

CAC 2000 Limited

**Financial Statements
31 October 2023**

CAC 2000 Limited

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31 October 2023

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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 2023, 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 2023;
- 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 in 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
<p data-bbox="279 426 813 489">Expected credit losses (ECL) in relation to trade receivables</p> <p data-bbox="279 499 813 632"><i>Refer to notes 2(f), 2(h), and 9 to the financial statements for disclosures of related accounting policies, judgements and estimates.</i></p> <p data-bbox="279 667 813 793">As at 31 October 2023, trade receivables account for \$426 million or 32% of total assets of the Company which includes a total associated ECL of \$45.4 million.</p> <p data-bbox="279 829 813 1018">In determining the ECL, management applies the simplified approach 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.</p> <p data-bbox="279 1054 813 1270">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.</p> <p data-bbox="279 1306 813 1396">We focused on this area due to the estimation uncertainty in assessing credit risk.</p>	<p data-bbox="898 667 1500 730">Our approach to addressing the matter involved the following procedures, amongst others:</p> <ul data-bbox="946 766 1534 1549" style="list-style-type: none"><li data-bbox="946 766 1534 892">• Updated our understanding of the methodology and assumptions used by management in the determination of the ECL provision matrix.<li data-bbox="946 928 1534 1054">• 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.<li data-bbox="946 1089 1534 1152">• Reperformed the calculation of days past due on a sample basis.<li data-bbox="946 1188 1534 1272">• Recalculated the ECL by applying the expected credit loss rates of default to the aged receivable balance.<li data-bbox="946 1308 1534 1392">• Tested subsequent payments for a sample of large customers where expected credit losses had been recognized.<li data-bbox="946 1428 1534 1549">• Evaluated the reasonableness of management’s judgement pertaining to the impact of forward-looking information on the ECL. <p data-bbox="898 1585 1534 1711">The results of our procedures indicated that the assumptions used by management for determining the expected credit losses in relation to trade receivables were not unreasonable.</p>



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.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
31 January 2024
Kingston, Jamaica

CAC 2000 Limited

Statement of Financial Position

As at 31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 \$	2022 \$
ASSETS			
Non-current asset			
Property, plant and equipment	4	19,109,528	24,924,654
Intangible assets	5	1,644,004	3,763,517
Right-of-use assets	6	57,910,405	61,336,718
Deferred tax asset	7	21,667,172	7,392,968
Investment in joint venture	25	5,000,000	5,000,000
		<u>105,331,109</u>	<u>102,417,857</u>
Current assets			
Tax recoverable		13,249,152	10,992,519
Inventories	8	613,400,834	578,433,392
Due from related parties	15	20,411,931	18,536,610
Trade and other receivables	9	492,087,563	480,708,885
Investments		4,089,267	3,413,584
Cash and bank deposits	10	75,938,133	74,631,083
		<u>1,219,176,880</u>	<u>1,166,716,073</u>
Total assets		<u><u>1,324,507,989</u></u>	<u><u>1,269,133,930</u></u>
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		157,314,383	258,770,796
		<u>342,574,797</u>	<u>444,031,210</u>
Non-current liabilities			
Borrowings	13	258,873,849	13,901,429
Lease liabilities	14	52,040,356	57,525,071
		<u>310,914,205</u>	<u>71,426,500</u>
Current liabilities			
Borrowings	13	76,943,744	350,027,580
Lease liabilities	14	19,836,705	15,383,031
Due to related parties	15	28,999,475	32,344,674
Trade and other payables	16	545,239,063	355,920,935
Tax payable		-	-
		<u>671,018,987</u>	<u>753,676,220</u>
Total equity and liabilities		<u><u>1,324,507,989</u></u>	<u><u>1,269,133,930</u></u>

Approved for issue by the Board of Directors on January 31, 2024 and signed on its behalf by:

Michael Anthony Shaw

Michael Shaw

Chairman

Steven Marston

Steven Marston

Director

CAC 2000 Limited

Statement of Comprehensive Income

Year ended 31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 \$	2022 \$
Revenue	17	823,043,076	1,110,818,266
Cost of sales		<u>(547,203,181)</u>	<u>(679,833,586)</u>
Gross Profit		275,839,895	430,984,680
Other income	21	(580,130)	34,851,807
Distribution expenses		(16,723,507)	(20,549,870)
Administrative expenses		<u>(319,553,510)</u>	<u>(390,182,961)</u>
Operating Profit		(61,017,252)	55,103,656
Foreign exchange loss		(1,487,767)	(208,928)
Interest income		247,170	55,082
Finance costs	22	<u>(50,246,961)</u>	<u>(33,728,304)</u>
Profit before Taxation		(112,504,810)	21,221,506
Taxation	23	<u>14,274,204</u>	<u>(820,999)</u>
Net Profit, being Total Comprehensive Income for the Year		<u><u>(98,230,606)</u></u>	<u><u>20,400,507</u></u>
Earnings per stock unit attributable to owners of the parent during the year			
Basic and fully diluted	24	<u><u>(0.76)</u></u>	<u><u>0.16</u></u>

CAC 2000 Limited

Statement of Changes in Stockholders' Net Equity

Year ended 31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$	Capital Redemption Reserve \$	Retained Earnings \$	Total \$
Balance at 1 November 2021	129,189,757	56,070,657	242,886,418	428,146,832
Net profit, being total comprehensive income for the year	-	-	20,400,507	20,400,507
Dividend paid	-	-	(4,516,129)	(4,516,129)
Balances at 31 October 2022	129,189,757	56,070,657	258,770,796	444,031,210
Net profit, being total comprehensive income for the year	-	-	(98,230,606)	(98,230,606)
Dividend paid	-	-	(3,225,807)	(3,225,807)
Balance at 31 October 2023	129,189,757	56,070,657	157,314,383	342,574,797

CAC 2000 Limited

Statement of Cash Flows

Year ended 31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 \$	2022 \$
Cash Flows from Operating Activities			
Net profit		(98,230,606)	20,400,507
Adjustments for:			
Taxation	23	(14,274,204)	820,999
Amortisation- intangible assets	5	2,119,513	1,811,878
Depreciation – property, plant & equipment	4	2,332,868	9,381,163
Depreciation – right of use assets	6	17,937,458	16,728,196
Loss/(gain) on disposal of property, plant & equipment		704,196	-
Unrealised loss on financial assets at fair value through profit and loss		(189,835)	(315,163)
Movement in expected credit loss	9	18,167,284	(5,929,315)
Net foreign exchange losses		1,029,179	2,715,972
Finance costs	22	47,918,485	34,135,284
Interest income		(247,170)	(55,082)
		<u>(22,732,832)</u>	<u>79,694,439</u>
Changes in operating assets and liabilities:			
Inventories		(34,967,442)	(114,562,994)
Trade and other receivables		(29,451,534)	266,560,820
Trade and other payables		188,014,568	(303,020,779)
Due from related parties		<u>(1,875,321)</u>	<u>(10,153,792)</u>
Cash provided by / (used in) operations		98,987,439	(81,482,306)
Tax paid		<u>(2,256,633)</u>	<u>(12,688,515)</u>
Net cash provided by/ (used in) operating activities		<u>96,730,806</u>	<u>(94,170,821)</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	4	(281,938)	(15,866,976)
Proceeds from disposal of property, plant and equipment		3,060,000	(2,327,912)
Investment in securities		59,912	(3,254,513)
Interest received		<u>247,170</u>	<u>55,082</u>
Net cash provided by / (used in) investing activities		<u>3,085,144</u>	<u>(21,394,319)</u>
Net cash flows (used in)/provided by operating and investing activities brought forward to page 5		<u>99,815,950</u>	<u>(115,565,140)</u>

CAC 2000 Limited

Statement of Cash Flows (Continued)

Year ended 31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 \$	2022 \$
Net cash flows (used in)/provided by operating and investing activities brought forward from page 4		99,815,950	(115,565,140)
Cash Flows from Financing Activities			
Repayment of bank loans		(462,111,415)	(158,894,982)
Proceeds from bank loans		434,000,000	317,995,000
Lease liabilities		(15,542,186)	(10,168,632)
Interest paid		(47,918,485)	(34,135,284)
Dividends paid to non-controlling interests in subsidiaries		(3,225,806)	(4,516,129)
Related parties, net		(3,345,199)	(23,221,454)
Net cash provided by(used in) financing activities		(98,143,091)	87,058,519
Net decrease in cash and cash equivalents		1,672,859	(28,506,621)
Effects of exchange rate changes on cash and cash equivalents		(365,809)	(1,268,377)
Cash and cash equivalents at beginning of year		74,631,083	104,406,081
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	<u>75,938,133</u>	<u>74,631,083</u>

CAC 2000 Limited

Notes to the Financial Statements

31 October 2023

(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:

Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on, IFRS 9 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022).

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to, IFRS 9, 'Financial instruments' and the illustrative examples accompanying IFRS 16, 'Leases'.

CAC 2000 Limited

Notes to the Financial Statements

31 October 2023

(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)

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:

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities, (effective for annual periods beginning on or after 1 January 2024). Amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, 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 (for example, the receipt of a waiver or a breach of covenant).

The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Company is currently assessing the impact of this amendment.

Amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Company is currently assessing the impact of this amendment.

Amendment to IAS 12 – deferred tax relates to assets and liabilities arising from a single transaction. (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Company is currently assessing the impact of this amendment.

Amendment to IAS 16- Leases on sales and leaseback (effective for annual periods beginning on or after 1 January 2024). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The Company is currently assessing the impact of this amendment.

CAC 2000 Limited

Notes to the Financial Statements

31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Property, plant and equipment

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

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

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

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

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

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

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

(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 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).

CAC 2000 Limited

Notes to the Financial Statements

31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Impairment of tangible assets

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

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

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

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

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

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.

CAC 2000 Limited

Notes to the Financial Statements

31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Financial instruments (continued)

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.

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.

CAC 2000 Limited

Notes to the Financial Statements

31 October 2023

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(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.

(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.

CAC 2000 Limited

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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(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 2022, 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

CAC 2000 Limited

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2. Significant Accounting Policies (Continued)

(n) 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.

CAC 2000 Limited

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2. Significant Accounting Policies (Continued)

(o) Leases (continued)

Accounting policy applied prior to 1 November 2022

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.

(p) Accounts payable

Trade and other payables are measured at amortised cost.

(q) 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.

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2. Significant Accounting Policies (Continued)

(r) 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.

(s) 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.

(t) 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.

CAC 2000 Limited

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2. Significant Accounting Policies (Continued)

(u) 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 2023, 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 or 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.

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2. Significant Accounting Policies (Continued)

(v) 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.

(w) 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.

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2. Significant Accounting Policies (Continued)

(x) 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.

(y) Dividends

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

(z) 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.

(aa) 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.

(ab) 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.

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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 2021	23,955,566	17,039,260	5,985,042	33,383,403	50,881,573	131,244,844
Additions	-	-	237,776	-	15,629,200	15,866,976
31 October 2022	23,955,566	17,039,260	6,222,818	33,383,403	66,510,773	147,111,820
Additions	-	93,996	187,942	-	-	281,938
31 October 2023	-	-	-	-	(3,764,196)	(3,764,196)
	23,955,566	17,133,256	6,410,760	33,383,403	62,746,577	143,629,562
Accumulated Depreciation -						
1 November 2021	23,955,566	7,071,608	3,681,822	32,395,060	45,701,947	112,806,003
Charge for the year	-	1,810,332	267,580	732,856	6,570,395	9,381,163
31 October 2022	23,955,566	8,881,940	3,949,402	33,127,916	52,272,342	122,187,166
Charge for the year	-	1,538,766	264,879	213,973	315,250	2,332,868
31 October 2023	23,955,566	10,420,706	4,214,281	33,341,889	52,587,592	124,520,034
Net Book Values -						
31 October 2023	-	6,712,550	2,196,479	41,514	10,158,985	19,109,528
31 October 2022	-	8,157,320	2,273,416	255,487	14,238,431	24,924,654

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Notes to the Financial Statements

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4. Property, Plant and Equipment (Continued)

The Company leases various motor vehicles under non-cancellable lease agreements (Note 14). The lease terms are four years. At year end, the net book value of motor vehicles acquired under finance leases was \$nil.

5. Intangible Assets

	Software
	\$
At Cost-	
31 October 2022	6,359,173
31 October 2023	<u>6,359,173</u>
Amortisation -	
31 October 2022	2,595,656
Additions	<u>2,119,513</u>
31 October 2023	<u>4,715,169</u>
Net Book Values -	
31 October 2023	<u>1,644,004</u>
31 October 2022	<u>3,763,517</u>

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 2022	<u>89,798,174</u>
Additions	<u>14,511,145</u>
31 October 2023	<u>104,309,319</u>
Accumulated Depreciation -	
1 November 2022	<u>28,461,456</u>
Additions	<u>17,937,458</u>
31 October 2023	<u>46,398,914</u>
Net Book Values -	
31 October 2023	<u>57,910,405</u>
31 October 2022	<u>61,336,718</u>

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:

	2023 \$	2022 \$
Asset as at 1 November 2022	7,392,968	3,368,475
Credited to the statement of comprehensive income	14,274,204	4,024,493
Asset as at 31 October 2023	<u>21,667,172</u>	<u>7,392,968</u>

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

	2023 \$	2022 \$
Deferred tax assets		
Unrealised foreign exchange losses	149,137	261,098
Property, plant and equipment	3,689,057	3,794,008
Lease liabilities	1,745,832	1,446,423
IFRS 9 ECL provision	-	1,016,984
Statutory loss	15,089,105	
Other	3,264,953	874,455
	<u>23,938,084</u>	<u>7,392,968</u>
Deferred tax liabilities		
IFRS 9 ECL provision	(2,270,912)	-
	<u>(2,270,912)</u>	<u>7,392,968</u>
Net deferred tax assets	<u>21,667,172</u>	<u>7,392,968</u>

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

	2023 \$	2022 \$
Unrealised foreign exchange losses	(217,257)	1,485,182
Property, plant and equipment	(858,962)	581,936
Lease liabilities	299,409	819,947
IFRS 9 ECL provision	(3,315,062)	1,044,151
Statutory loss	15,089,105	-
Other	3,276,971	93,277
	<u>14,274,204</u>	<u>4,024,493</u>

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7. Deferred taxation (continued)

The amounts shown in the balance sheet include the following:

	2023	2022
	\$	\$
Deferred tax assets to be recovered after more than 12 months	<u>10,869,777</u>	<u>7,746,164</u>

8. Inventories

	2023	2022
	\$	\$
Merchandise/equipment	103,133,794	109,912,152
Work-in-progress	293,549,612	276,109,321
Service supplies/parts	145,044,759	163,551,124
Goods in transit	<u>86,427,631</u>	<u>43,615,757</u>
	628,155,796	593,188,354
Provision for obsolescence	<u>(14,754,962)</u>	<u>(14,754,962)</u>
	<u>613,400,834</u>	<u>578,433,392</u>

The cost of inventories recognised as cost of sales during the year was \$531,615,469 (2022 - \$618,658,072).

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9. Trade and Other Receivables

	2023 \$	2022 \$
Trade receivables	470,881,496	507,513,080
Less: expected credit loss	<u>(45,350,435)</u>	<u>(63,517,720)</u>
	425,531,061	443,995,360
Other receivables	52,718,551	28,077,523
Prepayments	<u>13,837,951</u>	<u>8,636,002</u>
	<u>492,087,563</u>	<u>480,708,885</u>

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 (2022 - \$39,606,496) in relation to this venture.

Contract assets

Included in trade receivables are contract assets totaling \$nil. 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:

	2023		
	Gross Carrying Amount \$	Expected Credit Loss Rate	Expected Credit Loss \$
0-30 days	95,286,982	4%	4,167,529
31-60 days	24,213,601	10%	2,425,419
61-180 days	11,979,852	26%	3,135,286
More than 180 days	<u>339,401,061</u>	10%	<u>35,622,202</u>
	<u>470,881,496</u>		<u>45,350,436</u>

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9. Trade and Other Receivables (Continued)

Ageing of trade receivables (continued)

	2022		
	Gross Carrying Amount	Expected Credit Loss Rate	Expected Credit Loss
	\$		\$
0-30 days	110,499,346	2%	2,451,940
31-60 days	56,170,464	7%	3,891,261
61-180 days	43,584,761	20%	8,603,288
More than 180 days	297,258,509	16%	48,571,231
	<u>507,513,080</u>		<u>63,517,720</u>

Movement in expected credit loss

	2023	2022
	\$	\$
Opening loss allowance as at 1 November	63,517,720	69,447,035
Increase/(Decrease) in expected credit loss recognised in income statement	(18,167,284)	(5,929,315)
Bad debt recovered	-	-
Bad debt written off	-	-
Closing loss allowance as at 31 October	<u>45,350,436</u>	<u>63,517,720</u>

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.

	2023	2022
	\$	\$
Cash on hand and in bank	43,611,230	43,012,194
Deposits	<u>32,326,903</u>	<u>31,618,889</u>
	<u>75,938,133</u>	<u>74,631,083</u>

Cash and cash equivalents are denominated in the following currencies:

	2023	2022
	\$	\$
Jamaican dollars	47,916,170	46,253,716
US dollars	27,035,204	27,432,846
Other	<u>986,759</u>	<u>944,521</u>
	<u>75,938,133</u>	<u>74,631,083</u>

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

	2023	2022
	%	%
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	<u>0.19</u>	<u>0.19</u>

CAC 2000 Limited

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11. Share Capital

	2023 No.	2022 No.
Authorised in shares -		
Ordinary units of no-par value	200,000,000	200,000,000
Fixed and variable rate cumulative redeemable preference shares	<u>350,000,000</u>	<u>350,000,000</u>
	2023	2022
	\$	\$
Issued and fully paid as stock units -		
129,032,258 ordinary units (2022 - 129,032,258)	138,773,634	138,773,634
Less: Share issue costs	<u>(9,583,877)</u>	<u>(9,583,877)</u>
	129,189,757	129,189,757
125,000,000 fixed and variable rate cumulative redeemable preference shares (2022 - 200,000,000)	<u>250,000,000</u>	<u>200,000,000</u>
	379,189,757	329,189,757
Less: Redeemable preference shares classified as liability (Note 13)	<u>(250,000,000)</u>	<u>(200,000,000)</u>
	<u>129,189,757</u>	<u>129,189,757</u>

12. Capital Redemption Reserve

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

13. Borrowings

	2023 \$	2022 \$
(i) Redeemable preference shares	250,000,000	200,000,000
(ii) Bank of Nova Scotia Jamaica Limited	13,901,429	18,929,009
(iii) Bank of Nova Scotia Jamaica Limited	<u>71,916,164</u>	<u>145,000,000</u>
	<u>335,817,593</u>	<u>363,929,009</u>
Current portion of borrowings	76,943,744	350,027,580
Non-current portion of borrowings	<u>258,873,849</u>	<u>13,901,429</u>
	<u>335,817,593</u>	<u>363,929,009</u>

CAC 2000 Limited

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13. Borrowings (Continued)

(i) Redeemable preference shares

	\$
Balance at 1 November 2017	148,037,000
Redemption of preference shares	<u>(148,037,000)</u>
	-
Proceeds from issue of redeemable preference shares	<u>250,000,000</u>
Balance at 31 October 2023	<u><u>250,000,000</u></u>

In 2021, 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.

In 2023, \$350,000,000 fixed and variable rate redeemable preference shares were re-authorized with an issue price of \$2 per share. Of this \$125,000,000 (2022 - 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, 2026 and the Company is obliged to pay holders of redeemable preference shares dividends of 13% percent per annum 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 6.95% and 7.99% 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 6.95% - 10.5% per annum. The loan is secured by term deposits held at other financial institutions totaling \$43mil (2022 - \$43mil).

CAC 2000 Limited

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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 2021	83,076,734	4,828,991	200,000,000	287,905,725
Acquisition	-	317,995,000	-	317,995,000
Repayment	(10,168,632)	(158,894,982)	-	(169,063,614)
Interest charged	7,711,663	7,740,146	18,683,475	34,135,284
Interest paid	(7,711,663)	(7,740,146)	(18,683,475)	(34,135,284)
Net debt as at 31 October 2022	<u>72,908,102</u>	<u>163,929,009</u>	<u>200,000,000</u>	<u>436,837,111</u>
Net debt as at 1 November 2022	72,908,102	163,929,009	200,000,000	436,837,111
Acquisition	14,511,145	184,000,000	250,000,000	448,511,145
Repayment	(15,542,186)	(262,111,416)	(200,000,000)	(477,653,602)
Interest charged	10,876,091	9,511,169	27,531,225	47,918,485
Interest paid	(10,876,091)	(9,511,169)	(27,531,225)	(47,918,485)
Net debt as at 31 October 2023	<u>71,877,061</u>	<u>85,817,593</u>	<u>250,000,000</u>	<u>407,694,654</u>

14. Lease Liabilities

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

	2023 \$	2022 \$
Minimum lease payments under finance lease		
Not later than 1 year	29,195,891	21,927,996
Later than 1 year and not later than 5 years	<u>53,160,423</u>	<u>66,630,911</u>
	82,356,314	88,558,907
Future interest payments	<u>(10,479,253)</u>	<u>(15,650,805)</u>
Present value of finance lease obligations	<u>71,877,061</u>	<u>72,908,102</u>

CAC 2000 Limited

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14. Lease Liabilities (Continued)

The present value of the lease obligations is as follows:

	2023	2022
	\$	\$
Current	19,836,705	15,383,031
Non-current	<u>52,040,356</u>	<u>57,525,071</u>
	<u><u>71,877,061</u></u>	<u><u>72,908,102</u></u>

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 4).

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

	2023	2022
	\$	\$
Interest expense (included in finance cost)	10,876,091	7,711,664
Expense relating to short-term leases (included in administrative expenses)	<u>2,685,959</u>	<u>1,246,121</u>

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:

	2023	2022
	\$	\$
Amounts due from related parties -		
Cool Airco Limited	7,111,011	7,111,011
CAC Foundation	6,796,821	6,606,821
ENRVATE	<u>6,504,099</u>	<u>4,818,778</u>
	<u>20,411,931</u>	<u>18,536,610</u>
Amounts due to related parties -		
Cool Airco Limited	25,969,235	32,344,674
CAC Foundation	3,000,000	-
ENRVATE	<u>30,240</u>	<u>-</u>
	<u>28,999,475</u>	<u>32,344,674</u>
Net liabilities	<u><u>(8,587,544)</u></u>	<u><u>(13,808,064)</u></u>

CAC 2000 Limited

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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:

	2023	2022
	\$	\$
Purchases - Cool Airco Limited	(8,236,899)	(71,772,439)
Administrative fees paid - Cool Airco Limited	<u>(16,195,907)</u>	<u>(40,023,702)</u>

- (c) Key management personnel compensation is as follows:

	2023	2022
	\$	\$
Salaries	39,836,802	45,366,837
Statutory contributions	13,843,764	7,611,859
Pension	<u>555,000</u>	<u>735,000</u>
	<u>54,235,566</u>	<u>53,713,696</u>
Directors' emoluments- Fees	<u>2,262,500</u>	<u>2,025,000</u>

16. Trade and Other Payables

	2023	2022
	\$	\$
Trade payable	132,916,807	108,003,586
Customer deposits	248,427,796	122,215,156
Statutory contributions	4,539,034	4,148,148
Accruals	64,306,323	55,066,360
Other	<u>95,049,103</u>	<u>66,487,685</u>
	<u>545,239,063</u>	<u>355,920,935</u>

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 26 outlining revenue by segments.

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18. Expenses by Nature

Total distribution and administration expenses

	2023	2022
	\$	\$
Directors fees	3,982,813	4,429,167
Staff costs (Note 17)	190,904,760	219,192,894
Audit fees	5,342,544	6,330,544
Expected credit loss, net	(18,167,284)	(5,929,316)
Amortisation-intangible asset (Note 5)	2,119,513	1,811,879
Depreciation – property, plant & equipment (Note 4)	2,332,868	9,381,163
Depreciation – right-of-use assets (Note 6)	17,937,458	16,728,196
Legal and professional fees	30,711,048	63,223,582
Promotion, advertising and entertainment	2,060,713	5,438,489
Repairs and maintenance of property, plant and equipment	21,791,544	13,132,905
Insurance	21,186,685	19,714,078
Occupancy, utilities and communication	13,606,616	16,182,337
Local and foreign travel	3,615,128	1,242,764
Office supplies and computer	9,839,448	18,044,836
Security service	5,723,178	5,531,846
Dues and subscriptions	4,070,353	4,536,027
Donations	25,000	-
Other	19,194,632	11,663,815
	<u>336,277,017</u>	<u>410,655,206</u>

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19. Staff Costs

	2023	2022
	\$	\$
Administrative expenses -		
Salaries and wages	148,220,501	158,415,007
Statutory contributions	19,553,934	20,150,335
Pension	950,345	1,158,297
Other	<u>15,789,769</u>	<u>27,294,744</u>
	184,514,549	207,018,383
Selling and distribution -		
Salaries and wages	1,367,807	5,397,601
Commission	4,063,027	4,862,422
Statutory contributions	-	692,564
Pension	-	52,501
Other	<u>959,377</u>	<u>1,169,423</u>
	<u>6,390,211</u>	<u>12,174,511</u>
	<u>190,904,760</u>	<u>219,192,894</u>
Directors remuneration (Note 15)	54,235,566	53,713,696
Staff costs	<u>136,669,194</u>	<u>165,479,198</u>
	<u>190,904,760</u>	<u>219,192,894</u>

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 \$950,345 (2022 - \$1,210,798).

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21. Other Income

	2023	2022
	\$	\$
(Loss)/Gain on disposal of property, plant and equipment	(704,195)	-
Other	124,065	34,851,807
	<u>(580,130)</u>	<u>34,851,807</u>

Other income includes profit share of Barbuda Project of \$nil (2022 – \$29,312,955)

22. Finance Costs

	2023	2022
	\$	\$
Interest on -		
Bank loans	20,480,751	7,740,146
Finance lease	10,876,091	7,711,663
Interest on redeemable preference share	16,561,644	18,683,475
Other	2,328,475	(406,980)
	<u>50,246,961</u>	<u>33,728,304</u>

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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	2023	2022
Current tax	\$	\$
Current tax on profits for the year	-	4,845,492
Total current tax expense	<u>-</u>	<u>4,845,492</u>
Deferred income tax		
Decrease/(increase) in deferred tax assets	<u>(14,274,204)</u>	<u>(4,024,493)</u>
Total deferred tax expense/(benefit)	<u>(14,274,204)</u>	<u>(4,024,493)</u>
Income tax expense	<u>(14,274,204)</u>	<u>820,999</u>

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

	2023	2022
	\$	\$
Profit before taxation	<u>(112,504,810)</u>	<u>21,221,506</u>
Tax calculated at a rate of 25%	(28,126,203)	5,305,377
Effect of:		
Effect of excess depreciation over capital allowances	7,378,113	1,054,932
Expenses disallowed	7,567,340	1,897,004
Income and other gains not subject to tax	(298,273)	(531,798)
Other adjustments	<u>(795,181)</u>	<u>(2,059,024)</u>
	(14,274,204)	5,666,491
Adjustment for the effect of tax remission	<u>-</u>	<u>(4,845,492)</u>
	<u>(14,274,204)</u>	<u>820,999</u>

Subject to agreement with Tax Administration Jamaica, the Company has tax losses carried forward of \$120,712,842 (2022 – nil)

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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.

	2023	2022
Net profit attributable to shareholders (\$)	(98,230,606)	20,400,507
Weighted average number ordinary stock units in issue	129,032,258	129,032,258
Basic and diluted earnings per stock unit (\$)	<u>(0.76)</u>	<u>0.16</u>

25. Investment in Joint Ventures

Set out below are the associates and joint ventures of the group as at 31 October 2023 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	
		2023	2022			2023	2022	2023	2022
		%	%			\$	\$	\$	\$
EnRvate Limited	Jamaica	50	50	Joint Venture	Equity Method	5,000,000	5,000,000	5,000,000	5,000,000
Total equity-accounted investments								5,000,000	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.

The joint venture has not commence operation to date and as such has not incurred and income or expenditure.

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

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25. Investment in Joint Ventures (continued)Summarised statement of financial position

	2022 and 2023 \$
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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27. 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:

	2023		2022	
	US\$	GBP	US\$	GBP
Cash and deposits	27,035,204	986,759	27,432,846	944,521
Trade and other receivables	-	-	-	-
Due (to)/from related parties	(18,858,224)	-	7,111,011	-
Trade and other payables	<u>(130,162,285)</u>	-	<u>(85,205,700)</u>	-
Net exposure	<u>(121,985,305)</u>	<u>986,759</u>	<u>(50,661,843)</u>	<u>944,521</u>

CAC 2000 Limited

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27. 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:

	<u>US\$</u>	<u>GBP</u>
At October 31, 2023	156.08	189.01
At October 31, 2022	154.13	176.96

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 4% devaluation and 1% revaluation (2022 – 4% devaluation, 1% 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 2023 %	Effect on Profit before Tax 2023 \$'000	Change in Currency Rate 2022 %	Effect on Profit before Tax 2022 \$'000
Currency:				
USD	1%	1,219,853	1%	506,618
USD	-4%	(4,879,412)	-4%	(2,026,474)
GBP	1%	9,868	1%	9,445
GBP	-4%	(39,470)	-4%	(37,781)

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.

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27. 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	
	2023	2022
	\$	\$
Fixed rate instruments		
Financial assets	32,326,903	31,618,887
Financial liabilities	<u>(157,694,655)</u>	<u>(236,837,111)</u>
	<u>(125,367,752)</u>	<u>(205,218,224)</u>
Variable rate instrument		
Financial liability	<u>(250,000,000)</u>	<u>(200,000,000)</u>
	<u>(375,367,752)</u>	<u>(405,218,224)</u>

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27. 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 25 (2022 - 150) 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 2022.

	2023		2022	
	Effect on Profit before Tax		Effect on Profit before Tax	
	200bp Increase	50bp Decrease	100bp Increase	100bp decrease
Cash flow sensitivity	1,250,000	625,000	4,000,000	1,000,000

(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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27. 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.

	2023				
	Carrying amount	Contractual cash flows	0 - 12 Months	1 - 2 years	2 - 5 years
	\$	\$	\$	\$	\$
Trade and other payables	460,973,020	460,973,020	460,973,020		
Due to related parties	28,999,475	28,999,475	28,999,475		
Borrowings	335,817,593	428,678,749	112,737,439	42,717,026	273,224,284
Lease liabilities	71,877,061	83,122,743	25,974,572	53,015,941	4,132,230
	897,667,149	1,001,773,987	628,684,506	95,732,967	277,356,514

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27. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

	2022				
	Carrying amount	Contractual cash flows	0 - 12 Months	1 – 2 years	2 – 5 years
	\$	\$	\$	\$	\$
Trade and other payables	296,706,428	296,706,428	296,706,428	-	-
Due to related parties	32,344,674	32,344,674	32,344,674	-	-
Borrowings	363,929,009	369,066,954	367,534,037	769,345	763,572
Lease liabilities	72,908,102	88,558,907	21,927,996	23,572,595	43,058,316
	<u>765,888,213</u>	<u>786,676,963</u>	<u>718,513,135</u>	<u>24,341,940</u>	<u>43,821,888</u>

(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 2022.

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28. 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.