



**Knutsford** Express

City2City in comfort & style

Annual Report & Financial Statements

2014

## **CORPORATE DATA**

### **REGISTERED OFFICE:**

69 Gloucester Avenue  
Montego Bay

### **DEPOT LOCATIONS**

**KINGSTON**  
18 Dominica Drive, Kingston 5  
(Entrance on Grenada Crescent)  
Fax: 926-8940

### **MONTEGO BAY**

20 Harbour Circle (beside pier 1)  
Fax: 940-2573

### **OCHO RIOS**

Ocho Rios Jerk Centre

### **MANDEVILLE**

Corner of New Green &  
Caledonia Roads  
Shop # 1, Central Plaza,  
Mandeville, Manchester

### **FALMOUTH**

Glistening Waters

### **NEGRIL**

Across from Time Square Mall  
Norman Manley Boulevard

### **SAVANNA-LA-MAR**

Dunbar Mall, Shop # 7  
Savanna-la Mar, Westmoreland

### **LUANA SHOPPING VILLAGE**

### **& REST STOP**

Luana, St. Elizabeth

### **LAW FIRM:**

Hart, Muirhead Fatta  
Attorneys-At-Law  
Victoria Mutual Building  
2nd floor  
53 Knutsford Boulevard  
Kingston 5

### **BANKER:**

National Commercial Bank  
Baywest Centre  
Harbour Street  
Montego Bay  
St. James

### **AUDITORS:**

Crichton Mullings & Associates  
1 Ardenne Road  
Kingston 10

### **REGISTRAR & TRANSFER AGENTS**

Jamaica Central Securities Depository  
40 Harbour Street  
Kingston



## Who we are

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

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

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

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

Our contract with you is to take you city2city with only one rest stop in Ocho Rios to complete our hassle-free journey. (Please do not ask us to stop enroute)

Knutsford Express provides the most comfortable and effortless way to travel between Kingston, Ocho Rios, Montego Bay and soon, Negril.

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

Sit back and relax, let us do the driving for you. We'll get you there safely and on time.



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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 2014 Annual General Meeting of **KNUTSFORD EXPRESS SERVICES LIMITED** will be held at the Grandiosa Hotel located at 3 Ramparts Close, Montego Bay, Jamaica, on Tuesday, October 28, 2014 at 10:00a.m. for the purpose of transacting the following business:

1. To receive the Audited Accounts for the year ended May 31, 2014 together with the reports of the Directors and Auditors thereon,

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

## Resolution No. 1

"That the Audited Accounts for the year ended May 31, 2014, together with the reports of the Directors and Auditors thereon, be and are hereby adopted."

2. To elect Directors.

- (i) In accordance with Regulation 99 of the Company's Articles of Incorporation, the Directors retiring by rotation are Messrs. Gordon Townsend and Anthony Copeland, who being eligible for re-election, offer themselves for re-election.

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

## Resolution No. 2

"That the Directors, retiring by rotation, be re-elected by a Single Resolution."

## Resolution No. 3

"That Messrs. Gordon Townsend and Anthony Copeland, who are retiring by rotation in accordance with Regulation 105 of the Articles of Incorporation be and are hereby re-elected as Directors of the Company."

- (ii) In accordance with Regulation 105 of the Company's Articles of Incorporation, the Directors appointed since the last Annual General Meeting are Messrs. Peter Pearson, Wayne Wray, and Johann Heaven and being eligible offer themselves for re-election.

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

## Resolution No. 4

"That Messrs. Peter Pearson, Wayne Wray and Johann Heaven be and are hereby re-elected as Directors of the Company."

3. To approve the Remuneration of the Directors.

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

## Resolution No. 4

"That the amount shown in the Audited Accounts of the Company for the year ended May 31, 2014 as fees of the Directors for their services as Directors, be and are hereby approved."

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

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



# Notice of Annual General Meeting

## **Resolution No. 5**

"That the remuneration of the Auditors, CrichtonMullings & Associates, who have signified their willingness to continue in office, be such as may be agreed between the Directors of the Company and the Auditors."

## **5. Special Business**

### **Resolution No. 6**

To consider and (if thought fit) pass the following Special Resolution to amend the Company's Articles of Incorporation to provide for notices and documents to be sent to shareholders electronically with their consent and that Article 2 under the heading "Interpretation" and Article 142 under the heading "Notices" be amended respectively to read:-

Article 2: to include the following definitions following the definition of "In writing":-

"Electronic Format" means any technology utilized by facsimile machines, scanning devices, mail sent using computers or other similar automated or photographic devices, any other technological form of representation of information having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic or similar capabilities including but not limited to compact discs, tapes, soundtracks or other devices in which printed words, writing, sounds or other data are embodied so as to be capable of being reproduced (with or without the aid of some other equipment).

"Electronic Means" means any method of dispatch or communication of sounds, documents, words, writing, maps, photography, graphs, plans or other data which involves the use of equipment or technology having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic or similar capabilities including but not limited to facsimile

machines, electronic mail sent via computers, mobile or scanning devices, instant messages via mobile devices, short message services or via the internet.

Article 142: Article 142 under the heading "Notices" which presently reads "A notice may be given by the Company to any member either by personal delivery to him or by mailing it to his registered address, or (if he has no registered address in Jamaica) to the address, if any, within Jamaica supplied by him to the Company for the giving of notice to him. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of twenty-four hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of post."

be amended to read as follows:-

"Any notice to be given or any document required to be sent by the Company to any member may be:-

1. (a) sent to him personally in writing or by electronic format;
- (b) sent by post to him or to his registered address, or (if he has no registered address within Jamaica) to the address if any, within Jamaica supplied by him to the Company for the giving of notice to him in writing or electronic format; or
- (c) sent to him by electronic means.

PROVIDED HOWEVER that where such notice or document is specifically required by law or these Articles to be sent in writing (otherwise than in electronic format or by electronic means) the Company shall obtain the member's written consent prior to sending same to him in electronic format or by electronic means.

2. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of forty-eight (48) hours after the letter containing the same is posted, and in any other case at the time at which the letter would have been delivered in the ordinary course of post.
3. Where a notice or document is sent by electronic means service of the notice or document shall be deemed to be effected by properly dispatching the notice or document to the email address, any other electronic address or by facsimile, internet, or by short message service to the number provided by the member, and is deemed to be received by the intended recipient at the expiration of twenty-four (24) hours after the notice or document is so dispatched by the Company."

#### **Resolution No. 7**

To consider and (if thought fit) pass the following Special Resolution to amend the Company's Articles of Incorporation to not apply age limits of Directors and that Article 100 under the heading "Rotation of Directors" which presently reads "No person shall be appointed or re-appointed a director if at the time of his appointment or re-appointment he has attained the age of seventy years."

be amended respectively to read as follows:-

"No person shall be disqualified from being appointed a Director in accordance with these Articles by reason of having attained the age of seventy years or any other age, nor shall special notice or other special formality be required on that account. No Director shall vacate his office by reason only of his age."

Dated the (date)  
By Order of the Board



**Denise Douglas**  
Company Secretary  
Registered Office  
69 Gloucester Avenue  
Montego Bay, St. James

#### **NOTE:**

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

## Chairman's Statement



We closed the 2014 financial year, ending May 31, as a public company and are, indeed, proud to share our performance with our shareholders. Over the last 12 months, we worked assiduously in continuing to develop a company that is, at all times, delivering a service to our local community that is global in outlook and at the cutting edge of technology. Currently, the changes in Jamaican infrastructure and roadways present certain challenges, but also opportunities, to which we will respond to with the same alacrity that has guided us throughout our five years of existence.

The past year has seen good growth in both passenger travel and courier shipments. Knutsford Express Services has developed, locally and internationally, a reputation for world-class service that travelers can depend on, and which continues to drive demand organically for its services.

The board of directors, management and staff are committed to the entrenchment of our guiding values of safety, reliability, teamwork, total customer focus, mutual respect, continuous improvement and integrity. We are, therefore, ensuring that the necessary energy and resources are constantly being devoted to staff development and acquisition of modern and efficient luxury coaches for our customers' travelling comfort.

I would like to offer congratulations to the entire Knutsford family for the performance within this period and I have no doubt that we will continue to grow in all areas of endeavour.

To all our customers, we would like to thank you for all your support and business that have made Knutsford Express the company it is.

A handwritten signature in blue ink, appearing to read "Gordon Townsend".

**Gordon Townsend**  
Chairman



## Vision Statement

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

## Mission Statement

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



# Chief Executive Officer's Report



**Oliver Townsend**  
CEO

Our recently concluded financial year ending May 31, 2014 was significant in a number of ways, with the highlight being our company's successful listing on the junior market of the Jamaica Stock Exchange. We are pleased to report to shareholders that revenues grew by 59 per cent, up from \$203M the previous year to \$323M .

Our strong customer focus saw us quickly responding to the needs of the travelling market by extending our services along Jamaica's south coast. Despite starting these routes from scratch, we managed to realize a positive contribution and increased our net profit by 43 per cent from \$35M to \$50M. We are pleased that, even with the addition of new routes and in the environment of rising fuel prices, we were still able to contain fuel costs to 19.5 per cent of revenue.

The company was much stronger at the end of the financial year, with working capital increasing by 85 per cent to \$55.5M from \$23M. Accumulated surplus grew to \$108M from \$84M while total assets expanded by 61 per cent to \$215M from \$133M.

Earlier this year, our efforts were recognized when we were awarded the 2013 Gleaner Honour Award for our "contribution to innovating cross-country commuter logistics and recent expansion of service along Jamaica's south coast".

Knutsford Express has added more rigour to its driver training programme. Feedback from our valued customers indicate that our customer transportation officers continue to please our passengers by providing an enjoyable and safe atmosphere on our coaches. In addition, the quality of our customers' travel experience has been considerably enhanced through the efforts of our technical team which has worked diligently in improving our WIFI coverage rate that can now support up to 40 persons surfing the net simultaneously within areas covered by 4G mobile connectivity.

Our attention to heightened general customer service satisfaction has led us to renew our customer service training programmes and to bolster our complement of dedicated customer service representatives with less reliance on part-time staff.

During the financial year, we deployed four brand new coaches on the road and intend to stay on this path of fleet renewal to ensure that we are able to manage the growing demand for our service,



# Chief Executive Officer's Report

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satisfy ever increasing customer expectations and consistently improve our efficiency.

The courier service has contributed solidly to the boost in revenues over the last year. As a consequence of its input, we have developed teams in our busier offices to give their undivided attention to this growing business segment.

Towards the end of the last quarter we added more connections to our major destinations, offering our customers more options and convenience. Our new coach acquisitions in the near future will be raising the bar, yet again, in terms of customer features and operational efficiency.

Customers, staff and shareholders should expect another good year in 2015.



**Oliver Townsend**  
CEO

# Corporate Governance

## BOARD OF DIRECTORS

The Board of Directors of KNUTSFORD EXPRESS SERVICES LIMITED is responsible for the effective governance of the Company. They recognize that a sound corporate governance policy contributes to the creation of shareholder value and preserves confidence in the Company. Their main responsibility is to oversee the Corporate Affairs on behalf of our shareholders and to act as advisors to our management team in setting vision and strategy.

The Company was listed on the Junior Stock Exchange on January 15, 2014 with a new Board appointed on February 5, 2014 comprising of two (2) Executive Directors and four (4) Non-Executive Directors. We are pleased to advise that our board members are qualified, objective and committed. They possess certain key characteristics such as professionalism, integrity and strong leadership skills in their respective fields. The names of the directors and their qualifications are set out in the Directors' Profile section of this report.

The new Board met one (1) time during the financial year on February 5, 2014. At that meeting the Members of the Committees were appointed; duties and responsibilities of the Board were discussed and Management gave a presentation on the Financial, Customer, Internal and Staff and Learning Perspectives of the Company.

## BOARD COMMITTEES

The Audit Committee main responsibilities are to monitor the integrity of the financial statements of the company; to review the internal financial controls; to monitor and review the effectiveness of the internal audit function and to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process. The Audit Committee met one (1) time during the financial year on April 2, 2014.

The Chairman of the Audit Committee is Mr. Peter Pearson and he joined the Board on December 4, 2013. The Audit Committee Members are Messrs. Wayne Wray and Oliver Townsend.

The Compensation Committee main responsibilities are to decide (subject to Board approval) the remuneration of Executive Directors; to monitor and review a Performance Management Scheme and to review the organizational structure and its salary ranges for all staff.

The Chairman of the Compensation Committee is Mr. Wayne Wray and he joined the Board on December 4, 2013. The Compensation Committee members are Messrs. Peter Pearson and Anthony Copeland.



## Board of Directors' Profiles



**Gordon Townsend**  
Chairman & Non-Executive Director

**Gordon Townsend** is Chairman of the company. Prior to joining the company he has served for over 40 years in the Tourism Industry where he has held numerous positions.

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



**Oliver Townsend**  
Chief Executive Officer & Director

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

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

## Board of Directors' Profiles



**Anthony Copeland**  
Executive Director



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

**Anthony Copeland** is an Executive Director of the Company with special focus and responsibility on Operations, Maintenance and Standards. Mr. Copeland began his career in the Private Sector at Manhattan House in the area of Marketing before leaving to serve his country which led to 18 years in the Jamaican Defense Force in the Engineering Regiment.

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

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

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

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





**Wayne Wray**  
Non-Executive Director & Mentor

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

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



**Johann Heaven**  
Non-Executive Director

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

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

# List of Top Ten Largest Shareholders

As at May 31, 2014

SHAREHOLDER	UNITS
1. Oliver Townsend	35,200,001
2. Anthony Copeland	25,600,001
3. Gordon Townsend	19,200,001
4. Proven Investments Limited	10,193,738
5. Paula Townsend	3,204,817
6. Audley R. E. Crichton	1,812,228
7. Donald Chin	979,480
8. Lannaman & Morris (Shipping) Limited	974,899
9. Barbara M. Levy	763,081
10. Tricia-Ann Bicarie	381,652

## SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT MAY 31, 2014

DIRECTOR	SHAREHOLDINGS	CONNECTED PARTIES	SHAREHOLDINGS
Oliver Townsend	35,200,001	----	----
Anthony Copeland	25,600,001	----	----
Gordon Townsend	19,200,001	----	----
Wayne Wray	100,000	----	----
Peter Pearson	35,000	----	----

## Senior Management Team

### Fritz Davis

Maintenance Manager

### Hopeton Thompson

Operations Manager

### Joan Johnson

HR & Training Manager

### Kedon Peterkin

Customer Service & Jamaica West Manager



# Our Guiding Values

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

The following represents our seven core values:

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

## SAFETY

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

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

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

## RELIABILITY

We are cognizant of the fact that what our customers want most is consistent performance... a service that they can depend on. We are committed to live this value of reliability every day by:

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

## INTEGRITY

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

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

## TEAMWORK

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

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

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

## TOTAL CUSTOMER FOCUS

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

# Our Guiding Values

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

## CONTINUOUS IMPROVEMENT

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

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

Progress is impossible without the ability to admit mistakes.

## MUTUAL RESPECT

We, at Knutsford Express, subscribe wholeheartedly to the value of mutual respect. We are committed to listening to our fellow team members; respect and take into account contending views; and

respect the individuality of each team member. We give a warm, friendly greeting to each other every day.

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

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

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

## CORPORATE CUSTOMER PHILOSOPHY

"Going above and beyond for YOU."

## TEAM PHILOSOPHY

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

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



# Auditors' Report & Financial Statements

## Year ended May 31, 2014

## 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, 2014, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

Cont. /2

[www.crichtonmullings.com](http://www.crichtonmullings.com) | [admin@crichtonmullings.com](mailto:admin@crichtonmullings.com)

Kingston, Jamaica 1 Ardenne Road Kingston 10 876-946-1274	Montego Bay, Jamaica Half Moon Shopping Village Suite #21N, Rose Hall Montego Bay 876-953-5988	Miami, Florida 3350 SW 148th Avenue Suite 203 Miramar, FL 33027 954-862-2250	Atlanta, Georgia 903 Pavilion Court Suite I Atlanta, GA 30353 770-320-7786
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## **Independent Auditor's Report**

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### **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, 2014 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 & Assoc.*  
CrichtonMullings & Associates  
Chartered Accountants

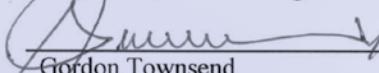
Kingston Jamaica  
August 29, 2014

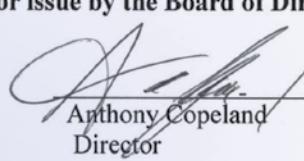
**KNUTSFORD EXPRESS SERVICES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MAY 31, 2014**

	<u>Notes</u>	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Goodwill	5	4,500,000	4,500,000
Property, plant and equipment	6	126,048,522	77,836,347 *
		<u>130,548,522</u>	<u>82,336,347</u>
<b>Current Assets</b>			
Inventories	7	13,883,587	9,664,542
Other assets	8	870,624	23,983,075
Related party receivables		-	1,724,000
Related party - lease deposit	9	4,875,000	5,000,000
Term deposit - restricted	10	2,363,464	2,320,539
Short term investment	11	11,239,869	-
Cash and bank balances	12	51,522,654	8,334,512
		<u>84,755,198</u>	<u>51,026,668</u>
<b>Total Assets</b>		<u>215,303,720</u>	<u>133,363,015</u>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital	13 (a)	51,805,097	1,000
Accumulated surplus		108,308,051	84,015,338
		<u>160,113,148</u>	<u>84,016,338</u>
<b>Non-current Liabilities</b>			
Notes payables	14	17,897,379	15,816,385
Shareholders' loan	15	452,840	452,840
Deferred tax liability	16	6,733,316	5,310,270
		<u>25,083,535</u>	<u>21,579,495</u>
<b>Current Liabilities</b>			
Accounts payable and accrued charges	17	9,700,712	3,573,238
Current portion of notes payable	14	16,488,680	13,430,678
Taxation payable	18	3,917,645	10,763,266
		<u>30,107,037</u>	<u>27,767,182</u>
<b>Total Equity and Liabilities</b>		<u>215,303,720</u>	<u>133,363,015</u>

\* - Restated to conform to current year presentation (see note 28)

The financial statements on pages 18-38 were approved for issue by the Board of Directors on August 29, 2014 and signed on its behalf by:

  
Gordon Townsend  
Chairman

  
Anthony Copeland  
Director

The accompanying notes form an integral part of the financial statements



**KNUTSFORD EXPRESS SERVICES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED MAY 31, 2014**

	<u>Notes</u>	2014 \$	2013 \$
<b>Revenues</b>	<b>4</b>	<b>323,155,481</b>	203,173,233
<b>Less:</b>			
Administrative and general expenses	19	<u>(263,541,340)</u>	<u>(145,827,181)</u> *
		<b>59,614,141</b>	57,346,052
Other income		<b>4,700,000</b>	-
<b>Operating profit</b>	<b>20</b>	<b>64,314,141</b>	57,346,052
Finance income	21	1,895,601	1,130,433 **
Finance costs	22	<u>(10,319,719)</u>	<u>(7,341,146)</u> *
<b>Profit before taxation</b>		<b>55,890,023</b>	51,135,339
<b>Taxation charge</b>	<b>23</b>	<b>5,597,310</b>	<b>16,073,536</b>
<b>Net profit, being total comprehensive income for the year</b>		<b>50,292,713</b>	<b>35,061,803</b>
 <b>Earnings per share</b>			
	13 (b)	\$1.07	\$35,061.80

\* - Reclassified to conform to 2014 presentation

The accompanying notes form an integral part of the financial statements

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED MAY 31, 2014**

	<u>Share Capital</u> <u>\$</u>	<u>Accumulated Surplus</u> <u>\$</u>	<u>Total</u> <u>\$</u>
Balance at 31 May 2012	1,000	48,953,535	48,954,535
Net profit, being total comprehensive income for the year	- <hr/>	35,061,803	35,061,803
Balance at 31 May 2013	1,000	84,015,338	84,016,338
<b>Transactions with owners:</b>			
Issue of bonus shares (see note 13)	26,000,000	(26,000,000)	-
Issue of additional shares (see note 13)	25,804,097	- <hr/>	25,804,097
Net profit, being total comprehensive income for the year	- <hr/>	50,292,713	50,292,713
<b>Balance at 31 May 2014</b>	<b><u>51,805,097</u></b>	<b><u>108,308,051</u></b>	<b><u>160,113,148</u></b>



**KNUTSFORD EXPRESS SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MAY 31, 2014**

	<u>Notes</u>	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		\$	\$
Net profit for the year		<u>50,292,713</u>	<u>35,061,803</u>
<b>Items not affecting cash resources:</b>			
Depreciation and amortization		<u>19,037,813</u>	7,104,584
Taxation charge		<u>5,597,310</u>	16,073,536
		<u>74,927,836</u>	58,239,923
(Increase) / decrease in operating assets:			
Accounts and other receivables		<u>24,836,452</u>	(31,563,970)
Inventories		<u>(4,219,045)</u>	-
Term deposit - restricted		<u>(42,925)</u>	(2,320,539)
Increase / (decrease) in operating liabilities:			
Accounts payable and accrued charges		<u>6,127,474</u>	(2,985,357)
		<u>101,629,792</u>	21,370,057
Income tax paid		<u>(11,019,885)</u>	(5,552,948)
Net cash provided by operating activities		<u>90,609,907</u>	15,817,109
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6	<u>(67,124,989)</u>	(14,875,360) *
Acquisition of investment	6	<u>(11,239,869)</u>	-
Acquisition of intangible assets	5	<u>-</u>	<u>(4,500,000)</u>
Net cash used in investing activities		<u>(78,364,858)</u>	(19,375,360)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shares issue		<u>25,804,097</u>	-
Proceeds from notes payable		<u>41,700,000</u>	-
Repayment of notes payable		<u>(36,561,004)</u>	(13,795,263)
Net cash provided by / (used in) financing activities		<u>30,943,093</u>	(13,795,263)
<b>NET INCREASE / (DECREASE) IN CASH AND BANK BALANCES</b>		<u>43,188,142</u>	(17,353,514)
<b>OPENING CASH AND BANK BALANCES</b>		<u>8,334,512</u>	25,688,026
<b>CLOSING CASH AND BANK BALANCES</b>		<u>51,522,654</u>	<u>8,334,512</u>
<b>REPRESENTED BY:</b>			
Cash at bank		<u>33,525,069</u>	5,661,684
Term and demand deposits		<u>17,997,585</u>	2,672,828
		<u>51,522,654</u>	<u>8,334,512</u>

\* - Restated to conform to current year presentation (see note 28)

The accompanying notes form an integral part of the financial statements

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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**1. IDENTIFICATION**

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

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

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

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

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

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

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



**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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

**(b) Changes in accounting standards and interpretations:**

Certain interpretations and amendments to existing standards became effective during the financial year. None of these new standards and amendments has had a material impact on the Company's operations.

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

- *IFRS 9 'Financial Instruments', issued November 2009*  
Effective for periods commencing on or after 1 January 2015
- *IAS 32 'Financial instruments: Presentation of Offsetting Financial Assets and Financial Liabilities -Amendment', issued December 2011.*  
Effective for periods commencing on or after 1 January 2014
- *IAS 39 'Financial Instruments: Recognition and Measurement - Amendment, Novation of derivatives and continuation of hedge accounting', issued June 2013*  
Effective for periods commencing on or after 1 January 2014
- *IAS 36 'Impairment of Assets - Amendment, Recoverable amount disclosures for non-financial assets', issued May 2013*  
Effective for periods commencing on or after 1 January 2014

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Property, plant and equipment**

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

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

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

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

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

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

**(b) Other assets**

Accounts and other receivables are stated at amortized cost.

Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the 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) Inventories**

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



**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(g) Foreign currencies**

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

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

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

**(h) Revenue recognition**

Revenue is measured at the fair value of the consideration received from the provision of transportation and courier services in the normal course of business, net of discounts, rebates and consumption taxes. Revenue 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.

**(i) Leases**

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

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

**(j) Goodwill**

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

**(k) Segment reporting**

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

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

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(k) Taxation**

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

**(l) Related party identification**

A party is related to the Company if:

(i) directly or indirectly the party:

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

(ii) the party is an associate of the Company

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

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

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

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

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

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



**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(m) Impairment**

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

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

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

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

**(n) Financial instruments**

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

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

Financial assets include cash and bank deposits, accounts receivable, 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 27.

**(o) Comparative information**

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

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

**4. REVENUES**

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

**5. GOODWILL**

	2014 \$	2013 \$
<b>Cost:</b>		
Purchased goodwill	<b>4,500,000</b>	4,500,000
<b>Balance at year end</b>	<b>4,500,000</b>	<b>4,500,000</b>

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

**6. PROPERTY, PLANT AND EQUIPMENT**

	Computer \$	Furniture Fixtures and Equipment \$	Motor Vehicles \$	Total \$
<b>At Cost:</b>				
Balance at June 1, 2012	1,758,915	25,011,799	68,298,356	*
Additions	<u>1,053,050</u>	<u>6,381,189</u>	<u>7,441,121</u>	*
Balance at May 31, 2013 (restated)	<u>2,811,965</u>	<u>31,392,988</u>	<u>75,739,477</u>	*
Balance at June 1, 2013	2,811,965	31,392,988	75,739,477	109,944,430
Additions	<u>553,595</u>	<u>14,608,454</u>	<u>51,962,940</u>	67,124,989
Balance at May 31, 2014	<u><b>3,365,560</b></u>	<u><b>46,001,442</b></u>	<u><b>127,702,417</b></u>	<u><b>177,069,419</b></u>
<b>Accumulated Depreciation:</b>				
Balance at June 1, 2012	833,350	2,208,164	21,961,986	*
Charge for the year	<u>431,091</u>	<u>2,963,967</u>	<u>3,709,526</u>	*
Balance at May 31, 2013 (restated)	<u>1,264,441</u>	<u>5,172,131</u>	<u>25,671,512</u>	*
Balance at June 1, 2013	1,264,441	5,172,131	25,671,512	32,108,084
Charge for the year	<u>623,353</u>	<u>4,050,199</u>	<u>14,239,261</u>	18,912,813
Balance at May 31, 2014	<u><b>1,887,794</b></u>	<u><b>9,222,330</b></u>	<u><b>39,910,773</b></u>	<u><b>51,020,897</b></u>
<b>Net book value:</b>				
At May 31, 2012	<u>925,565</u>	<u>22,803,635</u>	<u>46,336,370</u>	<u>70,065,570</u>
At May 31, 2013	<u>1,547,525</u>	<u>26,220,857</u>	<u>50,067,965</u>	*
At May 31, 2014	<u><b>1,477,766</b></u>	<u><b>36,779,112</b></u>	<u><b>87,791,644</b></u>	<u><b>126,048,522</b></u>

\*-Restated to conform with current year presentation (see note 28)

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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**7. INVENTORIES**

2014	2013
\$	\$
<b>13,883,587</b>	<b>9,664,542</b>

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

**8. OTHER ASSETS**

2014	2013
\$	\$
Accounts receivable	150,000
Deposit on motor vehicle	19,259,630
Other receivables	4,573,445
<b>870,624</b>	<b>23,983,075</b>

**9. RELATED PARTY - LEASE DEPOSIT**

2014	2013
\$	\$
<b>4,875,000</b>	<b>5,000,000</b>

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

**10. TERM DEPOSIT - RESTRICTED**

2014	2013
\$	\$
<b>2,363,464</b>	<b>2,320,539</b>

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 13).

**11. SHORT TERM INVESTMENT**

2014	2013
\$	\$
<b>11,239,869</b>	-

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

**12. CASH AND BANK BALANCES**

2014	2013
\$	\$
Current accounts	2,672,828
Foreign currency accounts	4,730,684
Cash balances	931,000
<b>51,522,654</b>	<b>8,334,512</b>

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

**13. SHARE CAPITAL**

	2014	2013
	\$	\$
<u>Authorized share capital:</u>		
100,005,000 Ordinary shares at no par value [a(i)]		
<u>Issued and fully paid:</u>		
997 (2013: 1000) Ordinary shares at no par value	1,000	1,000
<u>Additional share issue:</u>		
99,999,003 Ordinary shares at no par value [a(ii)]	25,804,097	-
<u>Issue of bonus shares:</u>		
3 Ordinary shares at no par value [a(iii)]	<u>26,000,000</u>	-
	<u>51,805,097</u>	1,000

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

(b) **Earnings per share**

Earnings per share is computed as the net profit for the year divided by the weighted average number of ordinary shares in issue for the year as at the date of the statement of financial position of 46,857,114 (2013: 1,000). For comparative purposes, the earnings per share for 2013, using the weighted average number of ordinary shares at the end of the 2014 financial year, would be \$0.74.

**14. NOTES PAYABLE**

	2014	2013
	\$	\$
Balance at the beginning of the year	29,247,063	43,042,325
Principal repayment	(36,561,004)	(13,795,262)
Additions during the year	<u>41,700,000</u>	-
Balance at the end of the year	34,386,059	29,247,063
Current portion of notes payable	<u>(16,488,680)</u>	(13,430,678)
	<u>17,897,379</u>	15,816,385

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

**15. SHAREHOLDERS' LOAN**

	2014	2013
	\$	\$
	<u>452,840</u>	452,840

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

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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**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:

	<b>2014</b>	<b>2013</b>
	\$	\$
Deferred tax liabilities	<u>6,733,316</u>	<u>5,310,270</u>
	<b><u>6,733,316</u></b>	<b><u>5,310,270</u></b>

Deferred tax liabilities are attributable to the following:

	<b>2014</b>	<b>2013</b>
	\$	\$
Property, plant and equipment	<u>6,733,316</u>	<u>5,310,270</u>
	<b><u>6,733,316</u></b>	<b><u>5,310,270</u></b>

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

	<b>2014</b>	<b>2013</b>
	\$	\$
Balance at the beginning of the period	<u>5,310,270</u>	<u>-</u>
Movement during the year	<u>1,423,046</u>	<u>5,310,270</u>
Balance at the end of the period	<b><u>6,733,316</u></b>	<b><u>5,310,270</u></b>

**17. ACCOUNTS PAYABLE AND ACCRUED CHARGES**

	<b>2014</b>	<b>2013</b>
	\$	\$
Accounts payable	<u>6,146,452</u>	<u>2,181,571</u>
Statutory liabilities	<u>2,203,243</u>	<u>724,888</u>
Other accruals	<u>1,351,017</u>	<u>666,779</u>
	<b><u>9,700,712</u></b>	<b><u>3,573,238</u></b>

**18. TAXATION PAYABLE**

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

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

	<b>2014</b>	<b>2013</b>
	\$	\$
Net tax liability at the beginning of the year	<u>10,763,266</u>	<u>5,552,948</u>
Income tax charge for the year:	<u>4,174,264</u>	<u>10,763,266</u>
Less: taxes paid during the year	<u>(10,763,266)</u>	<u>(5,552,948)</u>
Less: estimated tax payments made during the year	<u>(256,619)</u>	<u>-</u>
<b>Net tax payable at the end of the year</b>	<b><u>3,917,645</u></b>	<b><u>10,763,266</u></b>

**KNUTSFORD EXPRESS SERVICES LIMITED**  
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**19. ADMINISTRATIVE AND GENERAL EXPENSES**

	2014 \$	2013 \$
Salaries wages and related expenses	<b>54,653,218</b>	32,773,964
Employers' statutory contribution	<b>16,580,565</b>	9,991,180
Staff uniform	<b>1,078,086</b>	1,316,597
Staff training and welfare	<b>775,139</b>	294,582
Electricity	<b>3,588,401</b>	2,387,146
Telephone	<b>4,724,982</b>	3,990,960
Asset tax	<b>100,000</b>	100,000
Water	<b>682,380</b>	150,885
Office supplies	<b>2,863,054</b>	1,219,985
License and permits	<b>2,613,432</b>	2,170,959
Fuel	<b>63,172,239</b>	39,313,202
Motor vehicle rental	<b>1,863,000</b>	3,129,950
Lease rental	<b>-</b>	(2,634,292)
Motor vehicle repairs and maintenance	<b>3,010,273</b>	3,878,431
Initial public offering expense	<b>4,582,195</b>	-
Repairs and maintenance	<b>4,422,868</b>	3,403,888
Equipment rental	<b>565,433</b>	91,240
Rent	<b>4,844,356</b>	2,930,431
Registration fees	<b>-</b>	39,400
Travelling	<b>2,291,001</b>	43,988
Communication equipment	<b>95,853</b>	54,173
Accommodation	<b>212,300</b>	202,600
Marketing	<b>-</b>	1,340,000
Advertising and promotion	<b>9,540,686</b>	5,128,004
Professional fees	<b>4,320,817</b>	1,217,325
Passenger supplies	<b>5,438,278</b>	3,224,202
Parts and supplies	<b>23,790,079</b>	7,118,391
Dues and subscription	<b>-</b>	90,111
Wrecker fees	<b>65,775</b>	112,620
Insurance	<b>12,643,325</b>	7,555,328
Cleaning and sanitation	<b>1,466,225</b>	592,842
Postage and delivery	<b>197,014</b>	183,990
Toll fees	<b>2,821,600</b>	1,240,000
Printing and stationery	<b>2,726,326</b>	-
Audit fees	<b>750,000</b>	650,000
Accounting fees	<b>502,500</b>	440,000
Casual labour	<b>562,150</b>	-
Contract labour	<b>15,000</b>	-
Custom duty	<b>1,992,612</b>	-
Depreciation and amortization	<b>19,037,813</b>	7,104,584
Security	<b>4,952,355</b>	4,980,515
	<b><u>263,541,340</u></b>	<b><u>145,827,181</u></b>

\* - Reclassified to conform to 2014 presentation



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**20. OPERATING PROFIT**

	2014 \$	2013 \$
	<u>64,314,141</u>	<u>57,346,052</u>

Stated after charging the following:

	2014 \$	2013 \$
Auditor's remuneration	<u>750,000</u>	<u>650,000</u>

**21. FINANCE INCOME**

	2014 \$	2013 \$
Interest income	<u>238,714</u>	<u>203,801</u>
Exchange gains	<u>1,656,887</u>	<u>926,632</u>
	<u>1,895,601</u>	<u>1,130,433</u>

**22. FINANCE COSTS**

	2014 \$	2013 \$
Loan interest	<u>4,199,562</u>	<u>4,176,965</u>
Interest and penalties	<u>-</u>	<u>117,794</u>
Bank charges	<u>6,120,157</u>	<u>3,046,387</u>
	<u>10,319,719</u>	<u>7,341,146</u>

**23. TAXATION CHARGE**

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

Income tax is computed at 25% (2013: 25%) of the profit, 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:

	2014 \$	2013 \$
Current:		
Provision for charge on current profit	<u>4,174,264</u>	<u>10,763,266</u>
Deferred:		
Origination and reversal of temporary differences	<u>1,423,046</u>	<u>5,310,270</u>
	<u>5,597,310</u>	<u>16,073,536</u>

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**23. TAXATION CHARGE (CONT'D)**

(b) Reconciliation of effective tax rate and charge:

	2014 \$	%	2013 \$	%
Profit before taxation for the year	<u>55,890,023</u>		<u>51,135,339</u>	
Computed tax charge	13,972,506	25	12,783,835	25
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	31,250	-	3,289,702	6
Unrealized exchange gains	(473,900)	-1		
Remission of income taxes	(7,957,546)	-14	-	
Other adjustments	25,000	-	-	
Actual charge and tax rate	<u>5,597,310</u>	<u>10</u>	<u>16,073,536</u>	<u>31</u>

**Remission of income tax:**

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

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Subject to agreement with the Ministry of Finance and Planning, the income tax payable for which remission will be sought is \$7,957,546 (2013 - \$NIL).

**24. RELATED PARTIES**

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

	2014 \$	2013 \$
Lease deposit to related company	<u>4,875,000</u>	<u>5,000,000</u>
Loan due from related company	<u>-</u>	<u>1,724,000</u>
Amounts due to key management personnel	<u>452,840</u>	<u>452,840</u>

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

	2014 \$	2013 \$
Transactions with key management personnel:		
- Directors' fees	240,000	-
- Management remuneration	<u>6,978,776</u>	<u>3,452,690</u>

**25. LEASE COMMITMENTS**

At May 31, 2014, there were unexpired operating lease commitments in relation to leasehold property, payable as follows:

	2014 \$	2013 \$
Within one year	5,438,160	4,844,356
Between one and five years	<u>5,438,160</u>	<u>10,876,320</u>
	<u>10,876,320</u>	<u>15,720,676</u>

During the year, the total operating lease expenses recognized amounted to \$4,844,356 (2013: \$2,930,431).



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**YEAR ENDED MAY 31, 2014**

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**26. STAFF COSTS**

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

	2014	2013
Permanent	<u>54</u>	<u>47</u>

The aggregate payroll costs for these persons were as follows:

	2014	2013
	\$	\$
Salaries and profit related pay	56,506,444	34,385,143
Statutory payroll contributions	16,580,565	9,991,180
	<u>73,087,009</u>	<u>44,376,323</u>

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

The following methods and assumptions have been used.

The amounts included in the financial statements for cash and 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.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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

**(i) Credit risk**

Credit risk is the risk of a financial loss arising from 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:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Accounts and other receivables	<b>870,624</b>	<b>23,983,075</b>
Cash and bank balances	<b>51,522,654</b>	<b>8,334,512</b>
	<b><u>52,393,278</u></b>	<b><u>32,317,586</u></b>

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

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



**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2014**

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**27. 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
<b>May 31, 2014:</b>			
Accounts payable and accrued charges	<u>9,700,712</u>	<u>9,700,712</u>	<u>9,700,712</u>
	<b><u>9,700,712</u></b>	<b><u>9,700,712</u></b>	<b><u>9,700,712</u></b>
<b>May 31, 2013:</b>			
Accounts payable and accrued charges	<u>3,573,238</u>	<u>3,573,238</u>	<u>3,573,238</u>
	<b><u>3,573,238</u></b>	<b><u>3,573,238</u></b>	<b><u>3,573,238</u></b>

**(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 to this risk is the United States dollar.

**KNUTSFORD EXPRESS SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**27. 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:

	<u>2014</u> US\$	<u>2013</u> US\$
<b>Foreign currency assets:</b>		
Cash and bank balances	293,177	47,727
Short term investment	101,406	-
	<u>394,583</u>	<u>47,727</u>

**(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, it is therefore not subject to interest rate sensitivity.

**(iv) Cash flow risk**

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

**28. PRIOR PERIOD ADJUSTMENT**

During the prior period ended May 31, 2013, the Company's buses were erroneously classified as investment properties in the statement of financial position. At the reporting date ended May 31, 2014 the presentation of the Company's buses was corrected. This correction has had no effect on accumulated surplus as previously reported, see below:

	<u>As previously reported</u>	<u>Adjustments</u>	<u>Restated as at May 31, 2013</u>
Investment properties	50,067,965	(50,067,965)	-
Property, plant and equipment	<u>27,768,382</u>	<u>50,067,965</u>	<u>77,836,347</u>

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