773,601</u>	<u>50,068,806</u>

## 9. Finance Costs

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Interest expense	<u>1,265,210</u>	<u>627,180</u>

# Cargo Handlers Limited

## Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Taxation

Taxation is based on the profit for the year adjusted for tax purposes and represents income tax charged at 25% (2012 – 33<sup>1</sup>/<sub>3</sub>%) :

	2013	2012
	\$	\$
Current tax	-	-
Deferred tax (Note 14)	(3,465)	(3,138)
	<u>(3,465)</u>	<u>(3,138)</u>

Reconciliation of applicable tax charge to effective tax charge:

	2013	2012
	\$	\$
Profit before tax	<u>84,943,895</u>	<u>64,556,766</u>
Tax calculated at 25% (2012 - 33 <sup>1</sup> / <sub>3</sub> %)	21,235,974	21,518,922
Adjusted for the effects of:		
Income not subject to tax	(47,585)	17,004
Expenses not deductible for tax purposes	343,254	285,288
Remission of taxes	(21,621,064)	(21,952,070)
Net effect of other charges and allowances	<u>85,956</u>	<u>127,718</u>
Taxation	<u>(3,465)</u>	<u>(3,138)</u>

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 \$21,621,064 (2012 - \$21,952,070).

By Ministerial Order dated 28 December 2012, under the Provisional Collection of Tax Act, a change of the Corporate Income Tax (CIT) rate from 33 1/3% to 25% was enacted for "unregulated companies". The new revised rate of 25% has been applied in the computation of CIT effective 1 January 2013. Unregulated companies are defined as, companies that are not regulated by the Financial Services Commission, the Bank of Jamaica, the Ministry of Finance and Planning or the Office of Utilities Regulations. The new rate has been applied in determining the amounts for current and deferred taxation in these financial statements.

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 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.

	2013 \$	2012 \$
Net profit attributable to stockholders	<u>84,947,360</u>	<u>64,559,904</u>
Weighted average number of stock units in issue	<u>37,465,830</u>	<u>37,465,830</u>
Earnings per stock unit (\$)	<u>2.27</u>	<u>1.72</u>

## 12. Property, Plant and Equipment

	2013					
	Buildings	Furniture, Equipment, Trailers & Forklifts	Golf Carts	Motor Vehicle	Operating Assets	Total
	\$	\$	\$	\$	\$	\$
Cost -						
1 October 2012	2,318,815	6,763,887	535,813	3,366,000	4,207,306	17,191,821
Additions	-	28,500	-	-	191,760	220,260
Write-offs	-	(13,804)	-	-	(45,762)	(59,566)
30 September 2013	<u>2,318,815</u>	<u>6,778,583</u>	<u>535,813</u>	<u>3,366,000</u>	<u>4,353,304</u>	<u>17,352,515</u>
Depreciation -						
1 October 2012	415,455	3,409,597	535,812	897,600	-	5,258,464
Charge for the year	57,970	536,638	-	673,200	-	1,267,808
On write-offs	-	(6,442)	-	-	-	(6,442)
30 September 2013	<u>473,425</u>	<u>3,939,793</u>	<u>535,812</u>	<u>1,570,800</u>	<u>-</u>	<u>6,519,830</u>
Net book value -						
30 September 2013	<u>1,845,390</u>	<u>2,838,790</u>	<u>1</u>	<u>1,795,200</u>	<u>4,353,304</u>	<u>10,832,685</u>

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 12. Property, Plant and Equipment (Continued)

	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-offs	-	-	-	-	(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

## 13. Related Party Transactions and Balances

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

	2013	2012
	\$	\$
AMD Limited	(5,005,777)	25,861,269
Advisors Limited	(13,233,041)	1,069,685
Good Hope (Holdings) Limited	(1,506,680)	2,680,927
Good Hope Limited	(295,504)	634,496
Hart Investments Limited	(3,840,086)	(11,564,931)
Bilton Limited	(5,539,316)	2,536,684
Appleton Hall Limited	2,961,941	769,222
Saffack Limited	(861,480)	697,236
Port Handlers Limited	(898,925)	(3,799,465)
Samuel Hart & Son Limited	(3,152,731)	4,659,533
Sportswear Producers Limited	532,781	7,592,781
	<u>(30,838,818)</u>	<u>31,137,437</u>

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 13. Related Party Transactions and Balances (Continued)

### (b) Key management compensation

	2013	2012
	\$	\$
Salaries and other short-term employee benefits	2,418,528	2,036,027
Statutory contributions	875,843	701,980
	<u>3,294,371</u>	<u>2,738,007</u>
Directors' emoluments -		
Directors' fees	635,000	700,000
Management remuneration	3,294,371	2,738,007
Management fees	4,200,000	4,200,000

### (c) Transactions in the normal course of business

	2013	2012
	\$	\$
Professional services rendered by a related party	1,845,360	1,779,016
Interest earned on balances due from related parties	1,426,283	2,638,585
Interest paid on balances due to related parties	1,201,016	608,223

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

	2013	2012
	\$	\$
Due from:		
AMD Limited	7,403,875	2,398,098
Appleton Hall Limited	3,704,398	6,666,339
Hart Investments Limited	4,870,017	1,029,931
Samuel Hart & Son Limited	6,077,912	2,925,181
Good Hope (Holdings) Limited	3,054,890	1,548,210
	<u>25,111,092</u>	<u>14,567,759</u>

# Cargo Handlers Limited

Notes to the Financial Statements

30 September 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 13. Related Party Transactions and Balances (Continued)

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

	2013	2012
	\$	\$
Due to:		
Port Handlers Limited	997,804	98,879
Advisors Limited	17,237,726	4,004,685
Bilton Limited	9,090,000	3,550,684
Saffack Limited	1,280,000	418,520
Good Hope Limited	1,225,000	929,496
Sportswear Producers Limited	90,000	622,781
	<u>29,920,530</u>	<u>9,625,045</u>

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 transfers between related party bank accounts for working capital purposes is 6% (2012 – 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 25% (2012 - 33<sup>1</sup>/<sub>3</sub>%).

The movement on the deferred taxation account is as follows:

	2013	2012
	\$	\$
Liability at beginning of year	(3,232)	(6,370)
Credited during the year (Note10)	3,465	3,138
Asset/(liability) at end of year	<u>233</u>	<u>(3,232)</u>

The deferred income tax asset/(liability) of \$233 (2012 - \$3,232) is due to temporary differences on property, plant and equipment.

The deferred tax credited in the statement of comprehensive income comprises temporary differences on property, plant and equipment of \$3,465 (2012 - \$3,138).

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

Notes to the Financial Statements

30 September 2013

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## 15. Receivables

	2013	2012
	\$	\$
Trade	22,873,941	17,183,258
Less: Impairment provision	<u>(6,072,293)</u>	<u>(6,583,865)</u>
	16,801,648	10,599,393
Other receivables and prepayments	<u>2,406,596</u>	<u>3,127,100</u>
	<u>19,208,244</u>	<u>13,726,493</u>

## 16. Cash and Cash Equivalents

	2013	2012
	\$	\$
Cash at bank and in hand	<u>131,017,928</u>	<u>99,033,761</u>

The weighted average effective interest rate for cash is 0.25% (2012 – 1.35%).

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

	2013	2012
	\$	\$
Cash and bank balances	131,017,928	99,033,761
Bank overdraft (Note 18)	<u>(19,763)</u>	<u>-</u>
	<u>130,998,165</u>	<u>99,033,761</u>

## 17. Payables

	2013	2012
	\$	\$
Trade	1,100,745	499,842
Accruals	13,458,799	12,651,799
Other	<u>1,871,445</u>	<u>1,047,138</u>
	<u>16,430,989</u>	<u>14,198,779</u>

## 18. Borrowings

	2013	2012
	\$	\$
Bank overdraft (Note 16)	<u>19,763</u>	<u>-</u>

The bank overdraft at 30 September 2013 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.

# Cargo Handlers Limited

Notes to the Financial Statements

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## 19. Share Capital

	2013	2012
	\$	\$
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	<u>(4,159,170)</u>	<u>(4,159,170)</u>
	<u>43,175,494</u>	<u>43,175,494</u>

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

## 20. Capital Reserve

	2013	2012
	\$	\$
Realised gains on sale of property, plant and equipment	<u>172,311</u>	<u>172,311</u>

## 21. Dividends

By resolutions dated 19 December 2012 and 17 February 2013, the Board of Directors approved the payment of interim dividends in the amounts of \$0.68 and \$1.00 per share respectively. In the prior year, resolutions dated 15 December 2011 and 2 July 2012 resulted in the approval of interim dividend payments of \$0.64 and \$0.32 per share respectively.

## 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.

