

KNUTSFORD EXPRESS SERVICES LIMITED

GROUP FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2017

KNUTSFORD EXPRESS SERVICES LIMITED
GROUP FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of KNUTSFORD EXPRESS SERVICES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying financial statements of Knutsford Express Services Limited (the "Company"), and the consolidated financial statements of the Company and its subsidiary (the "Group") set out on pages 6 to 34. These financial statements comprise the Group and the Company statements of financial position as at May 31, 2017, the Group and Company statements of comprehensive income, the Group and Company statements of changes in equity, and the Group and Company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the as at May 31, 2017, and of its separate and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act (the "Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report*. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No key audit matters were identified that require disclosure during the process of the audit.

Cont. /2

Independent Auditor's Report (cont'd)

**To the members of
KNUTSFORD EXPRESS SERVICES LIMITED**

Other information

Management is responsible for the other information. The other information comprises information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate to the Board of Directors.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group's, or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (cont'd)

**To the members of
KNUTSFORD EXPRESS SERVICES LIMITED**

Auditor's responsibilities for the audit of the Consolidated financial statements

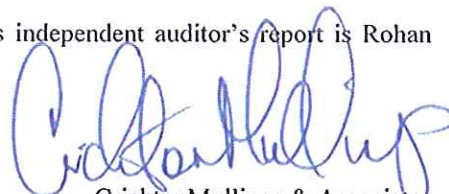
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix of this auditor's report. This description, which is located at pages 4-5, forms part of our auditor's report.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Act, in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Rohan Crichton.


CrichtonMullings & Associates
Chartered Accountants

Kingston Jamaica
July 28, 2017

Independent Auditor's Report (cont'd)

To the members of

KNUTSFORD EXPRESS SERVICES LIMITED

Appendix to the independent auditor's report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report (cont'd)

To the members of
KNUTSFORD EXPRESS SERVICES LIMITED

Appendix to the independent auditor's report (cont'd)

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KNUTSFORD EXPRESS SERVICES LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2017

	<u>Notes</u>	2017 \$	2016 \$
ASSETS			
Non-current Assets			
Goodwill	5	4,500,000	4,500,000
Property, plant and equipment	6	345,147,482	293,930,590
Related party - lease deposit	10	4,500,000	4,625,000
Term deposit - restricted	11	2,559,433	2,511,064
		<u>356,706,915</u>	<u>305,566,654</u>
Current Assets			
Inventories	8	17,618,201	22,264,022
Other assets	9	56,562,277	26,986,352
Short term investments	12	91,865,296	43,287,156
Cash and bank balances	13	64,664,605	44,666,367
		<u>230,710,379</u>	<u>137,203,897</u>
Total Assets		<u><u>587,417,294</u></u>	<u><u>442,770,551</u></u>
EQUITY & LIABILITIES			
Equity			
Share capital	14	51,805,097	51,805,097
Accumulated surplus		430,828,198	284,487,917
		<u>482,633,295</u>	<u>336,293,014</u>
Non-current Liabilities			
Notes payable	16	39,629,108	39,045,734
Shareholders' loan	17	452,840	452,840
Deferred tax liability	18	12,056,347	18,120,223
		<u>52,138,295</u>	<u>57,618,797</u>
Current Liabilities			
Accounts payable and accrued charges	19	30,888,507	28,319,179
Current portion of notes payable	16	21,757,197	20,539,561
		<u>52,645,704</u>	<u>48,858,740</u>
Total Equity and Liabilities		<u><u>587,417,294</u></u>	<u><u>442,770,551</u></u>

The financial statements on pages 6 to 34 were approved for issue by the Board of Directors on July 28, 2017 and signed on its behalf by:

Director



Director

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MAY 31, 2017

	<u>Notes</u>	2017 \$	2016 \$
Revenues	4	752,399,634	584,489,311
Less:			
Administrative and general expenses	20	<u>(580,569,639)</u>	<u>(447,801,383)</u>
		171,829,995	136,687,928
Other income		<u>8,531,808</u>	<u>3,934,644</u>
Operating profit	21	180,361,803	140,622,573
Finance income	22	1,747,067	1,852,735
Finance costs	23	<u>(17,742,465)</u>	<u>(14,197,161)</u>
Profit before taxation		164,366,405	128,278,147
Taxation (credit) / charge	24	<u>(5,973,876)</u>	<u>6,438,077</u>
Net profit, being total comprehensive income for the year		<u>170,340,281</u>	<u>121,840,070</u>
Earnings per share for profit attributable to the shareholders of the Company during the year	15	<u>\$1.70</u>	<u>\$1.22</u>

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
GROUP STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MAY 31, 2017

	<u>Share Capital</u> \$	<u>Accumulated Surplus</u> \$	<u>Total</u> \$
Balance at May 31, 2015	51,805,097	177,647,847	229,452,944
Transactions with owners:			
Dividends paid being total distribution to owners (note 28)	-	(15,000,000)	(15,000,000)
Total transactions with owners	-	(15,000,000)	(15,000,000)
Net profit, being total comprehensive income for the year	-	121,840,070	121,840,070
Balance at May 31, 2016	51,805,097	284,487,917	336,293,014
Transactions with owners:			
Dividends paid being total distribution to owners (note 28)	-	(24,000,000)	(24,000,000)
Total transactions with owners	-	(24,000,000)	(24,000,000)
Net profit, being total comprehensive income for the year	-	170,340,281	170,340,281
Balance at May 31, 2017	<u>51,805,097</u>	<u>430,828,198</u>	<u>482,633,295</u>

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
GROUP STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2017

	<u>Notes</u>	2017	2016
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		170,340,281	121,840,070
Items not affecting cash resources:			
Depreciation and amortisation		56,023,044	37,381,782
Loss on disposal of property, plant and equipment		500,116	-
Taxation (credit) / charge		<u>(5,973,876)</u>	<u>6,438,077</u>
		220,889,565	165,659,929
(Increase) / decrease in operating assets:			
Other assets		(29,575,924)	(6,136,178)
Inventories		4,645,821	(6,508,878)
Increase in operating liabilities:			
Accounts payable and accrued charges		<u>2,569,326</u>	<u>8,597,918</u>
		198,528,788	161,612,791
Income tax paid		<u>(90,000)</u>	<u>(120,000)</u>
Net cash provided by operating activities		<u>198,438,788</u>	<u>161,492,791</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(107,615,051)	(156,965,196)
Placement of investment		<u>(48,578,140)</u>	<u>(31,228,499)</u>
Net cash used in investing activities		<u>(156,193,191)</u>	<u>(188,193,695)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(24,000,000)	(15,000,000)
Term deposit - restricted		(48,370)	(71,881)
Proceeds from notes payable		25,000,000	60,000,000
Repayment of notes payable		<u>(23,198,990)</u>	<u>(18,969,478)</u>
Net cash (used in) / provided by financing activities		<u>(22,247,360)</u>	<u>25,958,641</u>
NET INCREASE / (DECREASE) IN CASH AND BANK BALANCES		19,998,237	(742,263)
OPENING CASH AND BANK BALANCES		<u>44,666,368</u>	<u>45,408,631</u>
CLOSING CASH AND BANK BALANCES		<u>64,664,605</u>	<u>44,666,368</u>


The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2017

	<u>Notes</u>	2017 \$	2016 \$
ASSETS			
Non-current Assets			
Goodwill	5	4,500,000	4,500,000
Property, plant and equipment	6	330,520,583	280,094,864
Due from subsidiary	7	21,294,761	17,365,954 *
Investment in subsidiary		6,000	6,000 *
Related party - lease deposit	10	4,500,000	4,625,000
Term deposit - restricted	11	2,559,433	2,511,064
		<u>363,380,777</u>	<u>309,102,882</u>
Current Assets			
Inventories	8	17,618,201	22,264,022
Other assets	9	56,526,646	24,586,352
Short term investments	12	91,865,296	43,287,156
Cash and bank balances	13	60,278,022	44,666,367
		<u>226,288,165</u>	<u>134,803,897</u>
Total Assets		<u><u>589,668,942</u></u>	<u><u>443,906,779</u></u>
EQUITY & LIABILITIES			
Equity			
Share capital	14	51,805,097	51,805,097
Accumulated surplus		432,689,434	285,355,088
		<u>484,494,531</u>	<u>337,160,185</u>
Non-current Liabilities			
Notes payable	16	39,629,108	39,045,734
Shareholders' loan	17	452,840	452,840
Deferred tax liability	18	12,646,759	18,389,280
		<u>52,728,707</u>	<u>57,887,854</u>
Current Liabilities			
Accounts payable and accrued charges	19	30,688,507	28,319,179
Current portion of notes payable	16	21,757,197	20,539,561
		<u>52,445,704</u>	<u>48,858,740</u>
Total Equity and Liabilities		<u><u>589,668,942</u></u>	<u><u>443,906,779</u></u>

The financial statements on pages 6 to 34 were approved for issue by the Board of Directors
On July 28, 2017 and signed on its behalf by:

Director



Director

* - Reclassified to conform to current year presentation

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
COMPANY STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MAY 31, 2017

	<u>Notes</u>	2017	2016
		<u>₹</u>	<u>₹</u>
Revenues	4	752,399,634	583,370,111
Less:			
Administrative and general expenses	20	<u>(579,452,052)</u>	<u>(445,605,954)</u>
		172,947,582	137,764,157
Other income		<u>8,531,808</u>	<u>3,934,644</u>
Operating profit	21	181,479,390	141,698,801
Finance income	22	1,747,067	1,852,735
Finance costs	23	<u>(17,574,632)</u>	<u>(14,197,161)</u>
Profit before taxation		165,651,825	129,354,375
Taxation (credit) / charge	24	<u>(5,682,521)</u>	<u>6,647,134</u>
Net profit, being total comprehensive income for the year		<u><u>171,334,346</u></u>	<u><u>122,707,241</u></u>
Earnings per share for profit attributable to the shareholders of the Company during the year	15	<u><u>\$1.70</u></u>	<u><u>\$1.22</u></u>

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MAY 31, 2017

	<u>Share</u> <u>Capital</u> <u>\$</u>	<u>Accumulated</u> <u>Surplus</u> <u>\$</u>	<u>Total</u> <u>\$</u>
Balance at May 31, 2015	51,805,097	177,647,847	229,452,944
Transactions with owners:			
Dividends paid being total distribution to owners (note 28)	-	(15,000,000)	(15,000,000)
Total transactions with owners	-	(15,000,000)	(15,000,000)
Net profit, being total comprehensive income for the year	-	122,707,241	122,707,241
Balance at May 31, 2016	51,805,097	285,355,088	337,160,185
Transactions with owners:			
Dividends paid being total distribution to owners (note 28)	-	(24,000,000)	(24,000,000)
Total transactions with owners	-	(24,000,000)	(24,000,000)
Net profit, being total comprehensive income for the year	-	171,334,346	171,334,346
Balance at May 31, 2017	<u>51,805,097</u>	<u>432,689,434</u>	<u>484,494,531</u>

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2017

	<u>Notes</u>	2017	2016
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		171,334,346	122,707,241
Items not affecting cash resources:			
Depreciation and amortisation		54,014,216	36,780,229
Loss on disposal of property, plant and equipment		500,116	-
Taxation (credit) / charge		<u>(5,682,521)</u>	<u>6,647,134</u>
		220,166,157	166,134,604
(Increase) / decrease in operating assets:			
Other assets		(31,940,295)	(3,736,178)
Inventories		4,645,821	(6,508,878)
Due from subsidiary		(3,928,807)	(17,365,954)
Increase in operating liabilities:			
Accounts payable and accrued charges		<u>2,369,329</u>	<u>8,597,917</u>
		191,312,205	147,121,511
Income tax paid		<u>(60,000)</u>	<u>(60,000)</u>
Net cash provided by operating activities		<u>191,252,205</u>	<u>147,061,511</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(104,815,051)	(142,527,917)
Placement of investment		<u>(48,578,140)</u>	<u>(31,228,499)</u>
Net cash used in investing activities		<u>(153,393,191)</u>	<u>(173,756,416)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(24,000,000)	(15,000,000)
Term deposit - restricted		(48,370)	(71,881)
Proceeds from notes payable		25,000,000	60,000,000
Repayment of notes payable		<u>(23,198,990)</u>	<u>(18,969,478)</u>
Net cash (used in) / provided by financing activities		<u>(22,247,360)</u>	<u>25,958,641</u>
NET INCREASE / (DECREASE) IN CASH AND BANK BALANCES		15,611,655	(736,264)
OPENING CASH AND BANK BALANCES		<u>44,672,367</u>	<u>45,408,631</u>
CLOSING CASH AND BANK BALANCES		<u><u>60,284,022</u></u>	<u><u>44,672,367</u></u>

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

1. IDENTIFICATION

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

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

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 100% remission of income taxes for the first five (5) years and 50% remission for the next five (5) years thereafter, providing that the Company complies with the requirements of the Jamaica Stock Exchange Junior Market. The 50% remission, which was withdrawn from the Junior Market by the Ministry of Finance and Planning on December 31, 2013 for subsequent listings, was reinstated in October 2016.

The Company has a wholly owned subsidiary, KE Connect Limited (the "Subsidiary"). The Subsidiary is incorporated in Jamaica under the Act. The Subsidiary is domiciled in Jamaica with its registered office at 10 Harbour Circle, Montego, Bay, St. James. The subsidiary provides convenient connections to the island's international airports.

The Company and its subsidiary are collectively referred to as the "Group". The principal activity of the Group is the provision of transportation and courier services.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of Compliance

The Group's financial statements have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) and the relevant requirements of 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.

(b) Consolidation

(i) Subsidiary

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date the control ceases.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

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

(b) Consolidation (cont'd)

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains.

(c) 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 have had a material impact on the Group's operations.

The Group has identified the following revised or new International Financial Reporting Standards, Amendments and Interpretations which have been issued but are not yet effective, and which have not been adopted early. Those which may be relevant to the Group's operations are as follows:

- *IFRS 9 'Financial instruments 2014, Amendment'*, issued July 2014. Effective for periods commencing on or after 1 January 2018. IFRS 9 was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.
- *IAS 12 Income Taxes* - issued in January 2016, Effective for annual period beginning on or after January 1, 2019. IAS 12 Income Taxes implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognises both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognised, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.
- *IFRS 15 'Revenue from Contracts with Customers'*, issued April, 2016. Effective for periods commencing on or after 1 January 2018. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.
- *IFRS 16 'Leases'* issued in January 2016, Effective for annual periods beginning on or after January 2019. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
- *IAS 7 Statement of Cash Flows – Amendment'*, issued in January 2016, Effective for annual period beginning on or after January 1, 2017. IAS 7 Statement of Cash Flows requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the 'direct' or 'indirect' method), investing activities or financing activities, with the latter two categories generally presented on a gross basis.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

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

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of replacing part of an item is recognized in the carrying amount of the item if it is probable that the future economic benefits associated with the item will flow to the Group 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 recognised in the statement of comprehensive income on the straight-line basis, over the estimated useful lives of the assets. The rates of depreciation in use are:

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

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

(b) Other assets

Accounts and other receivables are stated at amortized cost.

Appropriate allowances for estimated irrecoverable amounts are recognised 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 utilised for the maintenance of the Group's motor vehicles. Inventories are stated at the lower of cost and net realisable 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, 2017

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 Group operates (the functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group'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 settlement of monetary items and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

(h) Revenue recognition

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

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

(i) Leases

Leases are classified as finance leases 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. Goodwill is carried at costs less impairment. The Group 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 Group that engages in business activities from which it may earn and incur expenses; whose operation results are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") who decides 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 Group are considered as one operating segment.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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.

(m) Related party identification

A party is related to the Group if:

- (i)** directly or indirectly the party:
 - controls, is controlled by, or is under common control with the Group;
 - has an interest in the Group and Company that gives it significant influence over the Group
or
 - has joint control over the Group.
- (ii)** the party is an associate of the Group.
- (iii)** the party is a joint venture in which the Group is a venturer;
- (iv)** the party is a member of the key management personnel of the Group
- (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 Group, or of any company that is a related party of the Group.

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, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment

At each statement of financial position date, the Group 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 Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The 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.

(o) Financial instruments

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

Financial liabilities and equity instruments issued by the Group 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 Group 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 notes payable, shareholders' loans and 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 29.

(p) Dividends

Dividends on ordinary shares are recognised in shareholders equity in the period in which they are approved by the Group's Board of Directors.

(q) 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, 2017

4. REVENUES

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

5. GOODWILL

	Group and Company	
	2017	2016
	<u>\$</u>	<u>\$</u>
Cost:		
Purchased goodwill	4,500,000	4,500,000
Current amount amortised during the year	-	-
Balance at year end	4,500,000	4,500,000

Goodwill resulted from the acquisition of South Coast Express Limited. The Group 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

Group:	Computer	Furniture Fixtures and Equipment	Leasehold Improvement	Motor Vehicles	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
At Cost:					
Balance at June 1, 2015	4,812,621	60,059,442	6,984,700	178,482,168	250,338,931
Additions	3,421,068	6,753,439	5,587,272	141,203,417	156,965,196
Balance at May 31, 2016	8,233,689	66,812,881	12,571,972	319,685,585	407,304,127
Balance at June 1, 2016	8,233,689	66,812,881	12,571,972	319,685,585	407,304,127
Additions	4,687,991	16,831,209	19,878,142	66,217,709	107,615,051
Disposal	-	-	-	(12,674,142)	(12,674,142)
Balance at May 31, 2017	12,921,680	83,644,090	32,450,114	373,229,152	502,245,036
Accumulated Depreciation:					
Balance at June 1, 2015	2,712,569	14,707,310	116,412	58,580,464	76,116,755
Charge for the year	1,183,607	6,302,129	1,052,413	28,718,633	37,256,782
Balance at May 31, 2016	3,896,176	21,009,439	1,168,825	87,299,097	113,373,537
Balance at June 1, 2016	3,896,176	21,009,439	1,168,825	87,299,097	113,373,537
Charge for the year	2,169,815	7,490,803	2,076,283	44,161,142	55,898,043
Disposal	-	-	-	(12,174,026)	(12,174,026)
Balance at May 31, 2017	6,065,991	28,500,242	3,245,108	119,286,213	157,097,554
Net book value:					
At May 31, 2015	2,100,052	45,352,132	6,868,288	119,901,704	174,222,176
At May 31, 2016	4,337,513	45,803,442	11,403,147	232,386,488	293,930,590
At May 31, 2017	6,855,689	55,143,848	29,205,006	253,942,939	345,147,482

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company:

	<u>Computer</u>	<u>Furniture Fixtures and Equipment</u>	<u>Leasehold Improvement</u>	<u>Motor Vehicles</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
At Cost:					
Balance at June 1, 2015	4,812,621	60,059,442	6,984,700	178,482,168	250,338,931
Additions	3,421,068	6,753,439	5,587,272	126,766,138	142,527,917
Balance at May 31, 2016	8,233,689	66,812,881	12,571,972	305,248,306	392,866,848
Balance at June 1, 2016	8,233,689	66,812,881	12,571,972	305,248,306	392,866,848
Additions	4,687,991	16,831,209	19,878,142	63,417,709	104,815,051
Disposal	-	-	-	(12,674,142)	(12,674,142)
Balance at May 31, 2017	<u>12,921,680</u>	<u>83,644,090</u>	<u>32,450,114</u>	<u>355,991,873</u>	<u>485,007,757</u>
Accumulated Depreciation:					
Balance at June 1, 2015	2,712,569	14,707,310	116,412	58,580,464	76,116,755
Charge for the year	1,183,607	6,302,129	1,052,413	28,117,080	36,655,229
Balance at May 31, 2016	3,896,176	21,009,439	1,168,825	86,697,544	112,771,984
Balance at June 1, 2016	3,896,176	21,009,439	1,168,825	86,697,544	112,771,984
Charge for the year	2,169,815	7,490,803	2,076,283	42,152,315	53,889,216
Disposal	-	-	-	(12,174,026)	(12,174,026)
Balance at May 31, 2017	<u>6,065,991</u>	<u>28,500,242</u>	<u>3,245,108</u>	<u>116,675,833</u>	<u>154,487,174</u>
Net book value:					
At May 31, 2015	<u>2,100,052</u>	<u>45,352,132</u>	<u>6,868,288</u>	<u>119,901,704</u>	<u>174,222,176</u>
At May 31, 2016	<u>4,337,513</u>	<u>45,803,442</u>	<u>11,403,147</u>	<u>218,550,762</u>	<u>280,094,864</u>
At May 31, 2017	<u>6,855,689</u>	<u>55,143,848</u>	<u>29,205,006</u>	<u>239,316,040</u>	<u>330,520,583</u>

7. DUE FROM SUBSIDIARY

<u>Company</u>	
2017	2016
<u>\$</u>	<u>\$</u>
<u>21,294,761</u>	<u>17,365,954</u>

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

8. INVENTORIES

<u>Group and Company</u>	
2017	2016
<u>\$</u>	<u>\$</u>
<u>17,618,201</u>	<u>22,264,022</u>

Inventories represent unused parts and accessories as at the year-end which are used for the maintenance of the Group's motor vehicles.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

9. OTHER ASSETS

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accounts receivable	946,708	3,600,039	946,708	3,600,039
Deposit on motor vehicles	49,012,303	19,819,246	49,012,303	17,419,246
Prepayments	944,059	2,400,026	908,428	2,400,026
Undeposited funds	3,072,120	-	3,072,120	-
Other receivables	2,587,088	1,167,041	2,587,088	1,167,041
	<u>56,562,277</u>	<u>26,986,352</u>	<u>56,526,646</u>	<u>24,586,352</u>

10. RELATED PARTY - LEASE DEPOSIT

	Group and Company	
	2017	2016
	\$	\$
Balance at the start of the year	4,625,000	4,750,000
Current amount amortised during the year	(125,000)	(125,000)
Balance at the end of the year	<u>4,500,000</u>	<u>4,625,000</u>

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 amortised over the life of the lease.

11. TERM DEPOSIT - RESTRICTED

	Group and Company	
	2017	2016
	\$	\$
	<u>2,559,433</u>	<u>2,511,064</u>

The term deposit is held with National Commercial Bank Jamaica Limited (NCB) at interest rate of 2.55% (2016: 2.4%) per annum. The term deposit is used to secure a loan from NCB (see note 16).

12. SHORT TERM INVESTMENTS

	Group and Company	
	2017	2016
	\$	\$
Proven Wealth (i)	14,192,069	-
Proven Wealth (ii)	-	13,287,156
NCB fixed deposits (iii)	51,231,200	-
First Global Bank (iv)	26,442,027	43,287,156
	<u>91,865,296</u>	<u>56,574,312</u>

- (i) This is a USD commercial paper which matures in March 2018, which earns interest at 3% per annum.
- (ii) This is a USD short term investment which earned interest at 0.95% per annum in 2016.
- (iii) These represent US\$240,000 and JMD\$20,000,000 which earn interest at 0.6% and 3.5% per annum respectively.
- (iv) This is a JMD investment which earns interest at 5% (2016: 5.25%) per annum.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

13. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current accounts	43,022,344	21,370,424	38,773,967	21,370,424
Foreign currency accounts	17,608,943	15,580,007	17,470,737	15,580,007
Cash balances	4,033,318	7,715,936	4,033,318	7,715,936
	<u>64,664,605</u>	<u>44,666,367</u>	<u>60,278,022</u>	<u>44,666,367</u>

The weighted average effective interest rate for cash and bank balances is 0.17% (2016: 0.13%). The cash and bank balances are unrestricted.

14. SHARE CAPITAL

	Group and Company	
	2017	2016
	\$	\$
<u>Authorized share capital:</u>		
100,005,000 Ordinary shares at no par value	<u>51,805,097</u>	51,805,097
<u>Issued and fully paid:</u>		
100,000,003 Ordinary shares at no par value	<u>51,805,097</u>	51,805,097

15. EARNINGS PER SHARE

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

	2017	2016
Net profit attributable to shareholders	<u>170,340,282</u>	<u>121,840,070</u>
Weighted average number of shares in issue	<u>100,000,003</u>	<u>100,000,003</u>
	<u>\$1.70</u>	<u>\$1.22</u>

16. NOTES PAYABLE

	Group and Company	
	2017	2016
	\$	\$
Balance at the beginning of the year	59,585,295	18,554,773
Principal repayment	(23,198,990)	(18,969,478)
Addition during the year	<u>25,000,000</u>	<u>60,000,000</u>
Balance at the end of the year	61,386,305	59,585,295
Current portion of notes payable	<u>(21,757,197)</u>	<u>(20,539,561)</u>
	<u>39,629,108</u>	<u>39,045,734</u>

The loans from the National Commercial Bank Jamaica Limited attract interest rates of 8.5% to 10% per annum. The loans are secured by liens over ten (10) of the Company's Kinglong Coach buses and guarantees from certain of the Group's directors and a related company.

The addition during the year represent a loan from the National Export-Import Bank of Jamaica at interest rate of 5% per annum. The loan is secured by liens over three (3) of the Company's Kinglong Coach buses.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

17. SHAREHOLDERS' LOAN

Group and Company	
2017	2016
\$	\$
452,840	452,840

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

18. DEFERRED TAX LIABILITY

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Deferred tax liabilities	12,056,347	18,120,223	12,646,759	18,389,280
	12,056,347	18,120,223	12,646,759	18,389,280

Deferred tax liabilities are attributable to the following:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Property, plant and equipment	13,577,892	18,120,223	12,646,759	18,389,280
Tax loss	(1,521,545)	-	-	-
	12,056,347	18,120,223	12,646,759	18,389,280

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Balance at the beginning of the period	18,120,223	18,960,756	18,389,280	18,389,280
Movement during the year	(6,063,876)	(840,533)	(5,742,521)	-
Balance at the end of the period	12,056,347	18,120,223	12,646,759	18,389,280

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accounts payable	18,238,183	9,409,319	18,238,183	9,409,319
Statutory liabilities	2,704,146	3,322,963	2,704,146	3,322,963
Other accruals	9,946,178	15,586,894	9,746,178	15,586,894
	<u>30,888,507</u>	<u>28,319,176</u>	<u>30,688,507</u>	<u>28,319,176</u>

20. EXPENSES BY NATURE**Administrative and General Expenses**

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Salaries, wages and related expenses	193,563,359	167,677,246	193,563,359	167,677,246
Staff uniform	3,566,334	4,824,527	3,566,334	4,824,527
Staff training and welfare	3,446,380	2,956,314	3,446,380	2,956,314
Electricity	6,696,877	4,437,152	6,696,877	4,437,152
Telephone	12,856,559	9,587,435	12,856,559	9,587,435
Asset tax	215,247	200,000	215,247	200,000
Water	2,338,559	1,982,027	2,338,559	1,982,027
Office supplies	6,336,545	4,627,712	6,315,125	4,444,562
Motor vehicle rental	3,187,107	1,659,200	8,269,050	1,659,200
Repairs and maintenance	7,694,217	7,114,551	7,634,817	7,090,273
Equipment rental	25,000	58,250	25,000	58,250
Rent	13,886,974	10,785,088	13,467,090	10,618,519
Registration fees	145,500	8,000	-	-
Travelling	9,029,514	6,557,069	9,029,514	6,551,869
License and permits	4,955,483	4,844,995	4,955,483	4,844,995
Subtotal	<u>267,943,655</u>	<u>227,319,566</u>	<u>272,379,394</u>	<u>226,932,369</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

20. EXPENSES BY NATURE (CONT'D)

Administrative and General Expenses (cont'd)

	Group		Company	
	2017	2016	2017	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Subtotal	267,943,655	227,319,566	272,379,394	226,932,369
Advertising and promotion	13,770,734	17,329,356	13,230,889	17,329,356
Fuel	91,071,446	64,769,277	90,024,645	64,562,743
Passenger supplies	12,170,866	9,900,362	12,170,866	9,900,362
Parts and supplies	42,904,663	26,242,083	42,904,663	26,242,083
Motor vehicle repairs and maintenance	3,773,313	6,060,770	3,773,313	6,060,770
Wrecker fees	37,500	472,600	37,500	472,600
Motor vehicle insurance	27,150,748	18,458,954	25,482,895	17,478,810
Toll fees	28,919,465	11,377,017	28,919,465	11,377,017
Accommodation	281,340	18,000	281,340	18,000
Professional fees	8,644,962	7,839,979	8,554,962	7,819,979
Directors' fees	1,680,000	420,000	1,680,000	420,000
Dues and subscription	312,399	21,500	312,399	21,500
Cleaning and sanitation	4,117,816	3,847,028	4,117,816	3,847,028
Postage and delivery	146,354	20,454	146,354	20,454
Printing and stationery	4,255,175	4,366,919	4,255,175	4,366,919
Depreciation and amortization	56,023,043	37,381,782	54,014,216	36,780,229
Audit fees	1,300,000	1,000,000	1,100,000	1,000,000
Accounting fees	845,000	770,000	845,000	770,000
Contract labour	703,840	497,519	703,840	497,519
Security	14,517,320	9,688,216	14,517,320	9,688,216
Total	<u>580,569,639</u>	<u>447,801,383</u>	<u>579,452,052</u>	<u>445,605,954</u>

21. OPERATING PROFIT

	Group		Company	
	2017	2016	2017	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	<u>180,361,803</u>	<u>140,622,573</u>	<u>181,479,390</u>	<u>141,698,801</u>

Stated after charging the following:

	Group		Company	
	2017	2016	2017	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Auditor's remuneration	1,300,000	1,000,000	1,100,000	1,000,000

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

22. FINANCE INCOME

	Group and Company	
	2017	2016
	<u>\$</u>	<u>\$</u>
Interest income	1,100,730	704,501
Unrealised exchange gains	646,337	1,148,234
	1,747,067	1,852,735

23. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Loan interest	5,519,212	4,722,158	5,519,212	4,722,158
Bank charges	12,223,253	9,475,003	12,055,420	9,475,003
	17,742,465	14,197,161	17,574,632	14,197,161

24. TAXATION (CREDIT) / CHARGE

On January 14, 2014, the Company became a public listed entity on The Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to a 100 % remission of income taxes for the first five (5) years and 50% remission for the next five (5) years thereafter, providing that the Company complies with the requirements of the Jamaica Stock Exchange Junior Market. The 50% remission, which was withdrawn from the Junior Market by the Ministry of Finance and Planning on December 31, 2013 for subsequent listings, was reinstated in October 2016.

The Group provides for deferred tax.

Taxation is computed at 25% (2015: 25%) of the profit for the year as adjusted for taxation purposes.

The taxation (credit) /charge is made up as follows:

	Group		Company	
	2017	2016	2017	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Current:				
Minimum business tax	90,000	120,000	60,000	60,000
	90,000	120,000	60,000	60,000
Deferred:				
Origination and reversal of temporary differences	(6,063,876)	6,378,077	(5,742,521)	6,587,134
	(5,973,876)	6,498,077	(5,682,521)	6,647,134

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

24. TAXATION (CREDIT) / CHARGE (CONT'D)

(b) Reconciliation of effective tax rate and (credit) / charge:

	Group			
	2017		2016	
	\$	%	\$	%
Profit before taxation for the year	<u>164,366,405</u>		<u>128,278,147</u>	
Computed tax charge	41,091,601	25%	32,069,537	25%
Minimum business tax	90,000	0%	120,000	0%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances – normal rate	(1,384,569)	-1%	31,250	0%
Depreciation and capital allowances - difference in tax rate	(12,646,759)	-8%	-	0%
Unrealized exchange gains	(161,584)	0%	(265,899)	0%
Employment tax credit	(10,292,150)	-6%	(7,670,043)	0% *
Remission of income taxes	(24,015,017)	-15%	(17,896,768)	-20% *
Tax losses	1,521,545	1%	-	0%
Other adjustments	(176,944)	0%	50,000	0%
Actual (credit) / charge and tax rate	<u>(5,973,877)</u>	<u>-4%</u>	<u>6,438,077</u>	<u>5%</u>
	Company			
	2017		2016	
	\$	%	\$	%
Profit before taxation for the year	<u>165,651,825</u>		<u>129,354,375</u>	
Computed tax charge	41,412,956	25%	32,338,594	25%
Minimum business tax	60,000	0%	60,000	0%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances – normal rate	(93,779)	0%	31,250	0%
Depreciation and capital allowances - difference in tax rate	(12,646,759)	-8%	-	0%
Unrealized exchange gains	(161,584)	0%	(265,899)	0%
Employment tax credit	(10,292,150)	-6%	(7,670,043)	0% *
Remission of income taxes	(24,015,017)	-14%	(17,896,768)	-20% *
Other adjustments	53,812	0%	50,000	0%
Actual (credit) / charge and tax rate	<u>(5,682,521)</u>	<u>-3%</u>	<u>6,647,134</u>	<u>5%</u>

* - Reclassified to conform to 2017 presentation

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

24. TAXATION (CREDIT) / CHARGE (CONT'D)

Remission of income tax:

On January 14, 2014, the Company became a public listed entity on The Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to a 100% remission of income taxes for the first five (5) years and 50% remission for the next five (5) years thereafter, providing that the Company complies with the requirements of the Jamaica Stock Exchange Junior Market. The 50% remission, which was withdrawn from the Junior Market by the Ministry of Finance and Planning on December 31, 2013 for subsequent listings, was reinstated in October 2016.

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 \$24,015,017 (2016 - \$17,896,768).

25. RELATED PARTIES

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

	Group and Company	
	2017	2016
	\$	\$
Lease deposit to related company	4,500,000	4,625,000
Amounts due to key management personnel	452,840	452,840

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

	Group and Company	
	2017	2016
	\$	\$
Transactions with key management personnel:		
- Directors' fees	1,680,000	420,000
- Management remuneration	11,894,091	11,773,788

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

26. LEASE COMMITMENTS

At May 31, 2017, there were unexpired operating lease commitments in relation to leasehold property, payable as follows:

	Group and Company	
	2017	2016
	<u>\$</u>	<u>\$</u>
Within one year	3,940,703	4,020,703
Between one and ten years	12,933,660	13,006,993
	16,874,363	17,027,696

During the year, the total operating lease expenses recognised amounted to \$13,886,974 (2016: \$10,785,087).

27. STAFF COSTS

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

	Group and Company	
	2017	2016
Permanent	100	100

The aggregate payroll costs for these persons were as follows:

	Group and Company	
	2017	2016
	<u>\$</u>	<u>\$</u>
Salaries and profit related pay	200,576,073	175,458,087

28. DIVIDENDS

The Company, at its board of directors meeting held on July 22, 2016, declared a dividend of \$24,000,000, payable on September 15, 2016, to shareholders on record as at September 1, 2016.

29. 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 Group. 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 Group 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, receivables, payables, and due to / from related companies reflect the approximate fair values because of short-term maturity of these instruments.

The carrying amount of the Group's notes payable approximates fair value as the interest rates on these loans are similar to current market rates. The fair value of the shareholders' loans cannot be reasonably estimated as they were granted under special terms. The related party lease prepayment is reflected at amortized cost.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

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

(b) Financial risk management

The Group 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 Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by The Group 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 Group'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 Group manages this risk by establishing policies for granting credit and entering into financial contracts. The Group's credit risk is concentrated, primarily, in cash and cash equivalents, short-term deposits, receivables and due from related company.

Exposure to credit risk:

	Group		Company	
	2017	2016	2017	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Other assets	56,562,277	26,986,352 *	56,526,646	24,586,352
Cash and bank balances	<u>64,664,605</u>	<u>44,666,367</u>	<u>60,278,022</u>	<u>44,666,367</u>
	<u><u>121,226,882</u></u>	<u><u>71,652,719</u></u>	<u><u>116,804,668</u></u>	<u><u>69,252,719</u></u>

The maximum credit exposure, the total amount of loss the Group would suffer if every counter-party to the Group'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 Group's approach to its credit risk management during the current or prior period.

*-Reclassified to conform to 2017 presentation

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

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

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

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not meet its financial obligations as they fall due. The Group'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 Group.

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.

	Group			
	Carrying amount \$	Contractual cash flow \$	Less than 1 year \$	1 - 3 years \$
May 31, 2017:				
Notes payable	61,386,305	69,113,565	25,970,782	43,142,783
Accounts payable and accrued charges	<u>30,888,507</u>	<u>30,888,507</u>	<u>30,888,507</u>	<u>-</u>
	<u>92,274,812</u>	<u>100,002,072</u>	<u>56,859,289</u>	<u>43,142,783</u>
May 31, 2016:				
Notes payable	59,585,295	70,255,383	26,073,763	44,181,620
Accounts payable and accrued charges	<u>28,319,179</u>	<u>28,319,179</u>	<u>28,319,179</u>	<u>-</u>
	<u>87,904,474</u>	<u>98,574,562</u>	<u>54,392,942</u>	<u>44,181,620</u>
	Company			
	Carrying amount \$	Contractual cash flow \$	Less than 1 year \$	1 - 3 years \$
May 31, 2017:				
Notes payable	61,386,305	69,113,565	25,970,782	43,142,783
Accounts payable and accrued charges	<u>30,688,507</u>	<u>30,688,507</u>	<u>30,688,507</u>	<u>-</u>
	<u>92,074,812</u>	<u>99,802,072</u>	<u>56,659,289</u>	<u>43,142,783</u>
May 31, 2016:				
Notes payable	59,585,295	70,255,383	26,073,763	44,181,620
Accounts payable and accrued charges	<u>28,319,179</u>	<u>28,319,179</u>	<u>28,319,179</u>	<u>-</u>
	<u>87,904,474</u>	<u>98,574,562</u>	<u>54,392,942</u>	<u>44,181,620</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

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

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

(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 Group is 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 Group 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.

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

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Foreign currency assets:				
Cash and bank balances	130,897	123,832	129,835	123,832
Short term investments	349,061	106,451	349,061	106,451
	<u>479,958</u>	<u>230,283</u>	<u>478,896</u>	<u>230,283</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 Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group 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 Group was not subject to significant interest rate risk.

Sensitivity to interest rate movements:

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

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2017

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

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

(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 Group manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(c) Capital Management

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

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

Knutsford Express Services Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT MAY 31, 2017

Shareholder	Units
1. Oliver Townsend	33,526,664
2. Anthony Copeland	23,926,664
3. N.C.B. Capital Markets Limited A/C 2231	18,768,502
4. Gordon Townsend	17,446,518
5. Sagicor Pooled Equity Fund	1,200,000
6. Advantage General Insurance Limited	1,044,153
7. MF&G Asset Management – NCB CM Unit Trust Scheme (JMD Caribbean Equity Portfolio)	906,983
8. Nigel Coke/Bobbette Coke/Bobbette Graham-Coke	538,511
9. Barbara M. Levy/Andre Levy	381,541
10. Paula Townsend	190,792
10. Courtney Watson	190,792

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT MAY 31, 2017

Director	Shareholdings	Connected Parties	Shareholdings
Oliver Townsend	33,526,664	Paula Townsend	190,792
Anthony Copeland	23,926,664	---	---
Gordon Townsend	17,446,518	---	---
Wayne Wray/Christine Randle	120,000	---	---
Peter Pearson/Yvonne Pearson	35,000	---	---