

**CAC 2000 LIMITED**

## Notes to the Financial Statements

Third Quarter Ended July 31, 2021

1. Identification

CAC 2000 Limited (the Company) is incorporated and domiciled in Jamaica. The company is 52% owned by Caribbean Air Conditioning Company Limited, a company incorporated and domiciled in St. Lucia. The principal activities of the company are provision of Energy and Indoor Environmental Quality (IEQ) solutions especially around Thermal comfort (which encompasses HVAC installation, maintenance and repair). The Company's registered office is 231 Marcus Garvey Drive, Kingston 11.

2. Statement of compliance and 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) and comply with the provisions of the Jamaican Companies Act.

The financial statements are presented in Jamaican dollars (\$), which is the functional currency of the company. The financial statements are prepared on the historical cost basis.

3. Significant accounting policies

The same accounting policies and methods of computations are followed in the interim financial statements as compared with the most recent annual audited financial statements for the twelve months ended October 31, 2020.

4. Movements in fixed assets

	Lease Hold Building Improvement	Motor Vehicles	Plant & Machinery	Furniture & Fixtures	Computer & Peripherals	Office Equipment	Tools & Equipment	ERP	Paintings	Work-in- Progress	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
<b>Cost - 01/11/20</b>	-	-	-	-	-	-	-	-	-	-	-
Revaluation/Adjustment	23,956	50,882	14,274	3,415	32,992	1,979	2,785	-	425	-	130,706
Additions	-	-	77	-	327	-	-	3,919	75	-	4,398
Disposal	-	-	(96)	-	-	-	-	-	-	-	(96)
<b>Cost - 31/07/21</b>	23,956	50,882	14,255	3,415	33,319	1,979	2,785	3,919	500	-	135,008
<b>Depeciation - 01/11/2020</b>	23,306	40,736	3,426	2,027	30,954	1,033	2,221	-	-	-	103,703
Disposal	-	-	(52)	-	-	-	-	-	-	-	(52)
Depreciation Charge - Year	649	3,725	918	240	1,191	244	182	336	-	-	7,484
Accumulated Depreciation	23,956	44,460	4,291	2,267	32,145	1,276	2,403	336	-	-	111,135
<b>Net Book Value - JUL 21</b>	(0)	6,421	9,963	1,147	1,173	703	382	3,583	500	-	23,873
<b>Net Book Value - OCT 20</b>	649	10,146	10,848	1,388	2,038	946	563	-	425	-	27,003

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**5. Right-of-Use-Asset**

The company occupies office and warehouse spaces for which monthly rentals are paid and terminates automatically on expiry of contract. New lease contracts are negotiated upon expiry. The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

For short-term leases, the company has elected not to recognise right-of-use assets and lease liabilities that have an unexpired lease term of 12 months or less as at November 1, 2020. The company recognises the lease payments associated with these leases as an expense over the lease term.

**5a. Right-of-use assets- Property**

	2021
	\$
Balance at November 1, 2020	3,078,597
Depreciation	(2,308,948)
Balance as at July 31, 2021	<u>769,649</u>

**5b. Lease liabilities – right of use asset**

Maturities analysis- contractual undiscounted cash flows:

	\$
Not later than 1 year	283,259
Later than 1 year and not later than 5 years	-
Total undiscounted lease liability at July 31, 2021	<u>283,259</u>
Less: future interest payments	(23,610)
	<u>259,649</u>

**5c. Right of use lease liabilities included in the statement of financial position at July 31, 2021:**

	\$
Current	259,649
Non-current	-
	<u>259,649</u>

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5. Right-of-Use-Asset (Cont'd)

Amount recognized in profit or loss – right of use asset	\$
Interest on lease liabilities	118,050
Depreciation of right of use asset	<u>2,308,948</u>
Amount recognized in the statement of cash flows	\$
Total cash outflow for leases - right of use asset	<u>1,274,663</u>

6. Deferred taxation

Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates. At July 31, 2021, deferred tax was accounted for because the company 100% tax free remission status expired January 7, 2021. The company will be subjected to 50% income tax on its taxable profits from January 8, 2021 to January 7, 2026.

Assets and liabilities recognised on the statement of financial position are as follows:

	\$
Deferred income tax assets	4,163,737
Deferred income tax liabilities	-
Net asset	<u>4,163,737</u>

The movement on the net deferred income tax balance is as follows:

	\$
Net liabilities at beginning of the period	-
Deferred income taxes charged to the statement of comprehensive income; (Note 11)	<u>4,163,737</u>
Net asset at end of the quarter	<u>4,163,737</u>

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Third Quarter Ended July 31, 2021

7. Trade and Other Receivables

	<u>2021</u>	<u>2020</u>
	\$	\$
Trade	635,083,195	719,768,741
Less: expected credit loss	<u>(69,116,542)</u>	<u>(101,159,410)</u>
	565,966,653	618,609,331
Other receivables	43,553,417	10,677,854
Prepayments	<u>13,090,231</u>	<u>14,032,078</u>
	<u>622,610,301</u>	<u>643,319,263</u>

Ageing of trade receivables at the reporting date was:

	<u>2021</u>	<u>2021</u>	<u>2021</u>
	Gross carrying amount \$	Expected Credit Loss rate	Expected Credit loss \$
0-30 days	98,400,454	8%	7,003,250
31-60 days	91,390,317	7%	2,651,502
61-180 days	101,318,691	10%	9,613,775
More than 180 days	<u>343,973,733</u>	30%	<u>49,848,015</u>
	<u>635,083,195</u>		<u>69,116,542</u>
	<u>2020</u>	<u>2020</u>	<u>2020</u>
	Gross carrying amount \$	Expected Credit Loss rate	Expected Credit loss \$
0-30 days	212,208,795	6%	11,949,227
31-60 days	71,785,822	7%	5,229,891
61-180 days	135,481,164	9%	12,598,435
More than 180 days	<u>300,292,960</u>	24%	<u>71,381,857</u>
	<u>719,768,741</u>		<u>101,159,410</u>

As at the reporting period, (decrease)/increase in loss allowance recognised in the income statement amounted to (\$5,578,280) (2020: \$7,941,295). Bad debt written off/recovered against loss provision was \$Nil (2020: \$5,645,173).

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Third Quarter Ended July 31, 2021

8. Share capital

	<u>2021</u>	<u>2020</u>
	Units	Units
Authorised ordinary units of no par value	200,000,000	200,000,000
Issued ordinary units of no par value	129,032,258	129,032,258
Share capital:	\$	\$
Issued and fully paid ordinary stocks of no par value	138,773,634	138,773,634

The Company was listed on the Junior market of the Jamaica Stock Exchange on January 7, 2016 through an Initial Public Offering of 129,032,258 ordinary stocks.

9. Loans and borrowings

	<u>2021</u>	<u>2020</u>
	\$	\$
Bank Loans:		
Motor vehicle loans	5,377,994	7,525,851
Premium financing loan	4,115,571	0
BNS revolving loan facility	-	170,000,000
Redeemable preference shares	<u>200,000,000</u>	<u>200,000,000</u>
	209,493,565	377,525,851
Less: Current portion	<u>(4,664,574)</u>	<u>(172,125,651)</u>
Non-current portion	<u>204,828,991</u>	<u>205,400,200</u>

## (a) Redeemable preference shares:

350,000,000 fixed and variable rate redeemable preference shares were authorised with an issue price of \$1 per share. Of this 200,000,000 are fully paid. The \$200,000,000 9.5% cumulative preference shares were issued for working capital support and have been listed on the Junior market of the Jamaica Stock Exchange. This amount is included in non-current borrowings.

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10. Trade and Other Payables

	<u>2021</u>	<u>2020</u>
	\$	\$
Trade payable	170,959,155	138,135,700
Other payable	<u>321,403,632</u>	<u>276,945,257</u>
	<u><u>492,362,787</u></u>	<u><u>415,080,957</u></u>

11. Income Tax

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective January 7, 2016. Consequently, the Company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least fifteen (15) years:

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

The company is now required to account for income tax at 50% as it is now in the second five (5) years, spanning from January 8, 2021, to January 7, 2026.

Taxation is computed on profit for the period adjusted for taxation purposes and comprises:

	<u>2021</u>
	\$
Income tax	1,293,062
Deferred income taxes (Note 6)	<u>(4,163,737)</u>
	<u><u>(2,870,675)</u></u>

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12. Income Tax (cont'd)

The taxation charge in the statement of comprehensive income account differs from the theoretical amount that would arise using the income tax rate of 25%, as follows:

Reconciliation of applicable tax charge to effective tax charge:

	<u>2021</u>
	\$
Profit before taxation	<u>7,873,487</u>
Tax calculated at 25%	1,968,372
Expenses not allowed for tax purpose	1,117,693
Other charges and allowances	<u>(499,941)</u>
	2,586,124
Adjustment for effect of remission (50%)	<u>(1,293,062)</u>
	<u>1,293,062</u>