CAC2000

2016 ANNUAL REPORT

CONTENTS

“Sometimes in the waves of change, we find our true direction.”

VISION

Redefining indoor quality and comfort.

MISSION

Engineering air-conditioning and energy alternatives to provide a more comfortable, productive and healthy indoor environment.

BEHAVIOURAL GOALS

Respect:
Speak positively of our team-mates, clients and our company in both public and private forums. Respect that others do not need to share our opinions but that they are entitled to share them and they are not necessarily wrong.

Team work:
We recognize that the performance of an effective team can far exceed that of our best individual.

Commitment:
Always taking a professional, consistent and disciplined approach to our work and understanding that we are each accountable for what we do.

VALUES

Problem resolution:
We will assess, design, build and maintain solutions that solve the issues of our customer's comfort, controls or healthy indoor environment needs.

Technical expertise/ experience:
We will use our experience and highly developed technical skills along with innovative approaches to analyze and propose options for our customers.

Integrity:
We will not take short-cuts or practice any deceptive business strategies.

ASPIRATIONAL GOALS

Excellence:
We always strive to be, and do, the best that we can while continually exploring how to improve .

Innovation:
We always focus on learning and testing new ideas/products.

Accuracy:
We try to get it right the first time.

Enthusiasm:
Our lives are a journey to be enjoyed and appreciated and we will create an area of fun around ourselves.

Life balance:
We will not let our work dominate our lives and will make quality time for self, family and our community.

Mechanical, Electrical & Plumbing Engineering Expertise

MELIA HOTEL AT BRACO:

Melia Braco is a 264-room hotel and the first major hotel in Jamaica that has a state-of-the-art variable refrigerant flow (VRF) system installed. The VRF system is the most energy efficient system on the local market, offering industry leading controls, extended warranties and full local support by the first world standard technical team at CAC.

- Supply and installation of VRF systems for the 14 room blocks (23 systems)
- MEP work (joint venture with Inica – materials purchased by NIF)
- Supply and installation of VRF systems for buildings in public areas (8 systems)
- Installation of buried water pipelines (cold, hot, treated, fire and irrigation)
- Installation of high/low voltage electrical, wifi and lighting systems
- Installation of pool equipment
- Installation of hot water and treatment plant
- Installation of irrigation pumps, sprinklers and controls
- Installation of fire detection and protection system

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 2017 Annual General Meeting of CAC 2000 Limited ("the Company") will be held on Thursday, March 9, 2017 at 3:00 p.m. at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 for the following purposes:

1. To consider the Company's Accounts and the Reports of the Directors and the Auditors for the year ended October 31st, 2016 and to consider and (if thought fit) pass the following resolution:

   Resolution No. 1 "That the Directors' Report, the Auditor's Report and the Statements of Account of the Company for the year ended October 31st, 2016 be approved."

2. To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors. To consider and (if thought fit) pass the following resolution:

   Resolution No. 2 "That KPMG, Chartered Accountants be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

3. To approve dividend: To consider and (if thought fit) pass the following resolution:

   Resolution No. 3 "That a dividend of $0.17c per stock unit payable on July 8, 2016 to the ordinary stock holders on record as at June 27, 2016 be and is hereby approved."

4. All Directors, Mr. Colin Roberts, Mr. Andrew Cocking, Mrs Gia Abraham, Ms. Annette Morrison, Mr. Edward Alexander, and Mr. Steven Marston shall retire from office pursuant to Articles 102 and 108 of the Articles of Incorporation, and being eligible offer themselves for re-election. To consider and (if thought fit) pass the following resolutions:

   Resolution No. 4 To approve the election and re-election of Directors recommended for appointment to the Board of Directors of the Company. To consider and (if thought fit) pass the following resolutions:

   a. "That retiring Director Colin Roberts be and is hereby re-elected a Director of the Company."
   b. "That retiring Director Gia Abraham be and is hereby re-elected a Director of the Company."
   c. "That retiring Director Annette Morrison be and is hereby re-elected a Director of the Company."
   d. "That retiring Director Andrew Cocking be and is hereby re-elected a Director of the Company."
   e. That retiring Director Edward Alexander be and is hereby re-elected a Director of the Company."
   f. "That retiring Director Steven Marston be and is hereby re-elected a Director of the Company."

5. Special Business: To consider and if though fit pass the following ordinary resolution:

   "That pursuant to section 148 of the Articles of Incorporation of the company, the Shareholders agree to accept Notices or any document required to be sent by the company in Electronic Format."

BY ORDER OF THE BOARD OF DIRECTORS

Mrs. Gia Abraham
Secretary

Dated this 12th day of January 2017

Note: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A special Resolution requires a three quarter majority vote of the members and will be filed with the Companies Office of Jamaica.

"We recorded our highest ever revenues, passing the billion-dollar mark ($1,017,610,974) – a growth of 16% over last year."

Steven Marston, *Chairman & CEO*

CHAIRMAN & CEO'S MESSAGE

The year started positively with CAC being listed on the Junior Market of the Jamaica Stock Exchange with a historical double listing, but ended with a major surprise as the Supreme Court issuing a ruling against CAC for a lawsuit that commenced in 2003. We recorded our highest ever revenues, passing the billion-dollar mark ($1,017,610,974) – a growth of 16% over last year.

One important note is that the previous financial year was a 15-month year as we changed our financial year-end to October 31. For the year on year comparisons below, we used unaudited accounts for the comparable period last year. For completeness, the table below compares current year with both the 12-month unaudited and 15-month audited results for last year.

Our gross profit was $410,083,480 - a growth of 25% over last year. Gross profit combined with other income increased by 20%.

Expected challenges

One of our expected challenges was coping with the increased volume of work and we budgeted for a sizeable increase in our resources with the result that our operating expenses increased to $287,354,830 or 28% more than last year.

Finance costs reduced significantly to $7,400,718 (down by 43%) mostly due to gains in foreign exchange which countered interest (with rates currently at 8.44%) on the preference shares.

Profit before tax increased to $115,497,343 or by 10% vs. last year but, after the full provision of the $104,181,618 for the judgement our profit before tax fell to $11,315,725. Taxation was also reduced (because of the listing) and profit after tax ended up at $10,469,979 or $0.08 per stock unit.

We have already paid the damages and loss of profit for the Xray judgement but have filed an appeal as we intend to challenge both the term (13 years awarded despite the claimant being back in operation with new equipment in less than 6 months) and the unrealistic interest rates (9.25% on US$ and 14.13% on J$ portions) awarded to the claimant.

Strive to be better

With Excellence as an aspirational goal we continue to strive to be better today than we were yesterday. As such we have invested not only in the technical and engineering training necessary to keep our team current and relevant, but also in our business management with Action Coach and sales training through Value Selling Associates. This year we are proud to be finalists in four categories in the Sales and Customer Service Stevie awards:

- Business Development Executive of the Year, Steven Marston
- Businses Development Achievement of the Year - Services Industries
- Business Development Achievement of the Year - All Other Industries
- Sales Distinction of the Year - Services

This is particularly exciting because we are the first Caribbean company in our industry to make it to the finals and we have already outperformed the two previous Caribbean winners! The Stevie Awards competitions receive more than 10,000 entries each year from organizations in more than 60 nations. Honoring organizations of all types and sizes and

CAC handled all Mechanical, Electrical and Plumbing engineering for the Melia project.

Summary of Financial results

	12 months Oct 2016	12 months unaudited comparatives Oct 2016	15 months Oct 2015	12 months comparatives % change	15 months comparatives % change
Revenue	1,017,610,974	877,392,531	1,079,253,336	16%	- 6%
Gross Profit	410,083,480	329,146,042	358,281,647	25%	14%
Other Income	169,411	12,872,576	13,925,137	- 99%	-99%
Selling, distribution & admin expenses	(287,354,830)	(224,415,432)	(266,690,190)	28%	8%
Court awarded damages	(104,181,618)	0	0		
Finance Costs	(7,400,718)	(12,929,564)	(20,319,225)	- 43%	- 64%
Profit before tax	11,315,725	104,673,622	84,801,625	- 89%	- 87%

the people behind them, the Stevies recognize outstanding performances in the workplace worldwide.

Our Teams continue to strive for success, exceeding the expectations presented. Their sound engineering capabilities and dedication to CAC is seen daily. For this I commend and appreciate them.

New opportunities

We continue to see new opportunities in the 2016/17 financial year and, we are anticipating an even more successful year with our focus on quickly building back our cash reserves (to facilitate working capital and further growth) along with some initiatives to improve our operational efficiencies – these are expected to improve our best in class service and delivery of engineered air-conditioning and energy solutions to our customers.

Steven Marston
Chairman and CEO

20%

Increase in Gross profit and other income

10%

Increase in Profit before tax (excluding damages)

Hybrid Systems

PROJECT: MEGA MART, MONTEGO BAY:

Converted the existing system, with minimal disruption, to a hybrid system by blending existing (conventional) internal equipment) with new VRF condensers and upgraded controls. This increased efficiency and reduced electricity and water usage.

The Company and its History

CAC 2000 Limited is a succession of a number of businesses starting with Webster's Engineering in the late 1920's. In the mid-1960s, the ICD Group (formerly the Mechala Group) bought Conditionedair Corporation and merged it with another company to form Conditionedair and Associated Contractors, or "CAC" for short. CAC was later merged into the iconic "Homelectrix", which was a household brand in Jamaica for many years. When Homelectrix was sold in 1990s, the team of Steven Marston and Colin Roberts purchased 49% of the newly formed Conditionedair and Associated Contractors (CAC). On July 24th, 2000 the Company was incorporated, and the remaining 51% was purchased on August 18th, 2000, and that is the Genesis of the Company's name: "CAC 2000 Limited".

By virtue of the various iterations of the business, we have been the sole appointed representative for Carrier®, world leaders in air conditioning technology, in Jamaica for over eighty-four (84) years. Although the Company is predominantly a Carrier® dealer, we also offer other premium equipment brands such as Mitsubishi Electric®, LG®, Fujitsu® and CIAC® as well as both factory and generic parts.

Design, Install, Service

We are proud to be the only Carrier® Certified Service Provider in Jamaica, and are qualified to work on the most sophisticated Carrier® products in the Caribbean, and are authorized to design, install, service and offer factory warranties on the entire range of Carrier® equipment. CAC 2000 Limited is also the oldest surviving Carrier® air conditioning dealer outside of the United States. This is significant to note especially in light of the fact that Carrier® installed the very first commercial air-conditioning machine in 1926, and our predecessor company was appointed a Carrier® dealer in 1929.

In recent years we have expanded to offer other top brands and in particular LG®, and Mitsubishi Electric® and, by being able to offer our customers new brands and system solutions (particularly two world leading VRF and multi-split systems) we have managed to grow the installation and service business while investing further in technical development of our engineering and technical resources.

"We are committed to delivering comprehensive and innovative air-conditioning and energy saving solutions and services to the Jamaican market and the wider Caribbean region."

On the strength of the qualifications and experience of our management team, we are first and foremost an engineering company that specializes in applied air conditioning systems (chillers, cooling towers, pumps, air handling units and state of the art variable refrigeration flow (VRF) systems, to name a few) and pride ourselves on offering technical solutions and multiple options for our clients' needs, with a level of expertise and experience unmatched by any other company in Jamaica. In addition to being the leaders in providing air conditioning systems (HVAC), refrigeration and energy solutions, we have continuously maintained a respectable share of the residential market and are one of the few companies awarded Grade 1 contractors (HVAC) status in Jamaica (and also a Grade 1 Mechanical Works and Grade 3 Electrical Works).

Technical and engineering expertise

CAC 2000 Limited sells, services and supports some of the most sophisticated air conditioning systems ever designed and completed in Jamaica. Our technical and engineering expertise and experience sets us apart from the competition and can be seen throughout Jamaica in the large projects that we have designed, managed and implemented. Our reputation as the leader in engineering and technical services in the air conditioning industry is based on the expertise and experience of our in-house engineers and our Carrier® certified technicians, and is backed by the technical support staff and expertise of Carrier®, Mitsubishi Electric, LG® and Fujitsu®.

We are committed to delivering comprehensive and innovative air-conditioning and energy saving solutions and services to the Jamaican market and the wider Caribbean region.

Summary of Products and Services

PRODUCTS

CAC 2000 Limited offers some of the largest and most technologically advanced air-conditioning systems in Jamaica. Our products come with a best value guarantee, backed with factory warranties. We are long-time partners of Carrier®, LG, Mitsubishi Electric and Fujitsu® air-conditioning systems while also offering associated equipment from many other suppliers.

We pride ourselves on offering expert solutions to help our clients meet their air-conditioning and energy saving requirements. We sell a wide range of world-class air conditioning brands of equipment and parts including Carrier®, LG®, Mitsubishi Electric, Fujitsu®, Carlyle®, Honeywell®, Sanyo®, Emerson®, Mitsubishi Electric®, TopTech® and Fasson® among others.

OUR SERVICES

Our highly trained technical and support teams have a positive attitude and welcome every opportunity to better serve our clients. Our team delivers incomparable service, firmly positioning the Company as the industry leader in air-conditioning and energy efficiency service.

We strive to remain the service industry leader in Jamaica by fostering a team of employees and contractors who offer a world-class standard of technical services and expertise.

The Company's Carrier® certified technical team is ready and available to provide a wide range of Services such as:

- Installation of units
- Servicing of units
- Electrical installations and repairs
- Duct design, fabrication and installation
- Energy saving projects
- Building load analysis and energy usage simulation
- Economic comparisons of HVAC options
- Testing, adjusting and balancing
- Design assistance to consulting engineers, architects or customers
- Project engineering and design assistance
- Factory support
- Engineering, procurement and construction (design-build)

CUSTOMERS

The Company has an enviable list of customers and projects involving engineered solutions, product supply and servicing at various levels. Some of our top customers include:

- National Insurance Fund
- Xerox
- University of the West Indies (various)
- Bank of Nova Scotia Ja. Ltd.
- GraceKennedy & Co. Ltd.
- Victoria Mutual Building Society
- Jamaica National Building Society
- Kier Construction
- First Caribbean International Bank
- Megamart
- Pricesmart Jamaica
- Palace Amusement Cinemas
- Government of Jamaica (many Ministries and Executive Agencies)

Some of our recent or most notable projects include:

- The UWI Basic Medical Services Complex
- Moon Palace Hotel (formerly The Jamaica Grande Hotel)
- The Jamaica Pegasus Hotel
- The Petroleum Corporation of Jamaica
- The Jamaica Gleaner Company Ltd.
- J. Wray & Nephew Ltd.
- Pricesmart Jamaica
- Megamart (Waterloo Road & Montego Bay)
- Guardian Life
- Palace Amusement cinemas
- The Bank of Nova Scotia (various branches)
- First Caribbean International Bank (various branches)
- National Commercial Bank (various branches)
- Red Stripe
- Jamaica Flour Mills
- PricewaterhouseCoopers
- KPMG
- First Global Bank
- Creative Building Finishes
- Braco Hotel
- Iberostar Hotel (phase 1)
- UWI Law School
- Xerox Call Centres (various)
- Norman Manley International Airport

Technology

PROJECT: UNIVERSITY OF THE WEST INDIES, MONA CAMPUS, BASIC MEDICAL SCIENCE BUILDING

This is the most complex air conditioning system installed in the Caribbean and incudes unique equipment and four stage pumping systems (many variable speed with sophisticated controls) including:

• Dehumidifying air handling units (first ones in Jamaica)

• Chilled beams (first in Jamaica)

• Taco zone pumps (first commercial installation in the world)

• Complex chilled water system involving underground piping and multi-zone distribution in the two buildings

Buried chilled water pipeline
Supply and installation of the pipe and fixtures for a large diameter chilled water pipeline distributing chilled water from the UWI central plant to the Mona School of Business/Alastair McIntyre buildings, BMSC, Law School and Call Centre.

In many of these systems CAC was integrally involved in the design working closely with the engineering team and suppliers.

THE BOARD OF DIRECTORS

EXECUTIVE MEMBERS

Mr. Steven Marston,

B.Sc. (Environmental Engineering); M.Sc. (Energy Management and Policy), and Certificate Owner President Programme 38, Harvard Business School [appointed July 24th, 2000] Executive Director, Chairman and Chief Executive Officer

Steven Marston started his career as an Alternative Energy Engineer at the Ministry of Mining and Energy, changed jobs to become a Lead Engineer at PCJ Engineering Limited in 1985, later becoming the Managing Director of Enertech Limited and Conditionedair & Associated Contractors (then owned by the ICD Group) in 1990 and 1993, respectively. Part of his employment package involved an option to purchase 49% of the company which he exercised a few years later.

In 1996, Mr. Marston was appointed as Vice-President of the Development and Construction Division of the Mechala Group (now the ICD Group). In 2000, he completed a management buy-out of the remaining 51% of the shares of the company (renamed CAC 2000) and became the Chairman, Chief Executive Officer and majority beneficial owner. Since then he has lead it steadfastly to become the successful and profitable company that it is today having navigated the Company through many large-scale projects that it has undertaken over that period.

A highly qualified engineer and businessman who possesses exemplary project management and negotiation capabilities, Mr. Marston boasts the following qualifications and memberships:

- B.Sc. (1st class Hons) University of Strathclyde, Scotland (British Council Scholarship)
- M.Sc. University of Pennsylvania USA
- Certificate Owner President Programme 38, Harvard Business School
- Various courses at Harvard Business School including Driving performance through Talent Management and the Crossroads (2 year) programmes
- Registered Professional Engineer, Jamaica (P.E.)
- Chartered Engineer, U.K. (C.Eng.)
- Member, Jamaica Institution of Engineers (M.J.I.E.)
- Fellow, Institution of Mech. Engineers, U.K. (F.IMechE)
- Member, American Society for Heating Refrigeration and Air conditioning Engineers (MASHRAE)

He is also a Director of Triple Crown Sports in Fort Collins, Colorado.

Mr. Colin Roberts

B.Sc. (Hons.) (Electrical and Computer Engineering), MBA
[appointed July 24th, 2000]
Executive Director and Director – Sales and Engineering

Colin Roberts' career in engineering commenced in 1987 as Trainee and then District Engineer (Saint Catherine) at The Jamaica Public Service Company Limited.

In 1991, Mr. Roberts joined the Seprod Group of Companies in the capacity of Electrical Maintenance Engineer and Electrical Project Engineer. He later become the Maintenance Manager and Maintenance Director at LOJ Property Management Limited gaining substantial experience with design and maintenance of air conditioning and related systems in commercial buildings. In late 1993, he was invited to join Conditionedair & Associated Contractors (CAC) as a shareholder and its Technical Manager.

In 2000, Mr. Roberts joined Steven Marston in purchasing the remaining interest in CAC and forming CAC 2000 Ltd. and assumed the position of Chief Technical Officer and has recently become the Company's Director – Sales and Engineering.

Mr. Roberts manages the sales, estimations purchasing and execution of many of the Company's projects. He earned his B.Sc. (Hons) at University of the West Indies - St. Augustine Campus and his MBA from Nova University and has further honed these skills through the Key Executive Program at the Harvard Business School and Leadership Development course at Kellogg School of Management.

Ms. Gia Abraham

B.Sc. (Biology), Executive Director and
Director – Administration and Operations
[appointed June 28th, 2003]

Gia Abraham's career in Banking spans 15 years, in areas of investment, training and working as part of process development team for the conversion of Canadian Imperial Bank of Commerce (CIBC) region wide change out of their CRM system.

Ms. Abraham has been instrumental in driving software upgrades and improving systems and procedures of the company and plays a key role in managing all of the "back-office" processes of the company while handling treasury and foreign supplier payments. She is also in charge of the Service Department in Kingston and Montego Bay, and most recently head of the newly formed CAC 2000 Foundation.

She earned her BSc at the University of Toronto and has also participated in numerous executive development programmes at Harvard Business School including Key Executive, Leadership Development and Driving Performance through Talent Management.

Ms. Abraham is the Company Secretary.

Mr. Edward Alexander

B.Sc. and M.Sc.
[appointed October 3rd, 2012]
Independent Director

Edward (Teddy) Alexander is the founder and Chief Executive Officer of tTech Limited ("tTech"), Jamaica's first Managed IT Service Provider, and is a true visionary in the field of Information Technology.

This profoundly capable IT specialist and business executive established the tTech in 2006 after an illustrious eighteen (18) year career with GraceKennedy & Co. Limited, where he served as the company's Chief Information Officer. His distinguished career spans more than three (3) decades. During the 1980's he worked in the alternative energy field at the Ministry of Mining & Energy and the Petroleum Corporation of Jamaica before switching to the information technology field and assuming the position of Management Consultant at KPMG Peat Marwick & Partners. In 1988 he joined Grace Unisys as an Account Manager and it was here his passion for IT blossomed.

By 1993 he was given responsibility for information technology at GraceKennedy & Co. Ltd. and ushered in an era of innovation during his tenure. He left to form the tTech in 2006.

He holds a Masters of Science degree from the University of Pennsylvania and Bachelor of Science degree from the University of Windsor. In addition he has completed professional courses at the Harvard Business School and the University of Florida and is also a former President of the Jamaica Computer Society.

Mr. Alexander serves as the chairman of the IT Committee and as a member of the Audit and Compliance, and Salary and Compensation Committees.

Mr. Andrew Cocking

BSc. (Civil Engineering) and MSC (Management and Public Policy)
[appointed October 3rd, 2012]
Independent Director

Andrew Cocking, an engineer by profession, commenced a career in banking at Citibank, N.A. (Jamaica Branch) in 1985 as Product Manager – Treasury Products and subsequently became Manager – Account Office/Corporate Banking Group in 1987.

From 1987 to 1994 Mr. Cocking headed various senior management positions at Jamaica Citizens Bank, Manufacturers Merchant Bank, PanCaribbean Merchant Bank, Issa Trust & Merchant Bank in chronological order, which all eventually became absorbed into what is now Sagicor Bank Jamaica Limited.

In 1994 Mr. Cocking started the Capital & Credit Financial Group, along with other shareholders building the group to include a bank, a securities company, a remittance company, U.S. broker dealer, unit trust and stock brokerage. From 2001 to 2012, Mr. Cocking served as the President and Chief Executive Officer of the Capital & Credit Financial Group until he lead the said group in its merger with the JMMB Group creating a combined entity with assets of over US$1.7 billion and capital of US$160 million, with Financial Institutions in Jamaica, Trinidad & Tobago, Dominican Republic and the United States of America.

Mr. Cocking holds a B.Sc. in Civil Engineering from Howard University and a MSc. in Management and Public Policy from Carnegie Mellon University. Mr. Cocking is currently also a Director of the JMMB Group and was formerly a Director of Capital & Credit Financial Group Limited (formerly Capital & Credit Holdings Limited) and Capital & Credit Remittance Limited.

Mr. Cocking serves as Chairman of the Company's Audit Committee and as a member of the Company's Remuneration Committee.

Annette Morrison

B.Sc (Psychology and Management) and M.Sc. (Human Resource Management)
[appointed October 3rd, 2012]
Independent Director

Annette Morrison is a Human Resources Generalist with approximately twenty (20) years' experience in the manufacturing, retail and hospitality industries.

Before becoming Human Resources Business Partner to GraceKennedy & Co. Limited, a position which she has held since 2012, Ms. Morrison's career in Human Resources began as Human Resources Manager at the Wyndham Hotel, Kingston in 1992, until she became the Group Human Resources Manager at the Alkali Group of Companies in 1993. She went on to hold the position of Human Relations & Development Manager at J. Wray & Nephew Limited in 2000, Group Human Resources Manager at Caribbean Broilers Group of Companies in 2005, General Manager Human Resources and General Manager, Customer & Employee Experience, at Lascelles Limited in 2007 and 2011, respectively.

Quite apart from her numerous professional development experiences, Ms. Morrison is also a member of the Society for Human Resource Management, the Chartered Institute of Personnel & Development, the Human Resource Management Association of Jamaica, the University of the West Indies Mentorship programme, the Jamaica Employers' Federation and the Jamaican Institute of Management.

Ms. Morrison hold a B.Sc. in Psychology and Management (with honours) from the University of the West Indies and a M.Sc. in Human Resource Management from Florida International University.

Ms. Morrison serves as Chairman of the Company's Remuneration Committee and as a member of the Company's Audit Committee

Kerith Foster

BSc (Mechanical Engineering)
[appointed July 24th, 2000]
Independent Director

Mr. Foster holds a B.Sc. in Mechanical Engineering from the Saint Augustine Campus of the University of the West Indies. He has also been a Member of the Institute of Engineers of Jamaica (MIEJ) since 1981.

Mr. Foster has a varied and wide engineering experience starting with Rail Transportation, holding several senior positions during his seventeen (17) year tenure with the Railway Corporation of Jamaica, such as Chief Engineer and General Manager, reporting to the Chairman of the Board from 1978 to 1985 and 1985 -1988, respectively. He joined the staff of the Matrix Group of Companies and has been the Managing Director since 1998. In this capacity he has supervised the design, construction and erection of several of the country's civil engineering infrastructure.

He serves as a Director of Matrix Engineering Works Limited and several other companies of that Group.

EXECUTIVE TEAM

The Company has an effective, progressive-thinking and decisive management team and continuous training (especially technical) is a part of our culture. We are first and foremost an engineering lead company with a passion for providing solutions for our clients' air related issues using the most cost effective and technologically advanced products available.

In addition to our Executive Directors our Executive Team includes:

Marcus Hay

M.Eng., Installation Manager

Marcus has been with CAC for over 16 years and currently leads the installation team. His training includes an M.Eng. in Mechanical Engineering, as well as numerous certification courses including Project Management, Energy and Leadership. Marcus supervises a team of engineers and technicians who prepare quotes and tenders, installing and commissioning the most complex air conditioning systems found in the region.

Colleen Ellison-Hall

FCCA, Financial Controller

Colleen started her career at National Commercial Bank Jamaica Ltd. (in centralized FX Dept) then moved to J. Wray and Nephew Ltd spending 15 years in various roles, eventually becoming their Chief Accountant. She then joined Stocks and Securities Ltd. as their Audit and Compliance Manager and, after leaving, branched out on her own business venture while doing audit work on a contractual basis for Mayo Holdings Ltd. At CAC she is in charge of the financial and accounting operations of the company. Mrs. Ellison-Hall graduated from College of Arts, Science and Technology and also has a postgraduate diploma in Financial Services Management from Jamaica Stock Exchange e-campus and is a Fellow of the Association of Certified Chartered Accountants.

Jason Wong

B.Sc. Lead Engineer - Estimations Department

Jason's experience includes project management, engineering, and construction coordination. He currently holds a Bachelors of Science in Mechanical Engineering, and is a certified Energy Manager. Prior to joining CAC in 2012, he was employed at Petrojam for four years. He began as an engineering intern and rose to become a Mechanical Engineer in the Project Engineering Group. During his time at Petrojam, Jason worked in the Technical Services department, Project Engineering group and provided Engineering, Project Management and Construction Coordination services.

Air Quality

PROJECT: SCOTIABANK BUSINESS SUPPORT

To ensure the best possible working conditions for their staff, BNS commissioned CAC to install a system that ensured pure air with higher oxygen levels. Studies show that this attention to air quality results in healthier and happier employees.

Directors Holdings for CAC 2000 Limited

Name	Position Primary Holder Joint Holder	Relationship	Units	Percentage
Steven Marston	Chief Executive Officer	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
Colin Roberts	CTO	Key Members Holdings	27,355,291.00	21.2
		Connected Party Holdings	0	0
		Combined Holdings	27,355,291.00	21.2
Gia Abraham	CAO	Key Members Holdings	300,000.00	0.23
		Connected Party Holdings	0	0
		Combined Holdings	300,000.00	0.23
Andrew Cockings	Director	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
Edward Charles Alexander	Director			
	Edward Charles Alexander			
	Charmaine Dawn Alexander	Wife		
	Renee Moy Alexander	Daughter		
	Jordanne Moy Alexander	Daughter		
		Key Members Holdings	54,286.00	0.04
		Connected Party Holdings	0	0
		Combined Holdings	54,286.00	0.04
Annette Morrison	Director	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
Kerith Foster	Director	Key Members Holdings	0	0
		Connected Party Holdings	0	0
		Combined Holdings	0	0
CAC Caribbean Limited	Connected Party			
	Steven Marston	Husband		
	Gia Abraham	Wife		
		Key Members Holdings	67,462,522.00	52.28
		Connected Party Holdings	0	0
		Combined Holdings	67,462,522.00	52.28
	Total Key Members Holdings		**27,709,577.00**	**21.47**
	Total Connected Party Holdings		**67,462,522.00**	**52.28**
	Total Combined Holdings		**95,172,099.00**	**73.75**

CORPORATE DATA

Executive Directors

Chairman/CEO: Steven D. Marston
CAO/Company Secretary: Gia Abraham
CTO/Director: Colin Roberts

Non-executive Directors (years served)

Edward C. Alexander (4)
Andrew B. Cocking (4)
Kerith Foster (16)
Annette M. Morrison (4)

Registered Head Office

CAC 2000 Limited
231 Marcus Garvey Drive
Kingston 11
Jamaica
Tel: 876-656-9200
Fax: 876-923-1785
Email: sales@cac2000ltd.com
Website: www.cacjamaica.com

Attorney

John G. Graham and Co.
7 Belmont Road
Kingston 5
Tel: 876-920-1004
Email: jggandco@gmail.com

Bankers

Bank of Nova Scotia
Hagley Park Branch
128 Hagley Park Road
P.O. Box 5

National Commercial Bank

Portmore Branch
13-14 West Trade Way
Portmore
St. Catherine

First Global Bank

New Kingston Branch
28-48 5 Barbados Ave
Kingston 5

Auditors

KPMG
The Victoria Mutual Building
6 Duke Street
Tel: 87- 922-6640
Fax: 876-922-7198

Top 10 Shareholders

Shareholder	Units	%
CAC Caribbean Limited	67,462,522	52.28
Colin Roberts	27,355,291	21.2
Louis Williams	6,180,000	4.79
Howard Chin	3,204,599	2.48
PAM - Pooled Equity Fund	2,490,817	1.93
Victoria Mutual Building Society	1,919,293	1.49
NCB Capital Markets X Trading A/C	1,848,739	1.43
MF & G Asset Management Ltd. NCB CM Unit Trust Scheme (JMD Caribbean Equity Portfolio)	1,256,216	0.97
Christine G. Wong	1,232,962	0.96
Peter Nicholas Anthony Forde	1,232,961	0.96

Energy Efficiency

PROJECT: MONA SCHOOL OF BUSINESS, UWI

We are currently installing a MultiSplit air conditioning system combined with Steril-Aire which will signifcantly improve air quality, increasing energy efficiency, making more space available, upgrading controls and decentrailizing operations so rooms can be operated independently of each other.

The Initial CAC 2000 Limited Board of Directors comprised three executive members, namely Steven Marston, Gia Abraham and Colin Roberts, and two independent members, Kerith Foster and Stephen Mackay. In September 2012 Mr. Mackay resigned. Mr. Edward "Teddy" Alexander, Mr. Andrew Cocking and Ms. Annette Morrison were subsequently appointed as independent directors. Given that two of the board members have experience in public companies, no changes were required when CAC 2000 Limited was preparing to list on the Junior Market of the Jamaica Stock Exchange.

Board meetings are held quarterly and activities are guided by the National Association of Corporate Directors (NACD) and company guideline documents that were issued to each independent director on joining. The draft PSOJ Governance code has now been incorporated.

Independent Board members meet separately to review Board performance, executive team performance, changes in Directors and to address any other concerns.

Sub-committees

- **Audit and Compliance committee:** Andrew Cocking (chair) along with Edward 'Teddy' Alexander and Annette Morrison. Gia Abraham and Steven Marston are invitees at the meetings.
- **Salary and Compensation Committee:** Annette Morrison (chair) along with Edward 'Teddy' Alexander and Andrew Cocking. Gia Abraham and Steven Marston are invitees at the meetings.
- **IT Committee:** Edward 'Teddy' Alexander (chair) and Colin Roberts.

Audit Committee Members

Financial Year October 2015-October 2016

Audit Committee Members	23-Aug-16	5-Dec-16
Andrew Cocking, Independent Director/Chairman	√	√
Annette Morrison, Independent Director	√	√
Colin Roberts, Director	√	√
Edward Alexander, Independent Director	√	√
Steven Marston, Chairman	absent	√
Trehan Rajan		√
Al Johnson	√	√

Board of Directors Meeting Attendance

Financial Year October 2015-October 2016

Directors	7-Oct-15	22-Oct-15	9-Dec-15	29-Feb-16	30-May-16	13-Jun-16	1-Sep-16	12-Dec-16
Steven Marston, Chairman	√	√	√	√	√	√	√	√
Kerith Foster, Director	√	√	√	√	√	√	√	√
Andrew Cocking, Independent Director	√	√	√	√	√	√	√	√
Annette Morrison, Independent Director	√	√	√	√	absent	absent	√	√
Colin Roberts, Director	√	√	√	absent	√	√	√	√
Edward Alexander, Independent Director	√	√	√	√	√	√	√	√
Gia Abraham, Director. Company Secretary	√	√	√	√	√	√	√	√

Management, Discussion & Analysis

MD&A

Company Overview

CAC 2000 Limited is the leading provider of commercial Air Conditioning (HVAC) systems and refrigeration and energy solutions in Jamaica, whilst maintaining a respectable share of the residential market. Our Company sells, services and supports the most sophisticated air conditioning systems ever designed and completed in Jamaica. The Carrier representation has been held by the company (in various names and ownership structures) since 1929 making them one of the oldest Carrier dealers in the world (recognizing that the first air conditioning systems were only developed by Dr. Willis Carrier in 1902).

Our financial year 2016 was a progressive and exciting year in which we started with a historical double listing on the Junior Market of the Jamaica Stock Exchange and also completed the Melia Braco Hotel Project (which is the largest system of this type ever be installed in Jamaica and the first major hotel to have a state-of-the-art variable refrigerant flow (VRF) system). The year continued on a positive note with the launch of a new product line, Steril-Aire, the global leader in high-output ultraviolet germicidal solutions for improved indoor air quality and energy efficiency. We continued to manage numerous projects throughout the Financial and BPO sectors. We partnered with Carrier Corporation to rebuild two advanced Carrier centrifugal chillers at Norman Manley International Airports Limited with newer designed impellers which resulted in higher chiller performance and reliability thereby improving the chilled water supply to the airport. This led to the company being awarded a third contract to rebuild another chiller at this location.

We had an unfortunate surprise toward the end of the year with the ruling in the X-Ray & Diagnostic Ultrasound trial and have had to make a provision of $104,181,618 for damages and loss of profit. We have filed an appeal relating to the interest rates and terms awarded to the claimant. We are happy to have put most of this behind us.

Financial Performance

A review of the comparative 12 month figures for the 2016 audited accounts and the 2015 unaudited accounts show a 16% growth in revenue from $877,392,531 to $1,017,610,974, achieving our goal

16%

Increase in Revenue over last year

25%

Increase in Gross Profit over last year

$84.8 MILLION

Average monthly Revenue

of passing the billion-dollar mark. Gross profits are up by 25%, from $329,146,042 to $410,083,480, as a result of better margins derived through better cost controls on projects and stronger supplier support. Profit before tax increased to $115,497,343 or by 10% vs. last year but, after the full provision of the $104,181,618 for the judgement our profit before tax fell to $11,315,725. Operating expenses show an increase over last year as resources increased to support the increased work load. Taxation was also reduced (because of the listing on the JSE) and profit after tax ended up at $10,469,979 or $0.08 per stock unit.

Operational Initiatives

As we continue to strive for growth we believe that it is important that the CAC 2000 Limited Team members grow with us. As such we continually invest in training at all levels within the company. This has allowed the Company to continually find solutions and applications that answer not only our customers' need but also that of our Team Members through programs such as ActionCoach and Value Selling Associates. Through these initiatives we have:

- Redefined our Company Vision, Mission and Goals as a group having a shared dream and purpose
- Restructured the Engineering and Sales Departments to improve team work and productivity.
- Improved our core functionality through upgrades in our systems and processes, controls and interdepartmental coordination

As a result of our performance in 2016 we were nominated by Value Selling Associates in four categories in the 2017 Stevie Awards and have been selected as finalist in each category we were nominated for;

- Business Development Executive of the Year, Steven Marston
- Business Development Achievement of the Year - Services Industries
- Business Development Achievement of the Year - All Other Industries
- Sales Distinction of the Year - Services

We are the first Caribbean company in our industry to make it to the finals and only the third one (Flow and BTC each won a silver and a bronze in 2015) . The Stevie Awards competitions receive more than 10,000 entries each year from organizations in more than 60 nations. Honoring organizations of all types and sizes and the people behind them, the Stevies recognize outstanding performances in the workplace worldwide.

Risk management

The company's risk management policies are directed by the Board of Directors assisted by the Management team. In our 2016 fiscal foreign currency risk was substantially improved from (US$505,433) to US$687,868. Interest rate risk improved from ($127,248,679) to ($50,910,473) and other policies have been put in place for credit, liquidity and capital risk and fair value of financial instruments, please see the audit report.

Future plans

• **Customer Relationship Management system** – expected to be in place by end March 2017 and the scope will be upgraded in 2017 and then other functionalities such as estimations, project/contract execution and financials will be added in 2018/19 to have the system cover the entire operations.

• **Risk and transfer pricing** – these studies are scheduled to commence in February and April 2017.

• **New product lines** – we are finalizing plans for new product lines to be introduced in 2017.

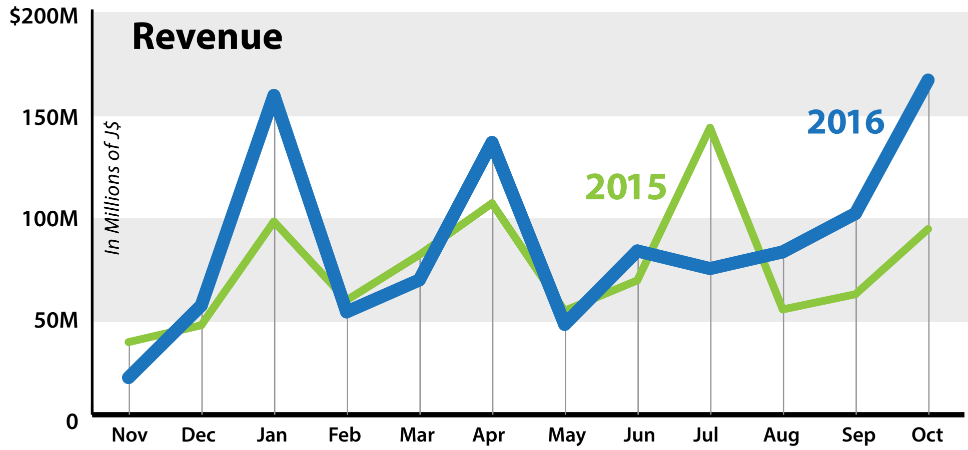
• **New office location** – space is tight at the existing location and we are examining options for expansion.

• **Large projects** – we continue to work on winning the next large hotel.

When reviewing our financial information, it is important to note is that the previous financial year was a 15-month year as we had changed our financial year-end to Oct 31 and, for the year on year comparisons below, we used unaudited accounts for the comparable period last year. The tables below compare current year with the 12-month unaudited results for last year.

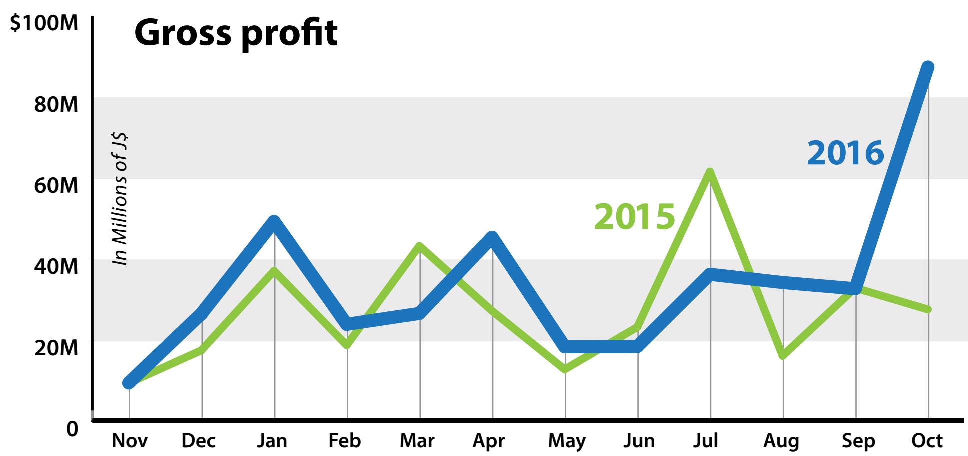
REVENUE

- Average monthly revenue in 2016 $84.80M (2015: $73.12M)
- For the twelve months period revenue exceeded last year's by $140.22M (16%).



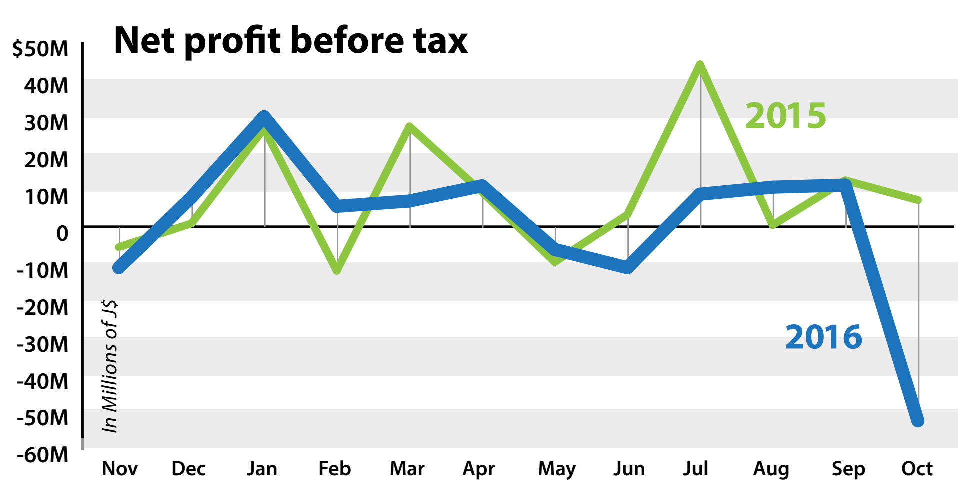
GROSS PROFIT

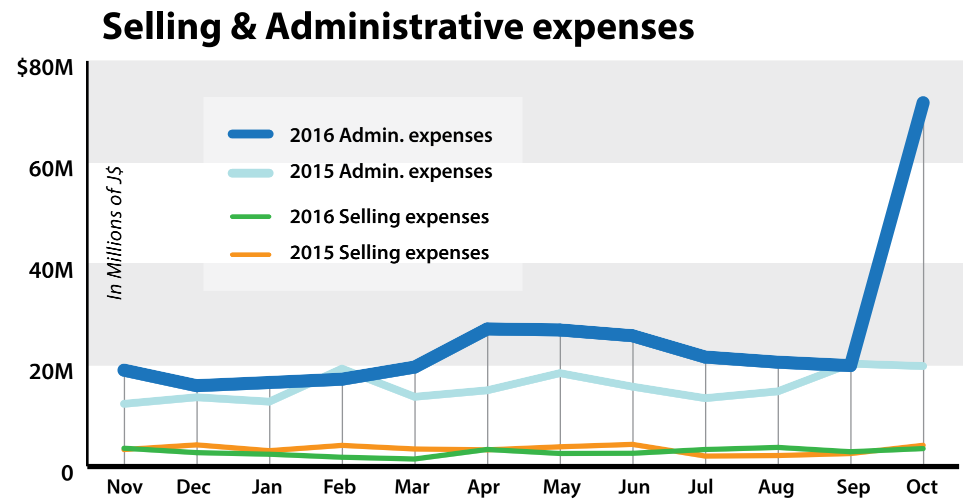
- Average monthly adjusted gross profit in 2016 was $34.18M or 40% (2015: $27.43M or 38%).
- For the twelve months period adjusted gross profit improved over last year's by $80.98M (25%).



NET PROFIT BEFORE TAX (NPBT)

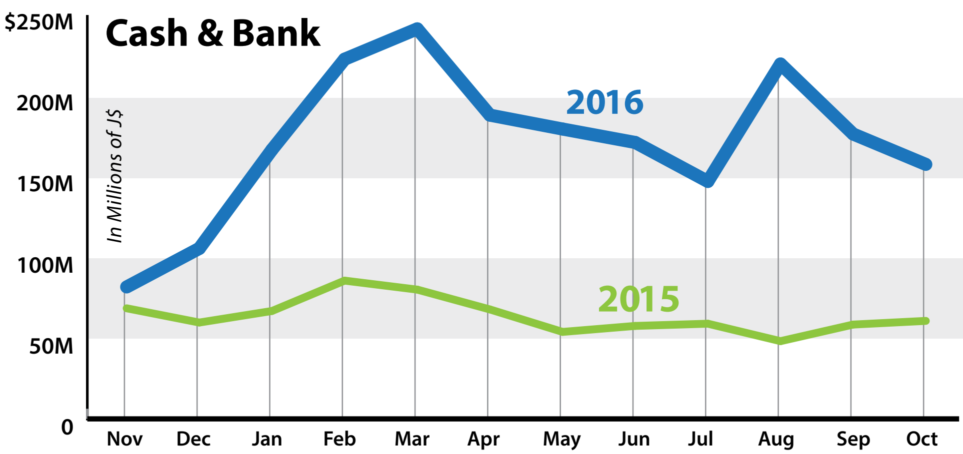
- For the twelve months period PBT was less than last year's by $93.36M (89%)
- Average monthly PBT for the period is $0.94M (2015: $8.72M).





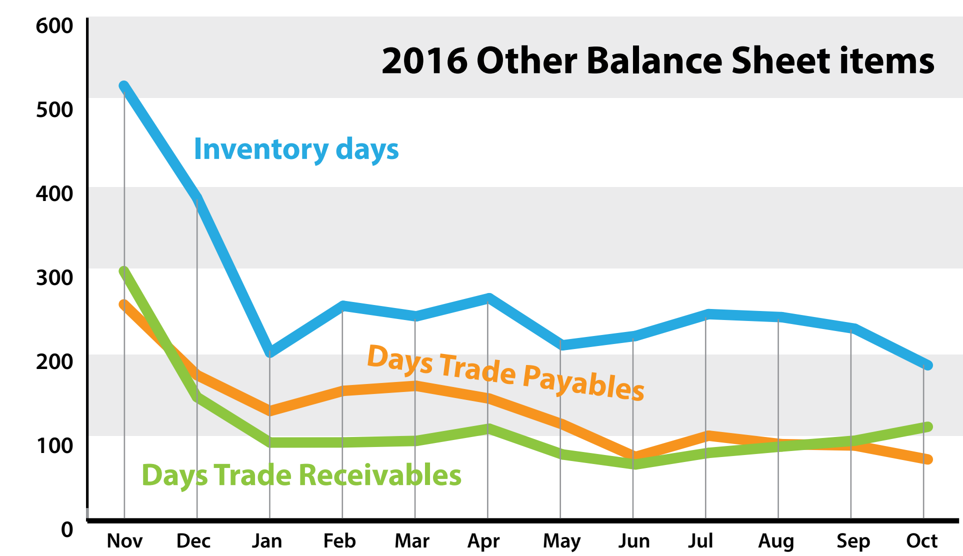
SELLING & GENERAL ADMINISTRATIVE EXPENSES

- For the twelve months period S&D expenses fell short of last year's by $6.68M (18%).
- For the twelve months period GA expenses were higher than last year's by $112.58M (60%)
- Average monthly SGA expense was $24.93M (2015: $15.55M).



CASH FLOW

- Average monthly net cash flow for the period was $171.70M (2015: $64.48).
- Cash in hand would be able to pay off 194% of trade payable balances; this is an increase from 91% recorded for the comparative period in 2015.



OTHER BALANCE SHEET ITEMS

- Receivables days are 113 days versus 85 days last year. There has been a steady increase since June 2016
- Creditor days are 74 days versus 84 days last year. This is a continuation of the downward trend over the period.
- Inventory days are 186 days versus 146 days last year. Although more than last year, this is a continuation of the downward trend over the period.

Corporate Social Responsibility

The CAC 2000 Foundation

The CAC 2000 Foundation was established in 2016 to enable the company to address one of its primary objectives to promote and improve the education of the children of Jamaica.

The foundation's other major objectives include:

1. Partnering with support programs that promote the improvement of education of children in learning institutions in Jamaica, with a focus on children in primary schools and children with learning disabilities.
2. To advance education by developing scholarships to allow children to attend high school.
3. To work with other associations, locally and internationally, who share our vision and objectives.

"Learning is a treasure that will follow its owner everywhere."

– Chinese Proverb

Two partnerships were forged fitting the foundation's objectives. The first being with RISE Life Management Services. RISE works with the inner-city youth through various programs to facilitate healthy and productive lifestyle choices. The program supported by the CAC 2000 Foundation's J$600,000 donation is the 'Finding my Voice Program', an educational series for children on sexual abuse. This program is designed to educate inner city children as to what sexual abuse is and assist them in identifying it and finding their voice to prevent and report it.

Later in the year the Foundation partnered with the Pacers Running Club, an amateur running club which hosts an Annual Charity Run to support the work and initiatives of the Jamaica Council of Persons with Disabilities (JCPD), to promote healthy lifestyles, exercise and empowering others. The CAC 2000 Foundation's contribution to the staging of the Charity event will allow for over $200,000 to be donated to the JCPD's Educational Grant that will provide educational assistance to low income high school students with disabilities.

Audited Financial Statements

KPMG
Chartered Accountants
P.O. Box 76
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Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
CAC 2000 LIMITED

Report on the financial statements

We have audited the financial statements of CAC 2000 Limited, set out on pages 3 to 38, which comprise the statement of financial position as at October 31, 2016, the statements of profit or loss and other comprehensive income, changes in stockholders' net equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

Page 2

INDEPENDENT AUDITORS' REPORT

To the Members of
CAC 2000 LIMITED

Report on the financial statements (cont'd)

Auditors' Responsibility (cont'd)

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at October 31, 2016, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

December 29, 2016

Statement of Financial Position

For the year ended October 31, 2016

	Notes	2016 $	2015 $
ASSETS			
Non-current assets			
Property, plant and equipment	3	51,702,954	30,663,115
Long-term receivables	4	1,573,611	3,699,303
Deferred tax asset	11	-	154,534
Total non-current assets		53,276,565	34,516,952
Current assets			
Income tax recoverable		1,935,494	-
Inventories	5	280,302,421	228,079,780
Due from related parties	12(a)	1,664,849	6,291,780
Trade and other receivables	6	356,656,285	281,168,345
Cash and bank deposits	7	157,874,554	61,343,048
Total current assets		798,433,603	576,882,953
Total assets		851,710,168	611,399,905
EQUITY AND LIABILITIES			
Stockholders' equity			
Share capital	8	129,189,757	500,000
Retained earnings		193,167,268	204,632,773
Total stockholders' equity		322,357,025	205,132,773
Non-current liabilities			
Loans and borrowings	9	153,917,254	155,651,744
Obligations under finance lease	10	6,735,311	-
Total non-current liabilities		160,652,565	155,651,744
Current liabilities			
Loans and borrowings	9	1,734,271	1,673,142
Due to related parties	12(b)	3,520,384	53,311,877
Trade and other payables	13	359,772,577	182,297,355
Current portion of obligations under finance lease	10	3,673,346	-
Taxation payable		-	13,333,014
Total current liabilities		368,700,578	250,615,388
Total equity and liabilities		851,710,168	611,399,905

The financial statements on pages 35 to 70 were approved for issue by the Board of Directors on December 29, 2016 and signed on its behalf by:

_________________________ Chairman and Chief Executive Officer
Steven Marston

_________________________ Director and Chairman, Audit Committee
Andrew Cocking

The accompanying notes form an integral part of the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended October 31, 2016
(With comparatives for the fifteen month period ended October 31, 2015)

	Notes	2016 $	2015 $
Revenue	14	1,017,610,973	1,079,253,336
Cost of sales		(607,527,493)	(720,971,689)
Gross profit		410,083,480	358,281,647
Distribution expenses		(31,851,898)	(41,187,258)
Administrative expenses		(255,502,932)	(225,898,676)
Total distribution and administrative expenses	16	(287,354,830)	(267,085,934)
		122,728,650	91,195,713
Court awarded damages, net	21(i)	(104,181,618)	-
Other income		169,411	13,925,137
Profit before finance cost and taxation		18,716,443	105,120,850
Foreign exchange gains/(losses)		6,926,000	(3,183,599)
Interest income		1,406,350	1,516,944
Interest expense		(15,733,068)	(18,652,570)
Net finance cost	15	(7,400,718)	(20,319,225)
PROFIT BEFORE TAXATION		11,315,725	84,801,625
Taxation	18	(845,746)	(20,126,442)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		10,469,979	64,675,183
Earnings per stock unit:			
Based on stock units in issue	20	$0.08	0.65

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Stockholders' Net Equity

For the year ended October 31, 2016
(With comparatives for the fifteen month period ended October 31, 2015)

	Share capital (note 8) $	Retained earnings $	Total $
Balances at July 31, 2014	500,000	155,348,778	155,848,778
Total comprehensive income for the fifteen month period	-	64,675,183	64,675,183
Dividends (note 19)	-	(15,391,188)	(15,391,188)
Balances at October 31, 2015	500,000	204,632,773	205,132,773
Issued shares	138,273,634	-	138,273,634
Share issue costs	(9,583,877)	-	(9,583,877)
Total comprehensive income for the year	-	10,469,979	10,469,979
Dividends (note 19)	-	(21,935,484)	(21,935,484)
Balances at October 31, 2016	129,189,757	193,167,268	322,357,025

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows

For the year ended October 31, 2016
(With comparatives for the fifteen month period ended October 31, 2015)

	Notes	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year/period		10,469,979	64,675,183
Adjustments for:			
Taxation	18	845,746	20,126,442
Depreciation	3	14,915,160	5,801,947
Allowance for doubtful debts	6	6,996,027	(6,867,136)
Provision for inventory obsolescence		1,032,249	(3,924,116)
Interest expense	15	15,733,068	18,652,570
Interest income	15	(1,406,350)	(1,516,944)
Operating cash flows before movements in working capital		48,585,879	96,947,946
Movements in working capital:			
Inventories		(53,254,890)	32,439,898
Trade and other receivables		(80,335,514)	(86,101,800)
Trade and other payables		177,475,222	(33,925,478)
Due from related parties		4,626,931	491,516
Cash generated by operations		97,097,628	9,852,082
Interest paid		(15,733,068)	(18,127,582)
Income tax paid		(15,959,720)	(5,953,946)
Net cash generated/(used) by operating activities		65,404,840	(14,229,446)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	3	(35,954,999)	(25,256,191)
Interest received		1,383,589	1,499,275
Net cash used by investing activities		(34,571,410)	(23,756,916)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(37,326,672)	-
Repayment of bank loans		(1,673,361)	(1,776,222)
Due to related parties		(34,400,305)	19,812,759
Finance lease, net		10,408,657	-
Proceeds from bank loans		-	6,770,000
Proceeds from issue of redeemable preference shares		-	38,000,000
Proceeds from issue of ordinary shares, net		128,689,757	-
Net cash provided by financing activity		65,698,076	62,806,537
NET INCREASE IN CASH AND CASH EQUIVALENTS		96,531,506	24,820,175
Cash and cash equivalents at beginning of year/period		61,343,048	36,522,873
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	7	157,874,554	61,343,048

The accompanying notes form an integral part of the financial statements.

1. Identification

CAC 2000 Limited (the Company) is incorporated and domiciled in Jamaica. On January 7, 2016, the company's ordinary shares were listed on the Jamaica Junior Stock Exchange through an Initial Public Offering (see note 8). 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. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB) and comply with the provisions of the Jamaican Companies Act.

New standards, interpretations and amendments that became effective during the year

There were no revised and amended standards and interpretations that came into effect during the current financial year that are relevant and resulted in a change to the amounts and disclosures in the financial statements.

New standards, interpretations and amendments to existing standards not yet effective

At the date of approval of the financial statements, there were certain standards and interpretations which were in issue but not yet effective. Those which are considered relevant to the company are as follows:

- IAS 1 *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard
  - the order of notes to the financial statements is not prescribed.
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement requirements for the statement of profit or loss and OCI.
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounting for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

- IFRS 9*, Financial Instruments,* effective for annual reporting periods beginning on or after January 1, 2018. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement,* on the recognition and de-recognition of financial assets and financial liabilities.

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11-*Construction Contracts*, IAS 18 -*Revenue*, IFRIC 13 - *Customer Loyalty Programmes,* IFRIC 15 -*Agreements for the Construction of Real Estate*, IFRIC 18- *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

  The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

2. <u>Statement of compliance, basis of preparation and significant accounting policies (cont'd)</u>

(a) Statement of compliance (cont'd):

New standards, interpretations and amendments to existing standards not yet effective (cont'd)

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016. The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

- *Improvements to* IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the company are:

  - IFRS 7, *Financial Instruments: Disclosures* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

  - IAS 34, *Interim Financial Reporting,* has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

- Amendments to IAS 7, Statement of Cash Flows, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New standards, interpretations and amendments to existing standards not yet effective (cont'd)

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on ISA 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers*, is also adopted.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - a deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New standards, interpretations and amendments to existing standards not yet effective (cont'd)

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The company is assessing the impact, if any, of the amendments and new standards on its financial statements when the standards become effective.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars ($), which is the functional currency of the company.

The financial statements are prepared on the historical cost basis. The significant accounting policies stated in paragraphs (c) to (y) below conform in all material respects with IFRS.

(c) Use of estimates and judgements:

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) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment of losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Use of estimates and judgements (cont'd):

(ii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iii) Revenue recognised from construction contracts:

Revenues from construction contracts are determined on the cost-plus basis with reference to the stage of completion. Estimates of the total costs of the contract is made at the initial stage of the contract and is reassessed on an ongoing basis. The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate. The changed estimates are used in the determination of the amount of revenue and expenses recognised in the statement of profit or loss and other comprehensive income in the period in which the change is made and in subsequent periods.

When the outcome of the contract cannot be estimated reliably, no profit is recognised. However, even though the outcome of the contract cannot be estimated reliably, it may be probable that total contract costs will exceed total contract revenues. In such cases, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense immediately.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

(d) Property, plant and equipment:

(i) 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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd):

(i) (Cont'd)

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.

(ii) Depreciation:

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:

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

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

(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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(e) Impairment of tangible assets (cont'd):

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. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, amounts due from related parties and trade, and other receivables. Similarly, financial liability includes accounts payable, loans and borrowings and amounts due to related parties.

(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 impairment losses.

(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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(i) Related parties (cont'd):

(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.

(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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(k) Share capital (cont'd):

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

(1) 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;

(2) liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary; in such a 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 stated 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:

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations to the lessor, net of finance charges, are recorded in long term liabilities.

The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The motor vehicles acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(n) Accounts payable:

Trade and other payables are measured at amortised cost.

(o) Taxation:

Income tax expense represents the sum of tax currently payable and deferred tax.

(i) Current tax

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

(ii) Deferred tax

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

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

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

(p) Employee benefits:

(i) Short-term employee benefits:

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave for services rendered by employees up to the end of the reporting period.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(p) Employee benefits (cont'd):

(ii) Defined contribution plans:

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

(q) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for discounts, rebates and other similar allowances.

(i) Installations

The Company recognises the revenues and costs of installation contracts in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. Full provision is made for all anticipated losses based on estimated final completion costs.

(ii) Service contracts

The Company recognises revenue when service is provided under the terms of the contract.

(iii) Construction contracts

Construction contract revenue recognised results from infrastructure improvements and renovations under contracts specifically negotiated with a customer under a joint arrangement (see note 22).

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to the contract costs incurred in relation to the estimated total contract costs. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

(iv) Sale of goods

Revenue arising on the outright sale of equipment and spare parts is recognised on invoicing and the customer taking delivery of items.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(r) Joint operations:

The company entered into a joint arrangement that is not structured through a separate vehicle and as such is accounted for as a joint operation. The contractual arrangement between the company and the other party to the joint arrangement outlines each parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

The company accounts for the assets, liabilities, revenues and expenses relating to its involvement in the joint operation in accordance with the relevant IFRSs.

(s) Segment reporting:

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

The company has three reportable segments, as described below, which are the company's strategic business units. The strategic business units offer different products and services, to different customer base, and are managed separately because they require different resources and marketing strategies.

Segment results, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The primary reportable segments are:

(i) Engineering – Sale and installation of industrial equipment
(ii) Residential, Light and Commercial (RLC) – Sale of smaller turnkey equipment
(iii) Service – After sale service and maintenance

The company's operations are primarily carried out in Jamaica

Transactions between business segments have been eliminated.

(t) Net finance cost:

Net finance income comprises interest payable on long-term loan, calculated using the effective interest rate method, interest income on funds invested and foreign exchange gains and losses recognised in profit or loss.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of the income can be measured reliably.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(t) Net finance cost (cont'd):

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.

(u) Foreign currencies:

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

(v) Dividends:

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

(w) 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.

(x) 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.

(y) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

3. Property, plant and equipment

	Leasehold Improvements $	Plant machinery & tools $	Furniture fixtures & equipment $	Computers & related equipment $	Motor vehicles $	Work-in-progress $	Total $
Cost							
July 31, 2014	5,039,291	2,767,875	2,092,377	7,943,922	5,605,000	-	23,448,465
Additions	4,497,993	229,113	72,945	2,275,811	14,920,579	3,259,750	25,256,191
October 31, 2015	9,537,284	2,996,988	2,165,322	10,219,733	20,525,579	3,259,750	48,704,656
Additions	10,613,545	19,375	1,669,822	7,343,330	16,308,927	-	35,954,999
Transfers	3,259,750	-	-	-	-	(3,259,750)	-
October 31, 2016	23,410,579	3,016,363	3,835,144	17,563,063	36,834,506	-	84,659,655
Accumulated depreciation							
July 31, 2014	599,916	1,942,567	849,217	4,872,061	3,975,833	-	12,239,594
Charge for the period	991,531	371,716	207,335	2,340,666	1,890,699	-	5,801,947
October 31, 2015	1,591,447	2,314,283	1,056,552	7,212,727	5,866,532	-	18,041,541
Charge for the year	3,751,784	276,384	249,609	3,849,642	6,787,741	-	14,915,160
October 31, 2016	5,343,231	2,590,667	1,306,161	11,062,369	12,654,273	-	32,956,701
Net book values							
October 31, 2016	18,067,348	425,696	2,528,983	6,500,694	24,180,233	-	51,702,954
October 31, 2015	7,945,837	682,705	1,108,770	3,007,006	14,659,047	3,259,750	30,663,115

3. Property, plant and equipment (cont'd)

The company leases various motor vehicles under non-cancellable finance lease agreements (note 10). The lease terms are four years. At year end, the net book value of motor vehicles acquired under finance leases was $10,408,657 (2015: nil).

4. Long-term receivables

These represent loans granted to employees for the purpose of purchasing motor vehicles. The loans are repayable by monthly installments over a period of five years. These loans carry an interest rate of 8.95%. The current portion of these loans, due within twelve months from the year-end amounting to $1,573,611 (2015: $4,105,680) is included in other receivables (Note 6).

5. Inventories

	2016 $	2015 $
Merchandise/equipment	80,609,940	53,531,590
Work-in-progress	74,895,956	60,820,945
Service supplies/parts	78,200,410	66,131,768
Goods in transit	66,465,987	66,433,100
	300,172,293	246,917,403
Provision for obsolescence	(19,869,872)	(18,837,623)
	280,302,421	228,079,780

The cost of inventories recognised as cost of sales during the year was $408,206,712 (2015: $521,910,294).

6. Trade and other receivables

	2016 $	2015 $
Trade	346,287,700	284,764,155
Allowance for doubtful debts	(32,453,138)	(25,457,111)
	313,834,562	259,307,044
Other receivables*	40,013,153	18,092,334
Prepayments	2,808,570	3,768,967
	356,656,285	281,168,345

6. Trade and other receivables (cont'd)

Ageing of trade receivables at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	$	$	$	$
0-30 days	131,118,347	-	115,044,898	-
31-60 days	63,579,055	-	27,031,814	-
61-180 days	53,016,700	-	51,968,026	-
More than 180 days	98,573,598	32,453,138	90,719,417	25,457,111
	346,287,700	32,453,138	284,764,155	25,457,111

Movement in allowance for doubtful debts on trade receivables

	2016	2015
	$	$
Balance at beginning of year/period	25,457,111	32,324,247
Amount charged/(released), net	6,996,027	(6,867,136)
Balance at end of period/year	32,453,138	25,457,111

During the period, impairment losses net aggregating $6,996,027 (2015: $6,867,136) have been recognised in profit or loss. In the prior year impairment losses reversal of $6,867,136 was credited to profit or loss. Trade receivables written off amounted to $2,879,252 (2015: $2,065,496).

*Included in other receivables is $15,929,759 (2015: $14,766,664) held by a financial institution and hypothecated to support performance guarantees issued by the institution on behalf of the Company.

7. Cash and bank deposits

Cash and bank deposits include:

	2016	2015
	$	$
Cash on hand and in bank	42,724,845	28,772,151
Short-term deposits denominated in Jamaican dollars	2,848,644	2,772,958
Short-term deposits denominated in foreign currencies	112,301,065	29,797,939
	157,874,554	61,343,048

Interest rates on the J$ deposits range from 0% - 5% (2015: 0% - 0.35%) and US$ deposits from 0% - 1.22% (2015: 0.3% - 6.0%). Interest on Sterling deposit is 0.12% (2015: 0.15%).

8. Share capital

	2016 $	2015 $
Authorised in shares:		
200,000,000 (2015: 10,000,000) Ordinary units of no par value		
350,000,000 (2015: 350,000,000) Fixed and variable rate cumulative redeemable preference shares		
Stated capital:		
Issued and fully paid as stock units:		
129,032,258 (2015: 5,000,000) ordinary units of no par value	138,773,634	500,000
Less: Share issue costs	(9,583,877)	-
	129,189,757	500,000
148,037,000 (2015: 148,037,000) Fixed and variable rate cumulative redeemable preference shares	148,037,000	148,037,000
	277,226,757	148,037,000
Less: Redeemable preference shares reclassified as liability (see note 9)	(148,037,000)	(148,037,000)
	129,189,757	500,000

On November 27, 2015, a resolution was passed at an Annual General Meeting whereby the shareholders declared that each of the authorised and issued ordinary stocks of CAC 2000 Limited be sub-divided into 20 ordinary stocks (20:1). The stock split preceded the new issue on December 23, 2015 of 29,032,258 stocks at a total value of $138,273,634. The company was listed on the Jamaica Junior Stock Exchange on January 7, 2016 through an Initial Public Offering.

9. Loans and borrowings

	2016 $	2015 $
Borrowings (a)		
Bank loans	7,614,525	9,287,886
Less: Current Portion	(1,734,271)	(1,673,142)
Long-term Portion	5,880,254	7,614,744
Redeemable preference shares (b)	148,037,000	148,037,000
	153,917,254	155,651,744

(a) The loans represent amounts borrowed by the company to facilitate the purchase of motor vehicles for employees. The loans are secured by charges over the motor vehicles purchased and comprehensive insurance endorsed in favour of the bank on the motor vehicles.

The loans are repayable in monthly installments. Interest rates on the loans are fixed at 8.95% (2015: 8.95%) p.a.

9. Loans and borrowings (cont'd)

(b) Redeemable preference shares:

	2015 $	2014 $
Proceeds from issue of redeemable preference shares	148,037,000	148,037,000

350,000,000 fixed and variable rate redeemable preference shares were authorised with an issue price of $1 per share. Of this 148,037,000 (2015: 148,037,000) 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 October 31, 2018 and the company is obliged to pay holders of redeemable preference shares dividends of 10 percent per annum for the first year and thereafter a variable rate of 2.5 percent point above the weighted average yield rate applicable to the six month Jamaica Treasury Bill Tender (WATBY), held immediately prior to the commencement of each quarterly interest period until maturity. Dividend is paid quarterly.

10. Obligations under finance lease

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

	2016 $'000	2015 $'000
In the year ending December 31,		
2016	1,466,440	-
2017	3,755,618	-
2018	3,323,830	-
2019	3,323,830	-
2020	553,972	-
Total Minimum lease payments	12,423,690	-
Less: Future interest payments	2,015,033	-
Net obligations under finance leases	10,408,657	-
Less : Current portion	3,673,346	-
	6,735,311	-

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default (note 3).

11. Deferred tax asset

Deferred taxation is attributable to the following:

	2016		
	November 1, 2015	Recognised in profit or loss (note 18)	October 31, 2016
	$	$	$
Interest receivable	(4,417)	4,417	-
Unrealised exchange difference	(176,668)	176,668	-
Trade and other payables	418,805	(418,805)	-
Property, plant and equipment	83,186	(83,186)	-
	154,534	(154,534)	-

	2015		
	August 1, 2014	Recognised in profit or loss (note 18)	October 31, 2015
	$	$	$
Interest receivable	-	(4,417)	(4,417)
Unrealised exchange difference	-	(176,668)	(176,668)
Trade and other payables	-	418,805	418,805
Property, plant and equipment	(465,896)	382,710	(83,186)
	(465,896)	620,430	154,534

12. Balances and transactions with related parties

The following balances were due to/from related parties at the end of the reporting period:

	2016	2015
	$	$
(a) Due from related parties:		
Caribbean Air Conditioning Company Limited	-	6,291,780
Shareholders' and directors' receivable	1,664,849	-
	1,664,849	6,291,780
(b) Due to related parties:		
Cool Airco Limited	3,432,568	32,184,599
Dividend payable to shareholders	-	15,391,188
Due to shareholders	87,816	3,241,400
Shareholders' and directors' loans*	-	2,494,690
	3,520,384	53,311,877

* These loans are unsecured and are payable on demand. Interest has been charged at a rate of 12% per annum (2015: 12%). The loans were repaid during the year.

12. Balances and transactions with related parties (cont'd)

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

	2016 $	2015 $
Purchases - Cool Airco Limited	21,924,014	69,336,801
Consultancy fees paid - Cool Airco Limited	8,937,922	15,585,109
	30,861,936	84,921,910

(d) Key management personnel compensation is as follows:

	2016 $	2015 $
Short-term employee benefits	32,544,967	34,556,181

13. Trade and other payables

	2016 $	2015 $
Trade payable	81,252,819	67,676,890
Customer deposits	112,058,682	86,838,915
Other payables and accruals	166,461,076	27,781,550
	359,772,577	182,297,355

Included in other payables and accruals is $124,181,618 (2015: NIL) representing court awarded damages and other related costs. (See note 21).

14. Gross operating revenue

Gross operating revenue includes the invoiced value of goods, installation and service and amounts recognised under construction contracts.

15. Finance costs

			2016 $	2015 $
Foreign exchange gains/(losses), net			6,926,000	(3,183,599)
Interest income	-	Third party	1,406,350	1,516,944
Interest expense	-	Bank loans	(1,206,548)	(1,045,117)
	-	Dividend on preference share	(12,473,113)	(17,075,100)
	-	Finance lease	(349,388)	-
	-	Other	(1,704,019)	(532,353)
			(15,733,068)	(18,652,570)
			(7,400,718)	(20,319,225)

16. Total distribution and administrative expenses

	2016 $	2015 $
Directors fees	4,450,000	4,607,296
Directors remuneration	32,544,967	34,556,181
Staff costs	110,736,313	115,138,852
Audit fees	2,400,000	4,000,000
Bad debts expenses/(credit), net	9,875,279	(4,801,640)
Depreciation	14,915,160	5,801,947
Legal and professional fees	22,600,487	20,233,556
Promotion, advertising and entertainment	9,511,296	7,342,950
Repairs and maintenance of property, plant and equipment	15,606,990	19,456,572
Insurance	12,418,730	14,914,733
Occupancy, utilities and communication	17,626,214	18,768,571
Local and foreign travel	4,946,498	5,739,366
Office supplies and computer	15,102,495	7,413,135
Security service	4,255,369	5,119,323
Warranty and guarantee	2,777,185	2,890,577
Other	7,587,847	5,904,515
	287,354,830	267,085,934

17. Personnel expenses

Included in:

	2016 $	2015 $
Administrative expenses:		
Salaries and other employee benefits	114,808,020	108,621,990
Statutory contributions	12,261,140	12,235,687
	127,069,160	120,857,677
Selling and distribution:		
Salaries and wages	10,700,018	23,742,982
Commission	5,512,102	5,094,374
	16,212,120	28,837,356
	143,281,280	149,695,033
Directors remuneration	32,544,967	34,556,181
Staff costs	110,736,313	115,138,852
	143,281,280	149,695,033

18. Taxation

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

	2016 $	2015 $
The total charge for the year/period comprises:		
Current tax expense:		
Income tax	691,212	29,477,741
Employment tax credit	-	(8,730,869)
	691,212	20,746,872
Deferred taxation:		
Originating and reversal of other timing differences, net (note 11)	154,534	(620,430)
	845,746	20,126,442
Profit before taxation	11,315,725	84,801,625
Computed "expected" tax expense at rate of 25%	2,828,931	21,200,406
Tax effect of income and capital adjustments and expenses that are not deductible in determining taxable profits	(103,929)	7,656,905
Employment tax credit	-	(8,730,869)
Irrecoverable contractors levy paid	(494,137)	-
	2,230,865	20,126,442
Adjustment for the effect of tax remission (note b)	(1,385,119)	-
	845,746	20,126,442

(b) Remission of income tax:

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

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

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

19. Dividends and distributions

Dividends and distributions paid, gross, are as follows:

	2016	2015
Ordinary stock units @ $0.17 (2015: $3.0782) per stock unit	$21,935,484	15,391,188

On June 13, 2016 (2015: June 10, 2015) the directors declared dividends of $0.17 (2015: $3.0782) per stock unit.

20. 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.

	2016 $	2015 $
Profit attributable to shareholders	10,469,979	64,675,183
Weighted average number ordinary stock units in issue	124,828,133	100,000,000
Basic and diluted earnings per stock unit	0.08	0.65

21. Contingencies and commitments

(i) Court awarded damages, net:

	2016 $	2015 $
Court awarded damages for the replacement of equipment and loss of earnings	55,959,525	-
Interest charges on court awarded damages	61,222,093	-
Provision for legal costs incurred by claimant	7,000,000	-
Related insurance proceeds receivable	20,000,000	-
	104,181,618	-

Damages were assessed in favour of a claimant who brought a claim against the Company whereby the claimant was seeking to recover US$586,165 and J$1,015,171 for replacement of equipment and J$7,077,847 for loss of profit. This was appealed by the company and the judgment delivered by the Court allowed the Company's appeal and remitted the matter to the Supreme Court for a retrial. The case was heard at a trial held December 7, 2015. On October 21, 2016, judgment was handed down in favour of the claimant. The court awarded damages of US$372,100 and J$568,186.64 plus loss of profits of $7,077,874. Interest at commercial rates and legal fees were also awarded.

Included in other payables and accruals is an accrual of $124,181,618 covering the court awarded damages, loss of profits, related interest on charges and estimated legal costs payable to the claimant's lawyers. Included in other receivables is $20,000,000 representing the proceeds from the insurance claim receivable from the company's insurers.

On December 2, 2016, the company's lawyers filed a Notice of Appeal. The appeal relates to the basis used by the trial Judge to determine the interest component of the award for the period June 2009 to 2016.

21. Contingencies and commitments (cont'd)

(ii) Lease commitments

At October 31, 2015, there were unexpired operating lease commitments in respect of office buildings terminating November 1, 2020 aggregating J$14,088,696 (2015: J$18,048,360) of which J$3,959,664 (2015: J$3,609,672) is payable within one year.

22. Joint operation

The company has 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. A separate company was not formed as a vehicle to carry out this project. Consequently, the company has accounted for its interest in the joint arrangement as a joint operation.

The general principles of the agreement includes:

- All assets would be jointly held and disposed at the end of the project. The company would have the first option to buy INICA's share of each asset (subject to fair valuation by an independent entity);
- A project team would be setup with jointly agreed signing authorities and controls for cheque signing, purchases, petty cash etc. This project team would also be charged to the project (including INICA personnel and travel costs)
- There would be an advisory board for the project comprising of two senior managers each from INICA and the company.

Revenue from the joint operation includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the percentage of the contract costs incurred in relation to the total estimated contract costs.

The following table summarises the financial information of the joint arrangement as included in these financial statements on a line by line basis:

	2016 $	2015 $
Revenue	130,575,090	52,500,000
Cost of sales	(83,359,532)	(42,000,000)
Gross profit	47,215,558	10,500,000
Trade receivable	39,272,124	30,780,505
Work in progress	10,106,655	-

23. Segment financial information

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before taxation, as included in the internal management reports that are reviewed by the Chief Operating Decision Maker. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the related industries.

	2016			
	Engineering	Residential Light and Commercial	Service	Total
External segment revenues	609,506,689	269,544,863	138,559,421	1,017,610,973
Segment gross profit	247,489,454	98,832,603	63,761,423	410,083,480

	2015			
	Engineering	Residential Light and Commercial	Service	Total
External segment revenues	670,927,755	271,332,616	136,992,965	1,079,253,336
Segment gross profit	191,803,788	103,759,845	62,718,014	358,281,647

24. 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, i.e. 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 $3,011,535 (2015: Nil).

25. Financial risk management

The Company's financial risk management policies are directed by the Board of Directors, assisted by the management. The Company's activities expose it to credit related risks, liquidity risks and market risks that include foreign currency risks and interest rate risks.

25. Financial risk management (cont'd)

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) Foreign currency risk management

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 company incurs foreign currency risk primarily on purchases, related parties transaction, and investments that are denominated in a currency other than the Jamaica dollar. 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's exposure to foreign currency was as follows:

	2016		2015	
	US$	GBP	US$	GBP
Cash and bank deposits	970,708	5,301	302,241	5,294
Trade and other receivables	305,000	-	-	-
Due to related parties	(27,126)	-	(200,047)	-
Trade payables	(560,714)	-	(607,627)	-
Net exposure	687,868	5,301	(505,433)	5,294

25. Financial risk management (cont'd)

(a) Market risk (cont'd)

Foreign currency sensitivity analysis:

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

	US$	GBP
At October 31, 2016:	128.30	154.20
At October 31, 2015:	119.58	182.25

Sensitivity analysis:

A 6% (2015: 8%) strengthening of the United States dollar (the company's principal foreign currency) and the Great Britain Pound (GBP) against the Jamaica dollar would have decreased equity or decreased profit by $5,344,250 (2015: $4,738,205). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 1% (2015: 1%) weakening of the United States dollar and the Great Britain Pound against the Jamaica dollar at year end would have increased profit or increased equity by $890,708 (2015: $515,959).

The analysis was performed on the same basis for 2015.

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.

(ii) Interest rate risk management

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 investments, 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.

25. Financial risk management (cont'd)

(a) Market risk (cont'd)

(ii) Interest rate risk management (cont'd)

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

	Carrying amount	
	2016	2015
	$	$
Fixed rate instruments:		
Financial assets	115,149,708	32,570,897
Financial liabilities	(18,023,181)	(11,782,576)
	97,126,527	20,788,321
Variable rate instrument:		
Financial liability	(148,037,000)	(148,037,000)
	(50,910,473)	(127,248,679)

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Company's short-term deposits, third and related party loans at the end of reporting period as these are substantially the interest sensitive instruments impacting financial results. The analysis is prepared assuming that these amount at the end of the reporting period remains the same for the whole period.

Fair value sensitivity to interest movement:

An increase of 100 (2015: 100) basis points in interest rates would have increased net surplus by $971,265 (2015: 207,883). A decrease of 50 (2015: 100) basis points in interest rates would have reduced net surplus by $485,633 (2015: $207,883).

Cash flow sensitivity analysis for variable rate instruments:

A change of 250 (2015: 250) 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 2015.

	2016		2015	
	Effect on profit or loss		Effect on profit or loss	
	250bp Increase	250bp decrease	250bp increase	250bp decrease
Cash flow sensitivity	$3,700,925	3,700,925	3,700,925	3,700,925

25. Financial risk management (cont'd)

(b) Credit risk management

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 cash equivalents, trade and other receivables and long-term 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 not recoverable.

Credit risks on long-term receivables are mitigated by providing financing only to contracted employees with long standing relationship with the Company who are creditworthy.

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

(c) Liquidity risk management

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.

Management of liquidity risk

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.

25. Financial risk management (cont'd)

(c) Liquidity risk management (cont'd)

Liquidity and interest rate tables

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.

	2016				
	Carrying amount	Contractual cash flows	0 - 12 months	1 – 2 years	2 – 5 years
Trade and other payables	359,772,579	359,772,579	359,772,579	-	-
Due to related parties	3,520,384	3,520,384	3,520,384	-	-
Loans and borrowings	155,651,525	231,919,710	17,367,775	17,949,468	196,602,467
Finance leases	10,408,657	11,910,391	3,323,830	3,323,830	5,262,731
	529,353,145	607,123,064	383,984,568	21,273,298	201,865,198

	2015				
	Carrying amount	Contractual cash flows	0 - 12 months	1 – 2 years	2 – 5 years
Trade and other payables	182,297,355	182,297,355	182,297,355	-	-
Due to related parties	53,311,877	53,311,877	53,311,877	-	-
Loans and borrowings	157,324,886	235,046,250	17,469,808	18,839,569	198,736,873
	392,934,118	470,655,482	253,079,040	18,839,569	198,736,873

(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 2015.

25. Financial risk management (cont'd)

(e) 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:

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, amounts due from related parties and other assets and liabilities maturing within one year (including the short-term elements of non-current instruments) is assumed to approximate their fair value because of the short-term maturity of these instruments.

(i) 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.

(ii) The fair value of long-term receivables which is due from the Company's contract staff is considered to be the amount receivable (the carrying value) given the special nature of the arrangement.

There are no financial instruments that are measured subsequent to initial recognition at fair value in these financial statements.

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Form of Proxy

I/We____

of ____

being a member/members of the above named Company, hereby appoint

____

of____

or failing him ____

of____ as my/our proxy

to vote for me/us on my/our behalf at the 2016 Annual General Meeting of the Company to be held on March 9, 2017 and at any adjournment thereof.

Signed this ________ day of ________________ 2017

Signature ____________________________ (Signature of primary shareholder)

Name: ______________________________ (Name of primary shareholder)

Signature____________________________ (Signature of secondary shareholder)

Name: ______________________________ (Name of secondary shareholder)

Design: Heather Kong-Smith • Printing: Lithographic Printers