

Cargo Handlers Limited

**Financial Statements
30 September 2017**

Cargo Handlers Limited

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30 September 2017

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Independent auditor's report

To the Members of Cargo Handlers Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cargo Handlers Limited (the Company) as at 30 September 2017, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

What we have audited

Cargo Handlers Limited's financial statements comprise:

- The statement of comprehensive income for the year ended 30 September 2017;
- The statement of financial position as at 30 September 2017;
- The statement of changes in equity for the year ended 30 September 2017;
- The statement of cash flows for the year ended 30 September 2017; and
- The notes to the financial statements, which include a summary of significant accounting policies.

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 financial statements* section of our report.

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

Independence

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.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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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 are 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. We have determined that there are no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after this auditor's report date.

Our opinion on the 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 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 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 the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.



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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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 matter 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.



Report on other legal and regulatory requirements

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

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

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

A handwritten signature in black ink, appearing to read 'Peter Williams', with a horizontal line underneath the signature.

*Chartered Accountants
4 December 2017
Montego Bay, Jamaica*

Cargo Handlers Limited

Statement of Comprehensive Income

Year ended 30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017	2016
		\$	\$
Revenue		320,832,392	307,772,867
Other income	6	4,123,773	14,304,964
Administrative expenses	7	(18,882,043)	(13,112,313)
Other operating expenses	7	<u>(143,949,906)</u>	<u>(132,031,302)</u>
Operating Profit		162,124,216	176,934,216
Interest income		2,464,773	2,358,881
Finance costs	9	<u>(1,330,600)</u>	<u>(691,029)</u>
Profit before Taxation		163,258,389	178,602,068
Taxation	10	<u>(22,403,418)</u>	<u>(24,753,945)</u>
Net Profit, being Total Comprehensive Income for the Year		<u>140,854,971</u>	<u>153,848,123</u>
 EARNINGS PER STOCK UNIT			
	11	<u>0.38</u>	<u>0.41</u>

Cargo Handlers Limited

Statement of Financial Position

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$	2016 \$
Non-Current Assets			
Property, plant and equipment	12	62,706,303	48,566,195
Related companies	13	23,477,022	9,271,149
		86,183,325	57,837,344
Current Assets			
Receivables	15	66,982,284	79,367,349
Taxation recoverable		668,603	668,603
Cash and cash equivalents	16	252,483,659	223,686,802
		320,134,546	303,722,754
Current Liabilities			
Payables	17	23,337,895	26,594,507
Income tax payable		3,905,200	11,425,502
Directors' current accounts	13	-	40,322
Borrowings	18	80,340	215,799
		27,323,435	38,276,130
Net Current Assets		<u>292,811,111</u>	<u>265,446,624</u>
		<u>378,994,436</u>	<u>323,283,968</u>
Shareholders' Equity			
Share capital	19	43,175,494	43,175,494
Capital reserve	20	172,311	172,311
Retained earnings		306,714,308	257,650,620
		350,062,113	300,998,425
Non-Current Liabilities			
Related companies	13	26,076,817	19,993,277
Deferred tax liability	14	2,855,506	2,292,266
		28,932,323	22,285,543
		<u>378,994,436</u>	<u>323,283,968</u>

Approved by the Board of Directors on 4 December 2017 and signed on its behalf by:



 Mark Hart Director



 Jane Fray Director

Cargo Handlers Limited

Statement of Changes in Equity

Year ended 30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units	Share Capital \$	Capital Reserve \$	Retained Earnings \$	Total \$
Balance at 30 September 2015		37,465,830	43,175,494	172,311	203,086,946	246,434,751
Net profit, being total comprehensive income for the year		-	-	-	153,848,123	153,848,123
Transactions with owners:						
Dividends paid	21	-	-	-	(99,284,449)	(99,284,449)
Balance at 30 September 2016		37,465,830	43,175,494	172,311	257,650,620	300,998,425
Net profit, being total comprehensive income for the year		-	-	-	140,854,971	140,854,971
Transactions with owners:						
Shares issued	19	337,192,470	-	-	-	-
Dividends paid	21	-	-	-	(91,791,283)	(91,791,283)
Balance at 30 September 2017		374,658,300	43,175,494	172,311	306,714,308	350,062,113

Cargo Handlers Limited

Statement of Cash Flows

Year ended 30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017	2016
	\$	\$
Cash Flows from Operating Activities		
Net profit	140,854,971	153,848,123
Items not affecting cash:		
Unrealised exchange gain	(1,905,590)	(15,571,542)
Depreciation	8,104,131	7,580,050
Write-off of property, plant and equipment to R&M	-	4,361,736
Bad debt written off	2,336	82,055
Interest income	(2,464,773)	(2,358,881)
Interest expense	1,330,600	691,029
Taxation	22,403,418	24,753,945
	<u>168,325,093</u>	<u>173,386,515</u>
Changes in operating assets and liabilities:		
Receivables	12,915,646	(25,089,289)
Payables	(3,256,612)	11,922,668
Directors' current accounts	(40,322)	(248,637)
Cash provided by operating activities	177,943,805	159,971,257
Tax deducted at source	(55,160)	(121,631)
Income tax paid	(29,305,319)	(12,394,005)
Net cash provided by operating activities	<u>148,583,326</u>	<u>147,455,621</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(22,401,652)	(6,689,872)
Interest received	2,464,773	2,358,881
Cash used in investing activities	<u>(19,936,879)</u>	<u>(4,330,991)</u>
Cash Flows from Financing Activities		
Dividends paid	(91,791,283)	(99,284,449)
Related companies	(8,122,333)	17,669,939
Interest paid	(1,330,600)	(691,029)
Cash used in financing activities	<u>(101,244,216)</u>	<u>(82,305,539)</u>
Increase in net cash and cash equivalents	27,402,231	60,819,091
Effect of exchange rate on cash and cash equivalents	1,530,085	12,082,136
Cash and cash equivalents at beginning of year	223,471,003	150,569,776
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 16)	<u>252,403,319</u>	<u>223,471,003</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activity

Cargo Handlers Limited (the Company) is incorporated and domiciled in Jamaica and has its registered office at Montego Freeport Shopping Centre, Montego Bay. The Company's principal activities are the provision of stevedoring services, equipment leasing and the provision of management services.

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

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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

(b) Changes in accounting policies and disclosures

Standards, interpretations and amendments to existing standards that are effective during the year.

- **Amendment to IAS 1, 'Presentation of Financial Statements'**, (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. This amendment did not have a significant impact on the financial statements.
- **Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation**, (effective for the periods beginning on or after 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It did not have an impact on the financial statements.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

Standards, interpretations and amendments to existing standards that are effective during the year. (continued)

- **Annual Improvements 2012-2014**, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The amendments to IFRS 5 do not have an impact on the Company. The other amendments did not have an impact on the financial statements.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company.

- **Amendments to IAS 12, 'Recognition of Deferred Tax Assets for Unrealised Losses'** (effective for the periods beginning on or after 1 January 2017). Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that a temporary difference exists wherever the carrying amount of an asset is less than its tax base at the end of the reporting period. The amendment also confirms that an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.

This new amendment also clarifies that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. The Company is currently assessing the impact of future adoption of these amendments on its financial statements.

- **IFRS 9, 'Financial Instruments'**, (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- **IFRS 9, 'Financial Instruments'**, (effective for annual periods beginning on or after 1 January 2018) (continued). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. The classification and measurement of investments in debt securities is driven by the entity's business model for managing the financial assets and the contractual characteristics and will result in one of the following three classifications: amortised cost, fair value through OCI ('FVOCI') or fair value through profit or loss ('FVPL').

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company is currently examining the effect of this standard on its operations.

- **IFRS 15, 'Revenue from Contracts with Customers'**, (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- **IFRS 15, 'Revenue from Contracts with Customers'**, (effective for the periods beginning on or after 1 January 2018) (continued). When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.
- **Amendments to IAS 7, 'Statement of Cash Flows'** on Disclosure Initiative (effective for the periods beginning on or after 1 January 2017). Amendments made to IAS 7 in January 2017 clarify that going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

The new amendments also clarifies that changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

The amendment also states that entities may include changes in other items as part of this disclosure, for example, by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

The information may be disclosed in tabular format as reconciliation from operating and closing balances, but a specific format is not mandated.

The Company is currently examining the effect of the foregoing amendments on its operations.

- **IFRS 16, 'Leases'**, (effective for the periods beginning on or after 1 January 2019). The new standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

This new standard will also affect the income statement because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expenses will be replaced with interest and depreciation, so key metrics such as EBITDA will change.

The standard also states that operating cash flow will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflect interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is currently assessing the impact of future adoption of the new standard on its financial statements.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- **IFRIC 22, 'Foreign currency transaction and advance consideration'** (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The Company is yet to assess the impact of this IFRIC.
- **Annual Improvements 2014-2016**, (effective for annual periods beginning on or after 1 January 2018). Amendments were finalised in December 2016 with regards to IFRS 1 which recognised that short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant should be deleted. Amendments were also finalised in December 2016 with regards to IAS 28 which clarified that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The Company is currently examining the effect of these amendments on its operations.

(c) Revenue recognition

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

Sales of services

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

Management fees

Income from management fees are recognised in the accounting period in which the services are rendered by reference to contractually agreed amounts.

Interest income

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

(d) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. The leased assets are included in property, plant and equipment as trailers and forklift.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured. Depreciation is provided on the straight-line basis at rates which are expected to write off the carrying value of the assets over their expected useful lives. The rates used are:

Buildings	2½%
Trailers and forklift	10%
Furniture, equipment and golf carts	10% - 20%
Motor vehicles	20%

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

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

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

(f) Impairment of non-financial assets

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

(g) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Trade receivables

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

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income.

(i) Cash and cash equivalents

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

(j) Current and deferred income tax

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

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

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

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

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

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(k) Payables

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

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

(l) Provisions

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

(m) Employee benefits

Equity compensation benefits

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

Annual leave entitlements

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

(n) Financial instruments

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

Financial assets

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

Financial liabilities

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

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

(o) Share capital

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

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(p) Related party transactions and balances

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

- (i) Enterprises and individuals owning directly or indirectly an interest in the voting power of the Company that gives them significant influence over the Company's affairs and close members of the families of these individuals.
- (ii) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and officers and close members of the families of these individuals.

(q) Dividends

Dividends are recorded as a deduction from equity in the period in which they are approved.

(r) Segment reporting

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

The CODM has been identified as the Board of Directors who make strategic decisions. The operating segments identified are disclosed in Note 22.

3. Financial Risk Management

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

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

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk

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

Credit review process

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

(i) Trade and other receivables

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

(ii) Cash

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

Maximum exposure to credit risk

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

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

	2017	2016
	\$	\$
Stevedoring	46,207,910	59,860,118
Lumber yard	600,000	600,000
Leasing	8,824,875	12,354,825
Management fees	4,951,250	1,980,500
Other receivables	983,692	2,162,620
	<u>61,567,727</u>	<u>76,958,063</u>
Less: Impairment provision	(600,000)	(600,000)
	<u>60,967,727</u>	<u>76,358,063</u>

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

Trade receivables that are less than 30 days past due are not considered impaired. As of 30 September 2017 trade receivables of \$33,897,904 (2016 - \$41,669,915) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade and other receivables was as follows:

	2017	2016
	\$	\$
31 – 60 days	14,247,355	9,559,391
61 – 90 days	7,216,420	13,350,738
Over 90 days	12,434,129	18,759,786
	<u>33,897,904</u>	<u>41,669,915</u>

The ageing of impaired receivables was as follows:

	2017	2016
	\$	\$
Over 90 days	<u>600,000</u>	<u>600,000</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movement analysis of provision for impairment of trade and other receivables

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

	2017	2016
	\$	\$
At beginning and end of year	<u>600,000</u>	<u>600,000</u>

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

(b) Liquidity risk

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

Liquidity risk management process

The Company's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity regularly. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of bank balances that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities

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

	Within 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Total \$
2017						
Payables	22,145,556	-	-	-	-	22,145,556
Related companies	1,564,868	-	-	26,076,817	-	27,641,685
	23,710,424	-	-	26,076,817	-	49,787,241
2016						
Payables	25,071,484	-	-	-	-	25,071,484
Directors' current accounts	40,322	-	-	-	-	40,322
Related companies	1,199,597	-	-	19,993,277	-	21,192,874
	26,311,403	-	-	19,993,277	-	46,304,680

(c) Market risk

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

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

Currency risk

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

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

The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. At 30 September 2017, the Company's net foreign exchange exposure amounted to a net asset of \$244,714,247 (2016 - \$191,143,520).

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

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

	2017	2016
	\$	\$
Effect on profit –		
Depreciation 6% (2016 – 6%)	14,682,855	11,468,611
Appreciation 2% (2016 – 1%)	<u>(4,894,285)</u>	<u>(1,911,435)</u>

Interest rate risk

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

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

The Company manages interest rate risk by maintaining fixed rate instruments. It also manages the maturities of interest bearing financial assets and interest bearing financial liabilities. At 30 September 2017 and 2016 the Company had no significant exposure to variable rate interest rate risk.

(d) Capital management

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

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

4. Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Market price is used to determine fair value where an active market exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of financial assets and liabilities held and issued by the Company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position date.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

4. Fair Value Estimation (Continued)

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and the timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (i) The carrying amounts, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities are cash, receivables, payables and current borrowings.
- (ii) The fair value of the directors' current accounts and related party balances cannot be reasonably determined as these instruments were granted under special terms and are not likely to be traded in a fair market exchange.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

6. Other Income

	2017	2016
	\$	\$
Foreign exchange gains	<u>4,123,773</u>	<u>14,304,964</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

7. Expenses by Nature

Total administration and other operating expenses:

	2017	2016
	\$	\$
Accounting fees	2,601,678	2,161,308
Advertising and promotion	1,613,317	914,678
Asset tax	200,000	200,000
Auditor's remuneration	2,415,000	2,300,000
Bad debts	2,336	82,055
Depreciation	8,104,131	7,580,050
Directors' emoluments -		
Directors' fees	1,050,000	1,190,000
Management fees	4,200,000	4,200,000
Damaged cargo claims	382,203	74,034
Donations	2,462,500	5,023,840
Insurance	6,134,958	2,829,072
Legal and professional fees	2,171,429	192,474
Loss on exchange	1,313,664	369,749
Other	4,213,515	4,070,659
Registration fees	1,499,042	856,265
Repairs and maintenance	3,226,825	6,145,667
Staff costs (Note 8)	119,807,224	105,753,424
Utilities	1,434,127	1,200,340
	<u>162,831,949</u>	<u>145,143,615</u>

8. Staff Costs

	2017	2016
	\$	\$
Salaries and wages	92,804,349	79,473,027
Statutory contributions	10,288,510	8,809,214
Other	16,714,365	17,471,183
	<u>119,807,224</u>	<u>105,753,424</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

9. Finance Costs

	2017	2016
	\$	\$
Interest expense	<u>1,330,600</u>	<u>691,029</u>

10. Taxation

Taxation is based on the profit for the year adjusted for tax purposes and represents income tax charged at 25%:

	2017	2016
	\$	\$
Current tax	21,840,178	23,941,138
Deferred tax (Note 14)	<u>563,240</u>	<u>812,807</u>
	<u>22,403,418</u>	<u>24,753,945</u>

Reconciliation of applicable tax charge to effective tax charge:

	2017	2016
	\$	\$
Profit before tax	<u>163,258,389</u>	<u>178,602,068</u>
Tax calculated at 25%	40,814,597	44,650,517
Adjusted for the effects of:		
Income not subject to tax	(147,967)	(280,120)
Expenses not deductible for tax purposes	5,242,181	5,602,305
Remission of taxes	(21,840,178)	(23,941,138)
Net effect of other charges and allowances	<u>(1,665,215)</u>	<u>(1,277,619)</u>
Taxation	<u>22,403,418</u>	<u>24,753,945</u>

Remission of income tax:

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

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

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Subject to agreement with the Minister of Finance and Planning, the current year income tax payable for which remission will be sought is approximately \$21,840,000 (2016 – \$23,941,000).

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

11. Earnings per Stock Unit

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

	2017	2016
Net profit attributable to stockholders (\$)	<u>140,854,971</u>	<u>153,848,123</u>
Weighted average number of stock units in issue	<u>374,658,300</u>	<u>374,658,300</u>
Earnings per stock unit (\$)	<u>0.38</u>	<u>0.41</u>

As a result of the stock split (Note 19), prior period earnings per stock unit have been adjusted.

12. Property, Plant and Equipment

	2017				
	Buildings	Trailers & Forklift	Furniture, Equipment & Golf Carts	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Cost -					
1 October 2016	2,318,815	54,543,678	6,284,594	9,966,000	73,113,087
Additions	-	22,401,652	-	-	22,401,652
Adjustments	-	-	-	(157,413)	(157,413)
30 September 2017	<u>2,318,815</u>	<u>76,945,330</u>	<u>6,284,594</u>	<u>9,808,587</u>	<u>95,357,326</u>
Depreciation -					
1 October 2016	647,336	14,674,828	4,758,729	4,465,999	24,546,892
Charge for the year	57,970	6,236,840	519,486	1,289,835	8,104,131
30 September 2017	<u>705,306</u>	<u>20,911,668</u>	<u>5,278,215</u>	<u>5,755,834</u>	<u>32,651,023</u>
Net book value -					
30 September 2017	<u>1,613,509</u>	<u>56,033,662</u>	<u>1,006,379</u>	<u>4,052,753</u>	<u>62,706,303</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2017

(expressed in Jamaican dollars unless otherwise indicated)

12. Property, Plant and Equipment (Continued)

	2016					Total
	Buildings	Trailers & Forklift	Furniture, Equipment & Golf Carts	Motor Vehicles	Operating Assets	
	\$	\$	\$	\$	\$	
Cost -						
1 October 2015	2,318,815	54,543,678	6,423,532	3,366,000	4,361,734	71,013,759
Additions	-	-	89,872	6,600,000	-	6,689,872
Write-off	-	-	(228,810)	-	(4,361,734)	(4,590,544)
30 September 2016	2,318,815	54,543,678	6,284,594	9,966,000	-	73,113,087
Depreciation -						
1 October 2015	589,366	9,220,460	4,468,624	2,917,200	-	17,195,650
Charge for the year	57,970	5,454,368	518,913	1,548,799	-	7,580,050
Write-off	-	-	(228,808)	-	-	(228,808)
30 September 2016	647,336	14,674,828	4,758,729	4,465,999	-	24,546,892
Net book value -						
30 September 2016	1,671,479	39,868,850	1,525,865	5,500,001	-	48,566,195

Cargo Handlers Limited

Notes to the Financial Statements

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13. Related Party Transactions and Balances

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

	2017	2016
	\$	\$
AMD Limited	(940,878)	8,119,741
Advisors Limited	3,820,555	(1,451,437)
Good Hope (Holdings) Limited	(13,267,753)	22,123
Good Hope Limited	301,808	401,447
Hart Investments Limited	5,802,986	4,925,989
Bilton Limited	1,733,967	2,009,206
Appleton Hall Limited	-	(196,096)
Saffack Limited	(2,940,038)	(1,106,974)
Port Handlers Limited	(676)	75,568
Samuel Hart & Son Limited	(2,632,304)	5,454,666
Sportswear Producers Limited	-	(602,975)
Montego Place Limited	-	18,680
	<u>(8,122,333)</u>	<u>17,669,938</u>

(b) Key management compensation

	2017	2016
	\$	\$
Salaries and other short-term employee benefits	8,788,743	7,322,438
Statutory contributions	871,464	725,446
	<u>9,660,207</u>	<u>8,047,884</u>
Directors' emoluments -		
Directors' fees	1,050,000	1,190,000
Management remuneration	9,660,207	8,047,884
Management fees	<u>4,200,000</u>	<u>4,200,000</u>

(c) Transactions in the normal course of business

	2017	2016
	\$	\$
Professional services rendered by a related party	2,601,678	2,161,308
Interest earned on balances due from related parties	2,215,013	1,839,889
Interest paid on balances due to related parties	1,287,660	685,029
Lease income earned from a related party	18,180,000	18,180,000
Management fees earned from a related party	10,200,000	10,200,000
Purchase of goods from a related party	<u>393,416</u>	<u>240,911</u>

Cargo Handlers Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

13. Related Party Transactions and Balances (Continued)

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

	2017	2016
	\$	\$
Non-current		
Due from:		
AMD Limited	6,933,227	5,992,349
Good Hope (Holdings) Limited	16,543,795	3,276,042
Port Handlers Limited	-	2,758
	<u>23,477,022</u>	<u>9,271,149</u>
	2017	2016
	\$	\$
Due to:		
Advisors Limited	7,244,023	3,423,468
Bilton Limited	4,346,132	2,612,164
Good Hope Limited	703,255	401,447
Hart Investments Limited	10,882,915	5,079,929
Port Handlers Limited	72,372	75,806
Saffack Limited	2,102,882	5,042,921
Samuel Hart & Son Limited	725,238	3,357,542
	<u>26,076,817</u>	<u>19,993,277</u>
	2017	2016
	\$	\$
Current		
Due from (Note 15):		
Bulk Liquid Carriers Petroleum Transport Limited	<u>13,778,025</u>	<u>14,335,536</u>

The Company is related to the above companies by having similar ownership and/or management control. With the exception of the amounts included in current receivables, balances due to and/or from these companies have no set repayment terms and are not due for payment within the next twelve months.

The weighted average effective interest rate on transfers between related party bank accounts for working capital purposes is 6% (2016 – 6%).

(e) Directors' current accounts

The directors' balances are unsecured, interest free and have no set repayment terms.

Cargo Handlers Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

14. Deferred Taxation

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal tax rate of 25%.

The movement on the deferred taxation account is as follows:

	2017	2016
	\$	\$
Liability at beginning of year	(2,292,266)	(1,479,459)
Charged during the year (Note10)	<u>(563,240)</u>	<u>(812,807)</u>
Liability at end of year	<u><u>(2,855,506)</u></u>	<u><u>(2,292,266)</u></u>

Deferred income tax assets and liabilities are due to the following items:

	2017	2016
	\$	\$
Deferred income tax assets:		
Accelerated depreciation	13,748	9,951
Accrued vacation	162,184	125,467
Unrealised foreign exchange loss	<u>5,000</u>	<u>22,500</u>
	<u>180,932</u>	<u>157,918</u>
Deferred income tax liabilities:		
Unrealised foreign exchange gain	-	(188,300)
Accelerated depreciation	<u>(3,036,438)</u>	<u>(2,261,884)</u>
	<u>(3,036,438)</u>	<u>(2,450,184)</u>
	<u><u>(2,855,506)</u></u>	<u><u>(2,292,266)</u></u>

The deferred tax charge in the statement of comprehensive income comprises the following temporary differences:

	2017	2016
	\$	\$
Accrued vacation	36,717	33,647
Unrealised foreign exchange gain	188,300	(188,300)
Unrealised foreign exchange loss	(17,500)	22,500
Accelerated depreciation	<u>(770,757)</u>	<u>(680,654)</u>
	<u><u>(563,240)</u></u>	<u><u>(812,807)</u></u>

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

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14. Deferred Taxation (Continued)

The offset amount shown in the statement of financial position includes the following:

	2017	2016
	\$	\$
Deferred income tax asset to be recovered -		
Within 12 months	162,184	125,467
After more than 12 months	18,748	32,451
	<u>180,932</u>	<u>157,918</u>
Deferred income tax liability to be settled -		
Within 12 months	-	(188,300)
After more than 12 months	(3,036,438)	(2,261,884)
	<u>(3,036,438)</u>	<u>(2,450,184)</u>
	<u>(2,855,506)</u>	<u>(2,292,266)</u>

15. Receivables

	2017	2016
	\$	\$
Trade	49,449,824	60,460,618
Less: Impairment provision	(600,000)	(600,000)
	<u>48,849,824</u>	<u>59,860,618</u>
Related parties (Note 13)	13,778,025	14,335,536
Other receivables and prepayments	4,354,435	5,171,195
	<u>66,982,284</u>	<u>79,367,349</u>

16. Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	<u>252,483,659</u>	<u>223,686,802</u>

The weighted average effective interest rate for cash is 0.15% (2016 – 0.30%).

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

	2017	2016
	\$	\$
Cash and bank balances	252,483,659	223,686,802
Bank overdraft (Note 18)	(80,340)	(215,799)
	<u>252,403,319</u>	<u>223,471,003</u>

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17. Payables

	2017	2016
	\$	\$
Trade	5,546,436	9,344,853
Accruals	15,324,176	13,657,994
Other	2,467,283	3,591,660
	<u>23,337,895</u>	<u>26,594,507</u>

18. Borrowings

	2017	2016
	\$	\$
Bank overdraft (Note 16)	<u>80,340</u>	<u>215,799</u>

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

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

19. Share Capital

	2017	2016
	\$	\$
Total authorised ordinary shares 466,200,000		
Issued and fully paid -		
416,250,000	47,334,664	47,334,664
41,591,700 treasury shares	<u>(4,159,170)</u>	<u>(4,159,170)</u>
	<u>43,175,494</u>	<u>43,175,494</u>

By resolution dated 26 September 2016, the Shareholders approved the following:

- (a) The existing authorised share capital of the Company was increased from 46,620,000 to 466,200,000 ordinary shares by the creation of an additional 419,580,000 ordinary shares on 21 October 2016. Such new shares created to rank pari passu in all respects with existing shares in the capital of the Company.
- (b) Each of the 46,620,000 ordinary shares in the capital of the Company was subdivided into 10 ordinary shares each thereby making a total share capital of 466,200,000 ordinary shares of no par value at the existing total stated capital on 21 October 2016.

As a result of the stock split, all prior period stock data presented in the financial statements have been adjusted to reflect the subdivision.

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20. Capital Reserve

	2017	2016
	\$	\$
Realised gains on sale of property, plant and equipment	<u>172,311</u>	<u>172,311</u>

21. Dividends

By resolutions dated 10 February 2017 and 3 August 2017, the Board of Directors approved the payment of interim dividends in the amounts of \$0.135 and \$0.11 per share, respectively. In the prior year, resolutions dated 26 January 2016 and 3 August 2016 resulted in the approval of interim dividend payments of \$0.13 and \$0.14 per share, respectively.

22. Segment Information

The Company is organised into the following business segments:

- (a) Stevedoring – This incorporates the provision of stevedoring and baggage handling services to companies.
- (b) Leasing – The Company earns lease income from the leasing of trailers.
- (c) Management services – This incorporates fees charged for managing and operating a related company.

The Company's operations are located in Jamaica and all revenue is earned externally from customers located in Jamaica. The Company's major customers are Seaboard Freight & Shipping Jamaica Limited, Lannaman & Morris (Shipping) Limited, Bulk Liquid Carriers Petroleum Transport Limited and the new service line CMA CGM Jamaica Limited.

Direct allocated and unallocated income and expenses

Income and expenses incurred by the reportable business segments and the corporate office are reported to the Board of Directors based on certain criteria determined by management. These criteria include the nature of the service provided and the activity supported by the cost incurred. Direct allocated income and expenses include revenue, other income, interest income, depreciation and other expenses in respect of the identified business segments. Unallocated income and expenses include corporate office results.

Unallocated assets and liabilities

Unallocated assets and liabilities comprise taxation recoverable, income tax payable, deferred tax liabilities, related party balances and assets and liabilities that are not directly attributable to any specific business segment.

Cargo Handlers Limited

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22. Segment Information (Continued)

The segment information provided to management for the reportable segments is as follows:

	2017				Total
	Stevedoring	Leasing	Management Services	Unallocated	
	\$	\$	\$	\$	\$
Revenue	292,452,392	18,180,000	10,200,000	-	320,832,392
Other income	1,082,117	-	-	3,041,656	4,123,773
Interest income	29,121	-	-	2,435,652	2,464,773
Depreciation	(577,457)	(6,236,840)	-	(1,289,834)	(8,104,131)
Other expenses	(133,897,461)	-	-	(20,830,357)	(154,727,818)
Finance costs	-	-	-	(1,330,600)	(1,330,600)
Profit before taxation	159,088,712	11,943,160	10,200,000	(17,973,483)	163,258,389
Taxation	-	-	-	(22,403,418)	(22,403,418)
Net profit	159,088,712	11,943,160	10,200,000	(40,376,901)	140,854,971
Segment assets	57,396,485	64,858,538	4,951,250	279,111,599	406,317,871
Segment liabilities	12,227,434	-	-	44,028,324	56,255,758
Capital expenditure	22,401,652	-	-	-	22,401,652

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22. Segment Information (Continued)

The profit or loss, assets and liabilities for the reportable segments are reconciled to the totals for profit or loss, assets and liabilities as follows:

	2016				Total \$
	Stevedoring \$	Leasing \$	Management Services \$	Unallocated \$	
Revenue	279,392,867	18,180,000	10,200,000	-	307,772,867
Other income	1,721,980	-	-	12,582,984	14,304,964
Interest income	32,472	-	-	2,326,409	2,358,881
Depreciation	(2,125,682)	(5,454,368)	-	-	(7,580,050)
Other expenses	(117,989,745)	(31,470)	-	(19,542,350)	(137,563,565)
Finance costs	-	-	-	(691,029)	(691,029)
Profit before taxation	161,031,892	12,694,162	10,200,000	(5,323,986)	178,602,068
Taxation	-	-	-	(24,753,945)	(24,753,945)
Net profit	161,031,892	12,694,162	10,200,000	(30,077,931)	153,848,123
Segment assets	74,454,163	52,223,675	1,980,500	232,901,760	361,560,098
Segment liabilities	10,780,798	-	-	49,780,875	60,561,673
Capital expenditure	6,689,872	-	-	-	6,689,872

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22. Segment Information (Continued)

The profit or loss, assets and liabilities for the reportable segments are reconciled to the totals for profit or loss, assets and liabilities as follows:

	Profit before taxation		Assets		Liabilities	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Total for business segments	181,231,872	183,926,054	127,206,272	128,658,338	12,227,434	10,780,798
Unallocated amounts:						
Corporate office results	(19,078,535)	(6,959,366)	-	-	-	-
Interest income	2,435,652	2,326,409	-	-	-	-
Finance costs	(1,330,600)	(691,029)	-	-	-	-
Related companies	-	-	23,477,022	9,271,149	26,076,817	19,993,277
Receivables	-	-	6,014,557	3,019,356	-	-
Taxation recoverable	-	-	668,603	668,603	-	-
Cash	-	-	248,951,417	219,942,652	-	-
Payables	-	-	-	-	11,110,461	15,813,709
Income tax payable	-	-	-	-	3,905,200	11,425,502
Directors' current accounts	-	-	-	-	-	40,322
Borrowings	-	-	-	-	80,340	215,799
Deferred tax liabilities	-	-	-	-	2,855,506	2,292,266
Total unallocated amounts	(17,973,483)	(5,323,986)	279,111,599	232,901,760	44,028,324	49,780,875
Total per financial statements	163,258,389	178,602,068	406,317,871	361,560,098	56,255,758	60,561,673

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23. Operating Lease Commitments

- (a) The Company leases commercial space from The Port Authority of Jamaica for the operation of a changing room for stevedores. The lease is renewed annually with monthly payments of \$55,475 (2016 - \$51,605). The current lease will expire on 30 June 2018.
- (b) The Company entered into an agreement on 1 January 2014 to lease equipment to Bulk Liquid Carriers Petroleum Transport Limited. The lease is for a period of 2 years with an option to renew for a further 2 years at the end of the first term and at the end of the second term each party has the option to renew for a further number of two-year terms not exceeding three renewals. During the prior year, both parties exercised the option to renew for a two-year term and the future minimum lease payments receivable are as follows:

	2017	2016
	\$	\$
Not later than 1 year	4,545,000	18,180,000
Later than 1 year but not later than 5 years	-	4,545,000
	<u>4,545,000</u>	<u>22,725,000</u>