CAC 2000 Limited

Financial Statements
31 October 2019

CAC 2000 Limited

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31 October 2019

Independent auditor's report

To the Member of CAC 2000 Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of CAC 2000 Limited (the Company) as at 31 October 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

CAC 2000 Limited's financial statements comprise:

- the statement of financial position as at 31 October 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in stockholder's net equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams B.L. Scott B.J.Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K.Moore T.N. Smith DaSilva K.D. Powell

Our audit approach

Audit scope

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

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

Key audit matters

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

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

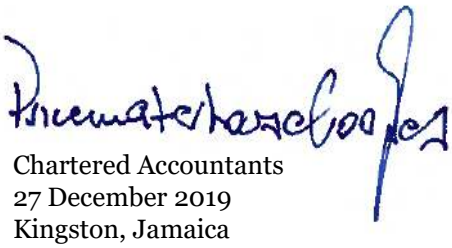
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation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

Report on other legal and regulatory requirements

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

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

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



Chartered Accountants
27 December 2019
Kingston, Jamaica

CAC 2000 Limited

Statement of Financial Position

As at 31 October 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $	2018 $
ASSETS			
Non-current asset			
Property, plant and equipment	4	44,119,401	51,854,814
Current assets			
Tax recoverable		14,274,091	7,311,478
Inventories	5	343,923,189	367,004,488
Due from related parties	12	44,039,667	11,696,022
Trade and other receivables	6	510,805,102	485,472,990
Investments		549,894	269,759
Cash and bank deposits	7	221,483,721	117,041,833
		1,135,075,664	988,796,570
Total assets		1,179,195,065	1,040,651,384
EQUITY AND LIABILITIES			
Stockholders' net equity			
Share capital	8	129,189,757	129,189,757
Capital redemption reserve	9	56,070,657	56,070,657
Retained earnings		181,685,274	302,275,721
		366,945,688	487,536,135
Non-current liabilities			
Borrowings	10	206,996,023	210,096,707
Net obligations under finance lease	11	-	1,080,789
		206,996,023	211,177,496
Current liabilities			
Borrowings	10	107,093,409	2,964,038
Net obligations under finance lease	11	1,080,789	2,995,854
Due to related parties	12	60,267,447	6,803,481
Trade and other payables	13	436,811,709	328,728,403
Tax payable		-	445,977
		605,253,354	341,937,753
Total equity and liabilities		1,179,195,065	1,040,651,384

Approved for issue by the Board of Directors on 23 December 2019 and signed on its behalf by:

Steven Marston Director

Edward Alexander Director

CAC 2000 Limited

Statement of Comprehensive Income

Year ended 31 October 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $	2018 $
Revenue	14	1,120,194,094	1,210,990,427
Cost of sales		(768,678,600)	(757,800,261)
Gross Profit		351,515,494	453,190,166
Other income	18	47,210,722	19,032,213
Distribution expenses		(21,704,784)	(37,014,671)
Administrative expenses		(367,823,219)	(347,140,225)
Operating Profit		9,198,213	88,067,483
Foreign exchange (loss)/gains		(7,285,105)	6,046,281
Interest income		282,280	3,325,094
Finance costs	19	(28,703,851)	(22,673,331)
(Loss)/Profit before Taxation		(26,508,463)	74,765,527
Taxation	20	-	-
Net (Loss)/Profit, being Total Comprehensive Income for the Year		(26,508,463)	74,765,527
Earnings per stock unit attributable to owners of the parent during the year			
Basic and fully diluted	22	(0.21)	0.58

CAC 2000 Limited

Statement of Changes in Stockholders' Net Equity

Year ended 31 October 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Capital Redemption Reserve	Retained Earnings	Total
		$	$	$	$
Balance at 1 November 2017		129,189,757	-	293,903,431	423,093,188
Net profit, being total comprehensive income for the year		-	-	74,765,527	74,765,527
Preference shares redeemed	9,10	-	56,070,657	(56,070,657)	-
Dividends	21	-	-	(10,322,580)	(10,322,580)
Balances at October 31, 2018		129,189,757	56,070,657	302,275,721	487,536,135
Change in accounting policy	27	-	-	(89,565,855)	(89,565,855)
Restated total equity at 1 November 2018		129,189,757	56,070,657	212,709,866	397,970,280
Net loss, being total comprehensive income for the year		-	-	(26,508,463)	(26,508,463)
Dividends	21	-	-	(4,516,129)	(4,516,129)
Balances at October 31, 2019		129,189,757	56,070,657	181,685,274	366,945,688

CAC 2000 Limited

Statement of Cash Flows

Year ended 31 October 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $	2018 $
Cash Flows from Operating Activities			
Net (loss)/profit		(26,508,463)	74,765,527
Adjustments for:			
Taxation	20	-	-
Depreciation	4	22,468,542	22,925,849
Gain on disposal of property, plant & equipment		(2,050,165)	(7,031,186)
Unrealised gains on financial assets at fair value through profit and loss		(280,134)	(100,312)
Movement in expected credit loss	6	(10,412,928)	5,552,988
Bad debts written off		(41,047)	(338,688)
Provision for inventory obsolescence		203,225	(2,291,905)
Net foreign exchange losses/(gains)		1,001,334	(7,018,934)
Finance costs	19	23,927,351	22,673,331
Interest income		(282,280)	(3,325,094)
		8,025,435	105,811,576
Changes in operating assets and liabilities:			
Inventories		22,878,074	(155,987,923)
Trade and other receivables		(103,842,292)	45,452,978
Trade and other payables		106,853,471	32,824,985
Due from related parties		(32,343,645)	(11,696,022)
Cash provided by operations		1,571,043	16,405,594
Tax paid		(6,178,759)	(4,002,085)
Net cash (used in)/provided by operating activities		(4,607,716)	12,403,509
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	4	(16,058,661)	(29,632,558)
Proceeds from disposal of property, plant and equipment		2,774,000	7,433,970
Acquisition of investments		-	(169,447)
Interest received		282,280	3,405,279
Net cash used in by investing activities		(13,002,381)	(18,962,756)
Net cash flows used in operating and investing activities brought forward to page 5		(17,610,097)	(6,559,247)

CAC 2000 Limited

Statement of Cash Flows (Continued)

Year ended 31 October 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $	2018 $
Net cash flows used in operating and investing activities brought forward from page 4		(17,610,097)	(6,559,247)
Cash Flows from Financing Activities			
Dividends paid	21	(4,516,129)	(10,322,580)
Redemption of preference shares		-	(148,037,000)
Proceeds from issue of redeemable preference shares		-	200,000,000
Repayment of bank loans		(95,503,250)	(111,970,721)
Proceeds from bank loans		196,531,937	19,168,261
Finance lease, net		(2,995,854)	(2,658,668)
Interest paid		(23,927,351)	(22,673,331)
Related parties, net		53,463,966	1,381,042
Net cash provided by/(used in) financing activity		123,053,319	(75,112,997)
Net increase/(decrease) in cash and cash equivalents		105,443,222	(81,672,244)
Effects of exchange rate changes on cash and cash equivalents		(1,001,334)	7,018,934
Net increase/(decrease) in cash and cash equivalents		104,441,888	(74,653,310)
Cash and cash equivalents at beginning of year		117,041,833	191,695,143
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	221,483,721	117,041,833

CAC 2000 Limited

Notes to the Financial Statements
Year ended 31 October 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

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 9). 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. Significant Accounting Policies

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

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS and complies with the provisions of the Jamaican Companies Act. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to published accounting standards effective in the current financial year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial period. The Company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

- **IFRIC 22, 'Foreign currency transactions and advance consideration'** (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The adoption did not have a material impact on the financial statements of the Company.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)

- **IFRS 9, 'Financial instruments'**, (effective for annual periods beginning on or after 1 January 2018)

  Classification and valuation: As of 1 November 2018, the Company has evaluated its business model for financial assets and concluded that there was no material impact on the financial statements.

  Impairment: The Financial assets of the Company to which the new impairment method is applicable, are cash and cash equivalents, related party balances and trade receivables. The Company has reviewed its methodology for registering impairment in accordance with IFRS 9 for cash and cash equivalents, related party balances and trade receivables, determining that the impairment is immaterial, considering the low risk of the banking institutions and the fact that there is no history of credit loss on such assets. For the trade receivables, the Company has applied the simplified version of IFRS 9 in order to estimate the expected credit loss of receivables. Refer to note 6 for details of adjustment resulting from application of the IFRS 9 standards for determining impairment.

  Financial Assets

  Classification

  From 1 November 2018, the Company considers the following measurement categories in classifying its financial assets:
  - those to be measured subsequently at fair value through profit or loss; and
  - those to be measured at amortised cost.

  The classification depends on the business model used for managing the financial assets and the contractual terms of each cash flows. The Company's assets measured at fair value, gains and losses will be recorded in profit or loss.

  Measurement

  Debt instruments

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

  - Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent sole payments of principal and interest, are measured at amortised cost. Interest income from financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of comprehensive income.

  - FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on financial asset that is measured at FVPL is recognised in profit or loss in the period in which it arises.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)

- **IFRS 9, 'Financial instruments' (continued)**

Impairment

From 1 November 2018, the Company assesses impairment on a forward-looking basis for the expected credit losses (ECL) associated with its financial assets classified at amortised cost.

Application of Simplified Approach

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using the lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECL for these receivables.

The lifetime ECL is determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

There was no significant impact on the financial statements arising from the adoption of IFRS 9.

Refer to note 6 for details of adjustment resulting from application of the IFRS 9 standards for determining impairment.

Accounting policies effective up to 31 October 2018

The Company applied IFRS 9 on 1 November 2018 and has elected not to restate comparative information in accordance with the transitional provisions in IFRS 9 [7.2.15]. As a result, the comparative information was accounted for in accordance with the Company's previous accounting policy described below.

Classification

Until 31 October 2018, the Company classified its financial assets as loans and receivables. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its investments at initial recognition and re-evaluated this designation at every reporting date.

Financial assets classified as loans and receivables either meet the definition of loans and receivables at the date of acquisition, or at the date of reclassification from another category (fair value through profit or loss or available-for-sale), under the provisions of IAS 39. Financial assets which have been reclassified to this category, meet the definition of loans and receivables as a result of the market for these securities becoming inactive during the financial year.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)

- **IFRS 9, 'Financial instruments' (continued)**

  Accounting policies effective up to 31 October 2018 (continued)

  Recognition and measurement

  Loans and receivables are initially recognised at fair value plus transaction costs, are subsequently carried at amortised cost using the effective interest method, or cost where the asset is short-term, and its cost is deemed to approximate amortised cost.

  Impairment of financial assets

  Under IAS 39, the Company assessed at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset was considered impaired if it carrying amount exceeded its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost was calculated as the difference between the assets' carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market rate for a similar financial asset.

- **IFRS 15, 'Revenue from Contracts with Customers' including subsequent clarifications and amendments** (effective for annual periods beginning on or after 1 January 2018). The Company adopted the accounting standard effective 1 November 2018. The Company has adopted the standard using the cumulative catch-up method, which means that the cumulative impact of the adoption has been recognised in retained earnings/(accumulated deficit) as of 1 April 2018 and comparatives have not been restated. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

  The new standard introduced the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. The standard provides a single, principle based five-step model to be applied to all contracts with customers. Costs incurred to secure contracts with customers are required to be capitalised and amortised over the period when the benefits of the contract are consumed. Amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). IFRS 15 mainly affects the timing of revenue recognition as it introduces additional differences between billing and the recognition of revenue. It is important to note that, whilst the change from the old revenue recognition standards to IFRS 15 can impact on the timing of revenue and profit recognition on individual contracts in a particular accounting period, it does not change the overall revenue, profit or cash generated over the life of the contract.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)

- **IFRS 15, 'Revenue from Contracts with Customers' including subsequent clarifications and amendments (continued)**

The main impacts arising from adoption of the standard are as follows:

Installation contracts

IFRS 15 requires a consistent revenue recognition method for contracts and performance obligations with similar characteristics. The Company has chosen to use percentage to completion method, using the cost incurred to date as portion of the total estimated full costs of completing the contract, applied to the total expected contract revenue. This measurement basis is fairly consistent with the basis of measurement in prior year. The company believes this measurement basis better reflects the pattern of transfer of control to the customer.

Contract price includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent it is probable that they will result in revenue and can be measured reliably. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved. At 31 October 2018, there were no claims that do not meet the criteria for recognition.

A promise to deliver equipment and to install them can be treated as two distinct performance obligations for revenue recognition. The company is committed to treating, as a single performance obligation, promises to deliver equipment and install them if the company provides a significant service of integrating the good or service into a complete product for which the customer has contracted. An entity recognizes revenue when (or as) it satisfies a performance obligation by transferring a good or service to a customer. An entity “transfers” a good of service to a customer when the customer obtains control of that good or service. Control may be transferred either at a point in time or over time. The delivery of equipment will qualify for revenue recognition at a point in time, and work done to install the equipment will be recognised at the different stages of completion to achieve the performance obligation.

Sale of equipment and service contracts

Revenue from sale of equipment and the provision of services (excluding services provided under installation contracts) is recognized when a promised good and/or service is transferred to the customer. Under IFRS 15, for certain contracts that permit the customer to return an item, revenue will be recognised for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Company is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made. Revenue from sale of equipment and provision of services rendered are recognized at a point in time.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **IFRS 16, 'Leases'** (effective for annual periods beginning on or after 1 January 2019 with earlier adoption permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied). This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

  For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

  Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  The Company will apply the new standard using the modified retrospective approach with the cumulative effect of applying IFRS 16 recognised in retained earnings at 1 November 2019. Comparatives for the 2020 financial statements will not be restated.

  The Company currently has lease liabilities attributable to leases which have been classified as operating leases under IAS 17. Management intends to assess the present value of the remaining lease payments, discounted using the incremental borrowing rate and recognize the right of use asset at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments related to the lease. The Company is still in the process of assessing the impact on the financial statements.

- **Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation and modification of financial liabilities** (effective for annual periods beginning on or after 1 January 2019). This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The adoption of this standard is not expected to have a significant impact on the Company.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **Annual improvements 2015–2017** (effective for annual period beginning on or after 1 January 2019). These amendments include the following minor changes applicable to the Company:
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way; and
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The adoption of this standard is not expected to have a significant impact on the Company.

- **IFRIC 23, 'Uncertainty over income tax treatments' statements'** (effective for annual period beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

  The Company will apply this interpretation from 1 November 2019 but does not currently have any significant tax uncertainty to which this may apply.

- **Amendments to IAS 1 and IAS 8 on the definition of material** (effective for annual period beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The adoption of this standard is not expected to have a significant impact on the Company.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform** (effective for annual period beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. The adoption of this standard is not expected to have a significant impact on the Company.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **Amendments to IFRS 3 – definition of a business** (effective for annual period beginning on or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The adoption of this standard is not expected to have a significant impact on the Company.

(b) Property, plant and equipment

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.

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
Plant machinery	10 years
Tools and equipment	5 years
Furniture, fixtures & equipment	10 years
Computers and related equipment	3 years
Motor vehicles	5 years

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. Significant Accounting Policies (Continued)

(c) 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.

(d) 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.

Financial assets

For the purpose of these financial statements, financial assets have been determined to include cash and deposits, investments, amounts due from related parties and trade, and other receivables. The Company's policy on financial assets is described in note 2b.

Financial liabilities

Similarly, financial liabilities include accounts payable, loans and borrowings and amounts due to related parties. They are initially measured at fair value, net of transaction cost, and are subsequently measured at amortised cost using the effective interest method.

(e) 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.

(f) Accounts receivable

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

2. Significant Accounting Policies (Continued)

(g) 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).
- (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.

(h) 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.

2. Significant Accounting Policies (Continued)

(i) 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.

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

- 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;
- liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary; in such 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.

(j) 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.

(k) 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. Significant Accounting Policies (Continued)

(l) Accounts payable
Trade and other payables are measured at amortised cost.

(m) 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.

(n) 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.

(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.

CAC 2000 Limited

Notes to the Financial Statements
Year ended 31 October 2019
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2. Significant Accounting Policies (Continued)

(o) 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 in a manner that best reflects cumulative achievement of the performance obligations. 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) Sale of equipment
Revenue arising on the outright sale of equipment and spare parts is recognised on invoicing and the customer taking delivery of items.

From 1 November 2018, the revenue recognition policies were applied by the company are detailed in note 2a.

(p) Segment reporting

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

The 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.

CAC 2000 Limited

Notes to the Financial Statements
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2. Significant Accounting Policies (Continued)

(q) 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.

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.

(r) 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.

(s) Dividends:

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

(t) 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.

(u) 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.

(v) 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. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

(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.

(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.

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4. Property, Plant and Equipment

	Leasehold Improvements	Plant Machinery, Tools & Equipment	Furniture, Fixtures & Equipment	Computers & Related Equipment	Motor Vehicles	Total
	$	$	$	$	$	$
At Cost -						
1 November 2017	23,444,537	3,852,598	3,874,685	27,709,380	40,132,090	99,013,290
Additions	485,471	144,110	650,926	2,881,198	25,470,853	29,632,558
Disposal	-	-	-	-	(6,761,420)	(6,761,420)
31 October 2018	23,930,008	3,996,708	4,525,611	30,590,578	58,841,523	121,884,428
Additions	3,066,970	11,423,627	676,822	891,242	-	16,058,661
Disposal	-	-	-	-	(3,619,174)	(3,619,174)
Adjustments	-	-	-	-	(601,699)	(601,699)
31 October 2019	26,996,978	15,420,335	5,202,433	31,481,820	54,620,650	133,722,216
Accumulated Depreciation -						
1 November 2017	9,744,179	2,793,420	1,631,846	17,672,732	21,620,224	53,462,401
Charge for the year (note 15)	4,498,042	303,990	393,323	6,464,972	11,265,522	22,925,849
Relieved on disposal	-	-	-	-	(6,358,636)	(6,358,636)
31 October 2018	14,242,221	3,097,410	2,025,169	24,137,704	26,527,110	70,029,614
Charge for the year (note 15)	4,620,695	1,034,201	474,504	5,113,067	11,226,075	22,468,542
Relieved on disposal	-	-	-	-	(2,895,341)	(2,895,341)
31 October 2019	18,862,916	4,131,611	2,499,673	29,250,771	34,857,844	89,602,815
Net Book Values -						
31 October 2019	8,134,062	11,288,724	2,702,760	2,231,049	19,762,806	44,119,401
31 October 2018	9,687,787	899,298	2,500,442	6,452,874	32,314,413	51,854,814

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4. Property, Plant and Equipment (Continued)

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 $896,919 (2018 - $4,076,643).

5. Inventories

	2019 $	2018 $
Merchandise/equipment	79,346,127	101,078,213
Work-in-progress	77,760,071	37,209,699
Service supplies/parts	95,940,920	114,797,153
Goods in transit	104,567,128	127,407,254
	357,614,246	380,492,319
Provision for obsolescence	(13,691,057)	(13,487,831)
	343,923,189	367,004,488

The cost of inventories recognised as cost of sales during the year was $539,538,275 (2018 - $507,802,495).

6. Trade and Other Receivables

	2019 $	2018 $
Trade	574,662,926	472,726,129
Less: expected credit loss	(98,863,288)	(25,662,212)
	475,799,638	447,063,917
Other receivables	21,361,928	28,436,575
Prepayments	13,643,536	9,972,498
	510,805,102	485,472,990

Included in other receivables is $884,000 (2018 - $16,552,093) held by a financial institution and hypothecated to support performance guarantees issued by the institution on behalf of the Company.

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. Included in trade receivables is $35,369,656 (2018 - $33,057,061) in relation to this venture.

6. Trade and Other Receivables (Continued)

Ageing of trade receivables at the reporting date was:

	2019			2018	
	Gross Carrying Amount	Expected Credit Loss Rate	Expected Credit Loss	Gross	Loss Allowance
	$		$	$	$
0-30 days	156,263,184	9%	14,793,288	73,428,772	-
31-60 days	45,746,767	10%	4,617,310	27,223,494	-
61-180 days	105,861,192	13%	13,605,948	129,824,322	-
More than 180 days	266,791,783	25%	65,846,742	242,249,541	25,662,212
	574,662,926		98,863,288	472,726,129	25,662,212

Movement in allowance for doubtful debts on trade receivables

	2019 $	2018 $
31 October – calculated under IAS 39	25,662,212	20,447,912
Amounts restated through opening retained earnings	89,565,854	-
Opening loss allowance as at 1 November 2018 – calculated under IFRS 9	115,228,066	20,447,912
(Decrease)/increase in loss allowance recognised in income statement	(10,412,928)	5,552,988
Bad debt recovered	(5,910,803)	-
Bad debt written off	(41,047)	(338,688)
Balance at end of year	98,863,288	25,662,212

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due.

Previous accounting policy for impairment of trade receivables
In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but was not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

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7. Cash and Bank Deposits

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturity dates not exceeding 90 days.

	2019 $	2018 $
Cash on hand and in bank	144,062,014	44,689,874
Deposits	77,421,707	72,351,959
	221,483,721	117,041,833

Cash and cash equivalents are denominated in the following currencies:

	2019 $	2018 $
Jamaican dollars	129,383,930	35,473,531
US dollars	91,170,304	80,685,470
Other	929,487	882,832
	221,483,721	117,041,833

The weighted average effective interest rates on cash and short-term bank deposits are as follows -

	2019 %	2018 %
Cash at bank		
- J$	0.01-0.95	0.01-0.95
- US$	0.01-0.05	0.01-0.05
Short-term deposits		
- J$	0-6.58	0 - 6.58
- US$	0-0.75	0 - 0.75
- GBP	0.19	0.17

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8. Share Capital

	2019 No.	2018 No.
Authorised in shares -		
Ordinary units of no par value	200,000,000	200,000,000
Fixed and variable rate cumulative redeemable preference shares	350,000,000	350,000,000

	2019 $	2018 $
Issued and fully paid as stock units -		
129,032,258 ordinary units (2018 - 129,032,258)	138,773,634	138,773,634
Less: Share issue costs	(9,583,877)	(9,583,877)
	129,189,757	129,189,757
200,000,000 fixed and variable rate cumulative redeemable preference shares (2018 - 200,000,000)	200,000,000	200,000,000
	329,189,757	329,189,757
Less: Redeemable preference shares classified as liability (note 10)	(200,000,000)	(200,000,000)
	129,189,757	129,189,757

9. Capital Redemption Reserve

This represents the value of the cumulative redeemable preference shares redeemed from retained earnings.

10. Borrowings

	2019 $	2018 $
(i) Redeemable preference shares	200,000,000	200,000,000
(ii) Bank of Nova Scotia Jamaica Limited	9,089,432	13,060,745
(iii) Bank of Nova Scotia Jamaica Limited	105,000,000	-
	314,089,432	213,060,745

Current portion of borrowings	107,093,409	2,964,038
Non-current portion of borrowings	206,996,023	210,096,707
	314,089,432	213,060,745

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10. Borrowings (Continued)

(i) Redeemable preference shares

	$
Balance at 1 November 2017	148,037,000
Redemption of preference shares	(148,037,000)
	-
Proceeds from issue of redeemable preference shares	200,000,000
Balance at 31 October 2018 and 2019	200,000,000

In 2018, the Company redeemed the preference shares previously held. A portion of the proceeds from the new preference shares issued was used to fund the redemption of the shares, the balance of $56,070,657 was transferred from retained earnings to capital redemption reserves.

$350,000,000 fixed and variable rate redeemable preference shares were authorized with an issue price of $1 per share. Of this $200,000,000 (2018 - 200,000,000) 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 March 16, 2023 and the Company is obliged to pay holders of redeemable preference shares dividends of 9.5% percent per annum for the first four years and thereafter a variable rate of 3% 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.

(ii) The loans represent amounts issued by Bank of Nova Scotia Jamaica Limited 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% and 10.5% per annum (2018 - 8% and 10.5%).

(iii) This represents amounts borrowed against operating line of credit issued by Bank of Nova Scotia Jamaica Limited. The loans are repayable after six months and attracts an interest rate of 7%-8% per annum. The loan is secured by term deposits held at other financial institutions totaling $23,434,323 (2018 - $21,671,389).

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10. Borrowings (Continued)

Movement in Liabilities from Financing Activities

	Finance Leases $	Loan Liabilities $	Redeemable Preference Shares $	Total $
Net debt as at 1 November 2017	6,735,311	105,863,204	148,037,000	260,635,515
Acquisition	-	19,168,261	200,000,000	219,168,261
Repayment	(2,658,668)	(111,970,720)	(148,037,000)	(262,666,388)
Dividends declared	-	-	16,972,330	16,972,330
Dividends paid	-	-	(16,972,330)	(16,972,330)
Interest charged	665,162	3,897,147	-	4,562,309
Interest paid	(665,162)	(3,897,147)	-	(4,562,309)
Net debt as at 31 October 2018	4,076,643	13,060,745	200,000,000	217,137,388
Acquisition	-	196,531,937	-	196,531,937
Repayment	(2,995,854)	(95,503,250)	-	(98,499,104)
Dividend declared	-	-	19,000,000	19,000,000
Dividend paid	-	-	(19,000,000)	(19,000,000)
Interest charged	327,977	4,535,418	-	4,863,395
Interest paid	(327,977)	(4,535,418)	-	(4,863,395)
Net debt as at 31 October 2019	1,080,789	114,089,432	200,000,000	315,170,221

11. Obligations under Finance Lease

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

	2019 $	2018 $
Minimum lease payments under finance lease		
Not later than 1 year	1,107,943	3,323,831
Later than 1 year and not later than 5 years	-	1,107,943
	1,107,943	4,431,774
Future interest payments	(27,154)	(355,131)
Present value of finance lease obligations	1,080,789	4,076,643

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11. Obligations under Finance Lease (Continued)

The present value of the lease obligations is as follows:

	2019 $	2018 $
Not later than 1 year	1,080,789	2,995,854
Later than 1 year and not later than 5 years	-	1,080,789
	1,080,789	4,076,643

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default (note 4).

12. Related Party Transactions and Balances

(a) Year end balances arising from transactions with related parties:

	2019 $	2018 $
Amounts due from related parties -		
Cool Airco Limited	43,077,382	11,696,022
Shareholders' and directors' receivable	962,285	-
	44,039,667	11,696,022
Amounts due to related parties -		
Cool Airco Limited	59,980,428	6,484,983
Due to shareholders	287,019	318,498
	60,267,447	6,803,481
Net (liabilities)/assets	(16,227,780)	4,892,541

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

	2019 $	2018 $
Purchases - Cool Airco Limited	(99,623,911)	(88,955,000)
Administrative fees paid - Cool Airco Limited	(34,270,613)	(31,573,280)
Consultancy fees earned - Cool Airco Limited	44,427,711	11,696,022

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12. Related Party Transactions and Balances (Continued)

(c) Key management personnel compensation is as follows:

	2019 $	2018 $
Salaries	41,088,148	54,263,782
Statutory contributions	4,009,333	5,585,969
Pension	180,000	180,000
	45,277,481	60,029,751
Directors' emoluments -		
Fees	4,000,000	4,000,000

13. Trade and Other Payables

	2019 $	2018 $
Trade payable	180,718,560	124,431,937
Customer deposits	124,213,325	81,936,411
Statutory contributions	4,487,500	4,328,831
Accruals	17,259,731	21,363,223
Other	110,132,593	96,668,001
	436,811,709	328,728,403

Included in other payables and accruals is $72,984,467 (2018 - $68,212,506) representing court awarded damages and other related costs (note 23).

14. Revenue

The company derives revenue from the transfer of services (over time) and equipment (point in time). Gross operating revenue includes the invoiced value of goods, installation and service and amounts recognised under construction contracts. Refer to note 24 outlining revenue by segments.

CAC 2000 Limited

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15. Expenses by Nature

Total distribution and administration expenses

	2019 $	2018 $
Directors fees	4,000,000	4,000,000
Staff costs (note 16)	200,953,884	191,778,158
Audit fees	4,400,000	4,500,000
Bad debt (recovered)/expense, net	(15,674,976)	6,039,118
Depreciation (note 4)	22,468,542	22,925,849
Legal and professional fees	74,196,056	57,734,065
Promotion, advertising and entertainment	2,353,807	8,588,171
Repairs and maintenance of property, plant and equipment	7,451,598	7,700,564
Insurance	21,077,609	18,658,645
Occupancy, utilities and communication	28,029,776	19,124,248
Local and foreign travel	4,870,569	7,369,628
Office supplies and computer	15,785,046	14,706,489
Security service	3,668,764	6,200,490
Warranty and guarantee	102,171	811,553
Donations	7,039,052	5,062,915
Other	8,806,105	8,955,003
	389,528,003	384,154,896

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16. Staff Costs

	2019 $	2018 $
Administrative expenses -		
Salaries and wages	141,501,289	129,161,068
Statutory contributions	16,312,790	15,164,692
Pension	1,625,834	1,566,933
Other	26,950,485	22,854,603
	186,390,398	168,747,296
Selling and distribution -		
Salaries and wages	7,453,312	13,131,257
Commission	5,825,826	7,189,227
Statutory contributions	930,552	2,212,482
Pension	31,066	245,174
Other	322,730	252,722
	14,563,486	23,030,862
	200,953,884	191,778,158
Directors remuneration (note 12)	45,277,481	60,029,751
Staff costs	155,676,403	131,748,407
	200,953,884	191,778,158

17. 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, that is, 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 $1,656,900 (2018 - $1,812,107).

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18. Other Income

	2019 $	2018 $
Gain on disposal of property, plant and equipment	2,050,165	7,031,186
Consultancy fees	44,427,711	11,696,022
Other	732,846	305,005
	47,210,722	19,032,213

19. Finance Costs

	2019 $	2018 $
Interest on -		
Bank loans	4,535,418	3,897,147
Finance lease	327,977	665,162
Dividends on redeemable preference share	19,000,000	16,972,330
Other	4,840,456	1,138,692
	28,703,851	22,673,331

CAC 2000 Limited

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20. Taxation

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

At 31 October 2019, the entity has Nil (2018 – Nil) taxation charge.

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 25% as follows:

	2019 $	2018 $
(Loss)/Profit before taxation	(26,508,463)	74,765,527
Tax calculated at a rate of 25%	(6,627,116)	18,691,382
Effect of:		
Effect of excess depreciation over capital allowances	3,458,621	4,934,688
Disallowed items	3,168,495	14,986,674
	-	38,612,744
Adjustment for the effect of tax remission	-	(38,612,744)
	-	-

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21. Dividends

Dividends and distributions paid, gross, are as follows:

	2019 $	2018 $
Interim dividend on ordinary stock units at $0.035 (2018 - $0.08) per stock unit – gross	4,516,129	10,322,580

22. 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.

	2019	2018
Net (loss)/profit attributable to shareholders ($)	(26,508,463)	74,765,527
Weighted average number ordinary stock units in issue	129,032,258	129,032,258
Basic and diluted earnings per stock unit ($)	(0.21)	0.58

23. Contingencies and Commitments

(a) Litigation

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 $72,984,467 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.

(b) Operating lease commitments – where the Company is the leasee

Operating lease commitments represent rentals payable by the Company in respect of office buildings. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 $	2018 $
Not later than 1 year	2,110,106	3,959,664
Later than 1 year and not later than 5 years	-	3,959,664
Later than 5 years	-	-
	2,110,106	7,919,328

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24. 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.

	2019			
	Engineering	**Residential Light and Commercial**	**Service**	**Total**
	$	**$**	**$**	**$**
External segment revenues	665,485,994	210,929,750	243,778,350	1,120,194,094
Segment gross profit	171,245,590	71,895,626	108,374,278	351,515,494
Timing of revenue recognition				
At a point in time	318,430,698	138,247,045	243,778,350	700,456,093
Over time	347,055,296	72,682,705	-	419,738,001
	665,485,994	210,929,750	243,778,350	1,120,194,094

	2018			
	Engineering	**Residential Light and Commercial**	**Service**	**Total**
	$	$	$	$
External segment revenues	796,587,971	226,763,712	187,638,744	1,210,990,427
Segment gross profit	286,769,601	85,201,784	81,218,781	453,190,166
Timing of revenue recognition				
At a point in time	367,849,474	141,618,992	187,638,744	697,107,210
Overtime	428,738,497	85,144,720	-	513,883,217
	796,587,971	226,763,712	187,638,744	1,210,990,427

25. 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.

(i) Currency risk

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 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 manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities are kept at an acceptable level by monitoring the currency positions. The company further manages the risk by maximizing foreign currency earnings and holding in foreign currency balances.

The table below summarized the currencies in which the Company's financial assets and liabilities are denominated at 31 October:

	2019		2018	
	US$	GBP	US$	GBP
Cash and deposits	91,170,304	929,487	80,685,470	746,356
Trade and other receivables	35,369,657	-	33,057,062	-
Due from/(to) related parties	43,395,156	-	(6,567,688)	-
Trade and other payables	(218,735246)	-	(154,713,968)	-
Net exposure	(48,800,129)	929,487	(47,539,124)	746,356

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25. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	US$	GBP
At October 31, 2019	137.76	173.34
At October 31, 2018	129.82	166.21

Foreign currency sensitivity
The following tables indicate the currencies to which the Company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 6% devaluation and 4% revaluation (2018 – 4% devaluation, 2% revaluation) of the respective foreign currencies. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of US dollar-denominated deposits, amounts due to/from related parties, receivables and payables. The percentage change in the currency rate will impact each financial asset/liability included in the sensitivity analysis differently. Consequently, individual sensitivity analyses were performed. The effect on profit before taxation shown below is the total of the individual sensitivities done for each of the assets/liabilities.

	Change in Currency Rate 2019 %	Effect on Profit before Tax 2019 $'000	Change in Currency Rate 2018 %	Effect on Profit before Tax 2018 $'000
Currency:				
USD	4%	(1,952,005)	2%	(950,782)
USD	-6%	2,928,008	-4%	1,901,565
GBP	4%	37,179	2%	14,927
GBP	-6%	(55,769)	-4%	(29,854)

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.

25. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk

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 deposits, 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.

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

	Carrying Amount	
	2019	**2018**
	$	**$**
Fixed rate instruments		
Financial assets	77,068,501	117,023,922
Financial liabilities	(115,170,221)	(17,137,388)
	(38,101,720)	99,886,534
Variable rate instrument		
Financial liability	(200,000,000)	(200,000,000)
	(238,101,720)	(100,113,466)

25. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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 (2018 - 100) 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 2018.

	2019 Effect on Profit before Tax		2018 Effect on Profit before Tax	
	100bp Increase	100bp decrease	100bp Increase	100bp decrease
Cash flow sensitivity	2,000,000	2,000,000	2,000,000	2,000,000

(b) Credit risk
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 deposits, short-term investment, and trade and other 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 difficult to collect.

Impairment of financial assets
The main type of financial asset subject to expected credit loss model is trade receivables. Refer to note 6 for details of credit exposure for trade receivable.

25. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets and maintaining the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

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.

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.

	2019				
	Carrying amount	**Contractual cash flows**	**0 - 12 months**	**1 – 2 years**	**2 – 5 years**
Trade and other payables	436,811,709	436,811,709	436,811,709	-	-
Due to related parties	60,267,447	60,267,447	60,267,447	-	-
Borrowings	314,089,432	386,072,456	133,547,248	41,894,987	210,630,221
Net obligations under finance lease	1,080,789	1,107,943	1,107,943	-	-
	812,249,377	884,259,555	631,734,347	41,894,987	210,630,221

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25. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

	2018				
	Carrying amount	**Contractual cash flows**	**0 - 12 months**	**1 – 2 years**	**2 – 5 years**
Trade and other payables	328,728,403	328,728,403	328,728,403	-	-
Due to related parties	6,803,481	6,803,481	6,803,481	-	-
Borrowings	213,060,745	305,000,719	23,716,937	24,026,640	257,257,142
Net obligations under finance lease	4,076,643	4,431,774	3,323,830	1,107,944	-
	552,669,272	644,964,377	362,572,651	25,134,584	257,257,142

(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 2018.

26. 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:

(a) The carrying amount of cash and deposits, trade and other receivables, trade and other payables and related party balances maturing within one year is assumed to approximate their fair value because of the short-term maturity of these instruments.

(b) Investments classified at fair value through profit and loss are measured at fair value by reference to quoted market prices.

(c) 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.

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27. Changes in Accounting Policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments on the Company's financial statements.

(a) Impact on financial statements

The Company has adopted IFRS 9 for the financial year ending 31 October 2019 which resulted in a change in the Company's accounting policies. As explained in note 2, IFRS 9 was generally adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet at 31 October 2018 but are recognised in the opening balance sheet on 1 November 2018.

The following table shows the adjustment recognised for each individual line item for the statement of financial position. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Statement of Financial Position

	31 October 2018 As originally presented $'000	IFRS 9 $	1 November 2018 Restated $
Non-current asset	51,854,814	-	51,854,814
Current assets			
Income tax recoverable	7,311,478	-	7,311,478
Inventories	367,004,488	-	367,004,488
Due from related parties	11,696,022	-	11,696,022
Trade and other receivables	485,472,990	(89,565,854)	395,907,136
Investments	269,759	-	269,759
Cash and bank deposits	117,041,833	-	117,041,833
	988,796,570	(89,565,854)	899,230,716
Total assets	1,040,651,384	(89,565,854)	951,085,530
EQUITY AND LIABILITIES			
Stockholders' net equity			
Share capital	129,189,757	-	129,189,757
Capital reserve	56,070,657	-	56,070,657
Retained earnings	302,275,721	(89,565,854)	212,709,867
	487,536,135	(89,565,854)	397,970,281
Liabilities	553,115,249	-	553,115,249
	1,040,651,384	(89,565,854)	951,085,530

27. Changes in Accounting Policies (Continued)

(b) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 November 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The impact on the Company's retained earnings as at 1 November 2018 is due to the increase in provision for trade receivables of $89,565,854.

(i) Classification and measurement

On 1 November 2018 (the date of initial application of IFRS 9), the Company determine which business models applied to its financial assets but however did not result in any significant reclassification of its financial instruments as investment securities were carried at fair value through profit and loss.

(ii) Impairment of financial assets

The Company's financial assets that is subject to IFRS 9's new expected loss credit loss model is trade receivable.

The Company was required to revise its impairment methodology under IFRS 9 for this financial asset. The impact of the change to retained earnings and equity is disclosed in the table in note 27 (a) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 November 2018 to $115,228,066 Company for trade receivables. Note 6 provides for details about the calculation of the allowance. The loss allowance decreased by $10,412,928 for the Company during the current reporting period.

Related parties

The Company applies the IFRS 9 general approach to measuring expected credit losses for related party balances. There was no loss allowance on 1 November 2018 for related parties and at 31 October 2019.