

KNUTSFORD EXPRESS SERVICES LIMITED

GROUP FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2020

KNUTSFORD EXPRESS SERVICES LIMITED
GROUP FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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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 subsidiaries (the "Group") set out on pages 6 to 47. These financial statements comprise the Group and the Company statements of financial position as at May 31, 2020, 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 Group as at May 31, 2020, 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 and Group 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

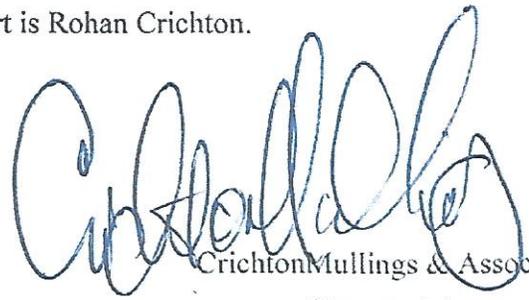
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 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 resulting in this independent auditor's report is Rohan Crichton.


Crichton Mullings & Associates
Chartered Accountants

Kingston Jamaica
September 10, 2020

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 skepticism 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)

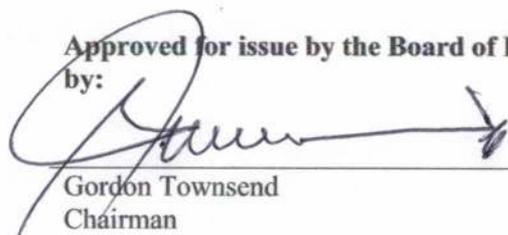
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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, 2020

	<u>Notes</u>	2020 \$	2019 \$
ASSETS			
Non-current Assets			
Goodwill	5	11,075,500	11,075,500
Property, plant and equipment	6	849,076,614	732,703,377
Right-of-use asset	7	11,300,228	-
Related party - lease deposit	12	4,125,000	4,250,000
Term deposit - restricted	13	2,685,104	2,656,010
		<u>878,262,446</u>	<u>750,684,887</u>
Current Assets			
Inventories	10	25,015,653	22,657,244
Other assets	11	26,207,326	35,248,926
Short term investments	14	123,599,054	122,462,198
Cash and bank balances	15	39,460,869	132,115,739
		<u>214,282,902</u>	<u>312,484,107</u>
Total Assets		<u><u>1,092,545,348</u></u>	<u><u>1,063,168,994</u></u>
EQUITY & LIABILITIES			
Equity			
Share capital	16	51,805,097	51,805,097
Accumulated surplus		713,603,624	727,841,219
		<u>765,408,721</u>	<u>779,646,316</u>
Non-current Liabilities			
Non-current portion of lease liability	7	4,184,285	-
Notes payable	18	20,474,133	38,179,682
Bonds payable	19	200,000,000	150,000,000
Shareholders' loan	20	452,840	452,840
Deferred tax liability	21	20,056,882	15,108,213
		<u>245,168,140</u>	<u>203,740,735</u>
Current Liabilities			
Accounts payable and accrued charges	22	50,558,890	48,879,855
Current portion of notes payable	18	20,119,635	27,241,371
Lease liability	7	7,499,178	-
Taxation payable	23	3,790,784	3,660,717
		<u>81,968,487</u>	<u>79,781,943</u>
Total Equity and Liabilities		<u><u>1,092,545,348</u></u>	<u><u>1,063,168,994</u></u>

Approved for issue by the Board of Directors on September 10, 2020 and signed on its behalf
 by:


 Gordon Townsend
 Chairman


 Oliver Townsend
 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, 2020

	<u>Notes</u>	2020 \$	2019 \$
Revenues	4	1,021,678,892	1,146,606,736
Less:			
Administrative and general expenses	24	<u>(974,847,339)</u>	<u>(936,249,723)</u>
		46,831,553	210,357,013
Other income		<u>9,611</u>	<u>1,687,763</u>
Operating profit	25	46,841,164	212,044,776
Finance income	26	19,329,832	8,287,292
Finance costs	27	<u>(23,651,780)</u>	<u>(27,151,038)</u>
Profit before taxation		42,519,216	193,181,030
Taxation charge	28	<u>8,960,549</u>	<u>4,709,345</u>
Net profit for the year		33,558,667	188,471,685
Other comprehensive loss:			
Items that will never be reclassified to profit or loss:			
Currency translation loss on foreign subsidiary		<u>(7,796,262)</u>	<u>(45,797)</u>
Total comprehensive income for the year		<u><u>25,762,405</u></u>	<u><u>188,425,888</u></u>
Earnings per share for profit attributable to the shareholders of the Company during the year	17	<u><u>\$0.07</u></u>	<u><u>\$0.38</u></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, 2020

	<u>Share Capital</u> \$	<u>Accumulated Surplus</u> \$	<u>Total</u> \$
Balance at May 31, 2018	51,805,097	574,415,331	626,220,428
Transactions with owners:			
Dividends paid, being total distribution to owners (note 31)	-	(35,000,000)	(35,000,000)
Total transactions with owners	<u>-</u>	<u>(35,000,000)</u>	<u>(35,000,000)</u>
Net profit for the year	-	188,471,685	188,471,685
Other comprehensive loss for the year:			
Currency translation loss on foreign subsidiary	-	(45,797)	(45,797)
Total comprehensive income for the year	-	188,425,888	188,425,888
Balance at May 31, 2019	51,805,097	727,841,219	779,646,316
Transactions with owners:			
Dividends paid, being total distribution to owners (note 31)	-	(40,000,000)	(40,000,000)
Total transactions with owners	<u>-</u>	<u>(40,000,000)</u>	<u>(40,000,000)</u>
Net profit for the year	-	33,558,667	33,558,667
Other comprehensive loss for the year:			
Currency translation loss on foreign subsidiary	-	(7,796,262)	(7,796,262)
Total comprehensive income for the year	-	25,762,405	25,762,405
Balance at May 31, 2020	<u><u>51,805,097</u></u>	<u><u>713,603,624</u></u>	<u><u>765,408,721</u></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, 2020

	<u>Notes</u>	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		33,558,667	188,471,685
Adjusted for:			
Depreciation and amortization		114,876,718	94,226,117
Depreciation on right-of-use asset		7,977,692	-
Interest expense on right-of-use asset		1,075,962	-
Gain on disposal of property, plant and equipment		-	(1,319,299)
Loan interest expense		4,243,813	5,679,264 *
Taxation charge		8,960,549	4,709,345
Translation adjustment		(7,796,262)	(40,631)
		<u>162,897,139</u>	<u>291,726,481</u>
Decrease / (increase) in operating assets:			
Other assets		9,041,600	18,882,635
Inventories		(2,358,409)	(2,780,790)
Taxation recoverable		-	(221,097)
Increase in operating liabilities:			
Accounts payable and accrued charges		1,679,036	16,681,440
		<u>171,259,366</u>	<u>324,288,669</u>
Income tax paid		(3,881,814)	-
Net cash provided by operating activities		<u>167,377,552</u>	<u>324,288,669</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible asset	5	-	(6,575,500)
Proceeds from sale of property, plant and equipment		-	16,100,000
Acquisition of property, plant and equipment	6	(231,124,955)	(405,775,802)
Placement of investment		(1,136,856)	(29,698,633)
Net cash used in investing activities		<u>(232,261,811)</u>	<u>(425,949,935)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(40,000,000)	(35,000,000)
Term deposit - restricted		(29,094)	(47,275)
Lease liability, net		(8,670,419)	-
Proceeds from bond payable		50,000,000	150,000,000
Proceeds from notes payable		-	20,043,000
Repayment of notes payable		(24,827,285)	(33,491,013)
Loan interest expense paid		(4,243,813)	(5,679,264) *
Net cash (used in) / provided by financing activities		<u>(27,770,611)</u>	<u>95,825,448</u>
NET DECREASE IN CASH AND BANK BALANCES		(92,654,870)	(5,835,818)
OPENING CASH AND BANK BALANCES		132,115,739	137,951,557
CLOSING CASH AND BANK BALANCES		39,460,869	132,115,739

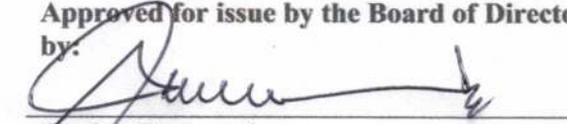
* - Restated to conform with current year presentation

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2020

	<u>Notes</u>	2020 £	2019 £
ASSETS			
Non-current Assets			
Goodwill	5	4,500,000	4,500,000
Property, plant and equipment	6	482,955,172	492,366,637
Right-of-use asset	7	11,300,228	-
Due from subsidiaries	8	475,969,449	298,198,955
Investment in subsidiaries	9	1,327,100	1,327,100
Related party - lease deposit	12	4,125,000	4,250,000
Term deposit - restricted	13	2,685,104	2,656,010
		<u>982,862,053</u>	<u>803,298,702</u>
Current Assets			
Inventories	10	25,015,653	22,657,244
Other assets	11	18,993,723	23,536,914
Short term investments	14	123,599,054	122,462,198
Cash and bank balances	15	31,118,685	127,121,743
		<u>198,727,115</u>	<u>295,778,099</u>
Total Assets		<u>1,181,589,168</u>	<u>1,099,076,801</u>
EQUITY & LIABILITIES			
Equity			
Share capital	16	51,805,097	51,805,097
Accumulated surplus		806,920,906	768,014,965
		<u>858,726,003</u>	<u>819,820,062</u>
Non-current Liabilities			
Non-current portion of lease liability	7	4,184,285	-
Notes payable	18	20,474,133	38,179,682
Bonds payable	19	200,000,000	150,000,000
Shareholders' loan	20	452,840	452,840
Deferred tax liability	21	25,042,734	20,094,066
		<u>250,153,992</u>	<u>208,726,588</u>
Current Liabilities			
Accounts payable and accrued charges	22	41,299,576	39,628,063
Current portion of notes payable	18	20,119,635	27,241,371
Current portion of lease liability	7	7,499,178	-
Taxation payable	23	3,790,784	3,660,717
		<u>72,709,173</u>	<u>70,530,151</u>
Total Equity and Liabilities		<u>1,181,589,168</u>	<u>1,099,076,801</u>

Approved for issue by the Board of Directors on September 10, 2020 and signed on its behalf by:


 Gordon Townsend
 Chairman


 Oliver Townsend
 Director

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
COMPANY STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MAY 31, 2020

	<u>Notes</u>	2020 \$	2019 \$
Revenues	4	991,391,387	1,122,750,346
Less:			
Administrative and general expenses	24	<u>(900,147,983)</u>	<u>(874,077,576)</u>
		91,243,404	248,672,770
Other income		<u>9,611</u>	<u>1,687,763</u>
Operating profit	25	91,253,015	250,360,533
Finance income	26	19,329,832	8,287,292
Finance costs	27	<u>(22,716,357)</u>	<u>(26,212,715)</u>
Profit before taxation		87,866,490	232,435,110
Taxation charge	28	<u>8,960,549</u>	<u>7,662,592</u>
Net profit, being total comprehensive income for the year		<u>78,905,941</u>	<u>224,772,518</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, 2020

	<u>Share Capital</u> \$	<u>Accumulated Surplus</u> \$	<u>Total</u> \$
Balance at May 31, 2018	51,805,097	578,242,447	630,047,544
Transactions with owners:			
Dividends paid, being total distribution to owners (note 31)	-	(35,000,000)	(35,000,000)
Total transactions with owners	-	(35,000,000)	(35,000,000)
Net profit, being total comprehensive income for the year	-	224,772,518	224,772,518
Balance at May 31, 2019	51,805,097	768,014,965	819,820,062
Transactions with owners:			
Dividends paid, being total distribution to owners (note 31)	-	(40,000,000)	(40,000,000)
Total transactions with owners	-	(40,000,000)	(40,000,000)
Net profit, being total comprehensive income for the year	-	78,905,941	78,905,941
Balance at May 31, 2020	<u>51,805,097</u>	<u>806,920,906</u>	<u>858,726,003</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, 2020

	<u>Notes</u>	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		78,905,941	224,772,518
Adjusted for:			
Depreciation and amortization		100,011,453	83,911,202
Depreciation on right-of-use asset		7,977,692	-
Interest expense on right-of-use asset		1,075,962	-
Gain on disposal of property, plant and equipment		-	(1,319,299)
Loan interest expense		4,243,813	5,679,264 *
Taxation charge		8,960,549	7,662,592
		<u>201,175,410</u>	<u>320,706,277</u>
Decrease / (increase) in operating assets:			
Other assets		4,543,191	30,559,015
Inventories		(2,358,409)	(2,780,790)
Taxation recoverable		-	(221,097)
Due from subsidiaries		(177,770,494)	(244,116,527)
Increase in operating liabilities:			
Accounts payable and accrued charges		1,671,515	7,704,649
		<u>27,261,213</u>	<u>111,851,527</u>
Income tax paid		(3,881,814)	-
Net cash provided by operating activities		<u>23,379,399</u>	<u>111,851,527</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	16,100,000
Acquisition of property, plant and equipment	6	(90,474,989)	(202,849,114)
Placement of investment		(1,136,856)	(29,698,633)
Investment in subsidiaries		-	(1,321,100)
Net cash used in investing activities		<u>(91,611,845)</u>	<u>(217,768,847)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(40,000,000)	(35,000,000)
Term deposit - restricted		(29,094)	(47,275)
Lease liability, net		(8,670,419)	-
Proceeds from bond payable		50,000,000	150,000,000
Proceeds from notes payable		-	20,043,000
Repayment of notes payable		(24,827,286)	(33,491,013)
Loan interest expense paid		(4,243,813)	(5,679,264) *
Net cash (used in) / provided by financing activities		<u>(27,770,612)</u>	<u>95,825,448</u>
NET DECREASE IN CASH AND BANK BALANCES		<u>(96,003,058)</u>	<u>(10,091,872)</u>
OPENING CASH AND BANK BALANCES		<u>127,121,743</u>	<u>137,213,615</u>
CLOSING CASH AND BANK BALANCES		<u>31,118,685</u>	<u>127,121,743</u>

* - Restated to conform with current year presentation

The accompanying notes form an integral part of the financial statements

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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, 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 31 December 2013 for subsequent listings, was reinstated in October 2016.

The Company has three wholly owned subsidiaries, KE Connect Limited, KE Connect US LLC and Knutsford Express Investments Limited (the "Subsidiaries").

KE Connect Limited and Knutsford Express Investments Limited, and are both registered and domiciled in Jamaica with their registered offices at 1310 Providence Drive, Montego Bay, St. James, respectively. KE Connect Limited provides convenient connections to the island's international airports while Knutsford Express Investments Limited undertakes property development and other investments initiatives.

KE Connect US LLC is incorporated in the state of Florida and is domiciled in Florida with its registered office located at 500 SW Third Ave, Fort Lauderdale FL 33315. The subsidiary provides premium bus / coach charter services.

The Company and the subsidiaries 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.

This is the first set of the Company's annual financial statements in which IFRS 16, Leases, has been applied. Changes to significant accounting policies are described in note 2(e).

(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, 2020

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 new standards and interpretations of and amendments to existing standards became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following new standards, interpretations and amendments are relevant to its operations:

- *IAS 12 'Income Tax - Amendment', issued December 2017*, 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 recognizes both the current tax consequences 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 the tax base of assets and liabilities and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.
- *IFRS 16 'Leases - Amendment', issued January 2016*, Effective for annual periods beginning on or after January 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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 28 'Investments in Associates and Joint Ventures', issued October 2017*, Effective for annual periods beginning on or after January 1, 2019. IAS 28 outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control of those policies).
- *IFRIC 23 'Uncertainty Over Income Tax Treatments', issued June 2017*, Effective for annual periods commencing on or after 1 January 2019. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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

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

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:

- *IAS 1 'Presentation of Financial Statements - Amendment', issued October 2018*, Effective for annual periods commencing on or after 1 January 2020. IAS 1 clarifies the definition of 'material' and align the definition used in the Conceptual Framework and standards.
- *IAS 1 'Classification of liabilities as current or non-current' - Amendment', issued January 23, 2020*, Effective for annual periods commencing on or after 1 January 2023. The amendments to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- *IAS 16 'Property, Plant and Equipment - Proceeds before intended use - Amendment' issued May 14, 2020*, Effective for annual periods commencing on or after 1 January 2022. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- *IFRS 9 'Financial Instruments - Amendment', issued September 2019*, Effective for annual periods commencing on or after 1 January 2020. IFRS 9 clarifies that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from hedging instrument are based will not be altered as a result of interest rate benchmark reform.
- *References to Conceptual Framework in IFRS Standards - Amendment, issued March 2018* Effective for periods commencing on or after 1 January 2020.

The Board of directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant to the Group in future periods is unlikely to have any material impact on the financial statements.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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

(d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, as well as estimates, based on assumptions, that affect the application of accounting policies, and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts may differ from these estimates.

The estimates, and the assumptions underlying them, 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 the revision and future periods if the revision affects both current and future periods

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with material uncertainty that have a significant effect on amounts in the financial statements or that have a significant risk of material adjustment in the next financial year are set out below:

(i) Critical accounting judgements in applying the Group's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the principles set out in IFRS.

(a) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(b) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(c) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Group applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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

(d) Use of estimates and judgements (cont'd)

(ii) Key assumptions and other sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(a) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from loan receivables, for example, through unfavorable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions makes uncertainly inherent in such estimates.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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

(d) Use of estimates and judgements (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(c) Leases - estimating the incremental borrowing rate

If the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as stand-alone credit rating).

(e) Changes in accounting policies

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The Group is not a lessor.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group has lease rental contracts for office and parking space. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 3(h) for the accounting policy prior to June 1, 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee except for short-term leases and leases of low-value assets. Refer to Note 3(h) for the accounting policy beginning June 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The effect of adoption of IFRS 16 as at June 1, 2019 is as follows:

	\$
Assets	
Right-of-use assets	11,300,228
Total assets	11,300,228
Liabilities	
Lease liabilities	11,300,228
Total liabilities	11,300,228

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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.

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

Furniture, fixtures and equipment	10%
Computers	20%
Motor vehicles	12.5%
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 recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired.

(c) Accounts payable and accrued charges

Accounts payable and accrued charges are stated at amortized cost.

(d) Cash and bank balances

Cash comprises cash in hand and cash at bank.

(e) Inventories

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

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the 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.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received from the provision of transportation and courier services in the normal course of business, net of discounts, rebates and 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 recognized on a proportionate basis using the effective interest method.

(h) Leases

Policy applicable from June 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the short-term lease recognition exemption to its short-term leases (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that are considered short-term.

Policy applicable before June 1, 2019

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

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

(i) 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.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it 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 segmented geographically into Jamaica and United States of America (USA).

(k) Taxation

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

(l) Related party identification

A party is related to the 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 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.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Related party identification (cont'd)

- (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.

(m) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

In these financial statements, financial assets comprise cash and bank balances, other receivables, deposits and related party receivables. Financial liabilities comprise accounts payable, bonds and notes payable.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cashflows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

Initial recognition and measurement (cont'd)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Amortised cost; or
- Fair value through profit or loss (FVTPL).

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortised cost includes short term investments and other receivables, due from related parties and cash and bank balances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) on the financial instruments measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

Impairment (cont'd)

For receivables, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For other financial assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities, comprising loans and accounts payable, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

(n) Dividends

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

(o) Comparative information

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

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

4. REVENUES

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

5. GOODWILL

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Cost:				
Purchased goodwill (i)	11,075,500	4,500,000	4,500,000	4,500,000
Addition during the year (ii)	-	6,575,500	-	-
	<u>11,075,500</u>	<u>11,075,500</u>	<u>4,500,000</u>	<u>4,500,000</u>

(i) Goodwill resulted from the acquisition of South Coast Express Limited.

(ii) KE Connect US LLC acquired Davis Tours which resulted in a goodwill of US\$50,000.

The Group assesses the impairment of goodwill at least on an annual basis or when events or circumstances indicate that the carrying value may be impaired.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

6. PROPERTY, PLANT AND EQUIPMENT

Group:

	<u>Computer</u>	<u>Furniture Fixtures and Equipment</u>	<u>Leasehold Improvement</u>	<u>Freehold Land</u>	<u>Motor Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
At Cost:						
Balance at May 31, 2018	20,446,461	89,749,104	60,824,125	-	494,183,155	665,202,845
Additions	8,330,673	14,237,117	4,517,872	141,052,178	237,637,962	405,775,802
Disposal	-	-	-	-	(20,564,454)	(20,564,454)
Balance at May 31, 2019	<u>28,777,134</u>	<u>103,986,221</u>	<u>65,341,997</u>	-	<u>711,256,663</u>	<u>1,050,414,193</u>
Balance at June 1, 2019	28,777,134	103,986,221	65,341,997	141,052,178	711,256,663	1,050,414,193
Additions	19,036,663	8,861,922	6,734,387	138,210,455	58,281,528	231,124,955
Balance at May 31, 2020	<u>47,813,797</u>	<u>112,848,143</u>	<u>72,076,384</u>	<u>279,262,633</u>	<u>769,538,191</u>	<u>1,281,539,148</u>
Accumulated Depreciation:						
Balance at May 31, 2018	9,488,644	37,306,313	8,411,038	-	174,182,289	229,388,284
Charge for the year	5,156,407	9,606,579	6,228,951	-	73,114,347	94,106,284
Disposal	-	-	-	-	(5,783,752)	(5,783,752)
Balance at May 31, 2019	<u>14,645,051</u>	<u>46,912,892</u>	<u>14,639,989</u>	-	<u>241,512,884</u>	<u>317,710,816</u>
Balance at June 1, 2019	14,645,051	46,912,892	14,639,989	-	241,512,884	317,710,816
Charge for the year	7,396,597	10,886,898	6,859,619	-	89,608,604	114,751,718
Balance at May 31, 2020	<u>22,041,648</u>	<u>57,799,790</u>	<u>21,499,608</u>	-	<u>331,121,488</u>	<u>432,462,534</u>
Net book value:						
At May 31, 2018	<u>10,957,817</u>	<u>52,442,791</u>	<u>52,413,087</u>	-	<u>320,000,867</u>	<u>435,814,562</u>
At May 31, 2019	<u>14,132,083</u>	<u>57,073,329</u>	<u>50,702,008</u>	<u>141,052,178</u>	<u>469,743,779</u>	<u>732,703,377</u>
At May 31, 2020	<u>25,772,149</u>	<u>55,048,353</u>	<u>50,576,776</u>	<u>279,262,633</u>	<u>438,416,703</u>	<u>849,076,614</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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

Company:

	Computer	Furniture Fixtures and Equipment	Leasehold Improvement	Motor Vehicles	Total
	\$	\$	\$	\$	\$
At Cost:					
Balance at May 31, 2018	20,368,461	89,749,104	60,824,125	440,425,456	611,367,146
Additions	7,950,354	10,202,748	3,988,823	180,707,189	202,849,114
Disposal	-	-	-	(20,564,454)	(20,564,454)
Balance at May 31, 2019	<u>28,318,815</u>	<u>99,951,852</u>	<u>64,812,948</u>	<u>600,568,191</u>	<u>793,651,806</u>
Balance at June 1, 2019	28,318,815	99,951,852	64,812,948	600,568,191	793,651,806
Additions	<u>18,041,804</u>	<u>7,877,258</u>	<u>6,274,399</u>	<u>58,281,528</u>	<u>90,474,989</u>
Balance at May 31, 2020	<u>46,360,619</u>	<u>107,829,110</u>	<u>71,087,347</u>	<u>658,849,719</u>	<u>884,126,795</u>
Accumulated Depreciation:					
Balance at May 31, 2018	9,488,644	37,306,313	8,411,038	168,076,724	223,282,719
Charge for the year	5,107,750	9,467,303	6,212,757	62,998,392	83,786,202
Disposal	-	-	-	(5,783,752)	(5,783,752)
Balance at May 31, 2019	<u>14,596,394</u>	<u>46,773,616</u>	<u>14,623,795</u>	<u>225,291,364</u>	<u>301,285,169</u>
Balance at June 1, 2019	14,596,394	46,773,616	14,623,795	225,291,364	301,285,169
Charge for the year	<u>7,107,510</u>	<u>10,417,742</u>	<u>6,792,405</u>	<u>75,568,797</u>	<u>99,886,454</u>
Balance at May 31, 2020	<u>21,703,904</u>	<u>57,191,358</u>	<u>21,416,200</u>	<u>300,860,161</u>	<u>401,171,623</u>
Net book value:					
At May 31, 2018	<u>10,879,817</u>	<u>52,442,791</u>	<u>52,413,087</u>	<u>272,348,732</u>	<u>388,084,427</u>
At May 31, 2019	<u>13,722,421</u>	<u>53,178,236</u>	<u>50,189,153</u>	<u>375,276,827</u>	<u>492,366,637</u>
At May 31, 2020	<u>24,656,715</u>	<u>50,637,752</u>	<u>49,671,147</u>	<u>357,989,558</u>	<u>482,955,172</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

7. RIGHT-OF-USE ASSET

	<u>Group and Company</u>
	<u>\$</u>
At Valuation:	
Balance at June 1, 2019	-
Additions	<u>19,277,920</u>
Balance at May 31, 2020	<u>19,277,920</u>
Depreciation charge for right-of use asset:	
Charge for the year	<u>7,977,692</u>
Balance at May 31, 2020	<u>7,977,692</u>
Net Book Value:	
Balance at May 31, 2020	<u>11,300,228</u>
Lease Liability:	
	<u>\$</u>
Non-current lease liability	<u>4,184,290</u>
Current lease liability	<u>7,499,178</u>

On June 1, 2019, the applicable operating leases were recognized by the Group as a right-of-use asset with a corresponding lease liability. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's annual incremental borrowing rate 7.25%.

8. DUE FROM SUBSIDIARIES

	<u>Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
KE Connect Limited	79,395,192	75,478,414
KE Connect US LLC	117,317,624	81,674,363
Knutsford Express Investments Limited	<u>279,256,633</u>	<u>141,046,178</u>
	<u>475,969,449</u>	<u>298,198,955</u>

These represent advances to the subsidiaries by the Company. The loans are interest free, unsecured and have no fixed date of repayment.

9. INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
KE Connect Limited	6,000	6,000
Knutsford Express Investments Limited	6,000	6,000
KE Connect US LLC	<u>1,315,100</u>	<u>1,315,100</u>
	<u>1,327,100</u>	<u>1,327,100</u>

These are wholly owned subsidiaries of the Company.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

10. INVENTORIES

Group and Company	
2020	2019
\$	\$
25,015,653	22,657,244

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

11. OTHER ASSETS

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Accounts receivable	7,543,223	12,099,454	5,499,363	10,407,001
Deposit on motor vehicles	2,303,671	10,540,573	2,303,671	10,540,573
Prepayments	12,080,283	7,673,940	6,910,440	-
Other receivables	4,280,149	4,934,959	4,280,249	2,589,340
	26,207,326	35,248,926	18,993,723	23,536,914

12. RELATED PARTY - LEASE DEPOSIT

	Group and Company	
	2020	2019
	\$	\$
Balance at the start of the year	4,250,000	4,375,000
Current amount amortised during the year	(125,000)	(125,000)
Balance at the end of the year	4,125,000	4,250,000

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

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

13. TERM DEPOSIT - RESTRICTED

Group and Company	
2020	2019
\$	\$
2,685,104	2,656,010

The term deposit is held with National Commercial Bank Jamaica Limited (NCB) at interest rate of 2.4% (2019: 2.4%) per annum. The term deposit is used to secure a loan from NCB (see note 18).

14. SHORT TERM INVESTMENTS

	Group and Company	
	2020	2019
	\$	\$
Proven Wealth (i)	16,759,273	15,002,912
NCB fixed deposits (ii)	34,824,613	53,282,793
First Global Bank (iii)	28,362,557	27,764,478
JMMB Investment (iv)	43,652,611	26,412,015
	123,599,054	122,462,198

- (i) This represents indexed linked notes totaling US\$117,728 (2019: US\$114,082) which matures on October 10, 2020 and earn interest at 3.15% (2019: 3.15%) per annum.
- (ii) These represent term deposits of US\$244,631 and JMD \$Nil (2019: US\$243,002 and JMD\$21,325,551) which earns interest at 0.90% and 3.35% (2019: 0.90% and 3.35%) per annum.
- (iii) This is a JMD certificate of deposit which earns interest at 2.6% (2019: 3.15%) per annum and matures on November 25, 2020.
- (iv) This represents US\$306,644 (2019: US\$ 200,837) reverse repurchase agreement which earns interest at 3.50% (2019: 3.10%) per annum and matures on July 6, 2020.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

15. CASH AND BANK BALANCES

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	2019	<u>2020</u>	2019
	\$	\$	\$	\$
Current accounts	14,910,685	94,879,294	8,407,511	92,524,565
Foreign currency accounts	22,151,108	22,328,485	20,328,198	21,789,080
Cash balances	2,399,076	12,808,098	2,382,976	12,808,098
	<u>39,460,869</u>	<u>130,015,877</u>	<u>31,118,685</u>	<u>127,121,743</u>

The weighted average effective interest rate for cash and bank balances is 0.12% (2019: 0.12%). The cash and bank balances are unrestricted.

16. SHARE CAPITAL

	<u>Group and Company</u>	
	<u>2020</u>	2019
	\$	\$
<u>Authorized share capital:</u>		
500,025,000 Ordinary shares at no par value	-	-
<u>Issued and fully paid:</u>		
500,000,015 Ordinary shares at no par value	<u>51,805,097</u>	<u>51,805,097</u>

17. 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.

	<u>Group</u>	
	<u>2020</u>	2019
Net profit attributable to shareholders	<u>33,558,667</u>	<u>188,471,685</u>
Weighted average number of shares in issue	<u>500,000,015</u>	<u>500,000,015</u>
	\$ 0.07	\$ 0.38

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

18. NOTES PAYABLE

	Group and Company	
	2020	2019
	\$	\$
Balance at the beginning of the year	65,421,053	78,869,066
Principal repayment during the year	(24,827,285)	(33,491,013)
Addition during the year	-	20,043,000
Balance at the end of the year	40,593,768	65,421,053
Current portion of notes payable	(20,119,635)	(27,241,371)
Non-current portion of notes payable	20,474,133	38,179,682

The loans from the National Commercial Bank Jamaica Limited have 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.

Included above, is a loan of \$25 million from the National Export-Import Bank of Jamaica at an interest rate of 5% per annum. The loan is secured by liens over three (3) of the Company's Kinglong Coach buses and matures on December 31, 2020.

19. BONDS PAYABLE

	Group and Company	
	2020	2019
	\$	\$
JN Fund Managers (i)	50,000,000	-
Proven Wealth (ii)	150,000,000	150,000,000
	200,000,000	150,000,000

- (i) This is a senior unsecured bond for \$50,000,000 which was obtained December 11, 2019 and attracts a fixed interest rate at 6.90% per annum for a four-year period payable quarterly. The bond matures on December 11, 2023.
- (ii) This is a senior unsecured fixed to floating bond for \$150,000,000 which was obtained December 5, 2018 and attracts a fixed interest rate at 7.25% per annum for the first five-year period payable quarterly. Thereafter, interest for the remaining term is charged at the Government of Jamaica 3-month weighted average treasury bill yield immediately prior to the commencement of the respective quarterly interest period, plus 2.50% per annum until the maturity date in December 2025.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

20. SHAREHOLDERS' LOAN

Group and Company	
2020	2019
\$	\$
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.

21. 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	
	2020	2019	2020	2019
	\$	\$	\$	\$
Deferred tax liabilities	20,056,882	15,108,213	25,042,734	20,094,066
	20,056,882	15,108,213	25,042,734	20,094,066

Deferred tax liabilities are attributable to the following:

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Property, plant and equipment	28,751,793	23,803,126	25,042,734	20,094,066
Unrealized exchange loss	(19,264)	-	-	-
Tax loss	(8,675,647)	(8,694,913)	-	-
	20,056,882	15,108,213	25,042,734	20,094,066

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

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Balance at the beginning of the period	15,108,213	14,280,683	20,094,066	16,313,288
Movement during the year	4,948,669	827,530	4,948,668	3,780,778
Balance at the end of the period	20,056,882	15,108,213	25,042,734	20,094,066

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

22. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	\$	\$	\$	\$
Accounts payable	25,940,387	23,969,455	25,254,733	22,407,323
Statutory liabilities	1,728,616	5,375,153	1,728,616	5,375,153
Other accruals	22,889,885	19,535,247	14,316,227	11,845,587
	<u>50,558,888</u>	<u>48,879,855</u>	<u>41,299,576</u>	<u>39,628,063</u>

23. TAXATION PAYABLE

Taxation payable is based on profits for the year, adjusted for taxation purposes, subject to the agreement of the Tax Administration Jamaica, and is calculated at 25%.

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	\$	\$	\$	\$
<u>Current year:</u>				
Net tax payable at the beginning of the year	3,660,717	-	3,660,717	-
Tax liability for the current year	4,011,881	3,881,814	4,011,881	3,881,814
Less: estimated tax payments made during the current year	-	-	-	-
	<u>7,672,598</u>	3,881,814	<u>7,672,598</u>	3,881,814
Less:				
Payment of prior year taxation	<u>(3,881,814)</u>	<u>(221,097)</u>	<u>(3,881,814)</u>	<u>(221,097)</u>
Net payable for current year	<u>3,790,784</u>	<u>3,660,717</u>	<u>3,790,784</u>	<u>3,660,717</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

24. EXPENSES BY NATURE**Administration and General Expenses:**

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries, wages and related expenses	313,258,591	309,069,251	289,995,155	289,434,423
Staff uniform	7,588,251	5,309,371	7,588,251	5,309,371
Staff training and welfare	6,261,675	4,231,692	6,157,274	4,026,669
Electricity	11,171,186	9,566,678	11,014,427	9,490,733
Telephone	19,286,923	18,677,367	18,736,072	18,469,911
Water	5,596,944	4,754,330	5,444,216	4,660,568
Office supplies	3,358,037	3,941,442	2,573,164	3,342,876
Motor vehicle rental	1,655,335	1,299,572	9,237,225	7,752,372
Repairs and maintenance	10,807,085	8,278,069	10,695,474	7,783,287
Equipment rental	184,727	102,220	180,327	102,220
Rent	24,494,131	29,411,051	18,840,530	25,912,661
Registration fees	395,200	451,485	-	-
Travelling	11,080,310	13,855,515	10,648,954	13,196,374
License and permits	7,355,916	7,561,335	6,626,118	7,111,106
Advertising and promotion	26,874,869	23,272,078	25,437,853	21,022,126
Fuel	155,186,148	162,547,125	150,394,302	158,697,330
Passenger supplies	18,186,428	17,978,207	18,179,284	17,978,207
Parts and supplies	55,584,258	62,928,678	55,584,258	62,928,678
Motor vehicle repairs and maintenance	12,680,292	17,967,666	7,123,656	8,382,764
Wrecker fees	807,118	289,500	807,118	289,500
Fleet tracking service	602,500	-	602,500	-
Insurance	55,622,129	42,990,347	36,831,434	31,004,262
Toll fees	40,534,536	36,906,198	40,474,720	36,790,790
Accommodation	2,077,136	692,841	1,184,244	462,168
Professional fees	13,786,532	15,382,467	12,589,836	13,549,276
Directors' fees	1,665,000	1,560,000	1,665,000	1,560,000
Dues and subscription	2,603,038	1,653,160	2,508,446	1,534,156
Communication equipment	40,000	-	-	-
Cleaning and sanitation	7,715,198	6,121,202	7,715,198	6,121,202
Postage and delivery	1,081,503	563,178	1,081,503	563,178
Printing and stationery	6,856,370	7,408,641	6,856,370	7,408,641
Depreciation and amortization	114,876,718	94,226,117	100,011,453	83,911,202
Depreciation on right of use asset	7,977,692	-	7,977,692	-
Audit fees	2,853,943	3,189,538	1,500,000	1,750,000
Medical expenses	13,595	-	-	-
Accounting fees	1,320,000	1,095,000	1,320,000	1,095,000
IT expense	711,319	494,495	-	-
Security	22,696,706	22,473,907	22,565,927	22,436,526
	974,847,339	936,249,723	900,147,983	874,077,576

*- Restated to conform with current year presentation

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

25. OPERATING PROFIT

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
	46,841,164	212,044,776	91,253,015	250,360,533
Stated after charging the following:				
	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Auditor's remuneration	2,853,943	3,189,538	1,500,000	1,750,000

26. FINANCE INCOME

	Group and Company	
	2020	2019
	\$	\$
Interest income	3,366,690	2,196,557
Unrealized exchange gain	15,963,142	6,090,735
	19,329,832	8,287,292

27. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Loan interest expense	4,243,813	5,679,264	4,243,813	5,679,264
Interest expense on right-of-use asset	1,075,962	-	1,075,962	-
Bank charges	18,332,005	21,471,774	17,396,582	20,533,451
	23,651,780	27,151,038	22,716,357	26,212,715

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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28. TAXATION 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 31 December 2013 for subsequent listings, was reinstated in October 2016. As of January 15th 2019, the 50% remission for the remaining five years, is now in effect.

The Group provides for deferred tax.

Taxation is computed at 25% (2019: 25%) of the profit for the year as adjusted for taxation purposes.

The taxation charge is made up as follows:

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	\$	\$	\$	\$
Current:				
Current Taxation	<u>4,011,881</u>	<u>3,881,814</u>	<u>4,011,881</u>	<u>3,881,814</u>
Deferred:				
Origination and reversal of temporary differences	<u>4,948,668</u>	<u>827,531</u>	<u>4,948,668</u>	<u>3,780,778</u>
	<u>8,960,549</u>	<u>4,709,345</u>	<u>8,960,549</u>	<u>7,662,592</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

28. TAXATION CHARGE (CONT'D)

(b) Reconciliation of effective tax rate and charge:	Group				Company			
	2020		2019		2020		2019	
	\$	%	\$	%	\$	%	\$	%
Profit before taxation for the year	42,519,216		193,181,030		87,866,490		232,435,110	
Computed tax charge	10,629,804	25%	48,295,257	25%	21,966,624	25%	58,108,777	25%
Minimum business tax	-	0%	-	0%	-	0%	-	0%
Taxation differences between profit for financial statements and tax reporting purposes on:								
Depreciation and capital allowances - normal rate	(3,544,893)	-8%	(19,979,817)	-10%	(3,544,893)	-4%	(19,979,817)	0%
Depreciation and capital allowances:								
- difference in tax rate	-	0%	19,799,793	10%	-	0%	12,549,990	-9%
Unrealized exchange gains	(3,990,786)	-9%	(1,462,682)	-1%	(3,990,786)	-5%	(1,522,684)	-1%
Employment tax credit	(3,077,009)	-7%	(13,420,270)	-7%	(3,077,009)	-4%	(13,420,270)	-6%
Remission of income taxes	(4,011,882)	-9%	(28,073,404)	-15%	(4,011,882)	-5%	(28,073,404)	-12%
Tax losses	11,336,820	27%	36,540	0%	-	0%	-	0%
Other adjustments	1,618,495	4%	(486,072)	0%	1,618,495	2%	-	0%
Actual charge and tax rate	8,960,549	23%	4,709,345	2%	8,960,549	9%	7,662,592	-3%

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 31 December 2013 for subsequent listings, was reinstated in October 2016. As of January 15th 2019, the 50% remission for the remaining five years, is now in effect.

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 \$32,085,286 (2019 - \$28,073,404).

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

29. RELATED PARTIES

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

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Lease deposit to related company	4,125,000	4,250,000	4,125,000	4,250,000
Due from subsidiaries	<u>-</u>	<u>-</u>	<u>475,969,449</u>	<u>298,198,955</u>
Amounts due to key management personnel	<u>(452,840)</u>	<u>(452,840)</u>	<u>(452,840)</u>	<u>(452,840)</u>

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

	Group and Company	
	2020	2019
	\$	\$
Transactions with key management personnel:		
- Directors' fees	1,665,000	1,560,000
- Management remuneration	<u>19,891,723</u>	<u>17,988,923</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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30. STAFF COSTS

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

	Group		Company	
	2020	2019	2020	2019
Permanent	113	191	112	187

The aggregate payroll costs for these persons were as follows:

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries and profit related pay	327,108,517	318,610,313	303,740,680	298,770,463

31. DIVIDENDS

The Company, at its board of directors meeting held on July 29, 2019, declared a dividend of \$40,000,000, payable on September 18, 2019, to shareholders on record as at September 2, 2019. The Company, at its board of directors meeting held on July 24, 2018, declared a dividend of \$35,000,000, payable on September 14, 2018, to shareholders on record as at August 31, 2018.

32. 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 realize in a current market exchange.

The following methods and assumptions have been used.

The amounts included in the financial statements for cash and cash equivalents, short term deposits, 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, 2020

32. 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 analyses 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:

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Other assets	26,207,326	35,248,926	18,993,723	23,536,914
Short term investments	123,599,054	122,462,198	123,599,054	122,462,198
Cash and bank balances	39,460,869	132,115,739	31,118,685	127,121,743
	<u>189,267,249</u>	<u>289,826,863</u>	<u>173,711,462</u>	<u>273,120,855</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.

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

32. 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, 2020:				
Notes payable	40,593,768	59,504,773	22,577,300	36,927,473
Accounts payable and accrued charges	<u>50,558,887</u>	<u>50,558,887</u>	<u>50,558,887</u>	<u>-</u>
	<u>91,152,655</u>	<u>110,063,660</u>	<u>73,136,187</u>	<u>36,927,473</u>
May 31, 2019:				
Notes payable	65,421,053	74,046,878	31,370,210	42,676,668
Accounts payable and accrued charges	<u>48,879,855</u>	<u>48,879,855</u>	<u>48,879,855</u>	<u>-</u>
	<u>114,300,908</u>	<u>122,926,733</u>	<u>80,250,065</u>	<u>42,676,668</u>
	Company			
	Carrying amount \$	Contractual cash flow \$	Less than 1 year \$	1 - 3 years \$
May 31, 2020:				
Notes payable	40,593,768	59,504,773	22,577,300	36,927,473
Accounts payable and accrued charges	<u>41,299,576</u>	<u>41,299,576</u>	<u>41,299,576</u>	<u>-</u>
	<u>81,893,344</u>	<u>100,804,349</u>	<u>63,876,876</u>	<u>36,927,473</u>
May 31, 2019:				
Notes payable	65,421,053	74,046,878	31,370,210	42,676,668
Accounts payable and accrued charges	<u>39,628,063</u>	<u>39,628,063</u>	<u>39,628,063</u>	<u>-</u>
	<u>105,049,116</u>	<u>113,674,941</u>	<u>70,998,273</u>	<u>42,676,668</u>

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

32. 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 are as follows:

(i) Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The 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:

	Group			
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>US\$</u>	<u>GBP£</u>	<u>US\$</u>	<u>GBP£</u>
Foreign currency assets:				
Cash and bank balances	140,365	7,099	258,499	4,823
Short term investment	551,276	-	557,921	-
	691,641	7,099	816,420	4,823
	691,641	7,099	816,420	4,823
	Company			
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>US\$</u>	<u>GBP£</u>	<u>US\$</u>	<u>GBP£</u>
Foreign currency assets:				
Cash and bank balances	132,807	7,099	238,554	4,823
Short term investment	551,276	-	557,921	-
	684,083	7,099	796,475	4,823
	684,083	7,099	796,475	4,823

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

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

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

(iii) Market risk (cont'd):

(i) Foreign currency risk

Sensitivity analysis:

A strengthening of 200 (2019: 400) basis points of the Jamaica dollar against the currencies indicated above at May 31 would have decreased the Group and Company's profit or loss by \$2,002,022 (2019: \$4,347,891) and \$1,980,418 (2019: \$4,242,447), respectively.

A weakening of 600 (2019: 600) basis points of the Jamaica dollar against the currencies indicated above at May 31 would have increased the Group and Company's profit or loss by \$6,006,066 (2019: \$6,521,794) and \$5,941,254 (2019: \$6,363,630), respectively.

(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 are 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, 2020

32. 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 optional capital structure to reduce the cost of capital. The Group 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.

33. 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.

	2020			
	Jamaica	USA	Eliminated on consolidation	Group Total
Statement of Financial Position:				
Assets	1,514,692,866	55,691,311	(477,838,829)	1,092,545,348
Shareholders' equity	837,770,327	(70,492,224)	(1,869,380)	765,408,723
Liabilities	676,922,539	126,183,535	(475,969,449)	327,136,625
	1,514,692,866	55,691,311	(477,838,829)	1,092,545,348
Statement of Comprehensive Income:				
Revenue	1,005,849,932	23,410,850	(7,581,890)	1,021,678,892
Other income	9,611	-	-	9,611
Finance income	19,329,832	-	-	19,329,832
Administrative and general expenses	(920,554,100)	(61,875,129)	7,581,890	(974,847,339)
Finance costs	(23,011,478)	(640,302)	-	(23,651,780)
Profit / (loss) before taxation	81,623,797	(39,104,581)	-	42,519,216
Taxation charge	8,960,549	-	-	8,960,549
Net profit / (loss) for the year	72,663,248	(39,104,581)	-	33,558,667

KNUTSFORD EXPRESS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020

33. SEGMENT REPORTING (CONT'D)

	2019			Group Total
	Jamaica	USA	Eliminated on consolidation	
Statement of Financial Position:				
Assets	<u>1,296,412,960</u>	<u>66,282,089</u>	<u>(299,526,055)</u>	<u>1,063,168,994</u>
Shareholders' equity	805,107,079	(24,133,663)	(1,327,100)	779,646,316
Liabilities	<u>491,305,881</u>	<u>90,415,752</u>	<u>(298,198,955)</u>	<u>283,522,678</u>
	<u>1,296,412,960</u>	<u>66,282,089</u>	<u>(299,526,055)</u>	<u>1,063,168,994</u>
Statement of Comprehensive Income:				
Revenue	1,131,998,195	21,061,341	(6,452,800)	1,146,606,736
Other income	1,687,763	-	-	1,687,763
Finance income	8,287,292	-	-	8,287,292
Administrative and general expenses	(896,726,720)	(45,975,803)	6,452,800	(936,249,723)
Finance costs	(26,662,534)	(488,504)	-	(27,151,038)
Profit / (loss) before taxation	218,583,996	(25,402,966)	-	193,181,030
Taxation charge	4,709,345	-	-	4,709,345
Net profit / (loss) for the year	<u>213,874,651</u>	<u>(25,402,965)</u>	<u>-</u>	<u>188,471,685</u>

34. IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has developed rapidly worldwide in 2020. Measures taken by various governments to contain the virus have affected global economic activity. Jamaica has not been spared the effects of this pandemic. The Group has taken several measures to protect customers and employees in coaches and offices against the COVID-19 virus. At this stage, the impact of the pandemic has been a decrease in ridership and courier activity which has resulted in a loss for the first quarter ended August 31, 2020. While various government measures and restrictions to control the pandemic persist, the Group's operations are expected to be affected negatively. The Group is, however, unable at this time to determine the full financial impact on its future profitability, cash flows and financial position.

Knutsford Express Services Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT MAY 31, 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	28,753,276
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 MAY 31, 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	---	