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Knutsford Express Services Limited.

Unaudited Financial Statements

3rd Quarter Ending February 29, 2020

KNUTSFORD EXPRESS SERVICES LIMITED
DIRECTORS' REPORT
FOR THE QUARTER ENDING FEBRUARY 29, 2020

The Board of Directors of Knutsford Express Services Limited is pleased to present the company's unaudited financial statements for the third quarter ending February 29, 2020.

Revenues increased by 10.9% over the comparative period last year from \$287 million to \$318 million. This was due to continued demand for our transport services. Total assets have also grown over similar period last year by 15.2% from \$1.022 million to \$1.177 million, primarily driven by investments in our new Drax Hall development and logistics hub which promises to add improved efficiencies, reduced passenger travel time while unlocking other avenues of earning.

Net profit after tax grew by 11.2% from \$34.0 million in the corresponding quarter of 2019 to \$38 million in this third quarter.

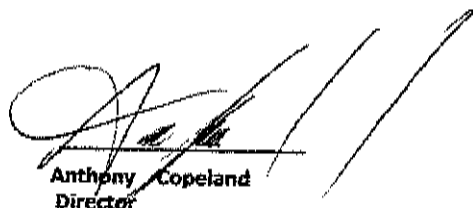
Earnings per share increased from \$0.07 per share to \$0.08 per share for the quarter.

We are encouraged by the response and usage by our customers of our online reservation and booking systems. More inquiries and transactions are being done through our website's chat box and mobile app inciting us to invest further in improving our automated customer service platform for increased efficiencies.

Subsequent to the end of the quarter the World Health Organization has declared Covid-19 to be a pandemic. This has resulted in significant downturn in worldwide commercial activity. As a consequence, during March 2020 the company suspended passenger services on several routes and implemented cost-cutting strategies while maintaining our courier services throughout the island. Notwithstanding, we expect the pandemic to have a negative impact on our fourth quarter results. The Board and management are monitoring the situation closely and will take all necessary steps to resume full passenger services within the government's stipulated guidelines.



Oliver Townsend
Director



Anthony Copeland
Director

KNUTSFORD EXPRESS SERVICES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT FEBRUARY 29, 2020

	(Unaudited) February 29, 2020 J\$	(Unaudited) February 28, 2019 J\$	(Audited) May 31, 2019 J\$
ASSETS			
Non-Current Assets			
Goodwill	11,075,500	11,864,840	11,075,500
Property, Plant and Equipment	801,731,501	707,604,511	732,703,377
Related party-lease prepayment	4,250,000	4,375,000	4,250,000
Term deposit – restricted	2,685,104	2,644,273	2,656,010
	819,742,105	726,488,624	750,684,887
Current Assets			
Inventories	18,426,991	18,787,405	22,657,244
Other Assets	102,836,422	59,766,541	35,248,926
Short Term Investment	139,596,542	96,319,755	122,462,198
Cash & Bank Balances	96,311,875	120,492,746	132,115,739
	357,171,830	295,366,447	312,484,107
TOTAL ASSETS	\$ 1,176,913,935	1,021,855,071	1,063,168,994
EQUITY & LIABILITIES			
Equity			
Share Capital	51,805,097	51,805,097	51,805,097
Accumulated Surplus	792,983,495	697,350,602	727,841,219
	844,788,592	749,155,699	779,646,316
Non-Current Liabilities			
Notes Payable	22,693,803	53,782,574	38,179,682
Bond Payable	200,000,000	150,000,000	150,000,000
Shareholders' Loan	452,840	452,840	452,840
Deferred Tax Liability	15,108,213	14,280,683	15,108,213
	238,254,856	218,516,097	203,740,735
Current Liabilities			
Accounts Payable and Accrued Charges	59,625,686	33,243,410	48,879,855
Current Portion of Notes Payable	20,508,078	20,539,561	27,241,371
Taxation Payable	13,736,723	400,304	3,660,717
	93,870,487	54,183,275	79,781,943
TOTAL EQUITY & LIABILITIES	\$ 1,176,913,935	1,021,855,071	1,063,168,994

Oliver Townsend
Director

Anthony Copeland
Director

KNUTSFORD EXPRESS SERVICES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
NINE (9) MONTHS ENDING FEBRUARY 29,2020

	<u>3 Months ended</u> <u>Feb 29,2020</u> <u>I\$</u>	<u>3 Months ended</u> <u>Feb 28,2019</u> <u>I\$</u>	<u>9 Months ended</u> <u>Feb 29,2020</u> <u>I\$</u>	<u>9 Months ended</u> <u>Feb 28,2019</u> <u>I\$</u>
REVENUE	318,040,558	286,822,311	925,232,649	841,928,661
Less:				
Administrative and General Expenses	271,514,462	249,524,007	797,458,690	671,026,953
Operating Profit	46,526,096	37,298,304	127,773,959	170,901,708
Finance Income	757,190	3,540,504	5,179,206	9,581,553
Finance Cost	(6,949,496)	(6,513,028)	(19,696,017)	(22,147,686)
Profit before Taxation	40,333,790	34,325,780	113,257,148	158,335,575
Taxation	3,916,095	400,304	10,076,006	400,304
Net Profit for the period	36,417,695	33,925,476	103,181,142	157,935,271
Other Comprehensive profit: Items that may be classified to profit Or loss:				
Currency Translation differences on foreign subsidiary	1,314,629	-	1,961,134	-
Total Comprehensive Income	\$ 37,732,324	33,925,476	105,142,276	157,935,271
Earnings per share (Note 4)	\$ 0.08	\$ 0.07	\$ 0.21	\$ 0.32

KNUTSFORD EXPRESS SERVICES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
NINE (9) MONTHS TO FEBRUARY 29, 2020

	<u>SHARE CAPITAL J\$</u>	<u>ACCUMULATED SURPLUS J\$</u>	<u>TOTAL J\$</u>
<u>Nine Months Ended February 29, 2020</u>			
Balance at 31 st May 2019	51,805,097	727,841,219	779,646,316
Net Profit, being total comprehensive Income for the period	-	105,142,276	105,142,276
Transaction with owners: Dividend Paid	-	(40,000,000)	(40,000,000)
Balance at 29 th February 2020	<u>\$ 51,805,097</u>	<u>\$ 792,983,495</u>	<u>\$ 844,788,592</u>

Nine Months Ended February 28, 2019

Balance at 31 st May 2018	51,805,097	574,415,331	626,220,428
Net Profit being total comprehensive Income for the period	-	157,935,271	157,935,271
Transaction with owners: Dividend Paid	-	(35,000,000)	(35,000,000)
Balance at 28 th February 2019	<u>\$ 51,805,097</u>	<u>\$ 697,350,602</u>	<u>\$ 749,155,699</u>

KNUTSFORD EXPRESS SERVICES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE (9) MONTHS ENDED FEBRUARY 29, 2020

	<u>9 Months ended</u> <u>February 29, 2020</u>	<u>9 Months ended</u> <u>February 28, 2019</u>
	<u>US</u>	<u>US</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Profit for the period	103,181,142	157,935,271
Items not affecting Cash Resources:		
Depreciation and Amortisation	74,449,225	63,111,664
Taxation Charge	10,076,006	400,304
Translation Adjustment	1,961,134	-
	<u>189,667,507</u>	<u>221,447,239</u>
(Increase)/Decrease in Operating Assets:		
Other Assets	(84,721,840)	(9,124,570)
Inventories	4,230,253	1,089,049
Increase in operating Liabilities:		
Accounts Payable and Accrued charges	10,745,831	1,044,994
	<u>119,921,751</u>	<u>214,456,712</u>
Income Tax paid	-	(66,600)
Net Cash provided by operating activities	<u>119,921,751</u>	<u>214,390,112</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of Property, Plant and Equipment	(143,477,349)	(334,901,614)
Term Deposit – Restricted	(29,094)	(35,538)
Goodwill	-	(7,364,840)
Net Cash used in investing activities	<u>(143,506,443)</u>	<u>(342,301,992)</u>
<u>CASH FLOW FORM FINANCING ACTIVITIES</u>		
Proceeds from bond	50,000,000	150,000,000
Proceeds from notes payable	-	20,043,000
Dividends Paid	(40,000,000)	(35,000,000)
Repayment of notes payable	(22,219,172)	(24,589,931)
Net Cash (Used in)/Provided by Financing Activities	<u>(12,219,172)</u>	<u>110,453,069</u>
NET DECREASE IN CASH AND BANK BALANCES	<u>(35,803,864)</u>	<u>(17,458,811)</u>
OPENING CASH AND BANK BALANCES	<u>132,115,739</u>	<u>137,951,557</u>
CLOSING CASH AND BANK BALANCES	<u>\$ 96,311,875</u>	<u>120,492,746</u>

KNUTSFORD EXPRESS SERVICES LIMITED
CONSOLIDATED NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR NINE (9) MONTHS ENDED FEBRUARY 29, 2020

1. IDENTIFICATION

Knutsford Express Services Limited ("the company") is incorporated in Jamaica under the Jamaican Companies Act. The company is domiciled in Jamaica with its registered office located at 10 Harbour Circle, Montego Bay, St. James, and was listed on the Jamaica Junior Stock Exchange in January 2014. The company has three wholly owned subsidiaries.

The company's main activities are the provision of transportation and courier services.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and comply with the relevant requirements of the Jamaican Companies Act. The accounting policies are consistent with those applied to the audited financial statements for the year ended May 31, 2019, except for the adoption of IFRS 16 'Leases' which became effective January 1, 2019. The impact of adoption in the new standard is shown in Note 5.

The financial statements have been prepared under the historical cost basis and are expressed in Jamaican Dollars.

IFRS 16 'Leases'

The company has adopted IFRS 16 from June 1, 2019 and has not restated comparatives for the prior reporting period as permitted under specific transitional provisions in the standard in applying the simplified transition approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on June 1, 2019.

IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases of low-value assets. For lessors, the accounting stays almost the same.

Effective June 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on the straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

KNITSFORD EXPRESS SERVICES LIMITED
CONSOLIDATED NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR NINE (9) MONTHS ENDED FEBRUARY 29, 2020

3. SEGMENT REPORTING

Segment financial information is presented in respect of geographic locations. Assets, liabilities and operating results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment transactions are charged at arm's length prices.

NINE MONTHS ENDED 29 FEBRUARY 2020

	<u>Jamaica</u>	<u>USA</u>	<u>Total</u>
	\$	\$	\$
Revenue	904,605,892	20,626,757	925,232,649
Total Assets	1,110,941,611	65,972,324	1,176,913,935
Net Profit for the period	129,236,238	(26,055,096)	103,181,142

NINE MONTHS ENDED 28 FEBRUARY 2019

	<u>Jamaica</u>	<u>USA</u>	<u>Total</u>
	\$	\$	\$
Revenue	835,137,730	6,790,931	841,928,661
Total Assets	968,981,220	52,873,851	1,021,855,071
Net profit for the period	167,670,621	(9,735,350)	157,935,271

4. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue for the period. The weighted number of shares for the period was calculated as follows:

	<u>3rd Quarter</u> <u>29.02.2020</u>	<u>3rd Quarter</u> <u>28.02.2019</u>	<u>Nine Months Ended</u> <u>29.02.2020</u>	<u>Nine Months Ended</u> <u>28.02.2019</u>
Weighted Average number of Ordinary shares held during the period	500,000,015	500,000,015	500,000,015	500,000,015

KNUTSFORD EXPRESS SERVICES LIMITED
CONSOLIDATED NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR NINE (9) MONTHS ENDED FEBRUARY 29, 2020

5. **EFFECT OF ADOPTION OF IFRS 16**

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases.' These liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate as of June 1, 2019. The weighted average company's incremental borrowing rate applied to the lease liabilities on June 1, 2019 was 7.25%.

	June 1, 2019
Operating Lease commitments disclosed as at May 31, 2019	18,302,594
Discounted using the incremental borrowing rate at the date of initial application	15,706,901
Lease Liabilities recognized on adoption of IFRS 16	15,706,901
Lease liabilities recognized as at June 1, 2019	15,706,901

As stated in the accounting policy for the new standard, the transition provisions applied by the company do not require comparative figures to be restated. The total impact of adoption is therefore recognised in the opening statement of financial position on June 1, 2019.

The right-of-use assets were measured at the amount equal to the lease liability. There was no onerous lease contracts that would have required comparative adjustment to the right-of-use assets at the date of initial application. The adoption of IFRS 16 resulted in an increase in the lease liabilities of 15,706,901 and a corresponding increase in the right-of-use assets of 15,706,901 June 1, 2019.

The company incurred depreciation charges of \$3,475,269 on the right-of-use assets and interest expense of \$771,314 on the lease liabilities during the period.

Knutsford Express Services Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT FEBRUARY 29, 2020

Shareholder	Units
1. Oliver Townsend	167,651,720
2. Anthony Copeland	119,633,320
3. Gordon Townsend	87,232,590
4. N.C.B. Capital Markets Ltd. A/C 2231	28,683,536
5. SJIML A/C 3119	17,391,304
6. SJLIC For Scotiabridge Retirement Scheme	12,986,000
7. GraceKennedy Pension Fund Custodian Ltd for GraceKennedy Pension Scheme	7,500,000
8. JCSD Trustee Services Ltd. A/C #76579-02	7,128,000
9. Sagicor Pooled Equity Fund	6,000,000
10. GraceKennedy Pension Fund Custodian Ltd. For GraceKennedy Pension Plan (2009)	5,000,000

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT FEBRUARY 29, 2020

Director	Shareholdings	Connected Parties	Shareholdings
Oliver Townsend	167,633,320		
Oliver Townsend/Paula Townsend	10,000		
Yohann Townsend/Oliver Townsend	8,400		
		Paula Townsend	953,960
Anthony Copeland	119,633,320	---	
Gordon Townsend	87,232,590	---	
Wayne Wray	100,000		
Wayne Wray/Christine Randle	500,000	---	
Peter Pearson/Yvonne Pearson	245,000	---	