KNUTSFORD EXPRESS SERVICES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2013

KNUTSFORD EXPRESS SERVICES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Knutsford Express Services Limited (the "Company"), which comprise of the statement of financial position as at May 31, 2013, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act (the "Act"). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan, and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and is appropriate to provide a basis for our audit opinion.

Cont. /2

Independent Auditor's Report

Opinion

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Company as at May 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Act.

Report on other Legal and Regulatory Requirements

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

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

CrichtonMullings & Associates
Chartered Accountants

Kingston Jamaica
November 27, 2013

KNUTSFORD EXPRESS SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2013

	Notes	2013 $	2012 $
ASSETS			
Non-current Assets			
Intangible asset	5	4,500,000	-
Investment properties	6(a)	59,067,965	46,336,370 *
Furniture, fixtures and equipment	7	27,768,382	23,729,200 *
		82,336,347	70,065,570
Current Assets			
Supplies	8	9,664,542	-
Accounts and other receivables	9	23,983,075	2,083,647
Related party receivables		1,724,000	1,724,000
Lease deposit	10	5,000,000	5,000,000
Term deposit - restricted	11	2,320,539	-
Cash and bank balances	12	8,334,512	25,688,026
		51,026,668	34,495,673
Total Assets		133,363,015	104,561,243
EQUITY & LIABILITIES			
Equity			
Share capital	13	1,000	1,000
Accumulated surplus		84,015,338	48,953,535
		84,016,338	48,954,535
Non-current Liabilities			
Notes payables	14	15,816,385	29,986,081
Shareholders' loan	15	452,840	452,840
Deferred tax liability	16	5,310,270	-
		21,579,495	30,438,921
Current Liabilities			
Accounts payable and accrued charges	17	3,573,238	6,558,595
Current portion of notes payable	14	13,430,678	13,056,244
Taxation payable	18	10,763,266	5,552,948
		27,767,182	25,167,787
Total Equity and Liabilities		133,363,015	104,561,243

*** - Restated to conform to 2013 presentation**

The financial statements on pages 3 to 23 were approved for issue by the Board of Directors on 2013 and signed on its behalf by:

Director

Director

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MAY 31, 2013

	Notes	2013 $	2012 $
Revenue	4	**203,173,233**	170,446,759
Less:			
Administrative and general expenses	19	**(138,722,597)**	(132,775,852)
Operating profit	20	**64,450,636**	37,670,907
Other income		**1,130,433**	390,484
		65,581,069	38,061,391
Finance and policy costs	21	**(14,445,730)**	(16,249,560)
Profit before taxation		**51,135,339**	21,811,831
Taxation	22	**16,073,536**	5,552,948
Net profit, being total comprehensive income for the year		**35,061,803**	16,258,883

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MAY 31, 2013

	Share Capital $	Accumulated Surplus $	Total $
Balance at 31 May 2011	1,000	32,694,652	32,695,652
Net profit, being total comprehensive income for the year	-	16,258,883	16,258,883
Balance at 31 May 2012	1,000	48,953,535	48,954,535
Net profit, being total comprehensive income for the year		35,061,803	35,061,803
Balance at 31 May 2013	**1,000**	**84,015,338**	**84,016,338**

KNUTSFORD EXPRESS SERVICES LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2013

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		$	$
Net profit for the year		35,061,803	16,258,883
Items not affecting cash resources:			
Depreciation and amortisation		7,104,584	9,032,107
Taxation expense		16,073,536	5,552,948
		58,239,923	30,843,938
Increase in operating assets:			
Accounts and other receivables		(31,563,970)	(1,902,047)
Term deposit - restricted		(2,320,539)	-
Increase / (decrease) in operating liabilities:			
Accounts payables and accrued charges		(2,985,357)	(412,432)
		21,370,057	28,529,459
Income tax paid		(5,552,948)	(4,136,989)
Net cash provided by operating activities		15,817,109	24,392,470
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of furniture, fixtures and equipment	7	(7,434,239)	(34,563,300)
Acquistion of investment properties	6(a)	(7,441,121)	-
Acquisition of intangible assets	5	(4,500,000)	-
Net cash used in investing activities		(19,375,360)	(34,563,300)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable		-	17,227,080
Repayment of notes payable		(13,795,263)	-
Net cash used in financing activities		(13,795,263)	17,227,080
NET (DECREASE) / INCREASE IN CASH AND BANK BALANCES		(17,353,514)	7,056,250
OPENING CASH AND BANK BALANCES		25,688,026	18,631,776
CLOSING CASH AND BANK BALANCES		8,334,512	25,688,026

1. IDENTIFICATION

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

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

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

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

(b) Changes in accounting standards and interpretations:

i) Current year changes:

Certain new or amended International Financial Reporting Standards and Interpretations (IFRIC) became effective as of 1 January 2012.

The revisions, amendments and new standards and interpretations that became effective during the year but are not considered relevant to the Company's operations are:

- *IAS 1'Presentation of Items of Other Comprehensive Income -Amendment', issued June 2011.*
  Effective for periods commencing on or after 1 July 2012

Management anticipates that the adoption of the following new or revised International Financial Reporting Standards and interpretations (IFRIC) could have a material impact on the Company's financial statements:

- *IAS 1 ' Presentation of Financial Statements - Ammendments'*
  issued June 2011
  Effective for annual periods commencing on or after July 1, 2012

- *IAS 12 'Income Taxes - Amendments', issued December 2010*
  Effective for periods commencing on or after 1 January 2012

- *IAS 12 'Deferred Tax: Recovery of Underlying Assets -Amendment', issued December 2010.*
  Effective for periods commencing on or after 1 January 2012

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

(b) Changes in accounting standards and interpretations (cont'd):

i) Current year changes (cont'd):

Additionally, the IASB issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after 1 January 2012. Management has concluded that these amendments will not have a significant impact on the Company's operations or financial position.

ii) Future Changes

The Company has identified the following revised or new International Financial Reporting Standards or Interpretations which have been issued but are not yet effective, and which have not been adopted early. Those that are not considered relevant to the Company's operations are:

- *IAS 27 'Separate Financial Statements', issued May 2011*
  Effective for periods commencing on or after 1 January 2013

- *IAS 28 'Investments in Associates and Joint Ventures", issued May 2011*
  Effective for periods commencing on or after 1 January 2013

- *IFRS 10 'Consolidated Financial Statements', issued May 2011*
  Effective for periods commencing on or after 1 January 2013

- *IFRS 13 'Fair Value Measurement', issued May 2011.*
  Effective for periods commencing on or after 1 January 2013

- *IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities Amendment', issued December 2011.*
  Effective for periods commencing on or after 1 January 2013

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

(b) Changes in accounting standards and interpretations (cont'd):

ii) Future Changes (cont'd)

Those which may be relevant to the Company's operations are as follows:

- *IFRS 9 'Financial Instruments', issued November 2010*
  Effective for periods commencing on or after 1 January 2015

- *IFRS 9 'Financial Instruments Classification and Measurement',*
  issued in November, 2009
  Effective for periods commencing on or after 1 January 2013

- *IAS 19 'Employee Benefits -Amendment', issued June 2011.*
  Effective for periods commencing on or after 1 January 2013

- *IFRS 12 'Disclosure of Interests in Other Entities', issued May 2011.*
  Effective for periods commencing on or after 1 January 2013

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Furniture, fixtures and equipment

All furniture, fixtures and equipment held for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

Furniture, fixtures and equipment	10%
Computer	20%

(b) Accounts and other receivables

Accounts and other receivables are stated at amortized cost.

Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired.

(c) Accounts payable and accrued charges

Accounts payable and accrued charges are stated at amortized cost.

(d) Cash and bank balances

Cash comprises cash in hand and cash at bank.

(e) Investment properties

Investment properties are motor vehicles used to generate income from transportation and courier services.

The Company accounts for investment properties using the cost model. Investment property is initially measured at cost, including transaction costs; and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at that time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Motor vehicles held as investment properties are depreciated on the straight line basis, over the estimated useful life of the asset. The depreciation rates for investment properties are as follows:

Investment properties	12.5%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Foreign currencies

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

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

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

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received from the provision of transportation and courier services in the normal course of business, net of discounts, rebates and comsumption taxes. Revenue also includes amounts received from interest income.

Revenue is recognized in the statement of comprehensive income once the transportation and courier services have been provided to the customer and the receipt of the consideration is probable.

(h) Leases

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

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

(i) Intangible asset

Intangible asset which represents contracts rights with vendors, customer listings and intellectual property rights are deemed to have an infinite life. These assets are carried at fair value. The Company determines when intangible assets are impaired at least on an annual basis or when events or circumstances indicates that the carrying value may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Taxation

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

(k) Related party identification

A party is related to the Company if:

(i) directly or indirectly the party:

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

(ii) the party is an associate of the Company

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment

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

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

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

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

(m) Financial instruments

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

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

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

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

The fair values of the financial instruments are discussed in Note 25.

(n) Comparative information

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

4. REVENUE

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

5. INTANGIBLE ASSET

	2013 $	2012 $
Cost:		
Purchase goodwill	**4,500,000**	-
Balance at year end	**4,500,000**	-

Intangible asset includes contract rights with vendors, customer listings and intellectual property rights which were obtained in a business acquisition during year.

6. INVESTMENT PROPERTIES

(a) Investment properties held by the Company are as follows:

	$
At Cost:	
Beginning of year	68,298,356
Additions	7,441,121
End of year	75,739,477
Accumulated Amortisation:	
Beginning of year	21,961,986
Charge for the year	3,709,526
End of year	25,671,512
Net book value:	
End of year	**50,067,965**
End of prior year	46,336,370

(b) Gross income from investment properties:

	2013 $	2012 $
	203,173,233	170,446,759

(c) Motor vehicle operating expenses are as follows:

	2013 $	2012 $
Motor vehicle insurance premium	**6,474,905**	5,519,067
Motor vehicle repairs and maintenance	**3,878,432**	2,397,015
	10,353,337	7,916,082

7. FURNITURE, FIXTURES AND EQUIPMENT

	Computer $	Furniture Fixtures and Equipment $	Total $
At Cost:			
Beginning of year	1,758,915	25,011,799	26,770,714
Additions	1,053,050	6,381,189	7,434,239
End of year	**2,811,965**	**31,392,988**	**34,204,953**
Accumulated Depreciation:			
Beginning of year	833,350	2,208,164	3,041,514
Charge for the year	431,091	2,963,967	3,395,057
End of year	**1,264,441**	**5,172,131**	**6,436,571**
Net book value:			
End of year	**1,547,525**	**26,220,857**	**27,768,382**
End of prior year	925,565	22,803,635	23,729,200

8. SUPPLIES

	2013 $	2012 $
	9,664,542	-

Supplies represent unused parts and accessories as at the year end which are used for the maintenance of the Company's buses.

	2013 $	2012 $

9. ACCOUNTS AND OTHER RECEIVABLES

	2013 $	2012 $
Accounts receivable	**150,000**	181,600
Deposit on motor vehicle	**19,259,630**	-
Other receivables	**4,573,445**	1,902,047
	23,983,075	2,083,647

10. LEASE DEPOSIT

	2013 $	2012 $
	5,000,000	5,000,000

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

11. TERM DEPOSIT - RESTRICTED

	2013	2012
	$	$
	2,320,539	-

The term deposit is held with National Commercial Bank Jamaica Limited (NCB) at interest rate of 2.4% per annum. The term deposit is used to secure a loan from NCB (see note 14).

12. CASH AND BANK BALANCES

	2013	2012
	$	$
Current accounts	2,672,828	18,583,600
Foreign currency accounts	4,730,684	7,049,426
Cash balances	931,000	55,000
	8,334,512	25,688,026

13. SHARE CAPITAL

	2013	2012
	$	$
Authorised, Issued and Fully paid		
1000 Ordinary shares at no par value	1,000	1,000

14. NOTES PAYABLE

	2013	2012
	$	$
Balance at the beginning of the year	43,042,325	25,815,245
Principal repayment	(13,795,262)	(10,372,920)
Additions during the year	-	27,600,000
Balance at the end of the year	29,247,063	43,042,325
Current portion of notes payable	(13,430,678)	(13,056,244)
	15,816,385	29,986,081

These represent loans from the National Commercial Bank Jamaica Limited with interest rates of 8.5% to 18% per annum. The loans are secured by debenture over the fixed and floating assets of the Company, bills of sale over seven (7) of the Company's Kinglong Coach buses and a lien on its term deposit.

15. SHAREHOLDERS' LOAN

	2013	2012
	$	$
	452,840	452,840

This represents advances to the Company by the shareholders. The loan is interest free and has no fixed date of repayment.

16. DEFERRED TAX LIABILITY

Certain deferred tax assets and liabilities have been offset in accordance with the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for reporting purposes:

	2013 $	2012 $
Deferred tax liabilities	5,310,270	-
	5,310,270	-

Deferred tax liabilities are attributable to the following:

	2013 $	2012 $
Furniture, fixtures and equipment	970,501	-
Investment properties	4,339,769	-
	5,310,270	-

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

	2013 $	2012 $
Balance at the beginning of the period	-	-
Movement during the year	5,310,270	-
Balance at the end of the period	5,310,270	-

17. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2013 $	2012 $
Accounts payable	2,181,571	5,595,017
Statutory liabilities	724,888	741,300
Other accruals	666,779	222,278
	3,573,238	6,558,595

18. TAXATION PAYABLE

Taxation payable is based on profits for the year, adjusted for taxation purposes, subject to the agreement of the Tax Administration Jamaica, and is calculated at 25% (2012: 33 1/3%). Taxation payable at the end of the period is as follows:

	2013 $	2012 $
Tax liability for the year:	10,763,266	5,552,948
Less: estimated tax payments made during the year	-	-
Net payable for the year	10,763,266	5,552,948

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2013

19. ADMINISTRATIVE AND GENERAL EXPENSES

	2013 $	2012 $
Salaries wages and related expenses	32,773,964	27,360,007
Employers' statutory contribution	9,991,180	5,410,974
Staff uniform	1,316,597	1,061,215
Staff training and welfare	294,582	781,308
Electricity	2,387,146	1,843,759
Telephone	3,990,960	2,406,131
Asset tax	100,000	25,000
Water	150,885	331,655
Office Supplies	1,219,987	792,356
Licence and permits	2,170,959	1,526,882
Fuel	39,313,202	30,416,245
Motor vehicle rental	3,129,950	3,937,318
Lease Rental	(2,634,292)	-
Motor vehicle repairs and maintenance	3,878,431	2,397,015
Repairs and maintenance	3,403,888	3,091,257
Equipment rental	91,240	453,430
Rent	2,930,431	2,391,978
Registration fees	39,400	-
Travelling	43,988	122,106
Communication equipment	54,173	-
Accomodation	202,600	112,500
Marketing	1,340,000	-
Advertising and promotion	5,128,004	2,125,505
Professional fees	1,217,325	937,783
Passenger supplies	3,224,202	2,926,264
Parts and supplies	7,118,391	29,588,075
Dues and subscription	90,111	297,182
Wrecker fees	112,620	24,675
Insurance	7,555,328	6,279,616
Cleaning & sanitation	592,842	520,460
Postage and delivery	183,990	16,001
Toll fees	1,240,000	840,000
Printing and stationery	-	1,244,248
Audit fees	650,000	425,000
Accounting fees	440,000	277,500
Security	4,980,515	2,812,407
	138,722,597	132,775,852

20. OPERATING PROFIT

	2013	2012
	$	$
	64,450,636	37,670,907

Stated after charging the following:

	2013	2012
	$	$
Auditor's remuneration	**650,000**	-

21. FINANCE AND POLICY COSTS

	2013	2012
	$	$
Loan interest	**4,176,965**	4,136,595
Depreciation	**3,395,058**	1,663,018
Amortisation on investment property	**3,709,526**	7,369,089
Interest and penalties	**117,794**	-
Bank charges	**3,046,388**	3,080,858
	14,445,730	16,249,560

22. TAXATION

Income tax is computed at 25% (2012: 33 1/3%) of the profit for the year, as adjusted for taxation purposes. Deferred taxation is also computed at 25% for the 2013 financial year based on the change in the income tax rate for unregulated companies announced by the Minister of Finance and Planning in his budget presentation, with effective date being January 1, 2013. The taxation charge is made up as follows:

	2013	2012
	$	$
Current:		
Provision for charge on current profit	**10,763,266**	5,552,948
Deferred:		
Origination and reversal of temporary differences	**5,310,270**	-
	16,073,536	5,552,948

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2013

22. TAXATION (CONT'D)

(b) Reconciliation of effective tax rate and charge:

	2013		2012	
	$	%	$	%
Profit before taxation	51,135,339		21,811,831	
Computed tax charge	12,783,835	25%	7,270,610	33%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	3,289,702	6%	(1,717,662)	-8%
Unrealized exchange losses	-	0%	-	0%
Other adjustments	-	0%	-	0%
Actual tax rate and charge	16,073,536	31%	5,552,948	25%

23. RELATED PARTIES

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

	2013	2012
	$	$
Lease deposit to related companies	5,000,000	5,000,000
Loan due from related companies	1,724,000	1,724,000
Amounts due to key management personnel	452,840	452,840

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

	2013	2012
	$	$
Transactions with key management personnel:		
- Director's remuneration	3,452,690	-

24. STAFF COSTS

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

	2013	2012
	$	$
Permanent	**54**	47

The aggregate payroll costs for these persons were as follows:

	2013	2011
	$	$
Salaries and profit related pay	**34,385,143**	29,202,530
Statutory payroll contributions	**9,991,180**	5,410,974
	44,376,323	34,613,504

25. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT

(a) Fair Value

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

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

The following methods and assumptions have been used.

The amounts included in the financial statements for cash and cash equivalents, short term deposits, receivable, payables, and due to / from related companies reflect the approximate fair values because of short-term maturity of these instruments.

25. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management

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

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

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

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

(i) Credit risk

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

Exposure to credit risk:

	2013	2012
	$	$
Accounts and other receivables	**23,983,075**	2,083,647
Cash and bank balances	**8,334,512**	25,688,026
	32,317,586	27,771,673

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

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

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

25. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

(ii) Liquidity risk

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

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

	Carrying amount	Contractual cash flow	Less than 1 year
May 31, 2013:			
Accounts payable and accrued charges	3,573,238	3,573,238	3,573,238
	3,573,238	**3,573,238**	**3,573,238**
May 31, 2012:			
Accounts payable and accrued charges	6,558,595	6,558,595	6,558,595
	6,558,595	6,558,595	6,558,595

(iii) Market risk

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

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

(i) Foreign currency risk

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

25. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

(iii) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

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

	2013 US$	2012 US$
Foreign currency assets:		
Cash and bank balances	47,727	-

(ii) Interest rate risk

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

Sensitivity to interest rate movements:

The Company does not have variable rate instruments nor does it account for any fixed rate financial assets and liabilities at fair value through the statement of comprehensive income. Therefore a change in interest rates at the financial reporting date would not affect the statement of comprehensive income.

(iv) Cash flow risk

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