Report to Stockholders: 12 months ended October 31st, 2017

The Board of Directors is pleased to present the audited results for the Company for the year ended October 31st, 2017 (uploaded to the JSE website).

The $100,736,163 net profit provided a return of 31.2% on opening stockholders equity and represented earnings per share of $0.78 compared to $0.08 in the corresponding year. The prior year profits, which totaled $10,469,979, were adversely impacted by a one-off 2016 court award for damages (for a claim arising in 2003).

For the year under review the Company recorded $1,210,935,472 in revenues or an increase of 19 per cent over the same period in 2016. The fourth quarter benefited from increased contract business which led to a growth in revenues which in turn spurred profits. Gross profit totaled $424,435,427 which reflected an increase of 3.5 per cent over the same period in 2016 ($410,083,480).

Selling and distribution expenses increased by 7.5% to $308,899,496 from $287,354,830 due largely to increases in commissions and warranties as well as the expansion of capacity (employees, technology and systems/procedures) to handle the increased volume of work in the review period and anticipated in 2017/18.

Despite interest expenses remaining relatively unchanged, finance costs increased from $7,400,718 to $17,136,747 as the countering interest income and foreign exchange gains were also reduced.

Other income remained unchanged from the $2,115,167 reported in the 2nd quarter.

On the balance sheet, we had a $7,497,607 decrease in non-current assets but a $179,674,787 spike in trade and other receivables increased our current assets – this is temporary as it reflects the increased billing in the last quarter and a substantial part of this increase was also due to the new type of financed job where a $110M project for Port Authority was executed by CAC and on completion a financing company would pay us the full amount and collect rental for equipment from the client. This is the first of this type of rental done for commercial air-conditioning systems in Jamaica and we are already in discussion with 2-3 more customers who are interested in these types of projects.

On the other hand, inventory reduced by $67,036,238 and cash increased by $33,820,589 and the net increase in non-current assets was only $133,500,642 or an increase of 15.7%.

In the liabilities section, non-current liabilities reduced significantly due to reclassification of the initial preference shares to current (loans and borrowings) as repayment is due in May 2018. This item also includes the $100M bridge financing loan obtained in September to ensure that we had sufficient cash to clear the closing months of the year.

Trade payables reduced by $6,265,127 and customer deposits by $57,604,032 and shareholders' equity value continues to steadily climb, moving up by 31.2% this year.

During the financial year, board members Andrew Cocking, Kerith Foster and Annette Morrison resigned from the board (effective May 30th) and new non-executive board appointees included Matthew Hogarth, Jennifer McDonald, Richard K. Powell and Patrick H. Smith. We expect that this new Board will guide us though the next phase of rapid growth.

The CAC Foundation is now operational as a registered charity along with initial funding and an independent board. We have donated to RISE and the STEP Centre and actively working on significantly expanding our basic and advanced technician training programs, on a national level, in 2018.

Our initial phase of the customer relationship management system was implemented and we have managed to negotiate improved supplier credit concessions and, more importantly, to fully recover from our loss of cash in 2016 and continue to steadily work on building back our cash reserves to ensure that we are better positioned to handle working capital needs associated with further growth in 2018.

Steven Marston
Chairman and CEO