

CARGO Handlers Ltd.

Annual Report
2020

Contents

	Pages
List of Directors and Corporate Data	2
Notice of Annual General Meeting	3
Chairman’s Statement	4
Financial Highlights	5
Top Ten Stockholders	6
Directors’ and Senior Officers’ Interest	6
Corporate Governance Statement	7
Management Discussions and Analysis	9
Auditor’s Report to the Members	10
Financial Statements	14
Form of Proxy	

CARGO HANDLERS LIMITED

ESTABLISHED 1981

REGISTERED OFFICE

14 Montego Freeport Shopping Centre
Montego Bay, Jamaica

BOARD OF DIRECTORS

Chairman

Mr. Antony M. Hart

Directors

Ms. T. Chin

Mr. A. McCarthy

Mr. J. Byles

Director/ Secretary

Ms. J. Fray

Director/Mentor

Mr. W. Craig

AUDITORS

PWC Chartered Accountants
10 Fairview Office Park, Montego Bay

BANKERS

The Bank of Nova Scotia Jamaica Ltd.
5-6 Sam Sharpe Square, Montego Bay

REGISTRAR and TRANSFER AGENT

Jamaica Central Security Depository
40 Harbour Street, Kingston

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Cargo Handlers Limited (“the Company”) will be held at 2:30 p.m., on Tuesday 27th of April 2021 at CPJ Board Room, Guinep Way, Montego Bay, St. James for shareholders to consider and, if thought fit, pass the following resolutions:

1. To receive the audited financial statements for the financial year ended 30th September 2020.
2. To authorize the directors to appoint and agree the remuneration of the auditors for the coming financial year.
3. To authorize the directors to agree the remuneration of the board members.
4. The following Directors of the Board, having resigned by rotation in accordance with the Company’s Articles of Incorporation and being eligible, hereby offer themselves for re-election by the shareholders:
 - (a) To re-appoint John Byles as a Director of the Company
 - (b) To re-appoint Mark Hart as a Director of the Company
 - (c) To re-appoint Andrew McCarthy as a Director of the Company
5. To declare the interim dividends paid in the year to be considered final.
6. To authorize the directors to transact any other Business that may be properly transacted at an Annual General Meeting.

Dated: December 24, 2020

By Order of the Board

Jane Fray

Company Secretary

The following document accompanies this Notice of Annual General Meeting:

A form of proxy. A shareholder who is entitled to attend and vote at the Annual General Meeting of the Company may appoint one or more proxies to attend in his/her place. A proxy need not be a shareholder of the Company. All completed original proxy forms must be deposited together with the power of attorney or other document appointing the proxy, at the registered office of the Company at least 48 hours before the Annual General Meeting.

CHAIRMAN'S STATEMENT

To say that 2020 has been an unusual year would be a massive understatement. In my report to shareholders last year, we highlighted our incredible growth prospects and recognized the gains being realized by the country. For many of us, it was clear to see that we were on the verge of the greatest level of economic advancement in most of our lifetimes. We would have to go back to the 1960's to find a comparable time in Jamaica's history where the economy looked as promising. All this changed within days early in March, as all the hard earned optimism turned into the greatest challenge that most of us have ever had to face.

Cargo Handlers being a Montego Bay based company was at the epicenter of this challenge as the pandemic's toll on our productive base significantly affected travel and cross border activities that we rely on to generate most of our income. Considering the almost total shutdown of the hospitality sector that has impacted untold thousands of persons employed directly and indirectly by tourism, Cargo Handlers has continued to perform well during the year. The main impact on the company has been the sharp reduction of containerized supplies for the hospitality sector and the abrupt halt to the 2020 cruise shipping schedule. The cruise business is still at risk for 2021, as the future of this vibrant segment is still largely unknown at this point.

One bright spot making up for the loss of business has been the construction industry. During the shutdown there has been an unprecedented buoyant level of activity as people are spending more time working from home, undertaking renovation projects that have supported increased demand for building materials. This counter intuitive phenomenon is not unique to Jamaica, but has been an established global trend. However, with the country's economic output and growth rate still declining, we are cautious with our expectations in the coming year. Some cargo volumes have also been supported by increased personal items imported on behalf of Jamaicans abroad supporting family members.

As we move into 2021, we are optimistic about the future. Covid vaccines are now being deployed world-wide. We are a resilient people with foundations that will endure this setback. At Cargo Handlers, we are using this time to take on new opportunities. The company has made a strategic investment in Buying House Cement Limited, a western based cement distributor. We have provided stevedoring services to BHC at the port of Montego Bay since 2006, so we are now delighted to own equity in this business.

So, while 2020 was incredibly challenging, we are looking forward to a bright future for our shareholders, our employees, our stakeholders and most importantly our beloved Jamaica. We have been blessed with natural resources and beauty, and we are also blessed with leadership to guide us through this crisis. Let us make 2021 the year of the incredible recovery.

With your continued support at Cargo Handlers, we will do our part to make this a reality. Thank you again!



Chairman

Financial Highlights

	2020	2019	2018	2017	2016
Assets	\$397,736,611	\$467,984,538	\$428,565,477	\$406,317,871	\$361,560,098
Liabilities	\$63,126,877	\$80,778,946	\$89,871,801	\$56,255,758	\$60,561,673
Shareholders' Equity	\$508,390,592	\$464,442,524	\$423,500,670	\$350,062,113	\$300,998,425
Profit Before Taxation	\$107,639,979	\$130,859,845	\$165,229,841	\$140,854,971	\$153,848,123
Number of Stocks Units Issued *	374,658,300	374,658,300	374,658,300	374,658,300	374,658,300
Earnings Per Stock Unit	\$0.29	\$0.35	\$0.44	\$0.38	\$0.41

SHAREHOLDER'S PROFILE

TOP TEN (10) STOCKHOLDERS

<u>NAME</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
North Star Investment Ltd	113,242,640	27.2054
Jane Fray	112,911,980	27.1260
Antony Mark Hart	109,911,980	26.4053
Cargo Handlers Trust	41,591,700	9.9920
Theresa Chin	7,600,220	1.8259
Mayberry Managed Clients Accounts	4,234,568	1.0173
Nigel O. Coke	3,716,086	0.8928
Mayberry Investments Ltd. Pension Scheme	3,429,920	0.8240
Rosemarie McIver	2,761,190	0.6633
Robert H. S. Chin	2,580,000	0.6198

DIRECTORS AND CONNECTED PARTIES REPORT

<u>NAME</u>	<u>POSITION</u>	<u>RELATIONSHIP</u>	<u>UNITS</u>	<u>%</u>
Mary Jane Fray	Director	Self	112,911,980	27.1261
Mark Hart	Chairman	Self	109,911,980	26.4053
Theresa Chin	Director	Self	1,721,000	0.4134
Theresa Chin	Director	Connected party holding	5,879,220	1.4115
William Craig	Director	Connected party holding	337,930	0.0812
Andrew McCarthy	Director	Self	0.00	0.00
John Byles	Director	Self	0.00	0.00
	Key Member Holdings		224,544,960	53.94
	Connected Party Holdings		6,217,150	1.49
	Combined Holdings		230,762,110	55.43

Senior Managers

Theresa Chin	7,600,220
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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Cargo Handlers Limited is responsible for good Corporate Governance. To this end, the Board is directly responsible for ensuring accountability, objectivity and transparency in the Company's activities, all of which are essential to the success of achieving increased shareholder confidence and maximization of shareholder value. In fulfilling its responsibility, the Board ensures compliance with the Company's policies and procedures; the rules of the Jamaica Stock Exchange Junior Market and the laws and regulations of the land.

Board Composition

As at September 30, 2020, a total of six members comprised the Company's Board: one Executive and five Non-Executive Directors. The members are experienced and qualified individuals with diverse skills and knowledge from varying professions. The expertise of the Board Members ensures that decisions are made in the best interest of the Company, resulting in improved Shareholders' Return.

Board Sub-committees

There are two Sub-Committees: the Audit and Compliance Committee and the Compensation Committee. The Members were appointed by the full Board of Directors and any Board Member may, by invitation, attend sub-committee meetings.

The Audit and Compliance Committee

This Committee, chaired by Mr. Andrew McCarthy, has direct responsibility to assist the Board by overseeing the financial reporting and auditing process of the Company's activities. The Committee meets quarterly and continues to be guided by its established terms of reference to ensure:- good fiscal discipline - open and accurate financial reporting and - timely disclosures for the financial period under review.

During the quarterly meetings, the members of the Committee also analyze the quarterly interim financial statements and the annual audited financial statements in accordance with the rules of the Jamaica Stock Exchange Junior Market and International Financial Reporting Standards, and makes recommendations to the full Board of Directors for publication.

The Compensation Committee

This Committee has responsibility to advise the Board on all matters relating to the compensation of the Executive members of the Board. The Committee is chaired by the Mr. Antony Mark Hart and its terms of reference require that the Committee meets at least once per year to evaluate the performance of the Executive Director. For the financial year under review, the Committee met as mandated and made its recommendation to the full Board of Directors.

Below is a summary of the register in respect of the meetings for the financial year-ended September 30, 2020

	AGM	BOD	Committees	
			Audit	Compensation
# of Meetings	1	7	5	1
Mark Hart	1	6		1
Jane Fray	1	7	2	1
Andrew McCarthy		6	5	1
John Byles		4	3	
Theresa Chin	1	7	5	
William Craig		6		

Management Discussions and Analysis

We are pleased to share the results of our performance for the Financial Year 2019-2020 where revenues totaling \$283.45M was achieved and was 22.6% below the prior year's result. Operating expenses for the 12-month period was \$146.58M, being reduced by 14.7% when compared to the corresponding period. These results equated to net profit of \$130.54M before tax which was \$21.7M below the corresponding period yielding Earnings per Share (EPS) of \$0.30 that was \$0.05 less than the corresponding year.

In March 2020 the COVID-19 outbreak was declared a global pandemic by the World Health Organization, a declaration that resulted in government imposed travel restrictions for Jamaica and many other countries around the world. The temporary closure of the island's airports which lasted for approximately two months, including other measures aimed at containing the spread of the virus, led to a sharp decline in economic activities. The ongoing suspension of cruise vessel sailings worldwide will continue to negatively impact stevedoring revenue derived from this activity with the cancellation of the 2020-2021 cruise home-porting season. Recently revised industry projections now indicate that the restart of cruise sailings to Jamaica, particularly Montego Bay, most likely will not occur before June 2021.

When compared to the 12-month period prior, our handling of containerized cargo reflected a 20% decline this year, primarily attributable to the continuing effects of the pandemic on the hospitality sector. Barring a resurgence of the virus that could force a return to total lockdown, both containerized and bulk cargoes passing over the port are expected to maintain a reasonable flow of activities for the foreseeable future as these are tied to domestic demand that is supported by a vibrant construction sector.

As we approach the New Year, we do so with renewed focus and optimism knowing that our Company remains financially sound. Cargo Handlers will continue to support the charitable initiatives of our non-profit partnerships that continue to positively influence the people and communities of Montego Bay and its environs.

We are grateful for the strategic leadership of our Board of Directors as well as the commitment of our employees and stakeholders throughout this past year.



Independent auditor's report

To the Members of Cargo Handlers Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cargo Handlers Limited (the Company) as at 30 September 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 30 September 2020;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Our audit approach

Audit scope

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

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

Other information

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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

Report on other legal and regulatory requirements

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

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

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive script.

Chartered Accountants
21 December 2020
Kingston, Jamaica

Cargo Handlers Limited

Statement of Comprehensive Income

Year ended 30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020	2019
		\$	\$
Revenue		283,457,270	366,444,620
Direct costs	7	<u>(5,740,025)</u>	<u>(8,201,647)</u>
Gross profit		277,717,245	358,242,973
Other income	6	27,275,026	19,652,578
Administrative expenses	7	(25,151,489)	(31,055,678)
Other operating expenses	7	<u>(148,660,919)</u>	<u>(193,395,181)</u>
Operating Profit		131,179,863	153,444,692
Interest income		1,197,930	1,267,591
Finance costs	9	<u>(1,829,162)</u>	<u>(2,469,447)</u>
Profit before Taxation		130,548,631	152,242,836
Taxation	10	<u>(22,908,652)</u>	<u>(21,382,991)</u>
Net Profit, being Total Comprehensive Income for the Year		<u>107,639,979</u>	<u>130,859,845</u>
 EARNINGS PER STOCK UNIT			
	11	<u>0.29</u>	<u>0.35</u>

Cargo Handlers Limited

Statement of Financial Position

30 September 2020

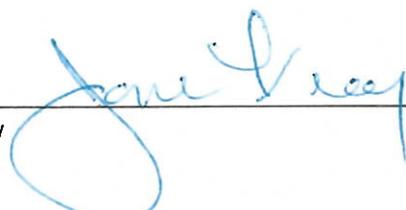
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$	2019 \$
Non-Current Assets			
Property, plant and equipment	12	163,629,973	64,404,375
Related companies	13	10,150,885	12,832,557
		173,780,858	77,236,932
Current Assets			
Receivables	15	60,922,197	127,946,271
Taxation recoverable		668,603	668,603
Cash and cash equivalents	16	336,145,811	339,369,664
		397,736,611	467,984,538
Current Liabilities			
Payables	17	23,540,466	26,854,031
Income tax payable		2,073,349	4,086,157
Borrowings	18	-	32,025
		25,613,815	30,972,213
Net Current Assets		<u>372,122,796</u>	<u>437,012,325</u>
		<u>545,903,654</u>	<u>514,249,257</u>
Shareholders' Equity			
Share capital	19	43,175,494	43,175,494
Capital reserve	20	172,311	172,311
Retained earnings		465,042,787	421,094,719
		508,390,592	464,442,524
Non-Current Liabilities			
Related companies	13	26,608,953	44,425,447
Deferred tax liabilities	14	10,904,109	5,381,286
		37,513,062	49,806,733
		<u>545,903,654</u>	<u>514,249,257</u>

Approved for issue by the Board of Directors on 21 December 2020 and signed on its behalf by:



 Mark Hart Director



 Jane Fray Director

Cargo Handlers Limited

Statement of Changes in Equity

Year ended 30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units	Share Capital \$	Capital Reserve \$	Retained Earnings \$	Total \$
Balance at 30 September 2018		374,658,300	43,175,494	172,311	380,152,865	423,500,670
Net profit, being total comprehensive income for the year		-	-	-	130,859,845	130,859,845
Transactions with owners:						
Dividends paid	21	-	-	-	(89,917,991)	(89,917,991)
Balance at 30 September 2019		374,658,300	43,175,494	172,311	421,094,719	464,442,524
Net profit, being total comprehensive income for the year		-	-	-	107,639,979	107,639,979
Transactions with owners:						
Dividends paid	21	-	-	-	(63,691,911)	(63,691,911)
Balance at 30 September 2020		374,658,300	43,175,494	172,311	465,042,787	508,390,592

Cargo Handlers Limited

Statement of Cash Flows

Year ended 30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

	2020 \$	2019 \$
Cash Flows from Operating Activities		
Net profit	107,639,979	130,859,845
Items not affecting cash:		
Unrealised exchange loss/(gain)	497,625	(9,500,673)
Depreciation	18,157,023	13,518,407
Write-off of property, plant and equipment	-	35,396
Interest income	(1,197,930)	(1,267,591)
Interest expense	1,829,162	2,469,447
Taxation	22,908,652	21,382,991
	<u>149,834,511</u>	<u>157,497,822</u>
Changes in operating assets and liabilities:		
Receivables	66,644,658	(50,178,235)
Payables	<u>(3,533,567)</u>	<u>(4,516,096)</u>
Cash provided by operating activities	212,945,602	102,803,491
Tax deducted at source	(22,390)	(21,334)
Income tax paid	<u>(19,376,244)</u>	<u>(26,878,868)</u>
Net cash provided by operating activities	<u>193,546,968</u>	<u>75,903,289</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(117,382,621)	(432,298)
Interest received	1,197,930	1,267,591
Cash (used in)/ provided by investing activities	<u>(116,184,691)</u>	<u>835,293</u>
Cash Flows from Financing Activities		
Dividends paid	(63,691,911)	(89,917,991)
Related companies	(15,134,822)	(3,202,801)
Interest paid	<u>(1,829,162)</u>	<u>(2,469,447)</u>
Cash used in financing activities	<u>(80,655,895)</u>	<u>(95,590,239)</u>
Decrease in net cash and cash equivalents	(3,293,618)	(18,851,657)
Effect of exchange rate on cash and cash equivalents	101,790	7,767,526
Cash and cash equivalents at beginning of year	<u>339,337,639</u>	<u>350,421,770</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 16)	<u>336,145,811</u>	<u>339,337,639</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

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

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

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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

(b) Changes in accounting policies and disclosures

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

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

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

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

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

- IFRS 16, 'Leases'** (effective for the periods beginning on or after 1 January 2019) (continued).
The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. There was no significant impact on financial statements from adoption of the standard.
- IFRIC 23, 'Uncertainty over income tax'** (effective for annual periods beginning on or after 1 January 2019). The new standard explains how to recognise, and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. It discusses how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately together as a group, depending on which approach better predicts the resolution of the uncertainty. It further states that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk be ignored. The standard also states that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment. It further states that the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty and that the judgments and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgments. There was no material impact from adoption of this interpretation on the company's financial operation.
- Annual Improvements 2015-2017** (effective for annual periods beginning on or after 1 January 2019). Amendments were finalised in December 2017 with regards to IFRS 3 which recognised that obtaining control of a business that is a joint operation is a business combination achieved in stages.

Amendments were also finalised in December 2017 with regards to IFRS 11 which clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. The amendments were also finalised in December 2017 with regards to IAS 12 which clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

Amendments to IAS 23 were also finalised in December 2017 which clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

These amendments did not have a significant impact on financial statements from adoption of these amendments and clarifications.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

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

- **Definition of Material – Amendments to IAS 1 and IAS 8** (effective for annual periods beginning on or after 1 January 2020). The IASB has made amendments to IAS 1 Presentation of Financial Standards and IAS 8 Accounting Policies, Changes in Accounting Estimates and errors which use a consistent definition of materiality throughout international Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidelines in IAS 1 about immaterial information.

The amendment further clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses material in the context of the financial statements as a whole. The standard also states that the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining the as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- **Definition of Business – Amendments to IFRS 3** (effective for annual periods beginning on or after 1 January 2020). The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. It also states that the definition of the term 'output' is amended to focus on goods and services provided to customer, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.
- **Revised Conceptual Framework for Financial Reporting** (effective for annual periods beginning on or after 1 January 2020). The ISAB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. These new standards include increasing the prominence of stewardship in the objective of financial reporting. It also includes changes in reinstating prudence as a component of neutrality. Further key changes include defining a reporting entity, which may be a legal entity, or a portion of an entity and revising the definitions of an asset and a liability as well as removing the probability threshold for recognition and adding guidance on de-recognition

The standard further includes changes to adding guidance on different measurement basis and stating that profit of loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The standard clarifies that no changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

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

- **Classification of Liabilities as Current or Non-current – Amendment to IAS 1** (effective for annual periods beginning on or after 1 January 2022). The narrow-scope to IAS 1 *Presentation of Financial Statements* The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.

- **Property, Plant and Equipment: Proceeds before intended use – Amendment to IAS 16** (effective for annual periods beginning on or after 1 January 2022). The amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

- **Reference of the Conceptual Framework – Amendments to IFRS 3** (effective for annual periods beginning on or after 1 January 2022). Minor amendments were made to IFRS 3 *Business Combinations* to update the references to the *Conceptual Framework for Financial Reporting* and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date.
- **Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37** (effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

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

- **Annual Improvements to IFRS standards 2018 - 2020** (effective for annual periods beginning on or after 1 January 2022).
 - IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
 - IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
 - IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
 - IAS 41 *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

(c) Revenue and income recognition

Revenue is recognised as performance obligations are satisfied, that is, over time or at a point in time. Revenue is shown net of General Consumption Tax. The Company recognises revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Company's activities as described below:

Sales of services

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

Management fees

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

Interest income

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

Other income

Other income primarily comprising foreign exchange gains and other miscellaneous items.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Leases

As Lessee

The Company leases a commercial space for the operation of changing room of stevedore employees. From 1 October 2019, the Company assesses whether a contract is or contains a lease, at inception of contract. The Company recognises a right-of-use asset and a corresponding liability with respect to all arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term 12 months or less) and lease of low value assets. For these leases, the Company recognises the lease as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension are also included in the measurement of liability. The lease payments are discounted using the rates implicit in the lease agreements or the lessee's incremental borrowing rates, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

As Lessor

The Company recognises lease income over the term of the lease to reflect a constant periodic rate of return.

Accounting policy as at 30 September 2019

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

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

(e) Property, plant and equipment

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

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

No depreciation is considered necessary for operating assets.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment (Continued)

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit. Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

(f) Impairment of non-financial assets

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

(g) Foreign currency translation

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

(ii) Transactions and balances

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

(h) Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

(i) Cash and cash equivalents

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(j) Current and deferred income tax

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

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

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

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

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

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

(k) Payables

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

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

(l) Provisions

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

(m) Employee benefits

Equity compensation benefits

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

Annual leave entitlements

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(n) Financial instruments

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

Financial assets

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

Classification

The Company considers the following measurement categories in classifying its financial assets:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the business model used for managing the financial assets and the contractual terms of each cash flows. The Company's assets measured at fair value, gains and losses will neither be recorded in profit or loss or OCI.

Measurement

Debt instruments

Measurement financial instruments depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company considers three measurement categories when classifying its financial instruments.

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent sole payments of principal and interest, are measured at amortised cost. Interest income from financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flow represent solely payments of principal and interest, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains and losses are recognised in profit or loss. When financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on financial asset that is measured at FVPL is recognised in profit or loss in the period in which it arises.

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(n) Financial instruments (Continued)

Financial Assets (Continued)

Impairment

The Company assesses impairment on a forward-looking basis for the expected credit losses (ECL) associated with its financial assets classified at amortised cost.

Application of Simplified Approach

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using the lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECL for these receivables. The lifetime ECL is determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

Financial liabilities

The Company's financial liabilities comprise payables, current borrowings and related party balances. They are initially measured at fair value, net of transaction cost, and are subsequently measured at amortised cost using the effective interest method.

(o) Share capital

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

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

(p) Related party transactions and balances

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

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

(q) Dividends

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(r) Segment reporting

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

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

3. Financial Risk Management

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

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

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

(a) Credit risk

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

Credit review process

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

(i) Trade and other receivables

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

(ii) Cash

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

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

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

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

	2020	2019
	\$	\$
Stevedoring	34,208,068	52,230,260
Leasing	8,004,000	26,173,250
Management fees	-	10,193,750
Equipment rental	282,077	1,131,562
Other receivables	657,583	1,097,986
	<u>43,151,728</u>	<u>90,826,808</u>
Less: Impairment provision	-	-
	<u><u>43,151,728</u></u>	<u><u>90,826,808</u></u>

Impairment of trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for these assets. To measure the expected losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the exchange rate applicable to its customers to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 30 September was determined as follows for trade receivables.

	Current	31 to 60 days	61 to 90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
30 September 2020					
Expected loss rate	0.07%	0.11%	0.18%	0.28%	
Gross carrying amount trade receivables	8,772,037	2,916,396	1,146,032	21,655,680	34,490,145
Loss allowance	6,140	3,208	2,063	60,636	72,047

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment of trade receivables (continued)

	Current	31 to 60 days	61 to 90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
30 September 2019					
Expected loss rate	1.9%	2.3%	2.5%	3.3%	
Gross carrying amount trade receivables	16,365,061	9,764,192	3,831,068	22,269,939	52,230,260
Loss allowance	303,819	223,679	96,571	729,721	1,353,790

Movement analysis of provision for impairment of trade and other receivables

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

	2020	2019
	\$	\$
At beginning and end of year	-	-

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

(b) Liquidity risk

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

Liquidity risk management process

The Company's liquidity management process includes:

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities

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

	Within 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Total \$
2020						
Payables	22,512,041	-	-	-	-	22,512,041
Related companies	1,596,537	-	-	26,608,953	-	28,205,490
	24,108,578	-	-	26,608,953	-	50,717,531
2019						
Borrowings	32,025	-	-	-	-	32,025
Payables	24,006,423	-	-	-	-	24,006,423
Related companies	2,665,527	-	-	44,425,447	-	47,090,974
	26,703,975	-	-	44,425,447	-	71,129,422

(c) Market risk

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

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. At 30 September 2020, the Company's net foreign exchange exposure amounted to a net asset of \$351,618,377 (2019 - \$418,238,243).

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

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

	2020	2019
	\$	\$
Effect on profit -		
Depreciation 6% (2019 – 6%)	21,097,103	25,099,695
Appreciation 2% (2019 – 4%)	(7,032,368)	(16,733,130)

Interest rate risk

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

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

The Company manages interest rate risk by maintaining fixed rate instruments. It also manages the maturities of interest-bearing financial assets and interest-bearing financial liabilities. At 30 September 2020 and 2019 the Company had no significant exposure to variable rate interest rate risk.

(d) Capital management

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

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

4. Fair Value Estimation

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

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

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

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

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

6. Other Income

	2020 \$	2019 \$
Foreign exchange gains	27,200,026	19,052,578
Other	75,000	600,000
	<u>27,275,026</u>	<u>19,652,578</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

7. Expenses by Nature

Total direct, administrative and other operating expenses:

	2020	2019
	\$	\$
Accounting fees	3,354,435	3,255,593
Advertising and promotion	377,641	1,415,675
Asset tax	-	100,000
Auditor's remuneration	2,670,000	2,670,000
Baggage handling costs	5,740,025	8,201,647
Depreciation	18,157,023	13,518,407
Directors' emoluments -		
Directors' fees	1,260,000	980,000
Management fees	2,683,333	4,200,000
Damaged cargo claims	6,000	172,784
Donations	2,298,000	4,683,500
Insurance	6,732,102	6,637,230
Legal and professional fees	1,467,521	973,067
Loss on exchange	2,076,983	21,563,154
Other	3,442,151	5,202,498
Registration fees	1,777,830	1,475,405
Repairs and maintenance	3,126,916	3,359,120
Staff costs (Note 8)	122,976,383	152,923,614
Utilities	1,406,090	1,285,416
Write-off of property, plant and equipment	-	35,396
	<u>179,552,433</u>	<u>232,652,506</u>

8. Staff Costs

	2020	2019
	\$	\$
Salaries and wages	92,510,389	119,235,038
Termination payments	1,500,000	5,140,406
Statutory contributions	11,424,197	12,929,769
Other	17,541,797	15,618,401
	<u>122,976,383</u>	<u>152,923,614</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

9. Finance Costs

	2020	2019
	\$	\$
Interest expense	<u>1,829,162</u>	<u>2,469,447</u>

10. Taxation

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

	2020	2019
	\$	\$
Current tax	17,385,829	21,806,477
Deferred tax (Note 14)	<u>5,522,823</u>	<u>(423,486)</u>
	<u>22,908,652</u>	<u>21,382,991</u>

Reconciliation of applicable tax charge to effective tax charge:

	2020	2019
	\$	\$
Profit before tax	<u>130,548,631</u>	<u>152,242,836</u>
Tax calculated at 25%	32,637,158	38,060,709
Adjusted for the effects of:		
Income not subject to tax	(267,141)	(1,365,961)
Expenses not deductible for tax purposes	6,029,757	6,587,465
Remission of taxes	(17,385,830)	(21,806,477)
Net effect of other charges and allowances	<u>1,894,708</u>	<u>(92,745)</u>
Taxation	<u>22,908,652</u>	<u>21,382,991</u>

Remission of income tax:

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

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

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Subject to agreement with the Minister of Finance and Planning, the current year income tax payable for which remission will be sought is approximately \$17,386,000 (2019 – \$21,806,000).

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

11. Earnings per Stock Unit

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

	2020	2019
Net profit attributable to stockholders (\$)	<u>107,639,979</u>	<u>130,859,845</u>
Weighted average number of stock units in issue	<u>374,658,300</u>	<u>374,658,300</u>
Earnings per stock unit (\$)	<u>0.29</u>	<u>0.35</u>

12. Property, Plant and Equipment

	2020					
	Buildings	Trailers, Boomlift & Forklift	Furniture, Equipment & Golf Carts	Motor Vehicles	Operating Assets	Total
	\$	\$	\$	\$	\$	\$
Cost -						
30 September 2019	2,318,815	83,517,885	11,334,731	24,608,587	-	121,780,018
Additions	-	108,732,686	5,806,232	-	2,843,703	117,382,621
30 September 2020	<u>2,318,815</u>	<u>192,250,571</u>	<u>17,140,963</u>	<u>24,608,587</u>	<u>2,843,703</u>	<u>239,162,639</u>
Depreciation -						
30 September 2019	821,246	37,780,366	6,741,165	12,032,866	-	57,375,643
Charge for the year	57,970	13,156,129	694,406	4,248,518	-	18,157,023
30 September 2020	<u>879,216</u>	<u>50,936,495</u>	<u>7,435,571</u>	<u>16,281,384</u>	<u>-</u>	<u>75,532,666</u>
Net book value -						
30 September 2020	<u>1,439,599</u>	<u>141,314,076</u>	<u>9,705,392</u>	<u>8,327,203</u>	<u>2,843,703</u>	<u>163,629,973</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

12. Property, Plant and Equipment (Continued)

	2019				
	Buildings	Trailers, Boomlift & Forklift	Furniture, Equipment & Golf Carts	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Cost -					
1 October 2018	2,318,815	83,149,427	11,373,173	24,608,587	121,450,002
Additions	-	368,458	63,840	-	432,298
Write-offs	-	-	(102,282)	-	(102,282)
30 September 2019	2,318,815	83,517,885	11,334,731	24,608,587	121,780,018
Depreciation -					
1 October 2018	763,276	29,428,577	5,947,920	7,784,349	43,924,122
Charge for the year	57,970	8,351,789	860,131	4,248,517	13,518,407
Write-offs	-	-	(66,886)	-	(66,886)
30 September 2019	821,246	37,780,366	6,741,165	12,032,866	57,375,643
Net book value -					
30 September 2019	1,497,569	45,737,519	4,593,566	12,575,721	64,404,375

13. Related Party Transactions and Balances

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

	2020	2019
	\$	\$
AMD Limited	(2,335,880)	(9,326,675)
Advisors Limited	(4,719,008)	5,405,777
Good Hope (Holdings) Limited	6,148,111	633,128
Bulk Liquid Carriers Petroleum Transport Limited	45,500	4,500
Freeport Investments Limited	(8,745)	8,745
Hart Investments Limited	3,638,395	(4,700,022)
Bilton Limited	49	(4,522,241)
Montego Place Limited	-	(17,635)
Saffack Limited	7,578,430	(9,470,087)
Port Handlers Limited	(12,032,641)	11,963,576
Samuel Hart & Son Limited	(13,449,033)	6,818,133
	<u>(15,134,822)</u>	<u>(3,202,801)</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

13. Related Party Transactions and Balances (Continued)

(b) Key management compensation

	2020	2019
	\$	\$
Salaries and other short-term employee benefits	12,572,050	11,331,050
Statutory contributions	1,219,876	1,105,235
	<u>13,791,926</u>	<u>12,436,285</u>
Directors' emoluments -		
Directors' fees	1,260,000	980,000
Management remuneration	13,791,926	12,436,285
Management fees	2,683,333	4,200,000

(c) Transactions in the normal course of business

	2020	2019
	\$	\$
Professional services rendered by related parties	9,094,460	11,457,240
Interest earned on balances due from related parties	1,097,573	1,159,692
Interest paid on balances due to related parties	1,819,188	2,256,607
Lease income earned from a related party	24,235,450	22,800,000
Management fees earned from a related party	3,900,000	9,600,000
Purchase of goods from a related party	145,008	268,124

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

	2020	2019
	\$	\$
Non-current		
Due from:		
AMD Limited	8,279,738	6,300,232
Bilton Limited	-	49
Good Hope (Holdings) Limited	553,224	6,524,616
Port Handlers Limited	16,391	7,660
Samuel Hart & Son Limited	1,301,532	-
	<u>10,150,885</u>	<u>12,832,557</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

13. Related Party Transactions and Balances (Continued)

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

	2020	2019
	\$	\$
Due to:		
AMD Limited	-	356,374
Advisors Limited	6,340,468	11,059,476
Bulk Liquid Carriers Petroleum Transport Limited	50,000	4,500
Freeport Investments Limited	-	8,745
Hart Investments Limited	10,675,973	7,037,578
Good Hope (Holdings) Limited	176,719	-
Port Handlers Limited	136,327	12,160,237
Saffack Limited	9,229,466	1,651,036
Samuel Hart & Son Limited	-	12,147,501
	<u>26,608,953</u>	<u>44,425,447</u>
	2020	2019
	\$	\$
Current		
Due from (Note 15):		
Bulk Liquid Carriers Petroleum Transport Limited	<u>8,016,600</u>	<u>36,524,213</u>

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

The weighted average effective interest rate on transfers between related party bank accounts for working capital purposes is 6% (2019 – 6%).

(e) Directors' current accounts

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

14. Deferred Taxation

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

The movement on the deferred taxation account is as follows:

	2020	2019
	\$	\$
Liability at beginning of year	(5,381,286)	(5,804,772)
Charged during the year (Note 10)	<u>(5,522,823)</u>	<u>423,486</u>
Liability at end of year	<u>(10,904,109)</u>	<u>(5,381,286)</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

14. Deferred Taxation (Continued)

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

	2020	2019
	\$	\$
Deferred income tax assets:		
Accelerated depreciation	26,716	65,888
Accrued vacation	472,686	98,440
Unrealised foreign exchange loss	346,734	177,227
	<u>846,136</u>	<u>341,555</u>
Deferred income tax liabilities:		
Unrealised foreign exchange gain	(402,048)	(1,414,325)
Accelerated depreciation	(11,348,197)	(4,308,516)
	<u>(11,750,245)</u>	<u>(5,722,841)</u>
	<u>(10,904,109)</u>	<u>(5,381,286)</u>

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

	2020	2019
	\$	\$
Accrued vacation	374,246	37,290
Unrealised foreign exchange gain	1,012,277	58,440
Unrealised foreign exchange loss	169,507	325,743
Accelerated depreciation	(7,078,853)	2,013
	<u>(5,522,823)</u>	<u>423,486</u>

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

14. Deferred Taxation (Continued)

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

	2020	2019
	\$	\$
Deferred income tax asset to be recovered -		
Within 12 months	819,420	275,667
After more than 12 months	26,716	65,888
	<u>846,136</u>	<u>341,555</u>
Deferred income tax liability to be settled -		
Within 12 months	(402,048)	(1,414,325)
After more than 12 months	(11,348,197)	(4,308,516)
	<u>(11,750,245)</u>	<u>(5,722,841)</u>
	<u>(10,904,109)</u>	<u>(5,381,286)</u>

15. Receivables

	2020	2019
	\$	\$
Trade	34,208,068	52,230,760
Related parties (Note 13)	8,016,600	36,524,213
Other receivables and prepayments	18,697,529	39,191,298
	<u>60,922,197</u>	<u>127,946,271</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

16. Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	<u>336,145,811</u>	<u>339,369,664</u>

The weighted average effective interest rate for cash is 0.13% (2019 – 0.50%).

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

	2020	2019
	\$	\$
Cash and bank balances	336,145,811	339,369,664
Bank overdraft (Note 18)	-	(32,025)
	<u>336,145,811</u>	<u>339,337,639</u>

17. Payables

	2020	2019
	\$	\$
Trade	3,135,958	6,150,884
Accruals	18,992,150	17,077,583
Other	1,412,358	3,625,564
	<u>23,540,466</u>	<u>26,854,031</u>

18. Borrowings

	2020	2019
	\$	\$
Bank overdraft (Note 16)	-	32,025

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

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

19. Share Capital

	2020	2019
	\$	\$
Total authorised ordinary shares 466,200,000		
Issued and fully paid -		
416,250,000	47,334,664	47,334,664
41,591,700 treasury shares	<u>(4,159,170)</u>	<u>(4,159,170)</u>
	<u>43,175,494</u>	<u>43,175,494</u>

20. Capital Reserve

	2020	2019
	\$	\$
Realised gains on sale of property, plant and equipment	<u>172,311</u>	<u>172,311</u>

21. Dividends

By resolutions dated 19 February 2020 and 11 August 2020, the Board of Directors approved the payment of interim dividends in the amounts of \$0.100 and \$0.07 per share, respectively. In the prior year, resolutions dated 19 February 2019 and 8 August 2019 resulted in the approval of interim dividend payments of \$0.120 and \$0.12 per share, respectively.

22. Segment Information

The Company is organised into the following business segments:

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

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

Direct allocated and unallocated income and expenses

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

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Segment Information (Continued)

Unallocated assets and liabilities

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

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

	2020				Total
	Stevedoring	Leasing	Management Services	Unallocated	
	\$	\$	\$	\$	\$
Revenue	252,101,520	24,235,450	3,900,000	3,220,300	283,457,270
Other income	11,253,903	-	-	16,021,123	27,275,026
Interest income	10,795	-	-	1,187,135	1,197,930
Direct costs	(5,740,025)	-	-	-	(5,740,025)
Depreciation	(3,438,518)	(11,758,505)	-	(2,960,000)	(18,157,023)
Other expenses	(117,723,252)	(561,607)	-	(37,370,526)	(155,655,385)
Finance costs	-	-	-	(1,829,162)	(1,829,162)
Profit before taxation	136,464,423	11,915,338	3,900,000	(21,731,130)	130,548,631
Taxation	-	-	-	(22,908,652)	(22,908,652)
Net profit	136,464,423	11,915,338	3,900,000	(44,639,782)	107,639,979
Segment assets	62,027,064	134,483,965	-	375,006,440	571,517,469
Segment liabilities	10,627,680	-	-	52,499,197	63,126,877
Capital expenditure	8,649,935	-	-	108,732,686	117,382,621

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2019

(expressed in Jamaican dollars unless otherwise indicated)

22. Segment Information (Continued)

	2019				Total \$
	Stevedoring \$	Leasing \$	Management Services \$	Unallocated \$	
Revenue	331,113,620	22,800,000	9,600,000	2,931,000	366,444,620
Other income	9,084,372	-	-	10,568,206	19,652,578
Interest income	22,564	-	-	1,245,027	1,267,591
Direct costs	(8,201,647)	-	-	-	(8,201,647)
Depreciation	(2,859,669)	(7,698,738)	-	(2,960,000)	(13,518,407)
Other expenses	(159,365,569)	(1,131,566)	-	(50,435,317)	(210,932,452)
Finance costs	-	-	-	(2,469,447)	(2,469,447)
Profit before taxation	169,793,671	13,969,696	9,600,000	(41,120,531)	152,242,836
Taxation	-	-	-	(21,382,991)	(21,382,991)
Net profit	169,793,671	13,969,696	9,600,000	(62,503,522)	130,859,845
Segment assets	76,740,051	66,852,150	10,193,750	391,435,519	545,221,470
Segment liabilities	12,883,627	-	-	67,895,319	80,778,946
Capital expenditure	63,840	-	-	368,458	432,298

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Segment Information (Continued)

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

	Profit before taxation		Assets		Liabilities	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Total for business segments	152,279,761	193,363,367	196,511,028	153,785,951	10,627,680	12,883,627
Unallocated amounts:						
Corporate office results	(21,089,103)	(39,896,111)	-	-	-	-
Interest income	1,187,135	1,245,027	-	-	-	-
Finance costs	(1,829,162)	(2,469,447)	-	-	-	-
Property, plant and equipment	-	-	14,834,114	5,058,622	-	-
Related companies	-	-	10,150,885	12,832,557	26,608,953	44,425,447
Receivables	-	-	18,052,545	38,451,024	-	-
Taxation recoverable	-	-	668,603	668,603	-	-
Cash	-	-	331,300,294	334,424,713	-	-
Payables	-	-	-	-	12,912,786	13,970,404
Income tax payable	-	-	-	-	2,073,349	4,086,157
Borrowings	-	-	-	-	-	32,025
Deferred tax liabilities	-	-	-	-	10,904,109	5,381,286
Total unallocated amounts	21,731,130	(41,120,531)	375,006,441	391,435,519	52,499,198	67,895,319
Total per financial statements	130,548,631	152,242,836	571,517,469	545,221,470	63,126,877	80,778,946

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

23. Operating Lease Commitments

- (a) The Company entered into an agreement with The Port Authority of Jamaica on 3 October 2014 to lease commercial space for the operation of a changing room for stevedores. The lease was renewed annually by the parties. During the year, the lease expired and was renewed for a term of two years commencing 1 July 2019 and terminating on 30 June 2021.

The future minimum lease payable are as follows:

	2020	2019
	\$	\$
Not later than 1 year	620,248	783,724
Later than 1 year but not later than 5 years	-	620,248
	<u>620,248</u>	<u>1,403,972</u>

- (b) The Company entered into an agreement on 1 January 2014 to lease equipment to Bulk Liquid Carriers Petroleum Transport Limited. The lease is for a period of 2 years with an option to renew for a further 2 years at the end of the first term and at the end of the second term each party has the option to renew for a further number of two-year terms not exceeding three renewals. The agreement expired during the year and both parties did not renew the agreement. On 1 January 2018, the Company entered into a new lease agreement with the said party to lease equipment. The lease is for a period of two years with an auto renew for a further 2 years at the end of the first term unless a notice is given to terminate the lease and at the end of the second term each party has the option to renew for a further number of two-year terms not exceeding 3 renewals. On 1 February 2020, two of the leased equipment were removed thus reducing the monthly leased.

The future minimum lease payments receivable are as follows:

	2020	2019
	\$	\$
Not later than 1 year	20,880,000	5,700,000
Later than 1 year but not later than 5 years	5,220,000	-
	<u>26,100,000</u>	<u>5,700,000</u>

On 1 July 2020, the Company leased six additional equipment. Three of the equipment were leased for the period 1 July 2020 to December 2021 while the other three equipment were leased from 1 October 2020 to December 2021. The lease payments are to be made in United States dollars or Jamaican dollars translated at the prevailing rate of exchange at the date of payment.

The future minimum lease payments receivable are as follows:

	2020
	US\$
Not later than 1 year	158,400
Later than 1 year but not later than 5 years	39,600
	<u>198,000</u>

Cargo Handlers Limited

Notes to the Financial Statements

30 September 2020

(expressed in Jamaican dollars unless otherwise indicated)

24. Impact of COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus, a global pandemic. Subsequently, Jamaica identified its first case of the COVID-19 virus and the government declared Jamaica a disaster area on 13 March 2020. Measures taken by both local and foreign governments to contain the virus have affected global economic activity. In response to this threat, the Company has taken several measures to protect its employees, customers and shareholders. The Company implemented measures which included safety and health protocols for its employees and other measures to reduce operating costs.

The impact of COVID-19 resulted in a reduction in income for the last two quarters of the financial year. However, there was also a reduction in operating costs due to the slowing down of operating activities as well as measures implemented by management. The Company currently has a positive working capital position and ended the financial year with lower outstanding receivables than prior year.

Management continues to closely monitor the situation and adhere to the various government protocols and advice.

25. Subsequent Event

Subsequent to the year end, the Company has entered into an agreement to purchase 30% of the share capital of Buying House Cement Limited. Buying House Cement Limited distributes portland cement to the western end of the island. The finalisation of the purchase is still being negotiated.