CAC 2000 Limited

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31 October 2021

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Independent auditor's report

To the Shareholders 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 2021, 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

The Company's financial statements comprise:

- the statement of financial position as at 31 October 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in stockholders' 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 and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses (ECL) in relation to trade and other receivables ***Refer to notes 2(e), 7 and 13 to the financial statements for disclosures of related accounting policies, judgements and estimates.*** As at 31 October 2021, trade and other receivables together account for $741 million or 52% of total assets of the company. The total associated ECL amounted to $69 million. Management applies the simplified method as 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.. We focused on this area due to the estimation uncertainty in assessing credit risk.	Our approach to addressing the matter involved the following procedures, amongst others: • Updated our understanding of methodology and assumptions used by management in the determination of the ECL provision matrix.. • Tested historical data, on a sample basis, used in the provision matrix to calculate the historical rates of default by agreeing data to prior year audited results. • Reperformed the calculation of days past due on a sample basis. • Recalculated the ECL by applying the expected credit loss rates of default to the aged receivable balance. Tested subsequent payments for large customers where expected credit losses had been recognized. The results of our procedures indicated that the assumptions used by management for determining the expected credit losses in relation to trade and other receivables were not unreasonable.

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, actions taken to eliminate threats or safeguards applied.

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.

PricewaterhouseCoopers
Chartered Accountants
21 February 2022
Kingston, Jamaica

CAC 2000 Limited

Statement of Financial Position

As at 31 October 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $	2020 $
ASSETS			
Non-current asset			
Property, plant and equipment	4	18,438,841	27,002,848
Intangible assets	5	3,247,483	-
Right-of-use assets	6	78,064,914	3,078,597
Deferred tax asset	7	3,368,475	-
Investments accounted for using the equity method	26	5,000,000	-
		108,119,713	30,081,445
Current assets			
Tax recoverable		4,671,706	3,210,865
Inventories	8	465,133,250	335,169,715
Due from related parties	15	8,382,818	15,963
Trade and other receivables	9	740,513,652	636,659,846
Investments		389,421	392,188
Cash and bank deposits	10	104,406,081	106,087,214
		1,323,496,928	1,081,535,791
Total assets		1,431,616,641	1,111,617,236
EQUITY AND LIABILITIES			
Stockholders' net equity			
Share capital	11	129,189,757	129,189,757
Capital redemption reserve	12	56,070,657	56,070,657
Retained earnings		242,886,418	203,083,965
		428,146,832	388,344,379
Non-current liabilities			
Borrowings	13	202,624,531	204,828,992
Lease liabilities	14	65,196,438	-
		267,820,969	204,828,992
Current liabilities			
Borrowings	13	2,204,460	92,167,060
Lease liabilities	14	17,880,296	1,557,891
Due to related parties	15	55,566,128	30,248,414
Trade and other payables	16	658,475,745	394,470,500
Tax payable		1,522,211	-
		735,648,840	518,443,865
Total equity and liabilities		1,431,616,641	1,111,617,236

Approved for issue by the Board of Directors on February 18, 2022 and signed on its behalf by:

DocuSigned by: Michael Anthony Shaw

Michael Anthony Shaw — Director

DocuSigned by: Steven Marston

Steven Marston — Director

CAC 2000 Limited

Statement of Comprehensive Income

Year ended 31 October 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $	2020 $
Revenue	17	1,045,993,359	1,258,508,478
Cost of sales		(598,207,698)	(834,652,004)
Gross Profit		447,785,661	423,856,474
Other income	21	9,635,647	2,544,440
Distribution expenses		(19,975,388)	(24,027,146)
Administrative expenses		(363,272,876)	(342,175,511)
Operating Profit		74,173,044	60,198,257
Foreign exchange gains/(loss)		(4,813,456)	1,574,542
Interest income		55,930	287,534
Finance costs	22	(26,676,252)	(29,523,580)
Share of net profit of joint ventures accounted for using the equity method		-	-
Profit before Taxation		42,739,266	32,536,753
Taxation	23	(2,936,813)	-
Net Profit, being Total Comprehensive Income for the Year		39,802,453	32,536,753
Earnings per stock unit attributable to owners of the parent during the year			
Basic and fully diluted	24	0.31	0.25

CAC 2000 Limited

Statement of Changes in Stockholders' Net Equity

Year ended 31 October 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $	Capital Redemption Reserve $	Retained Earnings $	Total $
Balance at 31 October 2019 as originally presented		129,189,757	56,070,657	181,685,274	366,945,688
Correction of error		-	-	(11,138,062)	(11,138,062)
Restated total equity at 1 November 2019		129,189,757	56,070,657	170,547,212	355,807,626
Net profit, being total comprehensive income for the year		-	-	32,536,753	32,536,753
Balances at 31 October 2020		129,189,757	56,070,657	203,083,965	388,344,379

CAC 2000 Limited

Statement of Changes in Stockholders' Net Equity (Continued)

For the year ended 31 October 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Capital Redemption Reserve	Retained Earnings	Total
		$	$	$	$
Balance at 1 November 2020		129,189,757	56,070,657	203,083,965	388,344,379
Net profit, being total comprehensive income for the year		-	-	39,802,453	39,802,453
Balances at 31 October 2021		129,189,757	56,070,657	242,886,418	428,146,832

CAC 2000 Limited

Statement of Cash Flows

Year ended 31 October 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $	2020 $
Cash Flows from Operating Activities			
Net profit		39,802,453	32,536,753
Adjustments for:			
Taxation	23	2,936,813	-
Amortisation- intangible assets	5	783,778	-
Depreciation – property, plant & equipment	4	9,089,802	15,598,697
Depreciation – right of use assets	6	8,654,662	3,078,598
Loss/(gain) on disposal of property, plant & equipment		43,999	(2,044,236)
Unrealised loss on financial assets at fair value through profit and loss		2,767	157,706
Movement in expected credit loss	9	(10,955,617)	(13,240,339)
Provision for inventory obsolescence		1,063,905	-
Net foreign exchange losses		369,125	893,911
Finance costs	22	26,676,252	29,523,580
Interest income		(55,930)	(287,534)
		78,412,009	66,217,136
Changes in operating assets and liabilities:			
Inventories		(131,027,440)	8,753,474
Trade and other receivables		(92,898,189)	(112,614,405)
Trade and other payables		264,005,245	(42,341,209)
Due from related parties		(8,366,855)	43,736,685
Cash provided by/(used in) operations		110,124,770	(36,248,319)
Tax paid		(6,243,918)	(74,836)
Net cash provided by/(used in) operating activities		103,880,852	(36,323,155)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	4	(569,794)	(3,829,320)
Proceeds from disposal of property, plant and equipment		-	4,350,000
Acquisition of intangible assets	5	(4,031,261)	-
Investment in joint venture	26	(5,000,000)	-
Interest received		55,930	287,534
Net cash (used in)/provided by investing activities		(9,545,125)	808,214
Net cash flows used in operating and investing activities brought forward to page 6		94,335,727	(35,514,941)

CAC 2000 Limited
Statement of Cash Flows (Continued)
Year ended 31 October 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $	2020 $
Net cash flows used in operating and investing activities brought forward from page 5		94,335,727	(35,514,941)
Cash Flows from Financing Activities			
Repayment of bank loans		(92,167,061)	(187,093,380)
Proceeds from bank loans		-	170,000,000
Lease liabilities		(2,122,236)	(2,638,681)
Interest paid		(26,676,252)	(29,523,580)
Dividends paid to non-controlling interests in subsidiaries		-	-
Related parties, net		25,317,714	(29,732,014)
Net cash used in financing activities		(95,647,735)	(78,987,655)
Net decrease in cash and cash equivalents		(1,312,008)	(114,502,596)
Effects of exchange rate changes on cash and cash equivalents		(369,125)	(893,911)
Cash and cash equivalents at beginning of year		106,087,214	221,483,721
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	104,406,081	106,087,214

CAC 2000 Limited

Notes to the Financial Statements
Year ended 31 October 2021
(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 (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:

CAC 2000 Limited
Notes to the Financial Statements
31 October 2021
(expressed in Jamaican dollars unless otherwise indicated)

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)

Amendments to IAS 1 and IAS 8 on the definition of material, (effective for annual periods beginning on or after 1 January 2020).
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

Amendments to IFRS 3 – definition of a business, (effective for annual periods beginning on or after 1 January 2020).
This amendment revises the definition of a business. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.
The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning or after January 1, 2020)
The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms 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.

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)

Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020).
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

CAC 2000 Limited
Notes to the Financial Statements
Year ended 31 October 2021
(expressed in Jamaican dollars unless otherwise indicated)

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not yet effective and which the Company will adopt in future financial years. The Company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

Covid-19-related Rent Concessions – Amendments to IFRS 16 (effective for annual periods beginning on or after 1 June 2020).
As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.
Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022).
Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2022 - possibly deferred to 1 January 2023).
The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability.
The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.
They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

CAC 2000 Limited

Notes to the Financial Statements
31 October 2021
(expressed in Jamaican dollars unless otherwise indicated)

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)

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (effective for annual periods beginning on or after 1 January 2022)
The amendment to IAS 16 Property, Plant and Equipment (PPE) prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.
Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37 (effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Annual Improvements to IFRS Standards 2018–2020 (effective for annual periods beginning on or after 1 January 2022).
The following improvement was finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities

(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

2. Significant Accounting Policies (Continued)

(b) Property, plant and equipment (continued)

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.

(c) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

(d) Intangible assets

Intangible assets Intangible assets acquired separately are measured on initial recognition at cost and carried at cost less any accumulated amortisation and accumulated impairment losses. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

(e) Impairment of tangible assets

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

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

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than it’s 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.

CAC 2000 Limited
Notes to the Financial Statements
31 October 2021
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Financial instruments (continued)

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.

Classification

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.

Impairment

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

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.

2. Significant Accounting Policies (Continued)

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.

(g) Inventories

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

(h) Accounts receivable

Trade and other receivables are measured at amortised cost, less expected credit loss.

(i) Related parties

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

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

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

2. Significant Accounting Policies (Continued)

(j) Cash and cash equivalents

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

(k) Share capital

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

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

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.

(l) Borrowing costs

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

(m) Leases

From 1 November 2020, the following policies were applied by the Company as a lessee

The Company leases various buildings/warehouses. Rental contracts are typically made for fixed periods of 12 months to 2 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees.

2. Significant Accounting Policies (Continued)

(m) Leases (continued)

- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company uses that rate as a starting point to determine the incremental borrowing rate.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. 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.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

There are no variable lease payments included in lease agreements.

Extension and termination options are included in a number of leases. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

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2. Significant Accounting Policies (Continued)

(m) Leases (continued)

Accounting policy applied prior to 1 November 2020
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.

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

(o) Taxation
Income tax expense represents the sum of tax currently payable and deferred tax.

(i) Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted, or subsequently enacted at the end of the reporting period.

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

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

2. Significant Accounting Policies (Continued)

(o) Taxation (continued)

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

(p) Employee benefits

(i) Short-term employee benefits
Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave for services rendered by employees up to the end of the reporting period.

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

(q) Joint venture

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and joint venture is eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

2. Significant Accounting Policies (Continued)

(r) Revenue recognition

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 2021, 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.

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.

2. Significant Accounting Policies (Continued)

(s) 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.

(t) Net finance cost

Net finance cost 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.

CAC 2000 Limited

2. Significant Accounting Policies (Continued)

(u) Foreign currencies

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

(v) Dividends

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

(x) 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.

(y) 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.

(z) 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 installation contracts
Revenues from installation 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 2019	23,955,566	15,420,335	5,202,433	31,481,820	54,620,650	130,680,804
Additions	-	1,638,109	616,457	1,574,754	-	3,829,320
Disposal	-	-	-	-	(3,739,077)	(3,739,077)
31 October 2020	23,955,566	17,058,444	5,818,890	33,056,574	50,881,573	130,771,047
Additions	-	76,813	166,152	326,829	-	569,794
Disposal	-	(95,997)	-	-	-	(95,997)
31 October 2021	23,955,566	17,039,260	5,985,042	33,383,403	50,881,573	131,244,844
Accumulated Depreciation -						
1 November 2019	18,862,916	4,131,611	2,499,673	29,250,771	34,857,844	89,602,815
Charge for the year	4,443,488	1,509,764	560,146	1,773,929	7,311,370	15,598,697
Relieved on disposal	-	-	-	-	(1,433,313)	(1,433,313)
31 October 2020	23,306,404	5,641,375	3,059,819	31,024,700	40,735,901	103,768,199
Charge for the year	649,162	1,482,231	622,003	1,370,360	4,966,046	9,089,802
Relieved on disposal	-	(51,998)	-	-	-	(51,998)
31 October 2021	23,955,566	7,071,608	3,681,822	32,395,060	45,701,947	112,806,003
Net Book Values -						
31 October 2021	-	9,967,652	2,303,220	988,343	5,179,626	18,438,841
31 October 2020	649,162	11,417,069	2,759,071	2,031,874	10,145,672	27,002,848

CAC 2000 Limited
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4. Property, Plant and Equipment (Continued)

The Company leases various motor vehicles under non-cancellable lease agreements (Note 11). The lease terms are four years. At year end, the net book value of motor vehicles acquired under finance leases was $Nil (2020 - $896,919).

5. Intangible Assets

	Software $
At Cost-	
31 October 2020	-
Additions	4,031,261
31 October 2021	4,031,261
Amortisation -	
31 October 2020	-
Charge for the year	783,778
31 October 2021	783,778
Net Book Values -	
31 October 2021	3,247,483
31 October 2020	-

Intangible assets relate to the purchase and installation of a cloud-based ERP computer software during the year.

6. Right-of-use Assets

	Building $
Cost -	
31 October 2020	6,157,195
Addition	83,640,979
31 October 2021	89,798,174
Accumulated Depreciation -	
1 November 2020	3,078,598
Charge for the year	8,654,662
31 October 2021	11,733,260
Net Book Values -	
31 October 2021	78,064,914
31 October 2020	3,078,597

Right-of-use assets relates to rental of building/warehouse and related leasehold improvements.

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7. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an applicable tax rate of 12.5%. The movement on the deferred tax account is as follows:

	2021 $	2020 $
Asset as at 1 November 2020	-	-
Credited to the statement of comprehensive income (Note X)	3,368,475	-
Asset as at 31 October 2021	3,368,475	-

Deferred income tax assets and liabilities are attributable to the following items –

	2021 $	2020 $
Deferred tax assets		
Unrealised foreign exchange losses	601,682	-
Property, plant and equipment	3,212,072	-
Lease liabilities	626,476	-
Other	297,697	-
	4,737,927	
Deferred tax liabilities		
IFRS 9 ECL provision	(1,369,452)	-
	(1,369,452)	-
Net deferred tax assets	3,368,475	-

The deferred tax credited to the statement of comprehensive income comprises the following temporary differences:

	2021 $	2020 $
Unrealised foreign exchange losses	601,682	-
Property, plant and equipment	3,212,072	-
Lease liabilities	626,476	-
IFRS 9 ECL provision	(1,369,452)	-
Other	297,697	-
	3,368,475	-

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7. Deferred taxation (continued)

The amounts shown in the balance sheet include the following:

	2021 $	2020 $
Deferred tax assets to be recovered after more than 12 months	3,368,475	-

8. Inventories

	2021 $	2020 $
Merchandise/equipment	118,480,056	117,026,426
Work-in-progress	187,180,916	60,877,822
Service supplies/parts	126,439,045	105,326,980
Goods in transit	47,788,195	65,629,544
	479,888,212	348,860,772
Provision for obsolescence	(14,754,962)	(13,691,057)
	465,133,250	335,169,715

The cost of inventories recognised as cost of sales during the year was $533,299,258 (2020 - $583,376,556).

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9. Trade and Other Receivables

	2021 $	2020 $
Trade receivables	765,461,602	690,788,702
Less: expected credit loss	(69,447,035)	(80,402,652)
	696,014,567	610,386,050
Other receivables	34,940,082	19,859,091
Prepayments	9,559,003	6,414,705
	740,513,652	636,659,846

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 $39,606,496 (2020 - $37,228,868) in relation to this venture.

Contract assets

Included in trade receivables are contract assets totaling $238,799,576 (2020 - $177,171,238). The Company distinguishes contract assets based on whether receipt of the consideration is conditional on something other than passage of time. Contract assets primarily relate to transactions where the Company satisfies a performance obligation to transfer equipment that is part of an installation contract with the customer, but the right to payment for the equipment or the service is dependent on the agreement with the customer and services that were rendered but not yet billed to the customer at year end. The contract assets are transferred to trade receivable when the right becomes unconditional, i.e. when only the passage of time is required before payment of consideration is due.

Ageing of trade receivables at the reporting date was:

	2021		
	Gross Carrying Amount $	Expected Credit Loss Rate	Expected Credit Loss $
0-30 days	259,922,602	7%	18,750,699
31-60 days	63,273,528	5%	3,472,352
61-180 days	116,542,673	18%	9,722,585
More than 180 days	325,722,799	39%	37,501,399
	765,461,602		69,447,035

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9. Trade and Other Receivables (Continued)

Ageing of trade receivables (continued)

	2020		
	Gross Carrying Amount	Expected Credit Loss Rate	Expected Credit Loss
	$		$
0-30 days	185,106,700	9%	16,945,843
31-60 days	48,585,190	7%	3,595,502
61-180 days	120,841,581	10%	11,729,384
More than 180 days	336,255,231	14%	48,131,923
	690,788,702		80,402,652

Movement in expected credit loss

	2021 $	2020 $
Opening loss allowance as at 1 November	80,402,652	98,863,288
Decrease in expected credit loss recognised in income statement	(10,955,617)	(13,240,339)
Bad debt recovered	-	(5,220,297)
Bad debt written off	-	-
Closing loss allowance as at 31 October	69,447,035	80,402,652

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.

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10. 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.

	2021 $	2020 $
Cash on hand and in bank	72,671,286	74,900,736
Deposits	31,734,795	31,186,478
	104,406,081	106,087,214

Cash and cash equivalents are denominated in the following currencies:

	2021 $	2020 $
Jamaican dollars	61,446,310	71,973,173
US dollars	41,851,467	33,127,827
Other	1,108,304	986,214
	104,406,081	106,087,214

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

	2021 %	2020 %
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$	1.15-1.80	1.15-1.80
- US$	0-1.10	0-1.10
- GBP	0.19	0.19

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11. Share Capital

	2021 No.	2020 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

	2021 $	2020 $
Issued and fully paid as stock units -		
129,032,258 ordinary units (2020 - 129,032,258)	129,189,757	138,773,634
Less: Share issue costs	-	(9,583,877)
	129,189,757	129,189,757
200,000,000 fixed and variable rate cumulative redeemable preference shares (2020 - 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

12. Capital Redemption Reserve

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

13. Borrowings

	2021 $	2020 $
(i) Redeemable preference shares	200,000,000	200,000,000
(ii) Bank of Nova Scotia Jamaica Limited	4,828,991	6,996,052
(iii) Bank of Nova Scotia Jamaica Limited	-	90,000,000
	204,828,991	296,996,052

	2021 $	2020 $
Current portion of borrowings	2,204,460	92,167,060
Non-current portion of borrowings	202,624,531	204,828,992
	204,828,991	296,996,052

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13. 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 2020 and 2021	200,000,000

In 2020, 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 (2020 - 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.

(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 $Nil (2020 - $24,664,792). This loan was repaid in full during the year.

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13. Borrowings (Continued)

Movement in Liabilities from Financing Activities

	Lease Liabilities $	Loan Liabilities $	Redeemable Preference Shares $	Total $
Net debt as at 1 November 2019	4,196,572	114,089,432	200,000,000	318,286,004
Acquisition	-	170,000,000	-	170,000,000
Repayment	(2,638,681)	(187,093,380)	-	(189,732,061)
Dividends declared	-	-	19,052,055	19,052,055
Dividends paid	-	-	(19,052,055)	(19,052,055)
Interest charged	168,822	10,205,170	-	10,373,992
Interest paid	(168,822)	(10,205,170)	-	(10,373,992)
Net debt as at 31 October 2020	1,557,891	96,996,052	200,000,000	298,553,943
Net debt as at 1 November 2020	1,557,891	96,996,052	200,000,000	298,553,943
Acquisition	83,640,979	-	-	83,640,979
Repayment	(4,802,031)	(92,167,061)	-	(96,969,092)
Dividend declared	-	-	19,000,000	19,000,000
Dividend paid	-	-	(19,000,000)	(19,000,000)
Interest charged	2,679,895	13,981,451	-	16,661,346
Interest paid	-	(13,981,451)	-	(13,981,451)
Net debt as at 31 October 2021	83,076,734	4,828,991	200,000,000	287,905,725

14. Lease Liabilities

The Company entered into lease agreements (2020 - finance lease agreements) for the purchase of motor vehicles and rental buildings/warehouses. Obligations under these agreements are as follows:

	2021 $	2020 $
Minimum lease payments under finance lease		
Not later than 1 year	17,880,296	1,699,560
Later than 1 year and not later than 5 years	83,199,118	-
	101,079,414	1,699,560
Future interest payments	(18,002,680)	(141,669)
Present value of finance lease obligations	83,076,734	1,557,891

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14. Lease Liabilities (Continued)

The present value of the lease obligations is as follows:

	2021 $	2020 $
Current	17,880,296	1,557,891
Non-current	65,196,438	-
	83,076,734	1,557,891

Lease liabilities for motor vehicles are effectively secured as the rights to the leased assets revert to the lessor in the event of default (Note 5).

The statement of comprehensive income includes the following amounts in relation to leases:

	2021 $	2020 $
Interest expense (included in finance cost)	2,679,895	168,823
Expense relating to short-term leases (included in administrative expenses)	3,244,140	8,679,664

There are no low value lease asset or variable lease payments included in lease liability.

15. Related Party Transactions and Balances

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

	2021 $	2020 $
Amounts due from related parties -		
Cool Airco Limited	8,031,289	-
CAC Foundation	351,529	-
Shareholders’ and directors’ receivable	-	15,963
	8,382,818	15,963
Amounts due to related parties -		
Cool Airco Limited	55,566,128	30,248,414
	55,566,128	30,248,414
Net liabilities	(47,183,310)	(30,232,451)

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15. Related Party Transactions and Balances (Continued)

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

	2021 $	2020 $
Purchases - Cool Airco Limited	(52,335,748)	(95,636,111)
Administrative fees paid - Cool Airco Limited	(15,559,230)	(37,787,137)

(c) Key management personnel compensation is as follows:

	2021 $	2020 $
Salaries	38,056,715	35,891,322
Statutory contributions	4,717,130	2,425,945
Pension	180,000	180,000
	42,953,845	38,497,267
Directors' emoluments-		
Fees	2,062,500	3,000,000

16. Trade and Other Payables

	2021 $	2020 $
Trade payable	121,196,844	170,728,484
Customer deposits	437,775,849	153,862,612
Statutory contributions	3,890,629	3,507,537
Accruals	39,555,479	14,762,443
Other	56,056,944	51,609,424
	658,475,745	394,470,500

Included in other payables and accruals is $NIL (2020 - $13,533,915) representing court awarded damages and other related costs (Note 25).

17. 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 27 outlining revenue by segments.

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18. Expenses by Nature

Total distribution and administration expenses

	2021 $	2020 $
Directors fees	2,062,500	3,000,000
Staff costs (Note 17)	210,978,776	203,050,584
Audit fees	5,755,040	4,400,000
Expected credit loss, net	(10,955,617)	(5,765,875)
Amortisation-intangible asset (Note 5)	783,778	-
Depreciation – property, plant & equipment (Note 4)	9,089,802	15,598,697
Depreciation – right-of-use assets (Note 6)	8,654,662	3,078,598
Legal and professional fees	60,738,349	49,734,913
Promotion, advertising and entertainment	5,784,600	3,976,598
Repairs and maintenance of property, plant and equipment	14,500,891	4,998,077
Insurance	17,620,953	19,971,679
Occupancy, utilities and communication	15,667,452	24,632,766
Local and foreign travel	1,378,608	2,743,545
Office supplies and computer	17,292,879	12,402,917
Security service	5,388,384	4,985,670
Warranty and guarantee	2,970,080	2,640,098
Donations	6,159,000	6,365,600
Other	9,378,128	10,388,790
	383,248,264	366,202,657

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19. Staff Costs

	2021 $	2020 $
Administrative expenses -		
Salaries and wages	151,922,829	147,718,446
Statutory contributions	17,718,847	17,759,017
Pension	1,158,088	1,359,707
Other	28,417,247	20,792,002
	199,217,011	187,629,172
Selling and distribution -		
Salaries and wages	6,069,261	7,365,883
Commission	3,640,649	6,150,778
Statutory contributions	642,918	721,702
Pension	90,002	90,001
Other	1,318,935	1,093,048
	11,761,765	15,421,412
	210,978,776	203,050,584
Directors remuneration (Note 13)	42,953,845	38,497,267
Staff costs	168,024,931	164,553,317
	210,978,776	203,050,584

20. 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 $1,248,090 (2020 - $1,449,708).

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21. Other Income

	2021 $	2020 $
(Loss)/gain on disposal of property, plant and equipment	(43,999)	2,044,236
Other	9,679,646	500,204
	9,635,647	2,544,440

22. Finance Costs

	2021 $	2020 $
Interest on -		
Bank loans	4,908,661	10,205,170
Finance lease	2,679,895	168,823
Dividends on redeemable preference share	19,000,000	19,052,055
Other	87,696	97,532
	26,676,252	29,523,580

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23. 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.

Income Tax Expense	**2021**	**2020**
Current tax	**$**	**$**
Current tax on profits for the year	6,305,288	-
Adjustments for current tax of prior periods	-	-
Total current tax expense	6,305,288	-
Deferred income tax		
Decrease/(increase) in deferred tax assets	(3,368,475)	-
(Decrease)/increase in deferred tax liabilities	-	-
Total deferred tax expense/(benefit)	(3,368,475)	-
Income tax expense	2,936,813	-

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

	2021	**2020**
	$	**$**
Profit before taxation	42,739,266	32,536,753
Tax calculated at a rate of 25%	10,684,817	8,134,188
Effect of:		
Effect of excess depreciation over capital allowances	6,750,761	8,307,866
Expenses disallowed	1,522,388	1,723,231
Income and other gains not subject to tax	(2,738,904)	(7,409,255)
Effect of gradual change in tax rate	(1,283,535)	-
Other adjustments	(5,693,426)	(5,829,748)
	9,242,101	4,926,282
Adjustment for the effect of tax remission	(6,305,288)	(4,926,282)
	2,936,813	-

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24. 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.

	2021	2020
Net profit attributable to shareholders ($)	39,802,453	32,536,753
Weighted average number ordinary stock units in issue	129,032,258	129,032,258
Basic and diluted earnings per stock unit ($)	0.31	0.25

25. 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.

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. On May 28, 2020 an offer to settle was received totaling US$445,000 and J$1,159,865. US$400,000 and J$1,159,865 was paid during the year.

Included in other payables and accruals is an accrual of NIL (2020: $13,533,915) covering the related interest on charges for the court awarded damages and estimated legal costs payable to the claimant's lawyers. This outstanding amount was agreed and settled in May 2021 during the year.

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26. Interests in Joint Ventures

Set out below are the associates and joint ventures of the group as at 31 October 2021 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of Entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measure-ment method	Quoted fair value		Carrying amount	
		2021	2020			2021	2020	2021	2020
		%	%			$	$	$	$
EnRvate Limited	Jamaica	50	0	Joint Venture	Equity Method	5,000,000	0	5,000,000	-
Total equity-accounted investments								5,000,000	-

1) EnRvate Limited was formed to design and sell energy solutions systems and services throughout the Caribbean region.

A commitment of $5,000,000 was made to provide funding for joint venture's capital commitments.

Summarised financial information for joint venture

The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not CAC 2000 Limited's share of those amounts.

Summarised statement of financial position

	2021
	$
Current assets	
Cash and cash equivalents	5,000,000
Total current assets	5,000,000
Total assets	5,000,000
Current liabilities	-
Financial liabilities (excluding trade payables)	-
Other current liabilities	-
Total non-current liabilities	-
Total liabilities	-
Net assets/liabilities	5,000,000

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26. Interests in Joint Ventures (Continued)

Summarised statement of comprehensive income

	2021 $
Revenue	-
Interest income	-
Depreciation and amortisation	-
Interest expense	-
Profit/(loss) before tax	-
Taxation expense	-
Post tax profits from continuing operations	-

Reconciliation of summarised financial information

A reconciliation of summarised financial information presented to the carrying amount of its interest in the joint venture is show below.

	2021 $
Opening net assets at 1 November 2020	-
Capital contribution	5,000,000
Profit/loss for the period	-
Change in reserves	5,000,000
Closing net assets at 31 October 2021	5,000,000

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27. 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.

	2021			
	Engineering	Residential Light and Commercial	Service	Total
	$	$	$	$
External segment revenues	790,513,130	89,873,197	165,607,032	1,045,993,359
Segment gross profit	338,415,575	38,474,364	70,895,722	447,785,661
Timing of revenue recognition				
At a point in time	316,224,219	48,757,868	165,607,032	530,589,119
Over time	474,288,911	41,115,329	-	515,404,240
	790,513,130	89,873,197	165,607,032	1,045,993,359

	2020			
	Engineering	Residential Light and Commercial	Service	Total
	$	$	$	$
External segment revenues	764,612,042	228,960,428	264,936,008	1,258,508,478
Segment gross profit	223,334,583	88,453,393	112,068,498	423,856,474
Timing of revenue recognition				
At a point in time	305,863,162	124,215,258	264,936,008	695,014,428
Overtime	458,748,880	104,745,170	-	563,494,050
	764,612,042	228,960,428	264,936,008	1,258,508,478

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28. 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:

	2021		2020	
	US$	**GBP**	**US$**	**GBP**
Cash and deposits	41,851,467	1,108,304	33,127,827	986,214
Trade and other receivables	39,606,496	-	37,228,868	-
Due (to)/from related parties	8,031,289	-	(30,497,058)	-
Trade and other payables	(159,224,121)	-	(126,292,213)	-
Net exposure	(69,734,689)	1,108,304	(86,432,576)	986,214

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28. 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, 2021	145.00	185.12
At October 31, 2020	137.76	173.34

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 5% devaluation and 5% revaluation (2020 – 6% 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 2021 %	Effect on Profit before Tax 2021 $'000	Change in Currency Rate 2020 %	Effect on Profit before Tax 2020 $'000
Currency:				
USD	8%	(5,578,775)	6%	(5,185,955)
USD	-2%	1,394,694	-2%	1,728,652
GBP	8%	88,664	6%	59,173
GBP	-2%	(22,166)	-2%	(19,724)

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.

(expressed in Jamaican dollars unless otherwise indicated)

28. 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	
	2021	**2020**
	$	**$**
Fixed rate instruments		
Financial assets	31,734,795	31,681,742
Financial liabilities	(87,905,725)	(98,553,943)
	(56,170,930)	(66,872,201)
Variable rate instrument		
Financial liability	(200,000,000)	(200,000,000)
	(256,170,930)	(266,872,201)

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28. 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 (2020 - 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 2020.

	2021 Effect on Profit before Tax		2020 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 7 for details of credit exposure for trade receivable.

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28. 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.

	2021				
	Carrying amount	**Contractual cash flows**	**0 - 12 Months**	**1 – 2 years**	**2 – 5 years**
	$	**$**	**$**	**$**	**$**
Trade and other payables	658,475,745	658,475,745	658,475,745	-	-
Due to related parties	55,566,128	55,566,128	55,566,128	-	-
Borrowings	204,828,991	245,033,451	21,204,460	221,624,531	-
Lease liabilities	83,076,734	83,076,734	17,880,296	22,750,295	42,446,143
	1,001,947,598	1,042,152,058	753,126,629	244,374,826	42,446,143

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28. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

	2020				
	Carrying amount	**Contractual cash flows**	**0 - 12 Months**	**1 – 2 years**	**2 – 5 years**
	$	**$**	**$**	**$**	**$**
Trade and other payables	394,470,500	394,470,500	394,470,500	-	-
Due to related parties	30,248,414	30,248,414	30,248,414	-	-
Borrowings	296,996,052	342,675,208	116,925,373	20,819,613	204,930,222
Lease liabilities	1,557,891	1,557,891	1,557,891	-	-
	723,272,857	768,952,013	543,202,178	20,819,613	204,930,222

(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 2021.

29. 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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30. Impact of COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus, a global pandemic. Subsequently, Jamaica identified its first case of the COVID-19 virus and the government declared Jamaica a disaster area on 13 March 2020. Measures taken by both local and foreign governments to contain the virus have affected global economic activity. In response to this threat, the Company has taken several measures to protect its employees, customers and shareholders. The Company implemented measures which included safety and health protocols for its employees and other measures to reduce operating costs.

Safety measures implemented include more flexible and remote working rotation arrangement for staff, enforcing the wearing of a mask in the office, sanitization stations at every entrance as well as multiple sanitizations carried out in the main office throughout each business day. The company has also implemented measures in which to better accommodate customers and daily technicians in a safer and more effective manner throughout this period and going forward. UV lights have also been installed in some public areas.

One major contributor to the reduction of operating costs were the slowing down of activities due to issues such as site shutdowns with several projects being delayed due to COVID-19 and other related reasons. Measures taken to reduce overall operating costs include, but are not limited to, a reduction in foreign and local travel and staff training as well as other costs directly affected by the reduction in employee and material movement. Lastly, in June 2020, management implemented an all-around staff pay cut to adjust the SGA/revenue (and collections) in anticipation of further reduction in cash flow for the third and fourth quarter and also to conserve working capital for the latter part of the year. Hiring and position replacements were also suspended.

The impact of COVID-19 resulted in a reduction in income for the financial years. However, there was also a reduction in operating costs due to the slowing down of operating activities as well as measures implemented by management. The Company ended the year with a positive working capital position in both years.

Management continues to closely monitor the situation and adhere to the various government protocols and advice.