CAC2000

2017 ANNUAL REPORT

CONTENTS

The company was nominated for four awards by the international awards body making them the first 'indigenous' Caribbean company to be nominated for a Stevie Award and the first to win gold.

VISION

Redefining indoor quality and comfort.

MISSION

Engineering air-conditioning and energy alternatives to provide a more comfortable, productive and healthy indoor environment.

BEHAVIOURAL GOALS

Respect:
Speak positively of our team-mates, clients and our company in both public and private forums. Respect that others do not need to share our opinions but that they are entitled to share them and they are not necessarily wrong.

Team work:
We recognize that the performance of an effective team can far exceed that of our best individual.

Commitment:
Always taking a professional, consistent and disciplined approach to our work and understanding that we are each accountable for what we do.

VALUES

Problem resolution:
We will assess, design, build and maintain solutions that solve the issues of our customer's comfort, controls or healthy indoor environment needs.

Technical expertise/ experience:
We will use our experience and highly developed technical skills along with innovative approaches to analyze and propose options for our customers.

Integrity:
We will not take short-cuts or practice any deceptive business strategies.

ASPIRATIONAL GOALS

Excellence:
We always strive to be, and do, the best that we can while continually exploring how to improve .

Innovation:
We always focus on learning and testing new ideas/products.

Accuracy:
We try to get it right the first time.

Enthusiasm:
Our lives are a journey to be enjoyed and appreciated and we will create an area of fun around ourselves.

Life balance:
We will not let our work dominate our lives and will make quality time for self, family and our community.

JOY SPENCE APPLETON ESTATE RUM EXPERIENCE, NASSAU VALLEY, ST. ELIZABETH:

In 2017 J .Wray and Nephew made a major investment to significantly upgrade the Appleton Rum Tour to provide an even better visitor experience than before. CAC 2000 Ltd. were chosen to provide the air conditioning and ventilation requirements for the Rum Tour building that was expanded to over four times its original size.

CAC installed six high-efficiency LG air conditioning systems, a mixture of VRF and ducted VRF Hybrids, and a number of Ciac and Carrier inverter split systems providing a total cooling capacity of 150 Tons and valued at Forty-Seven Million dollars.

CAC completed installation in October 2017 and rum tour officially re-opened January 2018, now renamed the Joy Spence Appleton Estate Rum Experience.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 2018 Annual General Meeting of CAC 2000 Limited ("the Company") will be held on Wednesday, June 6, 2018 at 3:00 p.m. at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 for the following purposes:

1) To receive and approve the Directors' Report, the Auditors' Report and the Statements of Account of the Company for the year ended October 31st, 2017.

2) To authorize the Board to appoint the Auditors of the Company, and to fix their remuneration.

3) Directors Mr. Richard Powell; Mr. Patrick Smith; Ms. Jennifer McDonald; and Mr. Matthew Hogarth shall retire from office pursuant to Articles 102 and 108 of the Articles of Incorporation, and being eligible offer themselves for re-election. To consider and (if thought fit) pass the following resolutions:

   a) "That retiring Director Mr. Richard Powell be and is hereby re-elected a Director of the Company."

   b) "That retiring Director Mr. Patrick Smith be and is hereby re-elected a Director of the Company."

   c) "That retiring Director Ms. Jennifer McDonald be and is hereby re-elected a Director of the Company."

   d) "That retiring Director Mr. Matthew Hogarth be and is hereby re-elected a Director of the Company."

BY ORDER OF THE BOARD OF DIRECTORS

Mrs. Gia Abraham
Secretary

Dated this 23rd day of February 2018

Note: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A special Resolution requires a three-quarter majority vote of the members and will be filed with the Companies Office of Jamaica.

"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. "

Steven Marston, *Chairman & CEO*

CHAIRMAN & CEO'S MESSAGE

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

Joy Spence Appleton Rum Experience

Summary of Financial results

	12 Months Oct. 2017	12 Months Oct. 2016	12 Months Comparatives Percentage Change
Revenue	1,210,935,472	1,017,610,974	19%
Gross Profit	424,435,427	410,083,480	3%
Other Income	2,115,167	169,411	1149%
Selling, distribution & Admin expenses	-308,899,496	-287,354,830	7%
Court awarded damages	0	-104,181,618	
Finance costs	-17,136,747	-7,400,718	132%
Profit before tax	100,514,351	11,315,725	788%

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

4%
Increase in Total Gross profit and other income

19%
Increase in Revenues over previous year

31%
Increase in Return on equity to Shareholders

alorica

ALORICA BUIDING 2& 3 BPO, 58 HALF-WAY TREE RD., KINGSTON

CAC 2000 were engaged in two design and build contracts to provide air conditioning and ventilation services for two BPO buildings at 58 Half-way Tree Road in Kingston. As is typical in the BPO industry, both projects had extremely demanding deadlines. CAC took advantage of Carrier's well maintained stock of X-Power VRF equipment and employed innovative design and installation techniques to satisfy the clients demands.

Innovative design

Carrier®

LG Life's Good

MITSUBISHI ELECTRIC COOLING & HEATING

CIAC® Air conditioning

STERIL-AIRE

CAC 2000 Limited is a succession of a number of businesses starting with Webster's Engineering in the late 1920's. In the mid-1960s, the ICD Group (formerly the Mechala Group) bought Conditionedair Corporation and merged it with another company to form Conditionedair and Associated Contractors, or "CAC" for short. CAC was later merged into the iconic "Homelectrix", which was a household brand in Jamaica for many years. When Homelectrix was sold in 1990s, the team of Steven Marston and Colin Roberts purchased 49% of the newly formed Conditionedair and Associated Contractors (CAC). On July 24th, 2000 the Company was incorporated, and the remaining 51% was purchased on August 18th, 2000, and that is the Genesis of the Company's name: "CAC 2000 Limited".

By virtue of the various iterations of the business, we have been the sole appointed representative for Carrier®, world leaders in air conditioning technology, in Jamaica for over eighty-four (84) years. Although the Company is predominantly a Carrier® dealer, we also offer other premium equipment brands such as Mitsubishi Electric®, LG®, Fujitsu® and CIAC® as well as both factory and generic parts.

Design, Install, Service

We are proud to be the only Carrier® Certified Service Provider in Jamaica, and are qualified to work on the most sophisticated Carrier® products in the Caribbean, and are authorized to design, install, service and offer factory warranties on the entire range of Carrier® equipment. CAC 2000 Limited is also the oldest surviving Carrier® air conditioning dealer outside of the United States. This is significant to note especially in light of the fact that Carrier® installed the very first commercial air-conditioning machine in 1926, and our predecessor company was appointed a Carrier® dealer in 1929.

In recent years we have expanded to offer other top brands and in particular LG®, and Mitsubishi Electric® and, by being able to offer our customers new brands and system solutions (particularly two world leading VRF and multi-split systems) we have managed to grow the installation and service business while investing further in technical development of our engineering and technical resources.

"We are committed to delivering comprehensive and innovative air-conditioning and energy saving solutions and services to the Jamaican market and the wider Caribbean region."

On the strength of the qualifications and experience of our management team, we are first and foremost an engineering company that specializes in applied air conditioning systems (chillers, cooling towers, pumps, air handling units and state of the art variable refrigeration flow (VRF) systems, to name a few) and pride ourselves on offering technical solutions and multiple options for our clients' needs, with a level of expertise and experience unmatched by any other company in Jamaica. In addition to being the leaders in providing air conditioning systems (HVAC), refrigeration and energy solutions, we have continuously maintained a respectable share of the residential market and are one of the few companies awarded Grade 1 contractors (HVAC) status in Jamaica (and also a Grade 1 Mechanical Works and Grade 3 Electrical Works).

Technical and engineering expertise

CAC 2000 Limited sells, services and supports some of the most sophisticated air conditioning systems ever designed and completed in Jamaica. Our technical and engineering expertise and experience sets us apart from the competition and can be seen throughout Jamaica in the large projects that we have designed, managed and implemented. Our reputation as the leader in engineering and technical services in the air conditioning industry is based on the expertise and experience of our in-house engineers and our Carrier® certified technicians, and is backed by the technical support staff and expertise of Carrier®, Mitsubishi Electric, LG® and Fujitsu®.

We are committed to delivering comprehensive and innovative air-conditioning and energy saving solutions and services to the Jamaican market and the wider Caribbean region.

Summary of Products and Services

PRODUCTS

CAC 2000 Limited offers some of the largest and most technologically advanced air-conditioning systems in Jamaica. Our products come with a best value guarantee, backed with factory warranties. We are long-time partners of Carrier®, LG, Mitsubishi Electric and Fujitsu® air-conditioning systems while also offering associated equipment from many other suppliers.

We pride ourselves on offering expert solutions to help our clients meet their air-conditioning and energy saving requirements. We sell a wide range of world-class air conditioning brands of equipment and parts including Carrier®, LG®, Mitsubishi Electric, Fujitsu®, Carlyle®, Honeywell®, Sanyo®, Emerson®, Mitsubishi Electric®, TopTech® and Fasson® among others.

OUR SERVICES

Our highly trained technical and support teams have a positive attitude and welcome every opportunity to better serve our clients. Our team delivers incomparable service, firmly positioning the Company as the industry leader in air-conditioning and energy efficiency service.

We strive to remain the service industry leader in Jamaica by fostering a team of employees and contractors who offer a world-class standard of technical services and expertise.

The Company's Carrier® certified technical team is ready and available to provide a wide range of Services such as:

- Installation of units
- Servicing of units
- Electrical installations and repairs
- Duct design, fabrication and installation
- Energy saving projects
- Building load analysis and energy usage simulation
- Economic comparisons of HVAC options
- Testing, adjusting and balancing
- Design assistance to consulting engineers, architects or customers
- Project engineering and design assistance
- Factory support
- Engineering, procurement and construction (design-build)

CUSTOMERS

The Company has an enviable list of customers and projects involving engineered solutions, product supply and servicing at various levels. Some of our top customers include:

- National Insurance Fund
- Xerox
- University of the West Indies (various)
- Bank of Nova Scotia Ja. Ltd.
- GraceKennedy & Co. Ltd.
- Victoria Mutual Building Society
- Jamaica National Building Society
- Kier Construction
- First Caribbean International Bank
- Megamart
- Pricesmart Jamaica
- Palace Amusement Cinemas
- Government of Jamaica (many Ministries and Executive Agencies)

Some of our recent or most notable projects include:

- The UWI Basic Medical Services Complex
- Moon Palace Hotel (formerly The Jamaica Grande Hotel)
- The Jamaica Pegasus Hotel
- The Petroleum Corporation of Jamaica
- The Jamaica Gleaner Company Ltd.
- J. Wray & Nephew Ltd.
- Pricesmart Jamaica
- Megamart (Waterloo Road & Montego Bay)
- Guardian Life
- Palace Amusement cinemas
- The Bank of Nova Scotia (various branches)
- First Caribbean International Bank (various branches)
- National Commercial Bank (various branches)
- Red Stripe
- Jamaica Flour Mills
- PricewaterhouseCoopers
- KPMG
- First Global Bank
- Creative Building Finishes
- Braco Hotel
- Iberostar Hotel (phase 1)
- UWI Law School
- Xerox Call Centres (various)
- Norman Manley International Airport

NESTLÉ HEAD OFFICE, MANDELA HIGHWAY, KINGSTON

CAC 2000 was asked to provide energy efficient cooling and ventilation for Nestlé Jamaica Ltd's state of the art new headquarters and warehouse facilities in Ferry off of the Mandela Highway. This request resulted in the supply and installation of approximately 122 Tons of LG VRF air conditioning equipment consisting of four banks of condensing units to provide cooling redundancy across the floors of the administrative building connected to sixty-six (66) indoor units according to Nestlé's MEP consultants design.

THE BOARD OF DIRECTORS

Mr. Steven Marston,

B.Sc. (Environmental Engineering); M.Sc. (Energy Management and Policy), and Certificate Owner President Programme 38, Harvard Business School [appointed July 24th, 2000] Executive Director, Chairman and Chief Executive Officer

Steven Marston started his career as an Alternative Energy Engineer at the Ministry of Mining and Energy, changed jobs to become a Lead Engineer at PCJ Engineering Limited in 1985, later becoming the Managing Director of Enertech Limited and Conditionedair & Associated Contractors (then owned by the ICD Group) in 1990 and 1993, respectively. Part of his employment package involved an option to purchase 49% of the company which he exercised a few years later.

In 1996, Mr. Marston was appointed as Vice-President of the Development and Construction Division of the Mechala Group (now the ICD Group). In 2000, he completed a management buy-out of the remaining 51% of the shares of the company (renamed CAC 2000) and became the Chairman, Chief Executive Officer and majority beneficial owner. Since then he has lead it steadfastly to become the successful and profitable company that it is today having navigated the Company through many large-scale projects that it has undertaken over that period.

A highly qualified engineer and businessman who possesses exemplary project management and negotiation capabilities, Mr. Marston boasts the following qualifications and memberships:

- B.Sc. (1st class Hons) University of Strathclyde, Scotland (British Council Scholarship)
- M.Sc. University of Pennsylvania USA
- Certificate Owner President Programme 38, Harvard Business School
- Various courses at Harvard Business School including Driving performance through Talent Management and the Crossroads (2 year) programmes
- Registered Professional Engineer, Jamaica (P.E.)
- Chartered Engineer, U.K. (C.Eng.)
- Member, Jamaica Institution of Engineers (M.J.I.E.)
- Fellow, Institution of Mech. Engineers, U.K. (F.IMechE)
- Member, American Society for Heating Refrigeration and Air conditioning Engineers (MASHRAE)

He is also a Director of Triple Crown Sports in Fort Collins, Colorado.

Mr. Colin Roberts

B.Sc. (Hons.) (Electrical and Computer Engineering), MBA [appointed July 24th, 2000] Executive Director and Director – Sales and Engineering

Colin Roberts' career in engineering commenced in 1987 as Trainee and then District Engineer (Saint Catherine) at The Jamaica Public Service Company Limited.

In 1991, Mr. Roberts joined the Seprod Group of Companies in the capacity of Electrical Maintenance Engineer and Electrical Project Engineer. He later become the Maintenance Manager and Maintenance Director at LOJ Property Management Limited gaining substantial experience with design and maintenance of air conditioning and related systems in commercial buildings. In late 1993, he was invited to join Conditionedair & Associated Contractors (CAC) as a shareholder and its Technical Manager.

In 2000, Mr. Roberts joined Steven Marston in purchasing the remaining interest in CAC and forming CAC 2000 Ltd. and assumed the position of Chief Technical Officer and has recently become the Company's Director – Sales and Engineering.

Mr. Roberts manages the sales, estimations purchasing and execution of many of the Company's projects. He earned his B.Sc. (Hons) at University of the West Indies - St. Augustine Campus and his MBA from Nova University and has further honed these skills through the Key Executive Program at the Harvard Business School and Leadership Development course at Kellogg School of Management.

Ms. Gia Abraham

B.Sc. (Biology), Executive Director and
Director – Administration and Operations
[appointed June 28th, 2003]

Gia Abraham's career in Banking spans 15 years, in areas of investment, training and working as part of process development team for the conversion of Canadian Imperial Bank of Commerce (CIBC) region wide change out of their CRM system.

Ms. Abraham has been instrumental in driving software upgrades and improving systems and procedures of the company and plays a key role in managing all of the "back-office" processes of the company while handling treasury and foreign supplier payments. She is also in charge of the Service Department in Kingston and Montego Bay, and most recently head of the newly formed CAC 2000 Foundation.

She earned her BSc at the University of Toronto and has also participated in numerous executive development programmes at Harvard Business School including Key Executive, Leadership Development and Driving Performance through Talent Management.

Ms. Abraham is the Company Secretary.

Mr. Edward Alexander

B.Sc. and M.Sc.
[appointed October 3rd, 2012]
Independent Director

Edward (Teddy) Alexander is the founder and Chief Executive Officer of tTech Limited ("tTech"), Jamaica's first Managed IT Service Provider, and is a true visionary in the field of Information Technology.

This profoundly capable IT specialist and business executive established the tTech in 2006 after an illustrious eighteen (18) year career with GraceKennedy & Co. Limited, where he served as the company's Chief Information Officer. His distinguished career spans more than three (3) decades. During the 1980's he worked in the alternative energy field at the Ministry of Mining & Energy and the Petroleum Corporation of Jamaica before switching to the information technology field and assuming the position of Management Consultant at KPMG Peat Marwick & Partners. In 1988 he joined Grace Unisys as an Account Manager and it was here his passion for IT blossomed.

By 1993 he was given responsibility for information technology at GraceKennedy & Co. Ltd. and ushered in an era of innovation during his tenure. He left to form the tTech in 2006.

He holds a Masters of Science degree from the University of Pennsylvania and Bachelor of Science degree from the University of Windsor. In addition he has completed professional courses at the Harvard Business School and the University of Florida and is also a former President of the Jamaica Computer Society.

Mr. Alexander serves as the chairman of the IT Committee and as a member of the Audit and Compliance, and Salary and Compensation Committees.

Ms. Jennifer McDonald

Bachelor of Arts in Geography and Economics and an M.B.A from

[appointed May 30, 2017]
Title

Jennifer E. McDonald is a Senior Level Executive and Transformational Leader with more than 3 decades of experience working within the private and public sector. Ms. McDonald started her career at the Ministry of Labour as an Economist from 1983 – 1984. Soon after she became the Senior Marketing Coordinator at ICD Group, a position she would occupy until 1993 when she became the Special Assistant to the Prime Minister. Over the next twenty years she would assume key positions at governmental agencies including Assistant Manager at the Jamaica Conference Center, General Manager at the Urban Maintenance Limited, Director of Corporate Services at the National Land Agency and more recently Chief Executive Officer at the Passport Immigration and Citizenship Agency, a position she occupied from 2007 – 2016.

She is currently a Part Time Lecturer at the University of the West Indies, University of Technology and Insurance College of Jamaica and is also a member of the Euralysum Ltd Board.

Mr. Patrick A. H. Smith

BSc. in Public Administration from the University of the West Indies Mona and an M.B.A from Nova South Eastern University, Florida.
[appointed May 30, 2017]

Patrick A. H Smith has had broad general management experience having worked for more than 30 years within the Caribbean and European industries. Mr. Smith began his career at the Kingston Export Free Zone as an Investment Promotion Manager in 1981. Over the next few decades he would fulfil several positions at various local and international business entities including: Marketing Manager at T Geddes Grant Group Jamaica Limited, General Manager at Jamaica Biscuit Company Limited, Business Unit Director [Caribbean] at British American Tobacco Caribbean and Central America. Most recently he held the role of Global Account Manager at Dunhill Cigars, British American Tobacco International in Switzerland. He has also served as the Chairman of Things Jamaican Limited and of Demerara Tobacco Company Limited in Guyana. He has previously served as a Director at the Export Import Bank of Jamaica, Carreras Limited, West Indian Tobacco Company Limited in Trinidad and Tobago, JAMPRO, and has been a Vice President of the Jamaica Exporters Association in the 1990's.

Mr Smith is now retired.

Mr. Matthew Hogarth

LL.B Law (with honours) from the University of Liverpool and a Certificate of Legal Education from the Norman Manley Law School [appointed May 30, 2017]

Matthew A. Hogarth is a Legal Practitioner who specializes in the areas of banking, finance, mergers and acquisitions, corporate structuring and governance, taxation, trusts, real estate and business advisory. Mr. Hogarth has spent much of his career applying his expertise to high value private equity and debt transactions, corporate bank loan transactions, Initial Public Offerings (IPOs), private business and legal audits, the management and strategy of insolvency, receivership assignments and residential and commercial real estate transactions. He is a member of the New York Bar Association, the American Bar Association, The Jamaican Bar Association and The British Virgin Islands Bar Association. He is also on the board for the Jamaica Stock Exchange, Carreras Limited, Iron Rock Insurance and Heave Ho Properties (Century 21).

Mr. Hogarth is currently a Partner at the law firm MH&CO.

Mr. Richard Powell

BSc. (Hons.) in Civil Engineering from the University of the West Indies, St Augustine Trinidad, an MSc. In Highway Engineering from the University of Birmingham in England and an M.B.A. (with Distinction) from York University in Canada.
[appointed May 30, 2017]

Mr. Richard Powell, a recently retired President and Chief Executive Officer of The Victoria Mutual Building Society Group (VM Group), has garnered vast professional experience from many appointments including that of President and CEO of Life of Jamaica Limited, Blue Cross of Jamaica as well as an executive management position at the Lascelles DeMercado Group of Companies. He has also served on the Boards of Life of Jamaica Limited, Lascelles DeMercado & Company Limited, Island Life Insurance Company Limited, among others. Prior to these appointments, Mr. Powell had a successful engineering career in the public sector. In addition to his service to private sector corporations he has also been appointed to Boards of many Non-Governmental Organizations and Public Sector Agencies. These include the PSOJ Council, The Jamaica Stock Exchange E-Campus, the United Way of Jamaica, The Environmental Foundation of Jamaica (EFJ) as well as the National Works Agency Advisory Committee of which he was Chairman. Mr. Powell is currently Pro-Chancellor of the University of Technology in Kingston, Jamaica.

EXECUTIVE TEAM

The Company has an effective, progressive-thinking and decisive management team and continuous training (especially technical) is a part of our culture. We are first and foremost an engineering lead company with a passion for providing solutions for our clients' air related issues using the most cost effective and technologically advanced products available.

In addition to our Executive Directors our Executive Team includes:

Marcus Hay

M.Eng., Installation Manager

Marcus has been with CAC for over 16 years and currently leads the installation team. His training includes an M.Eng. in Mechanical Engineering, as well as numerous certification courses including Project Management, Energy and Leadership. Marcus supervises a team of engineers and technicians who prepare quotes and tenders, installing and commissioning the most complex air conditioning systems found in the region.

Colleen Ellison-Hall

FCCA, Financial Controller

Colleen started her career at National Commercial Bank Jamaica Ltd. (in centralized FX Dept) then moved to J. Wray and Nephew Ltd spending 15 years in various roles, eventually becoming their Chief Accountant. She then joined Stocks and Securities Ltd. as their Audit and Compliance Manager and, after leaving, branched out on her own business venture while doing audit work on a contractual basis for Mayo Holdings Ltd. At CAC she is in charge of the financial and accounting operations of the company. Mrs. Ellison-Hall graduated from College of Arts, Science and Technology and also has a postgraduate diploma in Financial Services Management from Jamaica Stock Exchange e-campus and is a Fellow of the Association of Certified Chartered Accountants.

Richard Stephenson

B.Sc. Management, Sales Manager

Richard has over 25 years' experience in Marketing, Sales and General Management. He is a graduate of West Virginia Wesleyan College with a major in Marketing and a minor in Economics and has participated in several marketing, sales, leadership and coaching development programmes. Most of Richard's experience has been in fast moving consumer goods (FMCG), distribution and retail both locally and regionally. He has also led on several consolidations and the start-up of companies and operations.

We are excited to have him as part of the CAC leadership team and will play an integral role in the roll out of the new Customer Relationship Management (CRM) system as well as enhancing marketing, sales operations and customer experience.

Glaister Cunningham

B.Sc. (Civil Engineering), MSc. (Structural Engineering), MSc. from the University of Newcastle Upon Tyne, MBA from Florida International University, Project Execution Manager

Glaister Cunningham began his career as an engineer in 1997 when he joined N.O. Whyte & Associates Ltd as a Project Engineer, later being promoted to Senior Project Engineer

Between 2004 and 2008, Mr. Cunningham worked as a project manager. First at KES Development Ltd. and then at Equilibrio Solutions (Ja) Ltd. In 2008, he was offered a Senior Associate position at the Inter-American Development Bank. He went on to become an Operations Specialist and took a special assignment in El Salvador. Amongst his many duties were conducting reviews on the quality of project execution plans, policy, and procurement.

In late 2017, Mr. Cunningham was invited to join CAC 2000 Ltd. as Project Execution Manager. In this position, he manages the execution of all commercial HVAC projects. Mr. Cunningham is expected to contribute to the strengthening of the business efficiencies and capabilities of the department.

He brings with him over 10 year's experience in project management. He is a trained Project Manager and actively attends workshops to discover new waves in project management, risk assessment and negotiation.

Improving air quality with low energy costs

CONDUENT BUILDING 1 BPO, MONTEGO BAY, ST. JAMES:

The existing air conditioning equipment at Building 1 was old and inefficient and the air quality within the building was poor. CAC were given a Sixty-six Million Dollar contract to replace five central systems and one packaged unit with six LG high-efficiency Hybrid VRF systems for a total of 240 Tons of cooling capacity. In addition CAC installed six demand controlled LG energy recovery ventilators to provide fresh air to the occupants, significantly improving air quality with a low energy cost penalty The entire air conditioning and ventilation system is controlled by a sophisticated building management system that allows Conduent personnel to monitor and control the equipment remotely over the internet. Through careful planning and co-ordination, CAC was able to install all six air conditioning systems, the ventilators and the controls without any disruption to Conduent's operations and were able to complete all work exactly on schedule.

Directors Holdings for CAC 2000 Limited *(As at October 31, 2017)*

Name	Position Primary Holder Joint Holder	Relationship	Units	Percentage
Steven Marston	Chief Executive Officer	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
Colin Roberts	CTO	Key Members Holdings	27,355,291.00	21.2
		Connected Party Holdings	0	0
		Combined Holdings	27,355,291.00	21.2
Gia Abraham	CAO	Key Members Holdings	300,000.00	0.23
		Connected Party Holdings	0	0
		Combined Holdings	300,000.00	0.23
Matthew Hogarth	Director	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
Edward Charles Alexander	Director			
	Edward Charles Alexander			
	Charmaine Dawn Alexander	Wife		
	Renee Moy Alexander	Daughter		
	Jordanne Moy Alexander	Daughter		
		Key Members Holdings	54,286.00	0.04
		Connected Party Holdings	0	0
		Combined Holdings	54,286.00	0.04
Patrick Smith	Director	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
Jennifer McDonald	Director	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
Richard Powell	Director	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
CAC Caribbean Limited	Connected Party			
	Steven Marston	Husband		
	Gia Abraham	Wife		
		Key Members Holdings	62,639,311.00	48.55
		Connected Party Holdings	0	0
		Combined Holdings	62,639,311.00	48.55
	Total Key Members Holdings		**27,709,577.00**	**21.47**
	Total Connected Party Holdings		**67,462,522.00**	**52.28**
	Total Combined Holdings		**95,172,099.00**	**73.75**

Top 10 Shareholders *(As at October 31, 2017)*

Shareholder	Units	%
CAC Caribbean Limited	67,462,522	52.28
Colin Roberts	27,355,291	21.20
Louis Williams	6,180,000	4.79
Victoria Mutual Wealth Equity Fund	4,946,699	3.83
PAM - Pooled Equity Fund	3,334,203	2.58
Howard Chin	3,204,599	2.48
Christine G. Wong	1,232,962	0.96
Peter Nicholas Anthony Forde	1,232,961	0.96
JCSD Trustee Services Limited - Sigma Venture	964,269	0.75
Jamaica Credit Union Pension Fund	843,463	0.65

Corporate Data

Executive Directors

Chairman/CEO: Steven D. Marston
CAO/Company Secretary: Gia Abraham
CTO/Director: Colin Roberts

Non-executive Directors

Edward Alexander
Jennifer McDonald
Matthew Hogarth
Patrick Smith
Richard Powell

Registered Head Office

CAC 2000 Limited
231 Marcus Garvey Drive
Kingston 11
Jamaica
Tel: 876-656-9200
Fax: 876-923-1785
Email: sales@cac2000ltd.com
Website: www.cacjamaica.com

Attorney

John G. Graham and Co.
7 Belmont Road
Kingston 5, Jamaica
Tel: 876-920-1004
Email: jggandco@gmail.com

Bankers

Bank of Nova Scotia
Hagley Park Branch
128 Hagley Park Road
P.O. Box 5, Kingston

National Commercial Bank

Portmore Branch
13-14 West Trade Way
Portmore, St. Catherine

First Global Bank

New Kingston Branch
28-48 5 Barbados Ave
Kingston 5

Auditors

KPMG
The Victoria Mutual Building
6 Duke Street
Tel: 87- 922-6640
Fax: 876-922-7198

Corporate Governance

CAC 2000 Limited is committed to maintaining high standards of corporate governance to preserve shareholder value and confidence in the long term viability and profitability of the Company.

The Corporate Governance Committee of CAC 2000 Limited has the responsibility of assisting the Board of Directors of CAC 2000 Limited in ensuring that its composition, structure, policies and processes for managing the Company are in keeping with world corporate governance best practice standards and adhere to the relevant legal and regulatory framework. The basic guidelines of the Corporate Governance Charter are based on the Combined Code on Corporate Governance compiled by the Corporate Governance Committee of the Private Sector Organisation of Jamaica and the Corporate Governance and Regulations guidelines issued by the Jamaica Stock Exchange.

The membership of the Corporate Governance Committee comprise three (3) members of the Board, the majority of whom are independent non-executive directors chosen for their competence and understanding of issues related to corporate governance. The members of the Committee and the Chair are appointed and removed by the Board and the Charter defines the authority and responsibilities of the Governance Committee. The Committee has established a corporate governance assessment tool that will ensure that the Board will:

- Lead and control
- Take responsibility for the organization's performance
- Insist on adequate information
- Inform management on its requirements
- Communicate effectively with management/staff
- Ensure staffing and other resources are adequate

Staff during Mitsubishi training sessions.

Board and Committees composition

As at October 1, 2017, the Board currently consists of eight members with provisions in the Articles of the Company to increase the size of the Board, if necessary. The current members of the Board of Directors are: Steven Marston (Chairman), Richard Powell, Edward Alexander, Patrick Smith, Matthew Hogarth, Jennifer McDonald, Gia Abraham (Company Secretary) and Colin Roberts.

The Directors who resigned on May 30, 2017 are: Annette Morrison, Kerith Foster and Andrew Cocking.

Governance Committee

In 2017 the Governance Committee was established and the members comprise.

- Matthew Hogarth - Chairman & Independent Director;
- Gia Abraham - Company Secretary and Member; and
- Jennifer McDonald - Member & Independent Director

Audit Committee

The Audit and Compliance Committee was revamped and the Audit Committee established. The members of this committee are:

- Richard Powell - Chairman & Independent Director;
- Edward Alexander - Member & Independent Director; and
- Patrick Smith - Member & Independent Director

Remuneration Committee

The Salaries and Compensation Committee was also revamped and the Remuneration Committee established. The members of this committee are:

- Patrick Smith - Chairman & Independent Director;
- Jennifer McDonald - Member & Independent Director;
- Richard Powell - Member & Independent Director; and
- Gia Abraham - Member & Executive Director

Information Technology Committee

Effective August 24, 2017, the members of the Information Technology Committee are:

- Jennifer McDonald – Chair;
- Colin Roberts – Member; and
- Patrick Smith – Member

Board & Committee Meeting Register

The attendance of the Directors at Board, Committee and Annual General Meetings is reflected in the tables on the following page:

Board of Directors Meeting Attendance

December 2016-December 2017

Directors	12-Dec-16	21-Feb-17	30-May-17	4-Sep-17	14-Dec-17
Steven Marston, Chairman	√	√	√	√	√
Kerith Foster, Director	apology	√	No longer a director		
Andrew Cocking, Independent Director	√	√	√	No longer a director	
Annette Morrison, Independent Director	√	√	√	No longer a director	
Colin Roberts, Director	√	√	√	√	√
Edward Alexander, Independent Director	apology	apology	√	apology	√
Gia Abraham, Director, Company Secretary	√	√	√	√	√
Matthew Hogarth, Independent Director			√	apology	√
Patrick Smith, Independent Director			√	apology	√
Jennifer McDonald, Independent Director			√	√	√
Richard Powell, Independent Director			apology	√	√

Audit Committee

December 2016-December 2017

Audit Committee Members	5-Dec-16	16-Feb-17	26-May-17	23-Aug-17	7-Dec-17
Andrew Cocking, Independent Director	√	√	√		
Annette Morrison, Independent Director	√	√	√		
Edward Alexander, Independent Director	√	apology	√	√	
Steven Marston, Director	√	√	√	√	√ (via phone)
Richard Powell, Independent Director				√	√
Patrick Smith, Independent Director				√	√
Jennifer McDonald, Independent Director				√	√

Remuneration Committee

December 2016-December 2017

Remuneration Committee Members	26-May-17	23-Aug-17
Andrew Cocking, Independent Director	√	
Annette Morrison, Independent Director	√	
Edward Alexander, Independent Director	√	√
Steven Marston, Director	√	√
Richard Powell, Independent Director		√
Patrick Smith, Independent Director		apology
Jennifer McDonald, Independent Director		√

Annual General Meeting

December 2016-December 2017

Directors	9-Mar-17
Steven Marston	√
Gia Abraham	√
Andrew Cocking	√
Edward Alexander	√
Annette Morrison	√
Kerith Foster	√
Colin Roberts	apology

Management, Discussion & Analysis

85

Company won a record number of projects in 2017

3.5%

Increase in Gross Profit over previous year

21%

Increase in Net Cash over previous year

Company Overview

CAC 2000 Limited is the leading provider of commercial Air Conditioning (HVAC) systems and refrigeration and energy solutions in Jamaica. Situated on Marcus Garvey Drive, our Company sells, services and supports the most sophisticated air conditioning systems including the Carrier brand. The Carrier representation has been held by the company (in various names and ownership structures) since 1929 making us one of the oldest Carrier dealers in the world (recognizing that the first air conditioning systems were only developed by Dr. Willis Carrier in 1902).

CAC 2000 also represents the LG and Mitsubishi Electric brands while also selling complementary products that make us the most comprehensive provider of air conditioning and energy solutions in the English-speaking Caribbean.

Our 2017 financial year saw increased revenues and contained expenses. The Company won a record number of new projects with a total of 85 in 2017. We started the year with three large Business Process Outsourcing (BPO) projects and amongst these projects was a notable alliance with the Port Authority of Jamaica and a financing firm. Phase I was completed in October valued at approximately $110 million and Phase II will commence in 2018.

The Company also introduced the Carrier X-Power line and worked with LG to launch the Multi-V 4 variable refrigerant flow (VRF) systems. Both systems provide increased efficiencies and offer unmatched performance and features in the local market.

Financial Performance

The Company made $1.21 billion in revenues, 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 and in turn spurred profits. Gross profit totaled $424.4 million which reflected an increase of 3.5 per cent over the same period in 2016 ($410.1 million).

The Company reported earnings per share of $0.78 in 2017 compared to $0.08 in the corresponding year.

A loan of $100 million was secured during the latter part of the year for working capital. This loan provided breathing room for the company to increase its sales on credit during the year.

Overall CAC closed the financial year with $191.7 million in cash flow and equivalents – 21.4 per cent more net cash over the corresponding period in 2016.

Total assets grew to $985.2 million from $851.7 million year over year due primarily to the growth in trade and other receivables to $536.3 million when compared with $356.7 million in 2016.

Total shareholder equity also grew to $423.1 million from $322.4 million in 2016. This demonstrates our commitment to increasing shareholder value through providing quality air-conditioning solutions to the region.

Operational Initiatives

Financial year 2017 represented our second year as a publicly traded company with shares listed on the Jamaica Stock Exchange (JSE). While 2016 was a year that ended in challenges, 2017 was one of recovery, and 2018 is set to be a year of growth.

During 2017, the staff complement remained stable at 49. We restructured the Engineering Department and also separated the Sales and Execution roles to allow for increased operational efficiency. The sales section, led by Colin Roberts, now places a greater focus on winning new projects – the results of this restructuring can be seen in the increased number of sales for the year. Glaister Cunningham was brought on board in September to strengthen the capabilities of the execution department and improve business efficiencies.

Other major initiatives for the 2017 year included the implementation of our cloud-based Customer Relationship Management (CRM) operating system to improve customer service and issue resolution.

In 2017, the Company also initiated Improved supplier

credit, expansion in facilities to allow for more purchases, improved cash management and increased reserves.

We also enacted changes to our Board of Independent members with a heavy reliance on financial, HR, international governance, legal and business process skills.

Awards

CAC 2000 won four prestigious Stevie Awards in 2017, making CAC one of only three Caribbean companies to have ever won the prestigious award. We were presented with two gold Stevie's for Business Development Executive of the Year on behalf of Steven Marston, Chairman and CEO of CAC 2000; and for Business Development Achievement of the Year. The Company was also presented with two Bronze Stevie Awards for Sales Distinction of the year and Business Development Achievement of the Year.

The Stevie Awards were held at a gala banquet in February 2017 at Caesars Palace in Las Vegas, USA. More than 650 executives from around the world attended. CAC won from a field of over 2,300 nominations.

We are honored to have receive these awards on behalf of our Company and the country. We have set the bar high in 2017 and continue to work stridently towards our goals. Additionally, this global recognition affirms our commitment to providing the most technically advanced solutions to top businesses in Jamaica.

Additional Awards during the year included the Carrier 2017 Award for Sales Achievement. We were also one of three finalists nominated in the Business Excellence Forum 2018 as a finalist for the Best Import/Export category. While CAC did not walk away with the prize, we extend our congratulations to Carita who was the only Jamaican company to win an award at the February 2018 awards in California.

Risk Management

The company's risk management policies are directed by the Board of Directors assisted by the Management team. In our 2017 fiscal foreign currency risk was substantially improved from (US $687,868) to (US $707,398). Interest rate risk improved from ($50,910,473) to ($159,268,854) and other policies have been put in place for credit, liquidity and capital risk and fair value of financial instruments - please see the attached audit report for further details.

Director Colin Roberts (centre) at the Stevie Awards.

2018 Outlook

The 2018 financial year already looks outstanding. The improved financial and operational performance of CAC puts us on a solid path to embark on a number of groundbreaking projects in the 2018 financial year. Sales and profit are expected to grow with an added push from the BPO and Construction sector.

BPO Projects

CAC has been awarded a second phase for the aforementioned BPO deal. Both phases should equate to $200 million in combined value. CAC will partner with a financial entity and the state entity, Port Authority, which currently owns a series of offices earmarked for BPO rentals in Portmore and Montego Bay.

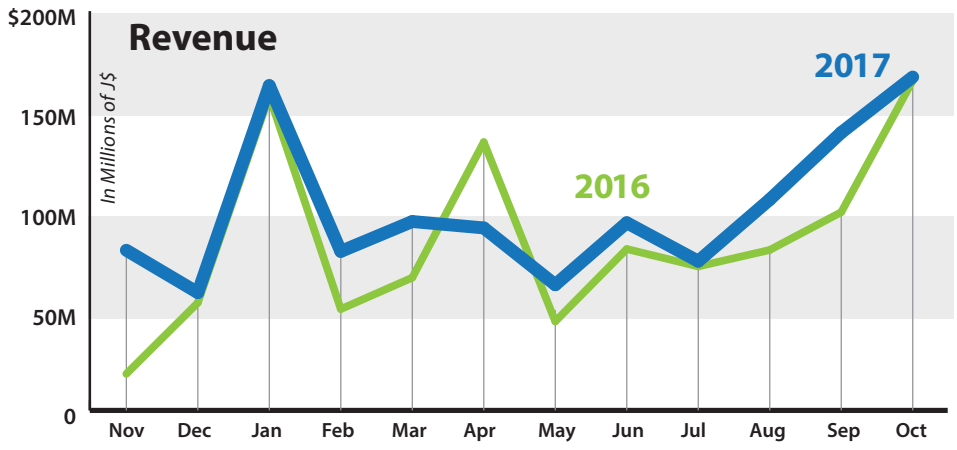
Under this unique deal, the Company will sell air-conditioning equipment to be leased to the Port Authority and BPO offices. CAC will continue to maintain and provide solutions for the BPO offices, preserving the value of the equipment during its lifetime. This partnership will pave the way for other entities to obtain financing arrangements in order to reduce the cost of installation or retrofits.

Customer Relationship Management System

Our improved CRM system will be expanded in 2018 to add a module for purchasing and logistics. This is a part of our continued efforts to improve business efficiency and service and inventory management.

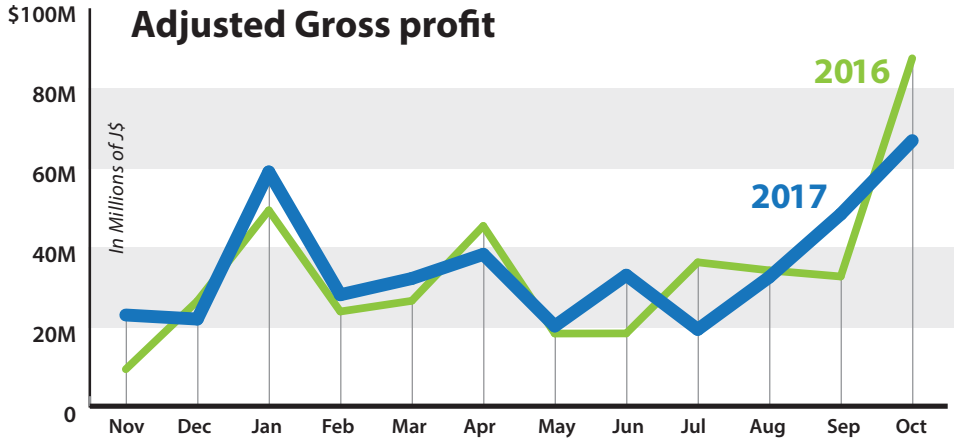
FINANCIAL REPORT

For year ended October 31, 2017. The tables below compare current year with the 12-month unaudited results for last year.



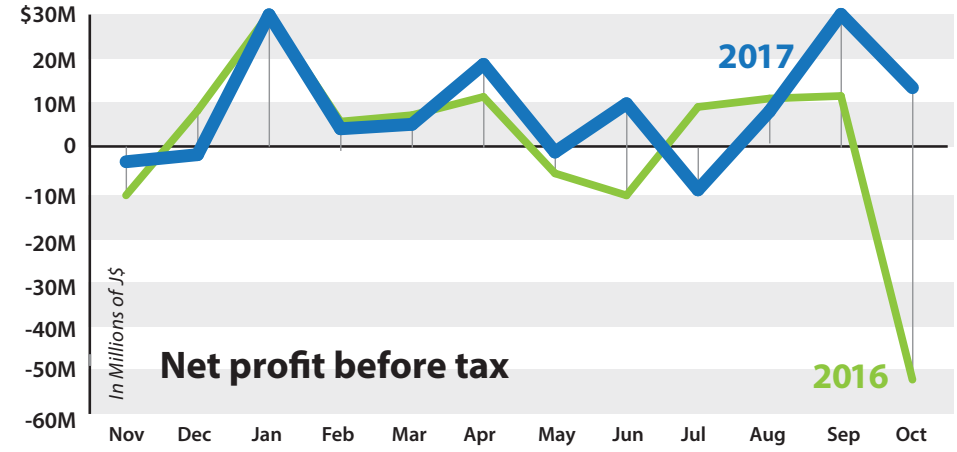
REVENUE

- Average monthly revenue in 2017 $100.91M (2016: $84.80M)
- Highest revenue was generated in Oct 2017 for $166.98M, lowest in Dec 2016 for $59M.
- Revenue exceeded the previous year in all months except April.
- Revenue exceeded last year's by $193.32M (19%).



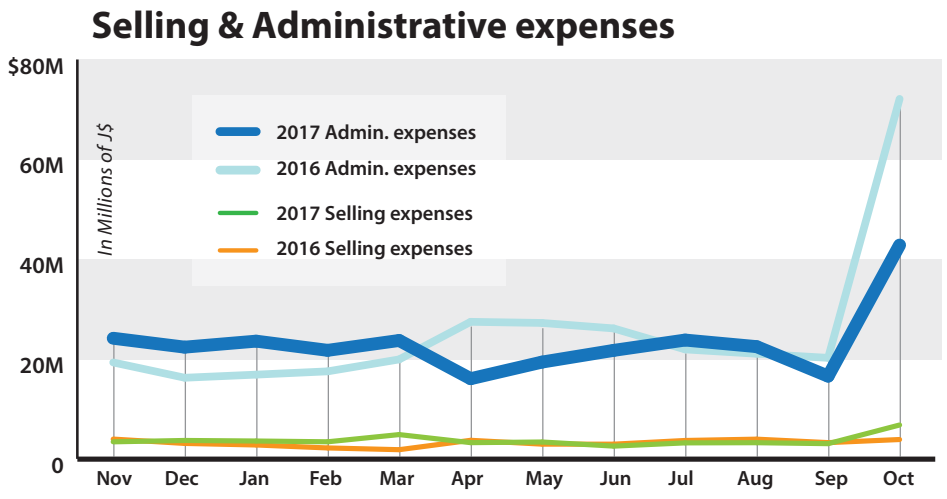
ADJUSTED GROSS PROFIT

- Average monthly adjusted gross profit in 2017 was $35.37M at 35% (2016: $34.18M at 40%).
- The highest gross profit was in Oct 2017 for $66.86M; lowest was $19.58M in July 2017.
- Adjusted gross profit improved over last year's by $14.31M (3%).



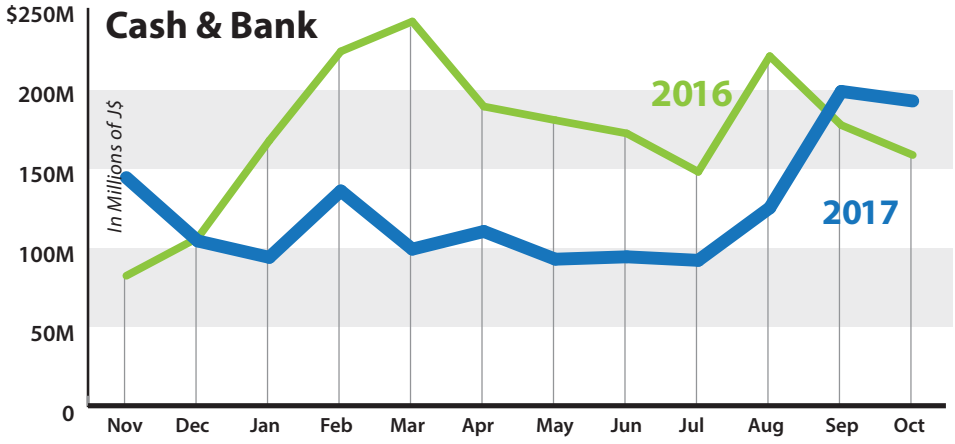
NET PROFIT BEFORE TAX (NPBT)

- The company reported net profits in all months except Nov - Dec 2016, May and Jul 2017 (four months).
- Performance was better in the months of Nov 2016, Apr – Jun 2017 and Sep – Oct 2017 (six months) versus previous year.
- PBT was more than last year's by $89.20M (788%); due to provision for damages awarded last year.
- Average monthly PBT for the period is $8.38M (2016: $0.94M).



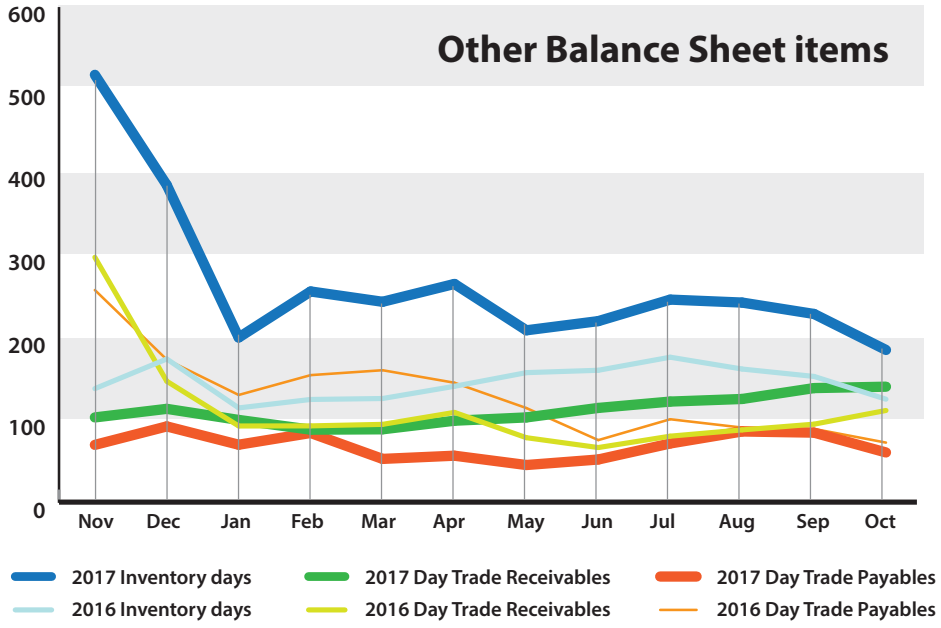
SELLING & GENERAL ADMINISTRATIVE EXPENSES

- Monthly selling and distribution (S&D) expenses were lower than the previous year in the months of Nov 2016, Apr 2017 and Jun – Sep 2017 (six months).
- For the year S&D expenses exceeded last year's by $6.18M (20%).
- Monthly general administrative (GA) expenses were higher than the previous year in all months except Apr – Jun 2017 and Sep – Oct 2017 (five months).
- GA expenses were lower than last year's by $27.59M (9%).
- Average monthly SGA expense was $25.74M (2016: $27.53M).



CASH FLOW

- Average monthly net cash flow for the period was $123.24M (2016: $171.70M).
- Cash in hand would be able to settle 195% of trade payable balances; this is an increase from 194% recorded for the comparative period in 2016.



OTHER BALANCE SHEET ITEMS

- Receivables days are 142 days versus 99 days last year. This is an upward trend since March 2017.
- Creditor days are 62 days versus 72 days last year. This is the lowest since Jun 2017.
- Inventory days are 127 days versus 183 days last year. This has been steadily decreasing since Jul 2017.

Focusing on the children

The CAC 2000 Foundation was established in 2016 to promote and improve the education of the children of Jamaica. This is one of the company's primary objectives as a corporate leader.

The foundation's other major objectives include:

1. Partnering with support programs that promote the improvement of education of children in learning institutions in Jamaica, with a focus on children in primary schools and children with learning disabilities.
2. Advancing education by developing scholarships to allow children to attend high school.
3. Working with other associations, locally and internationally, who share our vision and objectives.

Target youth

In October 2017 the CAC 2000 Foundation donated $300,000 to RISE Life Management Services (RISE) towards the training and mentoring of at-risk youth. RISE's Mission is to provide educational, vocational and health related services for at risk populations. This is the second year that the CAC 2000 Foundation has partnered with RISE. The foundations donation will be used to target youth from volatile communities' island wide, in a training

program geared towards educating them in dealing with sexual abuse.

Annual Charity Run

The Foundation also continued its partnership with the Pacers Running Club, an amateur running club which hosts an Annual Charity Run to support the work and initiatives of the Jamaica Council of Persons with Disabilities (JCPD). The beneficiary of the Annual Charity Run was the STEP Centre - a school for Children with Multiple Disabilities. The event raised approximately $150,000 to aid in the development of the school's program for visually impaired students. CAC 2000 Foundation contributed an additional $250,000 for a total donation of $400,000. This injection of funds will significantly improve the quality of learning of the visually impaired students at the STEP Centre.

Impacting lives

In addition to their charitable contributions, the Foundation made a significant impact on the lives of seven HEART NTA interns with a pilot programme for individuals seeking experience and vocational training in refrigeration and air conditioning repair techniques, including a basic understanding of clean energy solutions around the industry. These youths receive training and mentorship opportunities within CAC 2000 Ltd., working in collaboration with HEART NTA and other organisations. Through this programme the CAC 2000 Foundation will seek to assist in the gainful employment of disadvantaged and at-risk youth, youth with disabilities and women.

In 2018, the CAC 2000 Foundation will formalize this training programme with a focus on increasing the access of disadvantaged youth in the Three Miles community which surrounds the CAC headquarters, the seventeen Community Renewal Programme (CRP) communities of Kingston and St. Andrew, St. James and St. Ann.

It is anticipated that this pilot programme will grow to include 100 trainees by the end of 2018; 75 percent of trainees are expected to gain employment in related industries or through self-employment.

The Foundation, which is spearheaded by Gia Abraham, will continue its commitment to developing educational opportunities, aiding students with disabilities and partnering with other associations in 2018.

Audited Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Members of
CAC 2000 LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CAC 2000 Limited ("the Company"), set out on pages 8 to 42, which comprise the statement of financial position as at October 31, 2017, the statements of profit or loss and other comprehensive income, changes in stockholders' net equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at October 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CAC 2000 LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Recoverability of debtor balances*

The key audit matter	***How the matter was addressed in our audit***
The Company has significant overdue balances with customers. There is significant judgement involved in determining the levels of allowance for impairment on these balances, because of the uncertainty involved in estimating the timing and amount of future collections given the nature of the customers and the specific industry in which the Company operates. The use of judgement increases the risk that management's estimate could be materially misstated.	Our procedures in this area included: • Testing the manual and automated controls over recording and ageing receivables. Our testing of automated controls involved using our own Information Technology Audit specialists to test the design, implementation and operating effectiveness of automated controls; • Testing subsequent receipts for selected customers; • Evaluating the adequacy of the allowance for impairment recognised in respect of the Company's receivables, testing the underlying data used and re-performing the calculation; • Evaluating the adequacy of the disclosures about the degree of estimation involved in arriving at the impairment allowance; • Reviewing the accuracy of the disclosures in respect of the ageing of the trade receivables and the impairment allowance.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CAC 2000 LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. *Revenue recognition using the percentage-of completion method*

The key audit matter	***How the matter was addressed in our audit***
The Company recognises revenue from its engineering contracts based on the percentage of completion (POC) method. Significant management judgement is involved in : • Estimating the physical proportion of the completed work for the contracts; • The estimation of the total costs on the completed contracts, including contingencies that could arise from variations to original contract terms and claims.	Our procedures in this area included: • Reviewing the progress claims reports from the engineers for those claims not certified and assessing the reasonableness of the estimates made. • Evaluating the effectiveness of management's controls over the input costs. • Recomputing the revenues and the costs recognised for the current financial year based on the respective stage of completion and the contract values. • Evaluating the adequacy of the disclosures in respect of the revenue from construction contracts.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CAC 2000 LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information (continued)

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 financial statements that give a true and fair view in accordance with IFRS and 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.

Auditors' 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 auditors' 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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CAC 2000 LIMITED

Report on additional matters as required by the Jamaican Companies Act

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 38-39, forms part of our auditors' report.

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

The engagement partner on the audit resulting in this independent auditors' report is Rajan Trehan.

KPMG
Chartered Accountants
Kingston, Jamaica

December 22, 2017

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CAC 2000 LIMITED

Appendix to the Independent Auditors' report

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

- Identify and assess the risks of material misstatement of the 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 auditors' 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 auditors' 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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
CAC 2000 LIMITED

Appendix to the Independent Auditors' report (continued)

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Statement of Financial Position

For the year ended October 31, 2017

	Notes	2017 $	2016 $
ASSETS			
Non-current assets			
Property, plant and equipment	3	45,550,889	51,702,954
Long-term receivables	4	228,069	1,573,611
Total non-current assets		45,778,958	53,276,565
Current assets			
Income tax recoverable		3,019,665	1,935,494
Inventories	5	208,385,972	280,302,421
Due from related parties	11(a)	-	1,664,849
Trade and other receivables	6	536,331,072	356,656,285
Cash and bank deposits	7	191,695,143	157,874,554
Total current assets		939,431,852	798,433,603
Total assets		985,210,810	851,710,168
EQUITY AND LIABILITIES			
Stockholders' equity			
Share capital	8	129,189,757	129,189,757
Retained earnings		293,903,431	193,167,268
Total stockholders' equity		423,093,188	322,357,025
Non-current liabilities			
Loans and borrowings	9	4,013,104	153,917,254
Obligations under finance lease	10	4,076,643	6,735,311
Total non-current liabilities		8,089,747	160,652,565
Current liabilities			
Loans and borrowings	9	249,887,100	1,734,271
Due to related parties	11(b)	5,422,439	3,520,384
Trade and other payables	12	295,903,418	359,772,577
Current portion of obligations under finance lease	10	2,658,668	3,673,346
Taxation payable		156,250	-
Total current liabilities		554,027,875	368,700,578
Total equity and liabilities		985,210,810	851,710,168

The financial statements on pages 42 to 75 were approved for issue by the Board of Directors on December 22, 2017, and signed on its behalf by:

Chief Executive Officer
Steven Marston

Director
Patrick Smith

The accompanying notes form an integral part of the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended October 31, 2017

	Notes	2017 $	2016 $
Revenue	13	1,210,935,472	1,017,610,973
Cost of sales		(786,500,045)	(607,527,493)
Gross profit		424,435,427	410,083,480
Distribution expenses		(37,421,374)	(31,851,898)
Administrative expenses		(271,478,122)	(255,502,932)
Total distribution and administrative expenses	14	(308,899,496)	(287,354,830)
		115,535,931	122,728,650
Court awarded damages, net	20(i)	-	(104,181,618)
Other income		2,115,167	169,411
Profit before finance cost and taxation		117,651,098	18,716,443
Foreign exchange (losses)/gains		(2,277,238)	6,926,000
Interest income		1,090,090	1,406,350
Interest expense		(15,949,599)	(15,733,068)
Net finance cost	16	(17,136,747)	(7,400,718)
PROFIT BEFORE TAXATION		100,514,351	11,315,725
Taxation	17	221,812	(845,746)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		100,736,163	10,469,979
Earnings per stock unit:			
Based on stock units in issue	19	$ 0.78	0.08

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Stockholders' Net Equity

For the year ended October 31, 2017

	Share capital (note 8) $	Retained earnings $	Total $
Balances at October 31, 2015	500,000	204,632,773	205,132,773
Issued shares	138,273,634	-	138,273,634
Share issue costs	(9,583,877)	-	(9,583,877)
Total comprehensive income for the year	-	10,469,979	10,469,979
Dividends (note 18)	-	(21,935,484)	(21,935,484)
Balances at October 31, 2016	129,189,757	193,167,268	322,357,025
Total comprehensive income for the year	-	100,736,163	100,736,163
Balances at October 31, 2017	129,189,757	293,903,431	423,093,188

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows

For the year ended October 31, 2017

	Notes	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		100,736,163	10,469,979
Adjustments for:			
Taxation	17	(221,812)	845,746
Depreciation	3	20,505,700	14,915,160
Allowance for doubtful debts	6	(10,938,210)	6,996,027
Provision for inventory obsolescence		(4,090,136)	1,032,249
Interest expense	16	15,949,599	15,733,068
Interest income	16	(1,090,090)	(1,406,350)
Operating cash flows before movements in working capital		120,851,214	48,585,879
Movements in working capital:			
Inventories		76,006,585	(53,254,890)
Trade and other receivables		(167,245,183)	(80,335,514)
Trade and other payables		(64,872,775)	177,475,222
Due from related parties		1,664,849	4,626,931
Cash generated by operations		(33,595,310)	97,097,628
Interest paid		(14,945,983)	(15,733,068)
Income tax paid		(789,908)	(15,959,720)
Net cash (used)/generated by operating activities		(49,331,201)	65,404,840
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	3	(14,353,635)	(35,954,999)
Interest received		1,028,036	1,383,589
Net cash used by investing activities		(13,325,599)	(34,571,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		-	(37,326,672)
Repayment of bank loans		(10,659,815)	(1,673,361)
Due to related parties		1,902,055	(34,400,305)
Finance lease, net		(3,673,346)	10,408,657
Proceeds from bank loans		108,908,495	-
Proceeds from issue of redeemable preference shares		-	-
Proceeds from issue of ordinary shares, net		-	128,689,757
Net cash provided by financing activity		96,477,389	65,698,076
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,820,589	96,531,506
Cash and cash equivalents at beginning of year		157,874,554	61,343,048
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	191,695,143	157,874,554

The accompanying notes form an integral part of the financial statements.

1. Identification

CAC 2000 Limited (the Company) is incorporated and domiciled in Jamaica. On January 7, 2016, the Company's ordinary shares were listed on the Jamaica Junior Stock Exchange through an Initial Public Offering (see note 8). The ultimate parent company is Caribbean Air Conditioning Company Limited, a company incorporated and domiciled in St. Lucia. The principal activities of the Company are the sale of air conditioning equipment and installation and maintenance of such systems. The Company's registered office is 231 Marcus Garvey Drive, Kingston 11.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB) and comply with the provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

Certain new and amended standards came into effect during the current financial year. The adoption of these standards and amendments did not result in any change to the amounts and disclosures in the financial statements.

New standards and amendments to existing standards not yet effective

At the date of approval of the financial statements, there were certain standards and interpretations which were in issue but not yet effective. Those which are considered relevant to the Company are as follows:

- IFRS 9*, Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11-*Construction Contracts*, IAS 18 -*Revenue*, IFRIC 13 - *Customer Loyalty Programmes,* IFRIC 15 -*Agreements for the Construction of Real Estate*, IFRIC 18- *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers*, is also adopted.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New standards, interpretations and amendments to existing standards not yet effective (cont'd)

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

  - a deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The Company is assessing the impact, if any, of the amendments and new standards on its financial statements when the standards become effective.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars ($), which is the functional currency of the Company.

The financial statements are prepared on the historical cost basis. The significant accounting policies stated in paragraphs (c) to (y) below conform in all material respects with IFRS.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date and the income and expense for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment of losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(ii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

(iii) Revenue recognised from construction contracts:

Revenues from construction contracts are determined on the cost-plus basis with reference to the stage of completion. Estimates of the total costs of the contract is made at the initial stage of the contract and is reassessed on an ongoing basis. The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate. The changed estimates are used in the determination of the amount of revenue and expenses recognised in the statement of profit or loss and other comprehensive income in the period in which the change is made and in subsequent periods.

When the outcome of the contract cannot be estimated reliably, no profit is recognised. However, even though the outcome of the contract cannot be estimated reliably, it may be probable that total contract costs will exceed total contract revenues. In such cases, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense immediately.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

(d) Property, plant and equipment:

(i) Property, plant and equipment are measured at historical cost or deemed cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd):

(ii) Depreciation:

Depreciation is computed on a straight-line basis at annual rates estimated to write down the property, plant and equipment to their estimated residual values at the end of their expected useful lives, as follows:

Leasehold improvements	-	Over the term of the lease
Motor vehicles	-	5 years
Plant, machinery and tools	-	10 years
Furniture, fixtures and equipment	-	10 years
Computers and related equipment	-	3 years

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Impairment of tangible assets:

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(f) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, amounts due from related parties and trade, and other receivables. Similarly, financial liabilities includes accounts payable, loans and borrowings and amounts due to related parties.

(g) Inventories:

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. The cost of finished goods and work-in-progress comprises raw and packaging materials, direct labour, other direct costs and a proportion of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses.

(i) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(i) Related parties (cont'd):

(b) An entity is related to a reporting entity if any of the following conditions applies (cont'd):

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity or its parent is provided with key management personnel services by the management entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(j) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and other short-term investments with maturities ranging between one and three months from the reporting date, and which are readily convertible to known amounts of cash without significant change in value.

(k) Share capital:

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(k) Share capital (cont'd):

In the case of its preference share capital, it is classified as:

(1) equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary; in such a case, dividends thereon are recognised as distributions within equity;

(2) liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary; in such a case dividends thereon are recognised as interest in profit or loss.

The Company's redeemable preference shares are classified as financial liabilities as they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends are recognised as interest expense in profit or loss as a component of net finance costs/income as accrued.

(l) Borrowing costs:

Banks and other loans are recognised initially at cost. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest basis.

(m) Leases:

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations to the lessor, net of finance charges, are recorded in long term liabilities.

The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The motor vehicles acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(n) Accounts payable:

Trade and other payables are measured at amortised cost.

(o) Taxation:

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

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the statement of comprehensive income because of items of income or expense 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 using tax rates that have been enacted, or subsequently enacted at the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

(p) Employee benefits:

(i) Short-term employee benefits:

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave for services rendered by employees up to the end of the reporting period.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(p) Employee benefits (cont'd):

(ii) Defined contribution plans:

Obligation for contributions to defined contribution plans is expensed as the related services are provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(q) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for discounts, rebates and other similar allowances.

(i) Installations

The Company recognises the revenues and costs of installation contracts in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. Full provision is made for all anticipated losses based on estimated final completion costs.

(ii) Service contracts

The Company recognises revenue when service is provided under the terms of the contract.

(iii) Construction contracts

Construction contract revenue recognised results from infrastructure improvements and renovations under contracts specifically negotiated with a customer under a joint arrangement (see note 21).

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to the contract costs incurred in relation to the estimated total contract costs. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

(iv) Sale of goods

Revenue arising on the outright sale of equipment and spare parts is recognised on invoicing and the customer taking delivery of items.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(r) Joint operations:

The Company entered into a joint arrangement that is not structured through a separate vehicle and as such is accounted for as a joint operation. The contractual arrangement between the Company and the other party to the joint arrangement outlines each parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

The Company accounts for the assets, liabilities, revenues and expenses relating to its involvement in the joint operation in accordance with the relevant IFRSs.

(s) Segment reporting:

An operating segment is a component of the group 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 Company has three reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, to different customer base, and are managed separately because they require different resources and marketing strategies.

Segment results, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The primary reportable segments are:

(i) Engineering – Sale and installation of industrial equipment
(ii) Residential, Light and Commercial (RLC) – Sale of smaller turnkey equipment
(iii) Service – After sale service and maintenance

The Company's operations are primarily carried out in Jamaica

Transactions between business segments have been eliminated.

(t) Net finance cost:

Net finance income comprises interest payable on long-term loan, calculated using the effective interest rate method, interest income on funds invested and foreign exchange gains and losses recognised in profit or loss.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of the income can be measured reliably.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(t) Net finance cost (cont'd):

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(u) Foreign currencies:

Transactions in foreign currencies are converted at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined.

(v) Dividends:

Dividends are recognised in the period in which they are declared.

(w) Provisions:

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(x) Determination of profit and loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or determinable.

(y) Determination of fair value:

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. 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.

3. Property, plant and equipment

	Leasehold Improvements $	Plant machinery & tools $	Furniture fixtures & equipment $	Computers & related equipment $	Motor vehicles $	Work-in-progress $	Total $
Cost							
October 31, 2015	9,537,284	2,996,988	2,165,322	10,219,733	20,525,579	3,259,750	48,704,656
Additions	10,613,545	19,375	1,669,822	7,343,330	16,308,927	-	35,954,999
Transfers	3,259,750	-	-	-	-	(3,259,750)	-
October 31, 2016	23,410,579	3,016,363	3,835,144	17,563,063	36,834,506	-	84,659,655
Additions	33,958	836,235	39,541	565,135	3,297,584	9,581,182	14,353,635
Transfers	-	-	-	9,581,182	-	(9,581,182)	-
October 31, 2017	23,444,537	3,852,598	3,874,685	27,709,380	40,132,090	-	99,013,290
Accumulated depreciation							
October 31, 2015	1,591,447	2,314,283	1,056,552	7,212,727	5,866,532	-	18,041,541
Charge for the year	3,751,784	276,384	249,609	3,849,642	6,787,741	-	14,915,160
October 31, 2016	5,343,231	2,590,667	1,306,161	11,062,369	12,654,273	-	32,956,701
Charge for the year	4,400,948	202,753	325,685	6,610,363	8,965,951	-	20,505,700
October 31, 2017	9,744,179	2,793,420	1,631,846	17,672,732	21,620,224	-	53,462,401
Net book values							
October 31, 2017	13,700,358	1,059,178	2,242,839	10,036,648	18,511,866	-	45,550,889
October 31, 2016	18,067,348	425,696	2,528,983	6,500,694	24,180,233	-	51,702,954

3. Property, plant and equipment (cont'd)

The Company leases various motor vehicles under non-cancellable finance lease agreements (note 10). The lease terms are four years. At year end, the net book value of motor vehicles acquired under finance leases was $6,735,311 (2016: $10,408,657).

4. Long-term receivables

These represent loans granted to employees for the purpose of purchasing motor vehicles. The loans are repayable by monthly installments over a period of five years. These loans carry an interest rate of 8.95%. The current portion of these loans, due within twelve months from the year-end amounting to $228,069 (2016: $1,573,611) is included in other receivables (note 6).

5. Inventories

	2017 $	2016 $
Merchandise/equipment	69,645,369	80,609,940
Work-in-progress	7,859,718	74,895,956
Service supplies/parts	103,004,914	78,200,410
Goods in transit	43,655,708	66,465,987
	224,165,709	300,172,293
Provision for obsolescence	(15,779,737)	(19,869,872)
	208,385,972	280,302,421

The cost of inventories recognised as cost of sales during the year was $573,263,229 (2016: $408,206,712).

6. Trade and other receivables

	2017 $	2016 $
Trade	522,896,488	346,287,700
Allowance for doubtful debts	(20,447,912)	(32,453,138)
	502,448,576	313,834,562
Other receivables*	24,662,964	40,013,153
Prepayments	9,219,532	2,808,570
	536,331,072	356,656,285

* Included in other receivables is $16,053,772 (2016: $15,929,759) held by a financial institution and hypothecated to support performance guarantees issued by the institution on behalf of the Company.

6. Trade and other receivables (cont'd)

Ageing of trade receivables at the reporting date was:

	2017		2016	
	Gross $	Impairment $	Gross $	Impairment $
0-30 days	111,842,998	-	131,118,347	-
31-60 days	94,791,561	-	63,579,055	-
61-180 days	128,737,645	-	53,016,700	-
More than 180 days	187,524,284	20,447,912	98,573,598	32,453,138
	522,896,488	20,447,912	346,287,700	32,453,138

Movement in allowance for doubtful debts on trade receivables

	2017 $	2016 $
Balance at beginning of year	32,453,138	25,457,111
Amount (released)/charged, net	(10,938,210)	6,996,027
Amount written off	(1,067,016)	-
Balance at end of year	20,447,912	32,453,138

During the year, impairment losses reversed and credited to the profit and loss amounted to $10,938,210. In the prior year, impairment losses net aggregating $6,996,027 were recognised in profit or loss. Trade receivables written off amounted to $1,064,891 (2016: $2,879,252).

7. Cash and bank deposits

Cash and bank deposits include:

	2017 $	2016 $
Cash on hand and in bank	90,926,189	42,724,845
Short-term deposits denominated in Jamaican dollars	2,954,180	2,848,644
Short-term deposits denominated in foreign currencies	97,814,774	112,301,065
	191,695,143	157,874,554

Interest rates on the J$ deposits range from 0% - 5% (2016: 0% - 5%) and US$ deposits from 0% - 1.22% (2016: 0% - 1.22%). Interest on Sterling deposit is 0.12% (2016: 0.12%).

8. Share capital

	2017 $	2016 $
Authorised in shares:		
200,000,000 (2016: 200,000,000) Ordinary units of no par value		
350,000,000 (2016: 350,000,000) Fixed and variable rate cumulative redeemable preference shares		
Stated capital:		
Issued and fully paid as stock units:		
129,032,258 (2016: 129,032,258) ordinary units of no par value	138,773,634	138,773,634
Less: Share issue costs	(9,583,877)	(9,583,877)
	129,189,757	129,189,757
148,037,000 (2016: 148,037,000) Fixed and variable rate cumulative redeemable preference shares	148,037,000	148,037,000
	277,226,757	277,226,757
Less: Redeemable preference shares reclassified as liability (see note 9)	(148,037,000)	(148,037,000)
	129,189,757	129,189,757

On November 27, 2015, a resolution was passed at an Annual General Meeting whereby the shareholders declared that each of the authorised and issued ordinary stocks of CAC 2000 Limited be sub-divided into 20 ordinary stocks (20:1). The stock split preceded the new issue on December 23, 2015 of 29,032,258 stocks at a total value of $138,273,634. The Company was listed on the Jamaica Junior Stock Exchange on January 7, 2016 through an Initial Public Offering.

9. Loans and borrowings

	2017 $	2016 $
Bank loans		
Motor vehicle loans (a)	5,863,204	7,614,525
Bridging loan (b)	100,000,000	-
Redeemable preference shares (c)	148,037,000	-
	253,900,204	7,614,525
Less: Current Portion	(249,887,100)	(1,734,271)
Long-term Portion	4,013,104	5,880,254
Redeemable preference shares (c)	-	148,037,000
	4,013,104	153,917,254

(a) The loans represent amounts borrowed by the Company to facilitate the purchase of motor vehicles for employees. The loans are secured by charges over the motor vehicles purchased and comprehensive insurance endorsed in favour of the bank on the motor vehicles.

The loans are repayable in monthly installments. Interest rates on the loans are fixed at 8.95% (2016: 8.95%) p.a.

9. Loans and borrowings (cont'd)

(b) This represents an unsecured bridging loan from VM Wealth Management Limited. The loan attracts interest at a rate of 6.75% p.a. The loan is repayable by January 2018.

(c) Redeemable preference shares:

	2017 $	2016 $
Proceeds from issue of redeemable preference shares	148,037,000	148,037,000

350,000,000 fixed and variable rate redeemable preference shares were authorised with an issue price of $1 per share. Of this 148,037,000 (2016: 148,037,000) issued shares are fully paid. Redeemable preference shares do not carry the right to vote or rank equally with other shares with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares.

The redeemable preference shares are mandatorily redeemable at par on May 31, 2018 and the Company is obliged to pay holders of redeemable preference shares dividends of 10 percent per annum for the first year and thereafter a variable rate of 2.5 percent point above the weighted average yield rate applicable to the six month Jamaica Treasury Bill Tender (WATBY), held immediately prior to the commencement of each quarterly interest period until maturity. Dividend is paid quarterly.

10. Obligations under finance lease

The Company entered into finance lease agreements for the purchase of motor vehicles. Obligations under these agreements are as follows:

	2017 $	2016 $
In the year ended October 31,		
2016	-	1,466,440
2017	553,972	3,755,618
2018	3,323,830	3,323,830
2019	3,323,830	3,323,830
2020	553,972	553,972
Total Minimum lease payments	7,755,604	12,423,690
Less: Future interest payments	1,020,293	2,015,033
Net obligations under finance leases	6,735,311	10,408,657
Less : Current portion	2,658,668	3,673,346
	4,076,643	6,735,311

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default (note 3).

11. Balances and transactions with related parties

The following balances were due to/from related parties at the end of the reporting year:

	2017 $	2016 $
(a) Due from related parties:		
Shareholders' and directors' receivable	-	1,664,849
	-	1,664,849
(b) Due to related parties:		
Cool Airco Limited	5,422,439	3,432,568
Due to shareholders	-	87,816
	5,422,439	3,520,384

(c) During the period, the Company had the following significant transactions with related parties in the normal course of business.

	2017 $	2016 $
Purchases - Cool Airco Limited	38,284,975	21,924,014
Consultancy fees paid - Cool Airco Limited	15,460,854	8,937,922
	53,745,829	30,861,936

(d) Key management personnel compensation is as follows:

	2017 $	2016 $
Short-term employee benefits	41,224,720	32,544,967

12. Trade and other payables

	2017 $	2016 $
Trade payable	98,281,971	81,252,819
Customer deposits	54,454,650	112,058,682
Other payables and accruals	143,166,797	166,461,076
	295,903,418	359,772,577

Included in other payables and accruals is $68,222,121 (2016: 124,181,618) representing court awarded damages and other related costs. (See note 20).

13. Gross operating revenue

Gross operating revenue includes the invoiced value of goods, installation and service and amounts recognised under construction contracts.

14. Total distribution and administrative expenses

	2017 $	2016 $
Directors fees	3,541,667	4,450,000
Directors remuneration	41,224,720	32,544,967
Staff costs	116,254,672	110,736,313
Audit fees	2,882,765	2,400,000
Bad debt (recovered)/expenses	(9,873,320)	9,875,279
Depreciation	20,505,700	14,915,160
Legal and professional fees	33,118,899	22,600,487
Promotion, advertising and entertainment	9,059,690	9,511,296
Repairs and maintenance of property, plant and equipment	10,509,791	15,606,990
Insurance	18,521,261	12,418,730
Occupancy, utilities and communication	19,107,588	17,626,214
Local and foreign travel	5,134,154	4,946,498
Office supplies and computer	14,670,594	15,102,495
Security service	6,158,195	4,255,369
Warranty and guarantee	5,358,298	2,777,185
Donations	4,139,662	952,800
Other	8,585,160	6,635,047
	308,899,496	287,354,830

15. Personnel expenses

Included in:

	2017 $	2016 $
Administrative expenses:		
Salaries and other employee benefits	124,846,990	114,808,020
Statutory contributions	12,280,531	10,684,576
	137,127,521	125,492,596
Selling and distribution:		
Salaries and wages	11,117,127	10,700,018
Statutory contributions	1,736,730	1,576,564
Commission	7,498,014	5,512,102
	20,351,871	17,788,684
	157,479,392	143,281,280
Directors remuneration	41,224,720	32,544,967
Staff costs	116,254,672	110,736,313
	157,479,392	143,281,280

16. Finance costs

		2017 $	2016 $
Foreign exchange (losses)/gains, net		(2,277,238)	6,926,000
Interest income	- Third party	1,090,090	1,406,350
Interest expense	- Bank loans	(1,700,620)	(1,206,548)
	- Dividend on preference share	(12,610,071)	(12,473,113)
	- Finance lease	(994,739)	(349,388)
	- Other	(644,169)	(1,704,019)
		(15,949,599)	(15,733,068)
		(17,136,747)	(7,400,718)

17. Taxation

(a) Taxation is based on net profit for the year adjusted for taxation purposes and represents income tax charged at 25%.

	2017 $	2016 $
The total charge for the year comprises:		
Current tax (credit)/expense:		
Prior year overaccrual	(221,812)	-
Income tax	-	691,212
	(221,812)	691,212
Deferred taxation:		
Originating and reversal of other timing differences, net	-	154,534
	(221,812)	845,746
Profit before taxation	100,514,351	11,315,725
Computed "expected" tax expense at rate of 25%	25,128,588	2,828,931
Tax effect of income and capital adjustments and expenses that are not deductible in determining taxable profits	-	(103,929)
Tax overaccrual	(221,812)	-
Irrecoverable contractors levy paid	-	(494,137)
	24,906,776	2,230,865
Adjustment for the effect of tax remission (note b)	(25,128,588)	(1,385,119)
	(221,812)	845,746

17. Taxation (cont'd)

(b) Remission of income tax:

The Company's shares were listed on the Junior Market of the Jamaica Stock exchange, effective January 7, 2016. Consequently, the Company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (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.

18. Dividends and distributions

Dividends and distributions paid, gross, are as follows:

	2017	2016
Ordinary stock units @ $Nil (2016: $0.17) per stock unit	$ -	21,935,484

There were no dividends declared during the year. On June 13, 2016, the directors declared dividends of $0.17.

19. Earnings per stock unit

Earnings per ordinary stock unit, is calculated by dividing the profit attributable to shareholders by the weighted average number of stock units in issue during the year.

	2017 $	2016 $
Profit attributable to shareholders	100,736,163	10,469,979
Weighted average number ordinary stock units in issue	129,032,258	124,828,133
Basic and diluted earnings per stock unit	0.78	0.08

20. Contingencies and commitments

(i) Court awarded damages, net:

	2017 $	2016 $
Court awarded damages for the replacement of equipment and loss of earnings	-	55,959,525
Interest charges on court awarded damages	-	61,222,093
Provision for legal costs incurred by claimant	-	7,000,000
Related insurance proceeds receivable	-	(20,000,000)
	-	104,181,618

20. Contingencies and commitments (cont'd)

(i) Court awarded damages, net (cont'd):

Damages were assessed in favour of a claimant who brought a claim against the Company whereby the claimant was seeking to recover US$586,165 and J$1,015,171 for replacement of equipment and J$7,077,847 for loss of profit. This was appealed by the Company and the judgment delivered by the Court allowed the Company's appeal and remitted the matter to the Supreme Court for a retrial. The case was heard at a trial held December 7, 2015. On October 21, 2016, judgment was handed down in favour of the claimant. The court awarded damages of US$372,100 and J$568,186.64 plus loss of profits of $7,077,874. Interest at commercial rates and legal fees were also awarded.

Included in other payables and accruals is an accrual of $68,222,093 covering the related interest on charges for the court awarded damages and estimated legal costs payable to the claimant's lawyers.

On December 2, 2016, the Company's lawyers filed a Notice of Appeal. The appeal relates to the basis used by the trial Judge to determine the interest component of the award for the period June 2009 to 2016.

(ii) Lease commitments

At October 31, 2017, there were unexpired operating lease commitments in respect of office buildings terminating November 1, 2020 aggregating J$11,878,992 (2016: J$14,088,696) of which J$3,959,664 (2016: J$3,959,664) is payable within one year.

21. Joint operation

During 2015, the Company entered into a Joint arrangement with an independent third party, Inica Ingenieria de Instalaciones S.A.L (INICA), a company registered in the Dominican Republic with registered office at the INICA Business Building, Santo Domingo, to carry out infrastructure improvements and renovations of The Braco Hotel in Jamaica; and to share the profits 50:50. A separate company was not formed as a vehicle to carry out this project. Consequently, the Company has accounted for its interest in the joint arrangement as a joint operation.

The general principles of the agreement includes:

- All assets would be jointly held and disposed at the end of the project. The Company would have the first option to buy INICA's share of each asset (subject to fair valuation by an independent entity);
- A project team would be setup with jointly agreed signing authorities and controls for cheque signing, purchases, petty cash etc. This project team would also be charged to the project (including INICA personnel and travel costs)
- There would be an advisory board for the project comprising of two senior managers each from INICA and the Company.

21. Joint operation (cont'd)

Revenue from the joint operation includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the percentage of the contract costs incurred in relation to the total estimated contract costs.

The following table summarises the financial information of the joint arrangement as included in these financial statements on a line by line basis:

	2017 $	2016 $
Revenue	20,283,845	130,575,090
Cost of sales	(11,786,949)	(83,359,532)
Gross profit	8,496,896	47,215,558
Trade receivable	32,514,894	39,272,124
Work in progress	-	10,106,655

22. Segment financial information

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before taxation, as included in the internal management reports that are reviewed by the Chief Operating Decision Maker. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the related industries.

	2017			
	Engineering	Residential Light and Commercial	Service	Total
External segment revenues	762,004,975	284,253,530	164,676,967	1,210,935,472
Segment gross profit	249,207,206	106,470,036	68,758,185	424,435,427

22. Segment financial information (cont'd)

	2016			
	Engineering	Residential Light and Commercial	Service	Total
External segment revenues	609,506,689	269,544,863	138,559,421	1,017,610,973
Segment gross profit	247,489,454	98,832,603	63,761,423	410,083,480

23. Retirement scheme

The Company participates in a contributory retirement scheme for employees who have satisfied certain minimum requirements. The scheme is accounted for as a defined contribution plan in the financial statements, i.e. pension contributions are expensed as and when they fall due. The scheme, is administered by The Scotia Jamaica Life Insurance Company Limited, a company domiciled in Jamaica.

The Company's contributions to the scheme for the year aggregated to $2,856,902 (2016: $3,011,535).

24. Financial risk management

The Company's financial risk management policies are directed by the Board of Directors, assisted by the management. The Company's activities expose it to credit related risks, liquidity risks and market risks that include foreign currency risks and interest rate risks.

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The board of directors has monitoring oversight of the risk management policies.

Derivative financial instruments are not presently used to reduce exposure to fluctuation in interest and foreign exchange rates.

Annual budgeting and the continuing monitoring of the operations of the Company against the budgets allow the Board and the management to achieve its objectives and to manage relevant financial risks that could be faced by the Company.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risks mainly arise from changes in foreign currencies and interest rates. Market risk exposures are measured using sensitivity analysis.

24. Financial risk management (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk management

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

The Company incurs foreign currency risk primarily on purchases, related parties transaction, and investments that are denominated in a currency other than the Jamaica dollar. The main foreign currency risks of the Company are denominated in United States dollars (US$), which is the principal intervening currency for the Company; however, there are other transactions denominated in Great Britain Pound (GBP).

The Company's exposure to foreign currency was as follows:

	2017		2016	
	US$	GBP	US$	GBP
Cash and bank deposits	1,089,069	5,305	970,708	5,301
Trade and other receivables	265,086	-	305,000	-
Due to related parties	(42,493)	-	(27,126)	-
Trade payables	(604,264)	-	(560,714)	-
Net exposure	707,398	5,305	687,868	5,301

Foreign currency sensitivity analysis:

Average exchange rates for the US dollar, in terms of Jamaica dollars, were as follows:

	US$	GBP
At October 31, 2017:	126.64	165.58
At October 31, 2016:	128.30	154.20

Sensitivity analysis:

A 6% (2016: 6%) strengthening of the United States dollar (the Company's principal foreign currency) and the Great Britain Pound (GBP) against the Jamaica dollar would have decreased equity or decreased profit by $5,427,797 (2016: $5,344,250). This analysis assumes that all other variables, in particular interest rates, remain constant.

24. Financial risk management (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk management (cont'd)

A 2% (2016: 1%) weakening of the United States dollar and the Great Britain Pound against the Jamaica dollar at year end would have increased profit or increased equity by $1,809,266 (2016: $890,708).

The analysis was performed on the same basis for 2016.

The foreign currency sensitivities have varied due to the relative changes in the level of trade payables and related party balances held in foreign currency compared to that held for cash and bank deposits.

(ii) Interest rate risk management

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow interest rate risk.

The Company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interests bearing financial assets are primarily represented by investments, which have been contracted at fixed and floating interest rates for the duration of the term.

Financial liabilities subject to interest include primarily third party and related party loans which are contracted at fixed rates of interest.

The nature of the Company's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior period.

24. Financial risk management (cont'd)

(a) Market risk (cont'd)

(ii) Interest rate risk management (cont'd)

At the reporting date, the interest profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2017	2016
	$	$
Fixed rate instruments:		
Financial assets	101,366,661	115,149,708
Financial liabilities	(112,598,515)	(18,023,181)
	(11,231,854)	97,126,527
Variable rate instrument:		
Financial liability	(148,037,000)	(148,037,000)
	(159,268,854)	(50,910,473)

Sensitivity analysis for fixed rate instruments

The Company's fixed rate financial instruments are not carried at fair value. Therefore a change in interest rate would not affect the profit for the year.

Cash flow sensitivity analysis for variable rate instruments:

Interest rate sensitivity has been determined based on the exposure to interest rates for the Company's short-term deposits, party loans at the end of reporting period as these are substantially the interest sensitive instruments impacting financial results.

A change of 100 (2016: 250) basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	2017		2016	
	Effect on profit or loss		Effect on profit or loss	
	100bp Increase	100bp decrease	250bp increase	250bp decrease
Cash flow sensitivity	$1,480,370	1,480,370	3,700,925	3,700,925

24. Financial risk management (cont'd)

(b) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk exposure arises principally from cash and cash equivalents, trade and other receivables and long-term receivables.

In relation to bank accounts and short-term deposits, the Company has a policy to deal with credit worthy counterparty to minimize credit risk exposures. The credit risk on cash and cash equivalents is limited as the Company minimises this risk by seeking to limit its obligations to substantial recognised financial institutions. In respect of trade receivables, the risk is minimised by discontinuing the services and also by making adequate provisions for uncollectible amounts.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances. The average credit period extended by the Company is 30 days. No interest is charged on trade and other receivables. The Company has provided for receivables over 180 days after due assessment and as considered necessary, because historical experience is such that receivables that are past due beyond this period are generally not recoverable.

Credit risks on long-term receivables are mitigated by providing financing only to contracted employees with long standing relationship with the Company who are creditworthy.

The maximum credit exposure is represented by the carrying amount of the financial assets on the statement of financial position.

(c) Liquidity risk management

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 other liquid assets, and maintaining the availability of funding through an adequate amount of committed credit facilities.

Management of liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors and management. The Company manages liquidity risk by maintaining adequate reserves, banking facilities, continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

24. Financial risk management (cont'd)

(c) Liquidity risk management (cont'd)

Liquidity and interest rate tables

The following table details the Company's contractual maturity for its non-derivative financial liabilities, including interest payments and excluding the impact of off-setting agreements.

	2017				
	Carrying amount	Contractual cash flows	0 - 12 months	1 – 2 years	2 – 5 years
Trade and other payables	295,903,418	295,903,418	295,903,418	-	-
Due to related parties	5,422,439	5,422,439	5,422,439	-	-
Loans and borrowings	253,900,204	269,348,243	264,791,685	1,817,043	2,739,515
Finance leases	6,735,311	7,755,604	3,323,830	3,323,830	1,107,943
	561,961,372	578,429,704	569,441,372	5,140,873	3,847,458

	2016				
	Carrying amount	Contractual cash flows	0 - 12 months	1 – 2 years	2 – 5 years
Trade and other payables	359,772,579	359,772,579	359,772,579	-	-
Due to related parties	3,520,384	3,520,384	3,520,384	-	-
Loans and borrowings	155,651,525	231,919,710	17,367,775	17,949,468	196,602,467
Finance leases	10,408,657	11,910,391	3,323,830	3,323,830	5,262,731
	529,353,145	607,123,064	383,984,568	21,273,298	201,865,198

(d) Capital risk management

The capital structure of the Company consists of equity attributable to the equity holders comprising issued capital and retained earnings.

The Company's objectives when managing its capital structure, which is a broader concept than the equity on the face of the statement of financial position are:

i) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for stakeholders; and

ii) Maintain a strong capital base to support the business development.

The Company's overall strategy remains unchanged from 2016.

24. Financial risk management (cont'd)

(e) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for some of the financial assets and liabilities of the Company, the fair values in the financial statements have been presented using various estimation techniques based on market conditions existing at the end of the reporting period. Generally, judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Company would realise in a current market exchange.

The following method and assumption have been used in determining the fair values of financial assets and financial liabilities:

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, amounts due from related parties and other assets and liabilities maturing within one year (including the short-term elements of non-current instruments) is assumed to approximate their fair value because of the short-term maturity of these instruments.

(i) The fair value of bank loans is assumed to approximate their carrying amounts as interest rates are contractually adjusted by issuer with movement in underlying bank base rates.

(ii) The fair value of long-term receivables which is due from the Company's contract staff is considered to be the amount receivable (the carrying value) given the special nature of the arrangement.

There are no financial instruments that are measured subsequent to initial recognition at fair value in these financial statements.

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Form of Proxy

I/We_____

of _____

being a member/members of the above named Company, hereby appoint

_____

of_____

or failing him _____

of_____ as my/our proxy

to vote for me/us on my/our behalf at the 2017 Annual General Meeting of the Company to be held on June 6, 2018 and at any adjournment thereof.

Signed this _____ day of _____ 2018

Signature _____ (Signature of primary shareholder)

Name: _____ (Name of primary shareholder)

Signature_____ (Signature of secondary shareholder)

Name: _____ (Name of secondary shareholder)

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