CAC AIR CONDITIONING & ENERGY SOLUTIONS EXPERTS

## CEO Report for Year Ending October 31, 2019

A consistent theme in our previous four reports (since Q4 2018) has been the disruption to our operations as a result of the GOJ designed and managed Three Miles overpass works and, it should be no surprise that our end of year financial results reflect our impaired ability to sell to walk-in customers (who found it almost impossible to get to the location), operate (trucks from wharf and to sites faced logistical challenges) and causing delays in our job execution and hence revenue recognition and collections processes. Our initial understanding was that the works would be completed by April 2019, but the work is still underway (in December) while continuing to negatively impact our current operations along with regular internet, water and electricity interruptions. At this point we are hopeful that all works, including remedial and traffic management, will be completed by the end of our first quarter but we have effectively lost 1 ½ years of our normal business activities.

The good news is that we have seen a ramping up of revenues in our last quarter and we started our new financial year with over $870M of contracts in hand. Our team is now fully focused on the acquisition of additional projects and maximizing the execution, invoicing and collections for the existing projects and delivering a rapid turnaround in our profits and Shareholders Equity.

**Summary of results (selected items)**

| | 2018/19 | 2017/18 | 2016/17 |
|---|---|---|---|
| **Profit and loss** | | | |
| Revenues | $1,120,194,094 | $1,210,990,427 | $1,210,935,472 |
| Gross Profit | $351,515,494 | $453,190,166 | $424,435,427 |
| Other Income | $47,210,722 | $19,032.213 | $2,115,167 |
| Expenses | ($389,528,003) | ($384,140,225) | ($308,899,496) |
| Operating profit | $9,198,213 | $88,067,483 | $117,651,098 |
| Finance and other costs | ($35,706,676) | $13,301,956 | ($17,136,747) |
| (Loss)/Profit before taxation | ($26,508,463) | $74,765,527 | $100,514,351 |
| | | | |
| **Balance sheet** | | | |
| Inventories | $343,923,189 | $367,004,488 | $208,385,972 |
| Trade and other Receivables | $510,805,102 | $485,472,990 | $536,331,072 |
| Borrowings (total) | $314,089,432 | $213,060,745 | $253,900,204 |
| Trade and Other payables | $436,811,709 | $328,728,403 | $295,903,418 |
| Cash and bank deposits | $221,483,721 | $117,041,833 | $191,695,143 |

Our revenues were reduced by about $300-400M along with associated gross profit reductions of $100-130M while other income was higher than the previous year due to the impact of the Barbuda project.

Expenses were actually lower than the previous year as the Barbuda expenses (set against other income) are reflected in the results. Finance and other costs significantly increased due to increased interest payments and a large downward swing in foreign exchange gains. The net result was a sharp reduction in our delivered profits for the year.

We have made progress in reducing our inventory - down from $367M to $344M despite the work in progress portion of inventory increasing by $40M as a result of the slowing down of project execution caused by the roadwork disruption.

We also made gains with resolving some of our old trade receivables. However, the receivables total still increased from $485M to $511M but the majority of the increase was from current receivables as invoicing activity increased in the final quarter. We continue to focus on improving our management of this asset.

The imposed financial strains on the business forced us to temporarily increase our borrowing facilities in the early part of the year (to clear the backlog of Goods in Transit) and the increase in Trade and Other payables is due to increase in business (Trade Payables) but mostly an increase in Customer Deposits (from $82M to $124M) – this is a positive indicator for our future business.

The net result is that we managed to improve our operating cash performance and added another $104M to our cash and bank deposits, albeit at a higher debt to equity ratio. We are comfortable that our balance sheet has sufficient strength.

The Management Team cannot express enough our appreciation for the efforts and continued positive approach of the CAC team members who continue to believe in the company despite the onerous and uncomfortable commute and working conditions. It says a lot when our employee turnover rate is declining year on year - kudos to them for their hard work and perseverance and we are looking forward to continuing to work with them next year.

Lastly, we also wish to thank our understanding customers, suppliers and bankers, some of whom continued to visit our offices to conduct business, for their understanding, support and patience during the year – we will continue working closely with you to rebuild our company in 2020.

Steven Marston
Chairman & CEO