

A copy of this Prospectus, having attached thereto the documents specified in Section 18 entitled "Documents Available for Inspection" was delivered to the Registrar of Companies pursuant to Section 40(2) of the Companies Act, 2004 and was registered by the Registrar of Companies on March 07, 2018. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus.

The Financial Services Commission registered this Prospectus on the March 08 2018 pursuant to Section 26 of the Securities Act. The Financial Services Commission has neither approved the offered securities nor has the Commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.



# **PROSPECTUS**

by

# **CAC 2000 LTD.**

on its own behalf

for  
**200,000,000 9.50% Variable Rate Cumulative Redeemable Preference Shares**

at a fixed price of  
**J\$1.00 per Preference Share**

**Dated as of March 07, 2018**



**CAC 2000 Ltd**  
**231 Marcus Garvey Drive**  
**Kingston 11**

This Prospectus (herein called “Prospectus”) is intended for use in Jamaica only and is not to be construed as an offer of any of the Preference Shares outside Jamaica.

The Directors of CAC 2000 Ltd. (“CAC”) whose names appear in Section 6 of this Prospectus, are the persons responsible for the information contained herein. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and no information has been omitted likely to affect the import of information contained herein.

No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus, which is not contained in this Prospectus.

**PROSPECTUS  
BY**

**CAC 2000 LTD  
ON ITS OWN BEHALF**

**FOR FIXED AND VARIABLE RATE CUMULATIVE REDEEMABLE PREFERENCE  
SHARES  
AT A FIXED PRICE OF J\$1.00 PER PREFERENCE SHARE  
payable in full on application**

The Application List will open at 9:00 am on March 16, 2018 and will close at 4.30pm pm on March 23, 2018, subject to the Company’s right to close the Application List at any time without notice if applications have been received for the full amount of the Preference Shares offered and to the right to extend such closing beyond that date. Applications for Preference Shares should be made on the original Application Form provided at the end of this Prospectus or on the Application Forms otherwise published/made available by CAC. Each Application must be for multiples of 10,000 Preference Shares subject to a minimum of 50,000 Preference Shares. The procedure for completing the Application Form and the terms and conditions of this Prospectus are set out in Section 18 of this Prospectus and on the reverse side of the Application Form.

It is the intention of the Company to apply to the Board of The Jamaica Stock Exchange Limited for all of the issued Preference Stock Units (following conversion, on issue of the Preference Shares) to be listed on the JSE. The application will be made as soon as conveniently possible following the closing of the Offer and the allocation of Preference Shares. However, this statement is not to be construed as a guarantee that the Preference Stock Units will in fact be listed on the JSE.

## MESSAGE FROM THE CHAIRMAN

January 8<sup>th</sup>, 2018

Dear Prospective Investors,

Just over three years ago CAC, aided by Victoria Mutual Wealth Management Limited took the first step towards obtaining working capital financing and issued Preference Shares by way of an Exempt Distribution. This was followed by our successful listing of ordinary shares on the Junior Market of the JSE on Jan 7, 2016.

The results have exceeded our expectations as our profits have continued to increase while financial risks have been reduced and company value has grown from a Market value of \$630.97M upon listing on January 7, 2016 to a market value of \$838.71M as at December 31, 2017.

In 2017, revenues increased by 19% over 2016 and net profit after taxation increased from \$10.47M in 2016 to \$100.74M in 2017. The company's earnings per sharing improved to \$0.78 in 2017 from \$0.08 in 2016. Our growth however is constrained by the availability of working capital to support this growth.

At this time, we have a healthy open job portfolio. We are also pleased to announce that we have worked with another listed company to provide a commercial rental deal for a large BPO operation – the first of this type of deal in Jamaica where we will not only rent the ultra-high efficiency system(s) for 10 years but will also monitor and maintain for the client. This idea is being pitched to other customers as it reduces their upfront CAPEX expenditure and, in most instances, the operational savings realized by the customer pays for the equipment rental.

As we begin the 2017/18 financial year, Not only are we expecting further organic growth but we are also optimistic that we will be awarded a large hotel contract. We are also working on developing regional sales and a new business venture in providing electrical micro-grids (along with water supply and treatment options) – more to come in the next 3-6 months!

### About the Invitation

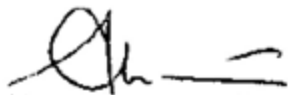
This offering of the Preference Shares (the subject of the Offer) to the public will allow CAC to strengthen its capital base and give members of the public an opportunity to participate in the success of CAC. Further, by listing the Preference Stock Units on the JSE, CAC will give investors the opportunity to invest in a security that is liquid and freely tradable. Those investors will receive dividends that are cumulative and attract a reduced withholding tax of 15%.

## How to Subscribe for Shares

Those investors who are interested in subscribing for Shares should read the Prospectus in its entirety and the terms and conditions of the Invitation set out in Section 18, and then complete the Application Form set out in Appendix 4 hereof.

The Directors hope that prospective investors will join the Company in this exciting new phase of its development.

Yours sincerely  
CAC 2000 Ltd



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Steven Marston C.Eng, P.E.  
Chairman and CEO



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## 1. DEFINITIONS

In this Prospectus, the following words and phrases shall, unless the context otherwise requires, be read and construed as having the following meanings ascribed thereto:

<b>“Allotment”</b>	the allocation and issuance of Preference Shares to Applicants
<b>“Applicant”</b>	the person or organization by whom an Application is made
<b>“Application”</b>	the application on the prescribed form set forth in Appendix 4 to this Prospectus for the subscription of Preference Shares comprised in the Offer, duly completed and delivered to the Arranger or a Broker to the Offer, together with payment in full of the subscription price for the amount subscribed
<b>“Arranger”</b>	Victoria Mutual Wealth Management Limited a company duly incorporated under the laws of Jamaica with registered offices at 53 Knutsford Boulevard, Kingston 5
<b>“Closing Date”</b>	the time of closing of the Offer, as set forth in Section 3 of this Prospectus (subject to such extension(s) as the Directors may determine)
<b>“CAC” or “Company”</b>	<b>CAC 2000 Ltd</b> of 31 Marcus Garvey Drive, Kingston 11
<b>“Directors”</b>	the Directors of the Company
<b>“FSC”</b>	the Financial Services Commission of Jamaica, duly existing under the Financial Services Commission Act
<b>“GOJ”</b>	Government of Jamaica
<b>“J\$”</b>	the lawful currency of Jamaica
<b>“JSE”</b>	Jamaica Stock Exchange
<b>“Offer”</b>	the offer of the Preference Shares for subscription under this Prospectus
<b>“Offer Price”</b>	J\$ 1.00 per Preference Share
<b>“Opening Date”</b>	the time of opening of the Offer, as set forth in Section 3 of this Prospectus
<b>“Preference Shares”</b>	means the Fixed Rate and Variable Rate Cumulative Redeemable Preference Shares of CAC, the subject of the Offer
<b>“Preference Stock Units”</b>	all or any of the Preference Shares converted to Preference Stock Units on issue.
<b>“Registrar of Companies”</b>	the Registrar of Companies of Jamaica

<b>“Registrar”</b>	the Registrar whose name is set out in Section 5 or such other persons as may be appointed by CAC from time to time to provide the services of registrar to CAC
<b>“Terms of Issue of the Preference Shares”</b>	the terms of issue of the Preference Shares set forth in Appendix 3 to this Prospectus

## 2. DISCLAIMER AND FORWARD-LOOKING STATEMENTS

This Prospectus has been reviewed and approved by the Directors of CAC and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries, and to the best of their knowledge, information and belief, (i) the information is true and accurate in all material respects and is not misleading in any material respect, (ii) any opinions, predictions or intentions expressed herein on the part of CAC are honestly held or made and are not deliberately misleading in any material respect, (iii) that insofar as reasonably possible, all proper inquiries have been made to ascertain and to verify the foregoing, and (iv) this Prospectus does not contain any untrue statement of a material fact or fail to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they are made, not misleading.

Each Applicant submitting an application for Preference Shares acknowledges and agrees that (i) such Applicant has been afforded a meaningful opportunity to review and has received, all additional information considered by such Applicant to be necessary to verify the accuracy of the information contained in this Prospectus, (ii) such Applicant has not relied on CAC or any persons affiliated with CAC or any selling agent appointed by CAC, in connection with its investigation of the accuracy of such information or its investment decision, and (iii) no person has been authorised to give information or to make any representation concerning CAC or this Prospectus or the Preference Shares issued pursuant thereto or to provide information or to make any representation whatsoever in connection with this Prospectus other than as contained in this Prospectus and information given by duly authorised officers and employees of CAC in connection with the investors' verification of the information contained in this Prospectus and that, if given or made, such other information or representation should not be relied upon as having been authorised by CAC or any affiliate.

Neither the publication of this Prospectus nor the offering, sale or allotment of any Preference Shares hereunder shall under any circumstances imply that there has been no change in the business, results of operations, financial condition or prospects of CAC since the date of this Prospectus.

In making an investment decision, investors are expected to make their own assessment of CAC and the terms of the offer for subscription herein, including the merits and risks involved.

**Neither the FSC nor any Governmental agency or regulatory authority in Jamaica has made any determination on the accuracy or adequacy of the matters contained in this Prospectus.**

This Prospectus contains summaries believed to be accurate with respect to certain terms of certain documents, but reference should be made to the actual documents (copies of which will be available to prospective investors upon request made to CAC) for complete information with respect thereto, and all such summaries are qualified in their entirety by such complete information.

Each invitee should consult with its own advisors as to the legal, tax, business, financial and related aspects of subscribing for Preference Shares in CAC in this Offer. Neither CAC nor any of its respective representatives is making any representation to any invitee or investor regarding the

legal, tax, business, financial and related aspects of any invitee subscribing for Preference Shares in CAC in this Prospectus, and invitees should not consider this Prospectus as a recommendation by CAC that you should subscribe for or purchase any Preference Shares. Each invitee must make its own investigation and evaluation of CAC and this Prospectus.

The distribution or publication of this Prospectus and the offering of the Preference Shares in certain jurisdictions is restricted by law. **THIS OFFER IS THEREFORE MADE ONLY TO RESIDENTS OF JAMAICA, IN JAMAICA.** CAC requires that each Applicant informs himself about and observe such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, any offer to, or solicitation by, anyone in any jurisdiction in which, or to or by any person whom, such offer or solicitation would be unlawful.

## FORWARD LOOKING STATEMENTS

Except for the historical information concerning CAC contained in this Prospectus, certain matters discussed in this Prospectus, including without limitation the discussions of future plans and financial projections, contain forward-looking statements. Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made. Although CAC believes that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Invitees are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words “anticipates”, “believes”, “expects”, “intends” and similar expressions, as they relate to CAC, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of CAC, CAC undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in CAC’s financial or regulatory position, or to reflect the occurrence of unanticipated events. There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond CAC’s control. These factors include, without limitation, the following:

- economic, social and other conditions prevailing within Jamaica, including actual rates of growth of the Jamaican economy, instability, high domestic interest rates or exchange rate volatility;
- adverse climatic events and natural disasters;
- unavailability of regulatory approval to launch new financial products, or unfavourable market receptiveness to new products;
- changes in any legislation or regulatory policy adversely affecting the revenues or expenses of CAC;
- any other factor negatively impacting on the realisation of the assumptions on which CAC’s financial projections are based; and
- other factors identified in this Prospectus



### 3. OFFER SUMMARY

*The following summary information is derived from and should be read in conjunction with, and is qualified in its entirety by, the full text of this Prospectus.*

Recipients are advised to read this entire Prospectus carefully before making an investment decision about this transaction. Each recipient's attention is specifically drawn to the Risk Factors in Section 16 of this Prospectus.

If you have any questions arising out of this document or if you require any explanations, you should consult your stockbroker, licensed investment advisor, attorney-at-law, accountant or other professional advisor.

ISSUER: CAC

SECURITIES: 200,000,000 Preference Shares in the capital of CAC.

SIGNIFICANT  
TERMS & CONDITIONS  
OF PREFERENCE STOCK  
UNITS:

The Preference Stock Units will carry the right to a cumulative preferential dividend payable quarterly at the Agreed Rate (as hereinafter defined) per annum on the capital for the time being paid up or credited as paid up on the Preference Stock Units and on a winding up to repayment in priority to the ordinary shareholders of CAC. They will not carry the right to vote save in narrowly prescribed circumstances being: (a) dividend not paid for more than 12 months; or (b) on a winding up. The Preference Stock Units may be redeemed by CAC on any dividend date after the expiration of two (2) years following the Closing Date, on the giving of ninety (90) days' notice in writing. CAC reserves the right to redeem the Preference Stock Units by purchase over the JSE for the price of J\$1.00 per Preference Stock Unit.

CAC also reserves the right to issue additional preference shares in the capital of CAC, the same to be converted to preference stock units ranking *pari passu* with then existing Preference Stock Units or otherwise differing from such Preference Stock Units.

Variation of the Terms of Issue of the Preference Shares will require the consent of  $\frac{3}{4}$  of the holders of Preference Stock Units present and voting.

**"Agreed Rate"** means 9.50% per annum for the first four years and thereafter a variable rate of 3.0 percentage points 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 in 2023.

**For the entire Terms of Issue of the Preference Shares, please see Appendix 3 to this Prospectus**

TENOR:	60 Months
OFFER PRICE:	J\$1.00 per Preference Share
HOW PAYABLE:	In full on application
No. of OFFERED PREFERENCE SHARES:	200,000,000
OFFER CAPITALISATION:	J\$ 200,000,000.00
INTENTION TO LIST ON JSE:	CAC intends, immediately following the closing of the Offer, to make an application to list all of its issued Preference Stock Units on the JSE to facilitate the trading of the Preference Stock Units over the JSE. <b>This statement is not to be construed as a guarantee that the Preference Stock Units will be listed on the JSE.</b>
TIMETABLE:	Publication of Prospectus: March 09, 2018 Subscription List opens: March 16, 2018 Application Forms to be received by: 4.30 pm on March 23, 2018 Allocation announced by: March 28, 2018 Refund cheques sent by: April 04, 2018

#### **4. PURPOSE OF THE OFFER**

It is the Company's intention to use the proceeds of this preference share issue to refinance existing debt and to provide additional working capital for the benefit of its operations allowing the Company to take advantage of new business opportunities.

This offering of the Preference Shares (the subject of the Offer) to the public will allow CAC to strengthen its capital base and give members of the public an opportunity to participate in the success of CAC. Further, by listing the Preference Stock Units on the JSE investors will receive dividends that are cumulative and attract a reduced withholding tax of 15%.

The Company also intends to use a part of the proceeds of the fundraising to pay the expenses of the Invitation which, the Company estimates will not exceed \$9 million (inclusive of financial advisory fees, brokerage fees, legal fees, auditor's fees, statutory fees (including Registrar's fees) and initial listing fees), exclusive of General Consumption Tax, broken down as follows:

Item	Cost (Excluding GCT)
Brokerage and Financial Advisory Fees	\$ 6,000,000.00
Legal fees	\$ 750,000.00
Registrar's Fees	\$ 78,228.00
Initial Listing Fees	\$ 149,848.00
Marketing Fees and Statutory Costs	\$ 240,000.00
Other Cost	\$ 1,781,924.00
<b>Total</b>	<b>\$ <u>9,000,000.00</u></b>

## 5. PROFESSIONAL ADVISORS TO THE OFFER

### **BROKERS, ARRANGER AND FINANCIAL ADVISOR**

**Victoria Mutual Wealth Management Limited**

53 Knutsford Boulevard

Kingston 5

Jamaica

### **LEGAL ADVISORS TO THE COMPANY**

**Patterson Mair Hamilton**

Attorneys-at-Law

"Temple Court"

85 Hope Road

Kingston 6

### **REGISTRAR & TRANSFER AGENTS TO THE OFFER**

**Jamaica Central Securities Depository Limited**

40 Harbour Street

Kingston

## 6. DIRECTORS AND SENIOR MANAGEMENT

### PROFILES OF DIRECTORS

Brief biographical details of the Directors and Senior Managers of the Company are set out below. The Directors' residential addresses are set out in Section 14 hereto, and all of them may be contacted for business purposes c/o the registered office of the Company, CAC 2000 LIMITED, 231 Marcus Garvey Drive, Kingston 11, Jamaica Telephone: (876) 656-9200 ♦ Facsimile: (876) 923-1785 Website: [www.cac2000ltd.com](http://www.cac2000ltd.com)

### BOARD OF DIRECTORS

#### *EXECUTIVE DIRECTORS*

**Mr. Steven Marston, B.Sc. (Environmental Engineering) & MSc. (Energy Management and Policy) [appointed July 24<sup>th</sup>, 2000]**

**Executive Director, Chairman and Chief Executive Officer**

Mr. 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 deal involved an option to purchase 49% of the company which was 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, Mr. Marston 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, many of which were won by virtue of him leading the negotiations.

His project management skills were honed during his years at PCJ Engineering where he took over the Bernard Lodge factory and 1) moved it from the second lowest to the most efficient factory in Jamaica 2) purchased and installed a hydrous alcohol fermentery and distillery 3) signed a contract (later cancelled as a result of the after-effects of Hurricane Gilbert) for a 7.9MW bagasse cogeneration project to export electricity to the national grid along with numerous other projects such as bagasse baling, dunder treatment, sorghum growing and processing and new irrigation system.

A highly qualified engineer and businessman, Mr. Marston boasts the following qualifications and memberships:

- BSc (1<sup>st</sup> class Hons) University of Strathclyde, Scotland (British Council Scholarship)
- MS University of Pennsylvania USA
- Certificate Owner President Programme 38, Harvard Business School (HBS alumnus)
- Various courses at HBS including Driving performance through Talent Management and the Crossroads (2 year) programme
- 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 (ASHRAE)

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 24<sup>th</sup>, 2000]**

**Executive Director and Director – Sales and Engineering**

Mr. 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 later became 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 Steven Marston invited him to join Conditionedair & Associated Contractors (CAC) as a shareholder and as its Technical Manager.

In 2000, Mr. Roberts joined the CEO in purchasing the remaining interest CAC and formed the Company acting as the Company's Chief Technical Officer and has recently become the Company's Director – Sales and Engineering.

Mr. Roberts manages the sales, estimations and execution of many of the Company's projects. He earned his BSc (Hons) at UWI (T&T) 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.

**Ms. Gia Abraham, BSc. (Biology)**

**Executive Director and Director – Admin and Operations [appointed June 28<sup>th</sup>, 2003]**

After working many years in Canada in personal investment banking (after joining Royal Bank of Canada upon graduation from University) Ms. Abraham joined Canadian Imperial Bank of Commerce (CIBC) in Jamaica working in investment and trading before joining CAC as an officer, shareholder and Director (and Company Secretary).

Ms. Abraham has been instrumental in driving software upgrades and improving systems and procedures of the company and plays a key role in managing some "back-office" processes of the company while handling treasury and foreign supplier payments. She is also in charge of the Service Dept. operations.

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

**Ms. Abraham is the Company Secretary and a member of both the Company's Audit Committee and its Remuneration Committee.**

## **INDEPENDENT DIRECTORS**

### **Mr. Edward Alexander, B.Sc. and M.Sc. [appointed October 3<sup>rd</sup>, 2012]**

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 tTech in 2006 after an illustrious eighteen (18) year career with GraceKennedy 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 when he assumed the position of Management Consultant at KPMG Peat Marwick & Partners. In 1988 he joined Grace Unisys as an Account Manager and it was there his passion for IT blossomed.

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

His vision is to assist companies to improve the effectiveness of their investments in information technology by minimizing the cost of ownership of their infrastructure while maximizing the value from their business applications, ultimately leading to systems which contribute to increased competitiveness and profitability.

His many successes have been shaped in part by his experiences and too by his impressive educational background. 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. Patrick A. H Smith, B.Sc. and M.B.A. [appointed May 30<sup>th</sup>, 2017]**

Patrick A. H Smith has had broad general management experience having worked for more than 30 years within the Caribbean and European industries. Mr. Smith began his career at the Kingston Export Free Zone as an Investment Promotion Manager in 1981. Over the next few decades he would fulfil several positions at various local and international business entities including: Marketing Manager at T Geddes Grant Group Jamaica Limited, General Manager at Jamaica Biscuit Company Limited, Business Unit Director [Caribbean] at British American Tobacco Caribbean and Central America. Most recently he held the role of Global Account Manager at Dunhill Cigars, British American Tobacco International in Switzerland. He has also served as the Chairman of Things Jamaican Limited and of Demerara Tobacco Company Limited in Guyana. He has previously served as a Director at the Export Import Bank of Jamaica, Carreras Limited, West Indian Tobacco Company Limited in Trinidad and Tobago, JAMPRO, and has been a Vice President of the Jamaica Exporters Association in the 1990's.

Mr Smith is now retired.

He holds a BSc. in Public Administration from the University of the West Indies Mona and an M.B.A from Nova South Eastern University, Florida.

**Matthew A. Hogarth, LL.B [appointed May 30<sup>th</sup>, 2017]**

Matthew A. Hogarth is a Legal Practitioner who specializes in the areas of banking, finance, mergers and acquisitions, corporate structuring and governance, taxation, trusts, real estate and business advisory. Mr. Hogarth has spent much of his career applying his expertise to high value private equity and debt transactions, corporate bank loan transactions, Initial Public Offerings (IPOs), private business and legal audits, the management and strategy of insolvency, receivership assignments and residential and commercial real estate transactions. He is a member of the New York Bar Association, the American Bar Association, the Jamaican Bar Association and the British Virgin Islands Bar Association. He is also a member of both the Audit and Nomination Committees at Carreras Limited (British American Tobacco) and a member of both the Audit and Compensation Committees at IronRock Insurance Company Limited.

Mr. Hogarth is currently a Partner at the law firm MH&CO.

He holds an LL.B Law (with honours) from the University of Liverpool and a Certificate of Legal Education from the Norman Manley Law School.

**Richard Kevin Powell BSc. MSc. M.B.A [appointed May 30<sup>th</sup>, 2017]**

Mr. Richard Powell, a recently retired President and Chief Executive Officer of The Victoria Mutual Building Society Group (VM Group), has garnered vast professional experience from many appointments including that of President and CEO of Life of Jamaica Limited, Blue Cross of Jamaica as well as an executive management position at the Lascelles DeMercado Group of Companies. He has also served on the Boards of Life of Jamaica Limited, Lascelles DeMercado & Company Limited, Island Life Insurance Company Limited, among others. Prior to these appointments, Mr. Powell had a successful engineering career in the public sector. In addition to his service for the benefit of private sector corporations he has also been appointed to Boards of many Non-Governmental Organizations and public sector Agencies. These include the PSOJ Council, The Jamaica Stock Exchange E-Campus, the United Way of Jamaica, The Environmental Foundation of Jamaica (EFJ) as well as the National Works Agency Advisory Committee of which he was Chairman. Mr. Powell is currently Pro-Chancellor of the University of Technology in Kingston, Jamaica.

He holds a BSc. (Hons.) in Civil Engineering from the University of the West Indies, St Augustine Trinidad, a MSc. in Highway Engineering from the University of Birmingham in England and a M.B.A. (with Distinction) from York University in Canada.

**Jennifer E McDonald BA, M.B.A [appointed May 30<sup>th</sup>, 2017]**

Jennifer E McDonald is a Senior Level Executive and Transformational Leader with more than 3 decades of experience working within the private and public sector. Ms. McDonald started her career at the Ministry of Labour as an Economist from 1983 – 1984. Soon after she became the Senior Marketing Coordinator at ICD Group, a position she would occupy until 1993 when she became the Special Assistant to the Prime Minister. Over the next twenty years she would assume key positions at governmental agencies including Assistant Manager at the Jamaica Conference Center, General Manager at the Urban Maintenance Limited, Director of Corporate Services at the National Land Agency and more recently Chief Executive Officer at the Passport Immigration and Citizenship Agency, a position she occupied from 2007 – 2016.



She is currently a Part Time Lecturer at the University of the West Indies, University of Technology and Insurance College of Jamaica and is also a member of the Euralysum Ltd Board.

She holds a Bachelor of Arts (Hons), in Geography and Economics, Diploma in Management Studies and a Marketing M.B.A from the University of the West Indies, Mona.

## **PROFILES OF SENIOR MANAGEMENT:**

### **SENIOR MANAGERS**

#### **Mrs. Colleen Ellison-Hall FCCA Financial Controller (appointed February 2015)**

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 in the then Audit and Accounts Department eventually becoming their Chief Accountant. She then joined Stocks and Securities Limited 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 including purchasing and inventory management.

Mrs. Ellison-Hall graduated from CAST also has completed a postgraduate diploma in Financial Services Management from JSE e-campus and is a Fellow of the Association of Certified Chartered Accountants

#### **Mr. Glaister Cunningham. Project Implementation Manager (appointed September 1<sup>st</sup>, 2017)**

A recent addition to the CAC team, Glaister has worked in the fields of engineering and project management for over 18 years. His training includes a B.Sc. in Civil Engineering, MSc. in Structural Engineering and an Executive MBA as well as participation in several certification and executive courses in Project Management, Negotiation and Leadership. Just prior to joining CAC he worked for nine years at the Inter-American Development Bank as an Operations Specialist focusing on the implementation of projects in the areas of Water and Sanitation, Transportation and Energy. Glaister now manages the Project Implementation Division and supports the executive team in its efforts to constantly innovate and improve its service to both external and internal clients.

#### **Mr. Richard Stephenson, B.Sc. Sales Manager (appointed January 26<sup>th</sup>, 2017)**

Richard has over 25 years' experience in Marketing, Sales and General Management. He is a graduate of West Virginia Wesleyan College with a major in Marketing and a minor in Economics and has participated in several marketing, sales, leadership and coaching development programmes. Most of Richard's experience has been in FMCG, distribution and retail both locally and regionally. He has also led on several consolidations and the start-up of companies and operations. Richard is excited about his responsibility as part of the CAC leadership team and will play an integral role in the roll out of the new Customer



Relationship Management (CRM) system as well as enhancing sales operations and customer experience.

## 7. INFORMATION ABOUT CAC

### BRIEF HISTORY

#### The Company and its History

The Company 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 the early 1990s, the management team purchased 49% of the newly formed Conditionedair and Associated Contractors (CAC). On July 24<sup>th</sup>, 2000 the Company was incorporated, and the remaining 51% was purchased on August 18<sup>th</sup>, 2000, and that is the Genesis of the Company's name: "CAC 2000 Limited".

By virtue of the various iterations of the business, the Company has 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, it also offers other premium equipment brands such as Mitsubishi Electric®, LG®, Fujitsu® and CIAC® as well as both factory and generic parts.

The Company is proud to be the only Carrier® Certified Service Provider in Jamaica, and we are qualified to work on the most sophisticated Carrier® products in the Caribbean. We are also the sole Carrier® dealer in Jamaica and are authorized to design, install, service and offer factory warranties on the entire range of Carrier® equipment. The Company 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 the Company has 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) CAC has managed to grow the installation and service business while investing further in technical development of its engineering and technical resources.

By virtue of the qualifications and experience of its management team, the Company is 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 prides itself on offering technical solutions and multiple options for clients, with a level of expertise and experience unmatched by any other company in Jamaica. The Company is also one of the leading providers of commercial Air Conditioning (HVAC) systems and refrigeration and energy solutions in Jamaica, whilst maintaining a respectable share of the residential market. It is also one of the few Grade 1 contractors (HVAC) in Jamaica (and also a Grade 1 Mechanical Works and Grade 3 Electrical Works).

The Company sells, services and supports some of the most sophisticated air conditioning systems ever designed and completed in Jamaica. CAC's technical and engineering expertise and experience sets it apart from the competition. The Company's engineering and technical services in the air conditioning industry is based on the expertise and experience of in-house engineers and Carrier® certified technicians, backed by the technical support staff and expertise of Carrier®, Mitsubishi Electric, LG® and Fujitsu®.

The Company is 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**

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

The Company prides itself on offering expert solutions to help our clients meet their air-conditioning and energy saving requirements. The Company sells 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**

The Company's highly trained technical and support team have a positive attitude and welcome every opportunity to better serve clients. The team aims to deliver the highest level of service, firmly positioning the Company as the industry leader in air-conditioning and energy efficiency service.

CAC strives 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 a vast list of customers for whom it has handled projects by providing products, engineering solutions and service for at various levels. Some of our top customers include:

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

Some of CAC's 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	J. Wray & Nephew
Pricemart Jamaica	Megamart (Waterloo Road)
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 locations)	Norman Manley International Airport

## **8. MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS & FUTURE PROSPECTS**

### **I. MANAGEMENT DISCUSSION**

CAC is a provider of commercial Air Conditioning (HVAC) systems and refrigeration and energy solutions in Jamaica, whilst maintaining a respectable share of the residential market. The Company sells, services and supports the most sophisticated air conditioning systems ever designed and completed in Jamaica. The Carrier representation has been held by CAC (by various names and ownership structures) since 1929 making the Company 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).

#### **Financial Performance**

**Review of Financial Performance for the year ending October 31, 2017**





## Revenue and Profits - Versus Prior Year

The Company experienced a 19% growth in revenue from \$1.017B to \$1.21B in 2017 relative to 2016. Gross profits increased by 3.5% from \$410M to \$424.4M. This resulted from improved margins derived from better cost controls on projects and stronger supplier support. Profit before tax for the 2017 reporting period was \$100.5M relative to \$11.3M in 2016. A full provision of \$104.2M for the judgement of a court case was made in 2016 that resulted in the lower profit before tax for that year. Administrative expenses in 2017 experienced an increase of 6.25% over 2016 as resources increased to support the increased work load. Profit after tax for the 2017 financial year was \$100,736,163 or \$0.78 per stock unit in comparison to \$10,469,979 and \$ 0.08 per stock unit for the 2016 review period.

## Cash flow

The company cash position improved during the 2017 financial year increasing by \$33.83M or 21.4% to \$191.7M. This was mainly attributed to cash from financing activities increasing by \$30.78M to \$96.48M during 2017. This increase was as a result of loan facility obtained to fund working capital activities.

## II. ANALYSIS OF FINANCIAL CONDITION

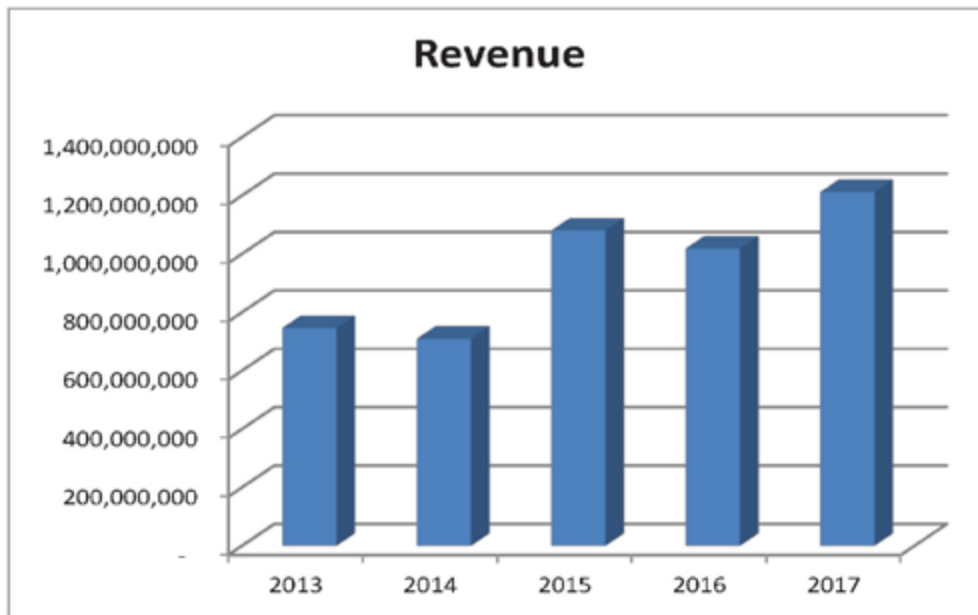
This section provides an analysis of the Company's financial performance over the period represented by the Historical Financial Information.

### Past Five (5) Financial Years Ratio Analysis

<u>YEAR ENDING</u>	<u>31-Jul-13</u>	<u>31-Jul-14</u>	<u>31-Oct-15</u>	<u>31-Oct-16</u>	<u>31-Oct-17</u>
<b><u>Liquidity</u></b>					
Current Ratio: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.57	2.08	2.30	2.17	1.70
<b><u>Profitability</u></b>					
Return on Assets: $\frac{\text{Net Profit}}{\text{Total Assets}}$	12.03%	7.60%	10.58%	1.23%	10.22%
Return on Equity: $\frac{\text{Net Profit}}{\text{Shareholders Equity}}$	32.63%	24.61%	31.53%	3.25%	23.81%
Gross Profit Margin: $\frac{\text{Gross Profit}}{\text{Turnover}}$	31.38%	36.00%	33.20%	40.30%	35.05%
Net Profit Margin: $\frac{\text{Net Profit}}{\text{Turnover}}$	6.26%	5.41%	5.99%	1.03%	8.32%
Earnings per Share	\$ 9.33	\$ 7.67	\$ 12.94	\$ 0.08	\$ 0.78
<b><u>Activity Analysis</u></b>					
Asset Turnover: $\frac{\text{Sales}}{\text{Total Assets}}$	1.92	1.40	1.77	1.19	1.23
Administrative Expenses as a percentage of Sales: $\frac{\text{Admin Expenses}}{\text{Sales}}$	20.81%	23.99%	20.93%	25.11%	22.42%
<b><u>Capital Structure</u></b>					
Debt to Equity: $\frac{\text{Total Debt}}{\text{Total Equity}}$	0.04	0.73	0.77	0.52	0.62
Interest Coverage	55.35	4.82	5.64	1.19	7.38
Debt to Total Assets: $\frac{\text{Total Debt}}{\text{Total Assets}}$	0.01	0.23	0.26	0.19	0.26

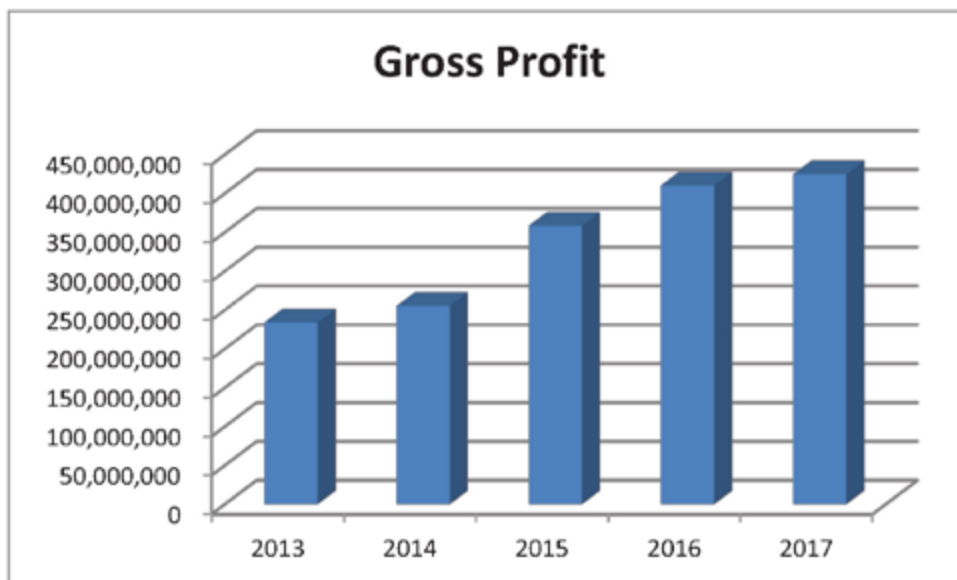


## Revenue Growth Analysis



The Company's revenue increased by approximately 62.56% over the period represented by the Historical Financial Information (being the financial years ending July 2013 up to and including that ending October 2017). Sales moved from \$744.93M in 2013 to \$1.21B in 2017, indicating increased sales and services to customers over the five (5) year period.

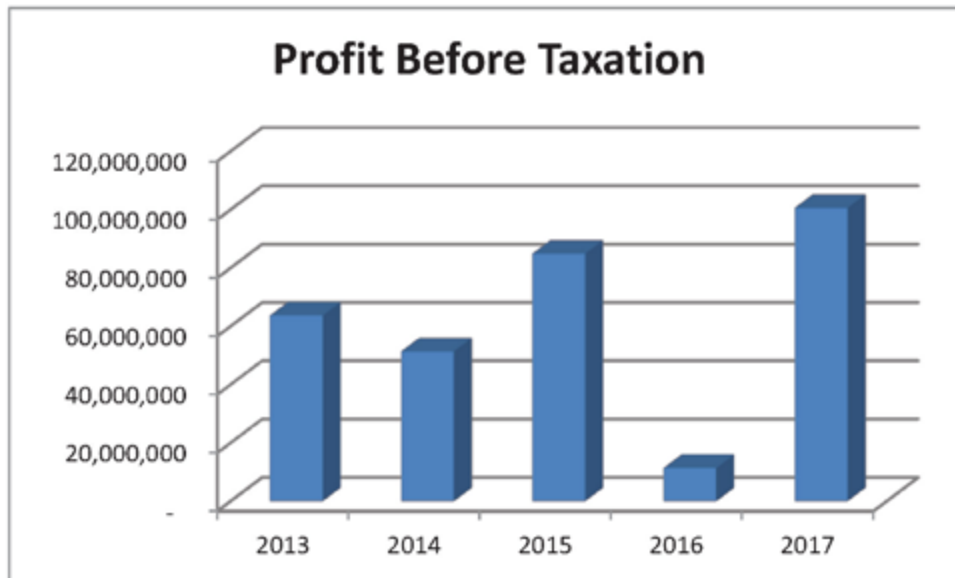
## Gross Profit



Gross profit experienced a cumulative growth of approximately 81.56% over the five year period represented by the Historical Financial Information, moving from \$233.77M as at financial year

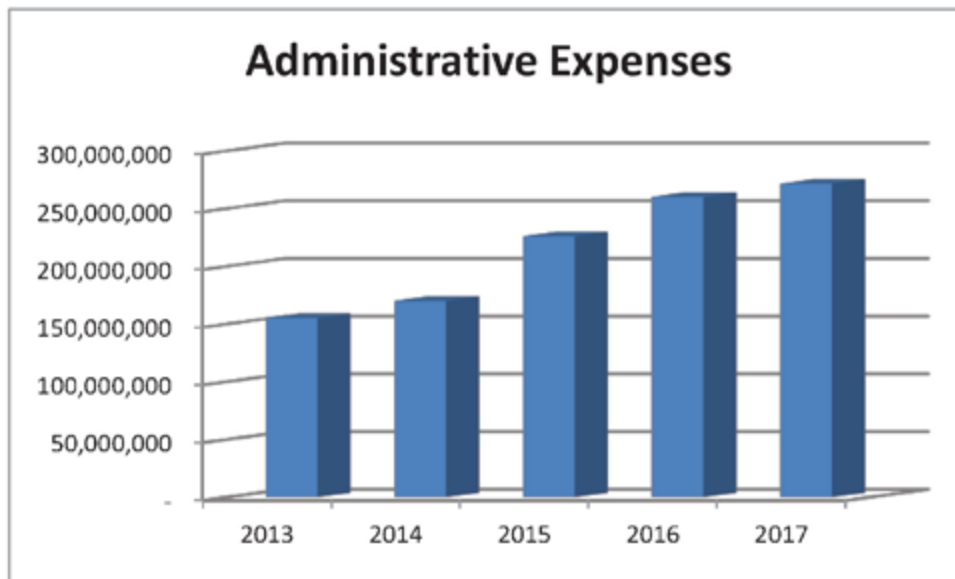
ending July 2013 to \$424.44M as at financial year ending October 2017. This equates to a dollar movement of \$190.67M. Over the five financial years, gross profit margin averaged 35.2%.

### Profit before Taxation



The Company's pre-tax profits averaged \$62.31M over the review period, peaking at \$100.51M in 2017. Over the five-year period represented by the Historical Financial Information pre-tax profits moved from a low of \$11.32M in 2016 to a high of \$100.51M as at financial year ending October 2017. The 2016 review period saw a decline in pre-tax profits due to an exceptional item relating to the full provision of \$104.2M for the judgement of a court case during that year.

### Administrative Expenses



The Company's administrative expenses increased in line with the increased levels of business, moving from \$155.04M at the end of the 2013 financial year to \$271.48M for the period ending

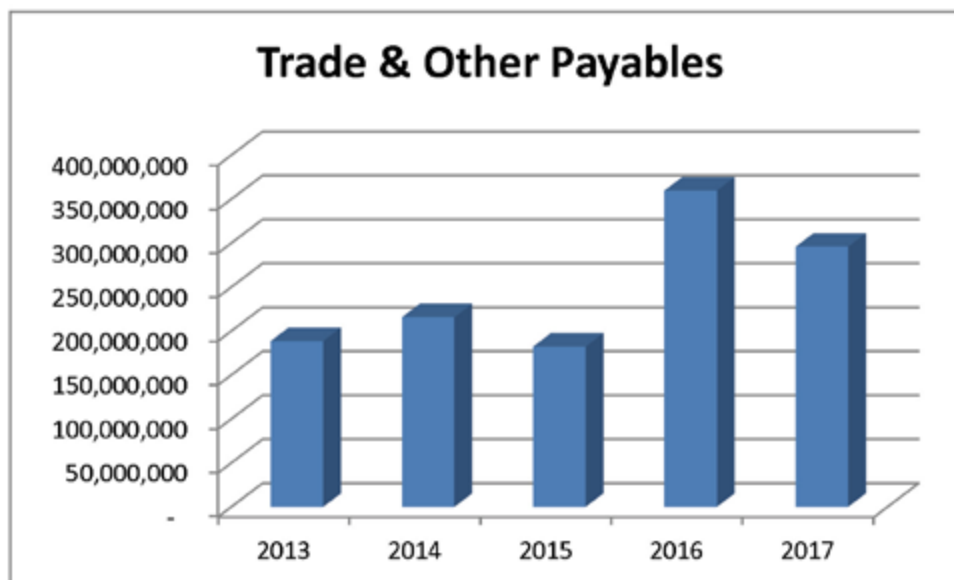
October 2017. The Company's administrative expenses averaged 22.65% of sales over the period. For the period ending October 2017 administrative expenses averaged 22.42% of sales which is marginally below the five-year average.

### Trade & Other Receivables



The Company's trade & other receivables has increased in line with the increased levels of business, moving from \$149.22M at the end of the 2013 financial year to \$536.33M for the period ending October 2017.

### Trade & Other Payables



For the financial years 2013 – 2015 the company's trade & other payables averaged JS\$195.53M peaking at JS\$215.70M in 2014. In 2016 the company's trade & other payables increased to

J\$359.77M mainly due to an accrual of J\$124.18M representing court awarded damages and other related costs. For the 2017 financial period trade payables and other payables stood at J\$295.90M.

### **Leverage Ratio Analysis**

- **Debt to Equity** – For the 2013 financial year the company's debt to equity stood at 0.04X. As the company grew additional debt was utilized by the company to facilitate the growth of the business. This has resulted in the ratio averaging 0.66X for the period 2014 to 2017 peaking at 0.77X in at 2015.
- **Interest Coverage Ratio** – As of the end of the 2017 financial year CAC's interest coverage ratio stood at 7.38X and has averaged 4.76X for the four year period from the 2014 to 2017. In 2016 the ratio fell to 1.19X as a result of a decline in pre-tax profits due to an exceptional item relating to the full provision of \$104.2M for the judgement of a court case during that year.
- **Debt to Total Assets** - For the 2013 financial year the company's debt to total assets stood at 0.01X. Growth facilitated by debt resulted in the ratio increasing to 0.23X in 2014 averaging 0.24X for the period 2014 to 2017.

## **III. RESULTS OF OPERATIONS**

### **Audited Financial Statements and Summary of Five Year Audited Financial Information (2013 – 2017)**

The historical financial information is extracted from the audited financial statements of the Company for the twelve-month reporting periods ended July 31<sup>st</sup> in the years 2013 to 2014, the fifteen-month comparative period July 31, 2014 to October 31, 2015 and the twelve-month period ended October 31 in the years of 2016 and 2017.



<b>CAC 2000 LIMITED INCOME STATEMENT FOR PERIOD ENDED</b>	<b>Audited 31-Jul-13</b>	<b>Audited 31-Jul-14</b>	<b>Audited 31-Oct-15</b>	<b>Audited 31-Oct-16</b>	<b>Audited 31-Oct-17</b>
<b>INCOME</b>					
Revenue	744,925,072	708,333,759	1,079,253,336	1,017,610,973	1,210,935,472
Cost of Sales	(511,155,500)	(453,307,140)	(720,971,689)	(607,527,493)	(786,500,045)
<b>Gross Profit</b>	<b>233,769,572</b>	<b>255,026,619</b>	<b>358,281,647</b>	<b>410,083,480</b>	<b>424,435,427</b>
Distribution Costs	(17,546,842)	(31,314,622)	(41,187,258)	(31,851,898)	(37,421,374)
Administrative expenses	(155,042,093)	(169,936,004)	(225,898,676)	(255,502,932)	(271,478,122)
Total Distribution & administrative expenses	(172,588,935)	(201,250,626)	(267,085,934)	(287,354,830)	(308,899,496)
Other Income	-	1,454,500	13,925,137	169,411	2,115,167
Court awarded damages, net	-	-	0	(104,181,618)	-
<b>Profit before finance cost and taxation</b>	<b>61,180,637</b>	<b>55,230,493</b>	<b>105,120,850</b>	<b>18,716,443</b>	<b>117,651,098</b>
Other gains and losses	1,037,060	5,361,364	(3,183,599)	6,926,000	(2,277,238)
Interest Income	2,506,866	2,173,729	1,516,944	1,406,350	1,090,090
Finance Costs	(1,105,296)	(11,461,627)	(18,652,570)	(15,733,068)	(15,949,599)
Net Finance Costs	2,438,630	(3,926,534)	(20,319,225)	(7,400,718)	(17,136,747)
<b>Profit Before Tax</b>	<b>63,619,267</b>	<b>51,303,959</b>	<b>84,801,625</b>	<b>11,315,725</b>	<b>100,514,351</b>
Taxation	(16,972,804)	(12,952,359)	(20,126,442)	(845,746)	221,812
<b>Net Profit</b>	<b>46,646,463</b>	<b>38,351,600</b>	<b>64,675,183</b>	<b>10,469,979</b>	<b>100,736,163</b>
<b>BALANCE SHEET</b>					
Total Non-Current Assets	9,889,782	15,791,062	34,516,952	53,276,565	45,778,958
Total Current Assets	377,965,602	488,660,495	576,882,953	798,433,603	939,431,852
<b>Total Assets</b>	<b>387,855,384</b>	<b>504,451,557</b>	<b>611,399,905</b>	<b>851,710,168</b>	<b>985,210,810</b>
Share Capital	500,000	500,000	500,000	129,189,757	129,189,757
Retained Earnings	142,444,885	155,348,778	204,632,773	193,167,268	293,903,431
<b>Total Shareholders' Equity</b>	<b>142,944,885</b>	<b>155,848,778</b>	<b>205,132,773</b>	<b>322,357,025</b>	<b>423,093,188</b>
Total Non-Current Liabilities	4,774,491	113,884,980	155,651,744	160,652,565	8,089,747
Total Current Liabilities	240,136,008	234,717,799	250,615,388	368,700,578	554,027,875
<b>Total Equity and Liabilities</b>	<b>387,855,384</b>	<b>504,451,557</b>	<b>611,399,905</b>	<b>851,710,168</b>	<b>985,210,810</b>
<b>ADDITIONAL INFORMATION</b>					
Trade & Other Receivables	149,222,574	187,298,852	281,168,345	356,656,285	536,331,072
Trade & Other Payables	188,605,864	215,697,845	182,297,355	359,772,577	295,903,418
Total Debt	5,132,487	114,331,108	157,324,886	166,060,182	260,635,515
Number of Issued Shares	5,000,000	5,000,000	5,000,000	129,032,258	129,032,258



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

March 5, 2018

The Board of Directors  
CAC 2000 Limited  
231 Marcus Garvey Drive,  
Kingston 11

Ladies and Gentlemen,

**CAC 2000 Limited – Prospectus 2018 Preference Share Offer**

With respect to the offer made by CAC 2000 Limited for the sale of preference share units, we hereby consent to the inclusion in the Prospectus of our report dated December 22, 2017, the summary statements of financial position as at July 31, 2013, July 31, 2014, October 31, 2015, October 31, 2016 and October 31, 2017 for CAC 2000 Limited and the summary income statements for each of the five periods then ended, and to the references to our name in the form and context in which it is included in the Prospectus.

We confirm that we have not withdrawn such consent before delivery of a copy of the Prospectus to the Financial Services Commission for registration.

This letter should not be regarded as in any way updating the aforementioned report or representing that we performed any procedures subsequent to the date of such reports.

Yours faithfully,

  
RT:JF:rw

KPMG is a Jamaica partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

R. Tarun Henda  
Cynthia L. Lawrence  
Rajni Trehan  
Norman O. Rainford  
Wigai R. Chambers

W. Ghem C. de Mel  
Nyssa A. Johnson  
William A. Suarez  
Rochelle N. Stephenson



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Chartered Accountants  
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## **INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL INFORMATION**

To the Board of Directors  
CAC 2000 LIMITED

### *Opinion*

The summary financial information set out in Section 8 III, which comprise the summary statements of financial position as at July 31, 2013, July 31, 2014, October 31, 2015, October 31, 2016 and October 31, 2017 and the summary income statements for each of the five periods then ended, are derived from the audited financial statements of CAC 2000 Limited as at and for the periods ended July 31, 2013, July 31, 2014, October 31, 2015, October 31, 2016 and October 31, 2017.

In our opinion, the summary financial information is consistent, in all material respects, with the audited financial statements.

### *Summary Financial Information*

The summary financial information does not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited financial statements of CAC 2000 Limited. Reading the summary financial information and our reports thereon, therefore, is not a substitute for reading the audited financial statements and our reports thereon. The summary financial information and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our reports on the audited financial statements.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tamm Hende  
Cynthia L. Lawrence  
Rajm Trehan  
Norman D. Rainford  
Nigel R. Chambers

W. Ghies C. de Mel  
Nancy A. Johnson  
Wilbert A. Spencer  
Rochelle N. Stephenson



Page 2

**INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL INFORMATION (CONTINUED)**

To the Board of Directors  
CAC 2000 LIMITED

*The Audited Financial Statements and Our Reports Thereon*

Our report dated May 14, 2014, on the 2013 financial statements was qualified on the basis that we were appointed auditors after July 31, 2013. Consequently, we were unable to observe the taking of the physical inventories stated at \$182,386,130, net as at July 31, 2013 and there were no practical alternate auditing procedures that we could apply to verify the existence of quantities as at that date.

We expressed unmodified audit opinions in our reports dated June 10, 2015, March 14, 2016, December 29, 2016 and December 22, 2017 on the financial statements for the periods ended July 31, 2014, October 31, 2015, October 31, 2016 and October 31, 2017, respectively.

*Management's Responsibility for the Summary Financial Information*

Management is responsible for the preparation of the summary financial information.

*Auditors' Responsibility*

Our responsibility is to express an opinion on whether the summary financial information is consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

Chartered Accountants  
Kingston, Jamaica

March 5, 2018



## IV. FUTURE PROSPECTS

The Company's historical approach has been one focused on methodical growth with selected and lower risk key customers. The goal has been to systematically improve the Company's capabilities by developing in-house managerial and professional skills.

The Company intends to add new personnel to staff in key areas to support the expected growth for 2018 and beyond. With these additions, improvement is expected in the sales and estimation accuracy, project planning process and execution.

CAC has identified three main areas which are expected to produce growth in gross profit as follows:

- Organic growth particularly in installation projects and service
- Projects
- Acquisitions of complementary businesses, such as alternative energy and lighting.

### Organic Growth

One of CAC's differentiation strategies is that the Company has worked closely with engineers and will continue to work closely to influence designs and tenders. This involves training, design assistance, drawings preparation and bills of quantities. This approach has won many jobs for the Company in past years.

Another strategy is to create projects by initiating discussions with the client and structuring said projects as an investment opportunity i.e. benefits pay for the capital investment rather than simply as a capital expenditure. The Company intends to continue with this model while increasing the percentage of these "CAC created" projects and increasing the value-added opportunities for the client base.

In addition, the Company will continue its focus on key customers and in particular those that have identified need for replacement of existing or new equipment.

Lastly, the reorganization process and software improvements made over the past 2-3 years continue to yield improvements in gross profit realized on the total job portfolio.

### Projects

The Company aims to work with joint venture partners to compete for Jamaican projects and similar projects regionally and internationally.

One of the most important changes expected is the diversification from being solely an air-conditioning company to that of a Mechanical, Electrical and Plumbing (MEP) contractor. Project staffing will be a combination of in-house expertise, joint venture partners or outsourcing as needed.

CAC's key strategic partners include:

- Carrier InterAmerica Corp (Miami)
- LG (Panama)
- Mitsubishi Electric



- Kier Construction
- Inica Ingenieria de Instalaciones S.A.L.

#### Acquisitions

The Company will continue to work closely with solar energy and lighting companies and will explore opportunities for buying into and managing these companies.

## 9. AUDITORS' REPORT and FINANCIAL STATEMENTS

See Appendix 1 to this Prospectus

## 10. CORPORATE GOVERNANCE

### **The Board of Directors**

The Board of Directors and the Management team of the CAC are committed to following best practices in corporate governance as a foundation for long-term success.

The names of the directors and senior management and their biographical information are set out in Section 6 of this Prospectus.

The Management team is comprised of:

NAME	POSITION	QUALIFICATION
<b>Steven Marston</b>	Chief Executive Officer	Environmental Engineering (HVAC)(BSc), Energy Management & Policy (MS), Cert. OPM
<b>Colin Roberts</b>	Director - Sales and Engineering	Electrical Engineer (BSc, MBA)
<b>Gia Abraham</b>	Director – Admin. And Operations	Corporate Banker (BSc)
<b>Colleen Ellison-Hall</b>	Financial Controller	Dipl. Bus Admin/Accounts (CAST)
<b>Richard Stephenson</b>	Sales Manager	Marketing and Sales (BSc)
<b>Glaister Cunningham</b>		Civil Engineer/Project Manager (BSc MSc., M.B.A., PMI)

### **Independent Directors:**

The Independent Directors are as follows:

<b>NAME</b>	<b>QUALIFICATION</b>
Richard Powell	Civil Engineer BSc. (Hons.), MSc. In Highway Engineering and M.B.A.
Edward Alexander	BSc, MSc.
Patrick Smith	BSc. Public Administration, M.B.A.
Matthew Hogarth	Attorney-at-Law LL.B
Jennifer McDonald	Transformational Leader BSc., Diploma, M.B.A.

### **Board Committees:**

CAC has established Board Sub-Committees charged with ensuring CAC's corporate integrity and adherence to applicable law. Their members are noted below.

#### **Audit and Finance Committee:**

<b>NAME</b>	<b>POSITION</b>	<b>QUALIFICATION</b>
Richard Powell	Chairman	Civil Engineer BSc. (Hons.), MSc. In Highway Engineering and M.B.A.
Edward Alexander	Member	BSc, MSc.
Patrick Smith	Member	BSc. Public Administration, M.B.A.

#### **Corporate Governance:**

<b>NAME</b>	<b>POSITION</b>	<b>QUALIFICATION</b>
Matthew Hogarth	Chairman	Attorney-at-Law LL.B
Jennifer McDonald	Member	Transformational Leader BSc., Diploma, M.B.A.
Gia Abraham	Member	Corporate Banker (BSc)

Remuneration Committee:

NAME	POSITION	QUALIFICATION
Patrick Smith	Chairman	BSc. Public Administration, M.B.A
Jennifer McDonald	Member	Transformational Leader BSc., Diploma, M.B.A.
Edward Alexander	Member	BSc, MSc.
Gia Abraham	Member	Corporate Banker (BSc)

## 11. DIVIDEND POLICY IN RELATION TO PREFERENCE STOCK UNITS

The payment of dividends on the Preference Stock Units by CAC will be primarily dependent on its future profitability. Subject to this, it is the Company's intention to pay dividends in accordance with the Terms of Issue of the Preference Shares.

## 12. MATERIAL CONTRACTS

Given the nature of its business, most of the Company's contractual arrangements relate to its employees and service agreements with its customers, most of which are therefore deemed to be on-going dealings in the ordinary course of business.

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company with the following persons ("**Counterparties**"):

	<u>Date</u>	<u>Counterparty</u>	<u>Brief Description</u>
1.	November 1 <sup>st</sup> , 2016	Hugh Wildman, Trustee in Bankruptcy and Liquidator of Cash Plus Limited	Lease for the Company's office located at 231 Marcus Garvey Drive, Kingston 11. Lease term is ten (10) years, with an option to purchase
3.	November 1 <sup>st</sup> , 2017	British Caribbean Insurance Company Limited	Private Commercial Motor Vehicle Insurance
4.	November 1 <sup>st</sup> , 2017	Guardian General Insurance Company Limited	All Risks Property Damage & Business Interruption Insurance Policy
5.	November 1 <sup>st</sup> , 2017	British Caribbean Insurance Company Limited	Computer All Risks Insurance Policy



6.	November 1 <sup>st</sup> , 2017	British Caribbean Insurance Company Limited	Employer's Liability Insurance Policy
7.	November 1 <sup>st</sup> , 2017	British Caribbean Insurance Company Limited	Public & Products Liability Insurance Policy
8.	November 1 <sup>st</sup> , 2017	Lloyds Syndicate QBE 386	Excess Comprehensive General Liability Insurance Policy
9.	November 1 <sup>st</sup> , 2017	Guardian General Insurance Company Limited	Loss of Money Insurance Policy
10.	November 1 <sup>st</sup> , 2017	Guardian General Insurance Company Limited	Goods In Transit Insurance Policy
11.	November 1 <sup>st</sup> , 2017	British Caribbean Insurance Company Limited	Fidelity Guarantee Insurance Policy
12.	November 1 <sup>st</sup> , 2017	British Caribbean Insurance Company Limited	Contractors All Risk Insurance Policy
13.	November 1 <sup>st</sup> , 2017	British Caribbean Insurance Company Limited	Motor Contingent Liability Insurance Policy
14.	January 1 <sup>st</sup> , 2017	Lloyds	Management Liability Insurance Policy
15.	December 1 <sup>st</sup> , 2017	Arthur J. Gallagher International	Marine Cargo Insurance Policy
16.	November 1 <sup>st</sup> , 2017	Guardian Life Insurance	Group Life Insurance Policy
17.	November 1 <sup>st</sup> , 2017	Sagicor Life Insurance Company	Group Health Insurance Policy
18.	April 1 <sup>st</sup> , 2015	LG Electronics Panama, S.A.	Cooperative Advertising Agreement in relation to LG Air Conditioning products in Jamaica
19.	October 28 <sup>th</sup> , 2013	Mitsubishi Electric U.S., INC.	Distribution Agreement in relation to HVAC products
20.	January 1 <sup>st</sup> , 2013	Carrier Interamerica Corp.	Agreement of Representations and Warranties
21.	July 4 <sup>th</sup> , 2017	Victoria Mutual Wealth Management Limited	Financial advisory and lead brokerage services in the Invitation
23.	December 2 <sup>nd</sup> , 2015	Jamaica Central Securities Depository Limited	Registrar and Transfer Agent Services in relation to both the Preference Shares and the Shares in this Offer
24.	August 21 <sup>st</sup> , 2000	(Carrier Interamerica Corp.	Dealer Agreement

### 13. LITIGATION

The Company is not currently involved in any material litigation nor is it aware of any pending material litigation. CAC 2000 Limited has lodged an appeal against interest charges awarded in the Supreme Court matter detailed below:

Claim No.: HCV 01486 of 2007  
Claimant: X-Ray & Diagnostic Ultrasound Consultants Ltd  
Defendant: CAC 2000 Limited

The Company has made full provisions for this interest settlement during the 2015/16 financial period and is currently awaiting a date for the appeal.

## **14. RISK FACTORS AND RISK MITIGATION**

### **RISK FACTORS**

#### **Volatility in Stock Price**

Newly-issued Preference Shares may experience significant volatility in stock price which may extend beyond the short term and which may be dependent on CAC's performance, investors' confidence and other factors over which CAC has no control.

#### **Risks Specific to this Offer:**

##### **Trading History**

Preference Stock Units in CAC have no observable arm's-length trading history as they have not previously been traded. Neither CAC nor any of its advisors can predict the stock's trading behaviour after it is listed on the JSE.

##### **Legal Control**

The Offering of Preference Shares will not confer legal or effective control of CAC on successful Applicants.

##### **Payment of Dividends and Redemption**

The payment of dividends on the Preference Stock Units and the ability of CAC to redeem them will be primarily dependent on CAC's future profitability.

##### **Issue of Additional Preference Shares**

The Directors of CAC may hereafter authorise the issue of additional preference shares in CAC. Such preference shares, once issued and converted on issue to preference stock units, may rank pari passu with the existing Preference Stock Units and may be listed on the JSE or on any other stock exchange(s). Additional preference shares so issued could affect the market price of the Preference Stock Units.

### **Country-Specific Risks:**

#### **Macro-Economic Policies**

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behaviour of capital markets including the Junior Market. Such changes in policies may create opportunities as well as challenges for the Company. This is a risk that is not faced by the Company alone but also, by any trading business, although the risk could have particular impact on its particular business model.

### **Other Risks:**

#### **Risks Associated with International Conditions**

CAC's financial results may be adversely affected by international risks, such as:

- international political and economic conditions;
- trade barriers;
- adverse tax consequences

#### **Operational Risk**

The Company is subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events (including severe weather, other Acts of God, social unrest or insurrection). This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity or any other risk that affects the volume of visitor arrivals to the island. The Company is prudent and therefore, it insures itself against some (but not all) of these risks: for instance, the Company is insured in respect of damage to its business by fire, flood or other physical damage. It may not be feasible for the Company to insure itself in respect of all of the risks mentioned, because no coverage may be available or it may not be economical to do so.

#### **New Accounting Rules or Standards**

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is not faced by the Company alone but also, by any trading business.

#### **Key Personnel**

It is important that the Company attracts and retains appropriately skilled personnel, including the Directors of the Company, who specialize in distinct areas of the Company's management. It is also important for the Company to replace personnel whose employment may be terminated for any reason within a reasonable time. In Jamaica, there are a limited number of persons with the requisite skills, knowledge and experience required by the Company. The Company will need to attract and retain honest qualified personnel, and failure to do so could have a material adverse impact on the Company's future prospects.

### **Key Partners**

The Company relies on its key and on-going business relationships with customers and suppliers. If the Company's relationship with any of these parties is disrupted or terminated for any reason, the Company would have to identify new customers and suppliers. However, this risk may be mitigated by the Company's policy of creating and maintaining symbiotic relationships with its key partners and by seeking to provide itself with the components of its products by investing in integrated businesses.

### **Uninsured Risks**

The Company has procured insurance in respect of certain risks facing its business, as described in Section 17 of this Prospectus. If the Company suffered loss or damage to its property or facilities or as a result of a claim by a third party and was not able to claim successfully under its policies of insurance for that purpose its finances could suffer and its operations could be disrupted temporarily or permanently. The Company does however have consequential loss insurance which would allow it to mitigate losses occasioned by an interruption of business.

## **RISK MITIGATION**

CAC attempts to mitigate all operational risks by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning.

CAC's management believes that there are currently no significant or unusual developments surrounding the risks described in this Section 14.

## **15. CONSENTS**

KPMG, Chartered Accountants has given and not withdrawn its consent to the issue of this Prospectus with the inclusion therein of financial data extracted from audited financial statements and the references to its name in the form and context in which they are included.

## **16. DOCUMENTS AVAILABLE FOR INSPECTION**

From the date of publication of this Prospectus, the following documents will be available for inspection on any weekday (Saturdays, Sundays and public holidays excepted) during the hours of 9:00 am to 4:30 pm, at the offices of CAC at 231 Marcus Garvey Drive, Kingston 11. Contact may be made with Mr. Steven Marston.



- (1) the current Articles of Incorporation
- (2) the written consent of the Auditors dated March 5, 2018
- (3) The Auditor's Report and audited financial statements of the Company for the five (5) fiscal years ended October 31<sup>st</sup>, 2017.

## 17. STATUTORY AND GENERAL INFORMATION

- 17.1 a) CAC has no founders or management or deferred shares.
- b) The Articles of Incorporation fix no shareholding qualification for directors and none has been otherwise fixed by CAC in general meeting. The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:

Subject to Article 123, the remuneration of the Directors shall be such amount as the Directors, or any appropriate committee of the Directors, may determine. Such remuneration shall be deemed to accrue from day to day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of directors or general meetings of the Company or in connection with the business of the Company. any Director who serves on any Committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine (Article 82)

A Director who is, in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall disclose in writing to the Company the nature and extent of his interest in accordance with section 193 of the Act (Article 94 (1)).

Any contract or proposed contract referred to in Article 94(1) above shall be subject to the approval of the Directors and such Director shall not be present during any proceeding of the board of Directors in connection with the approval of such contract and he shall not be counted in the quorum present at the meeting, but neither of these prohibitions shall apply to:

- (a) any arrangement for giving any Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself has assumed responsibility in whole or in part under guarantee or indemnity or by the deposit of a security; or
- (c) any contract by a Director to subscribe for or underwrite shares or debentures of the Company; or

- (d) any contract or arrangement with any other company in which he is interested only as an officer of the Company or as holder of shares or other securities;

and these prohibitions may at any time be suspended or relaxed to any extent, and generally or in respect of any particular contract, arrangement or transaction, by the Company in general meeting (Article 94(2))

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise ) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or agreement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or agreement by reason of such Director holding that office or of the fiduciary relationship thereby established (Article 94(3))

A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof (Article 94(4))

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorize a Director or his firm to act as auditor to the Company (Article 94 (5)).

The Director(s) on behalf of the Company, may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance (Article 99).

A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the board of Directors, or any appropriate committee of the board of Directors, may determine. (Article 123)

- c) The names and addresses of the Directors of the CAC appear in Section 6 of this Prospectus. The residential addresses of the respective directors are as follows:

<b>Name of Director</b>	<b>Residential Address</b>
Steven Marston	22 Earls Court, Kingston 8
Colin Roberts	1 Colombo Close, Kingston 6
Richard Powell	Townhouse #4, The Villas of Farringdon, 17 Farringdon Drive, Kingston 6
Gia Abraham	22 Earls Court, Kingston 8
Edward Alexander	24 Monterey Drive, Kingston 6
Patrick Smith	11 Russell Heights, Kingston 8
Matthew Hograth	9 Plymouth Avenue, Kingston 6
Jennifer McDonald	Apt North 102, 5 Central Avenue, Kingston 8

- 17.2 The minimum amount required to be raised out of the proceeds of the Preference Stock Issue to provide for any of the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Act (the “minimum subscription”) is \$20million. The expenses in connection with this Offer, namely for advertising, printing, professional and consultancy fees, brokerage fees and miscellaneous expenses, are set out below and will be borne by the CAC. An amount of \$80million will be allocated from the proceeds of this offer for working capital support.

<b>Item</b>	<b>Cost (Excluding GCT)</b>
<b>Brokerage and Financial Advisory Fees</b>	\$ 6,000,000.00
<b>Legal fees</b>	\$ 750,000.00
<b>Registrar's Fees</b>	\$ 78,228.00
<b>Initial Listing Fees</b>	\$ 149,848.00
<b>Marketing Fees and Statutory Costs</b>	\$ 240,000.00
<b>Other Cost</b>	\$ 1,781,924.00
<b>Total</b>	\$ <u>9,000,000.00</u>

- 17.3 (a) The application list will open at 9:00 am on March 16, 2018 and will close at 4:30 pm on March 23, 2018, subject to the CAC's right to close the application list at any time if applications have been received for an amount in excess of the Preference Shares offered under this Prospectus or to extend the closing date beyond March 23, 2018.
- (b) All applicants will be required to pay in full, on application, the Offer Price of \$1.00 per Preference Share. No further sum will be payable on allotment.
- 17.4 An Offer of 110,037,000 preferences shares in the capital of the Company was made in the financial year 2014 with a further 38,000,000 preferences shares being offered in the financial

year 2015. In total 148,037,000 preference shares were issued securing for the Company \$148,037,000.00 in capital.

- 17.5 No person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, CAC.
- 17.6 (a) As at October 31, 2017 CAC held investments in securities, amounting to \$100,768,954.00. These are primarily foreign currency short term deposits. For further details please see Note 7 of the Financial Statements referred to in Section 9 of the Prospectus
- (b) There is no amount for goodwill, patent, or trademarks shown in the financial statements of CAC and there is no contract for sale and purchase which would involve any goodwill, patent or trademarks.
- (c) The aggregate amount of bank loans and overdrafts owing by the CAC as at October 31, 2017 is \$253,900,204.00. For further details with respect to loan and borrowings see Note 9 to the Financial Statements referred to in Section 9 of this Prospectus.
- (d) No amount is recommended for distribution by way of dividend.
- 17.7 No property has been or is proposed to be purchased or acquired by the CAC, which is to be paid for wholly or partly out of the proceeds of this Offer, and accordingly, paragraph 6 of Part 1 of the Third Schedule of the Companies Act does not apply.
- 17.8 For the reason stated in paragraph 17.7 above, paragraph 7 of Part 1 of the Third Schedule to the Companies Act does not apply.
- 17.9 For the reason stated in paragraph 17.7 above, paragraph 8 of Part 1 of the Third Schedule to the Companies Act does not apply.
- 17.10 For the reason stated in paragraph 17.7 above, paragraph 9 of Part 1 of the Third Schedule to the Companies Act does not apply.
- 17.11 (a) Within the two preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the CAC.
- (b) The total expenses of the Offer is estimated at J\$9,000,000.00 and will be payable for the services identified in paragraph 17.2 above.
- (c) Within the last two years preceding the date of this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any promoter.
- 17.12 The name and address of the auditors of the CAC are:
- KPMG, Chartered Accountants  
The Victoria Mutual Building  
6 Duke Street  
Kingston



- 17.13 The authorised share capital of the Company consists of 200,000,000 ordinary shares of no par value and 350,000,000 Redeemable Cumulative Fixed and Variable Preference Shares. The issued share capital of the Company consists of 129,032,258 ordinary shares of no par value and 148,037,000 Redeemable Cumulative Fixed and Variable Preference Shares. Subject to any rights or restrictions for the time being attached to classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder. (See Article 67). The Preference Stock Units (following conversion on issue of the Preference Shares) do not carry the right to vote save in narrowly prescribed circumstances.
- 17.14 CAC has carried on business as CAC since July 24<sup>th</sup> 2000.

## **General Information**

### Articles of Incorporation

The core businesses of the Company are:

DEALERS, INSTALLERS, MAINTAINERS AND REPAIRERS OF AIR CONDITIONERS AND AIR CONDITIONING EQUIPMENT.

The above and objects/powers of the CAC are set out in full in the Articles of Incorporation, which is among the documents available for inspection as noted in Section 16 of this Prospectus.

### Dividends

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

### Conversion of Shares to Stock

The Company is authorised to convert shares of the Company into stock units by ordinary resolution passed by the Company.

### Power to purchase its own Shares

The Company has power, subject to the provisions of the Companies Act, 2004, to exercise to the fullest extent, the powers granted by sections 58 and 59, of the Companies Act, to purchase or otherwise deal in its own shares and the Company may, to the extent permitted by law give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding company (if any) and the Company may, to the extent permitted by law, make a loan for any purpose whatsoever on the security of its shares or those of its holding company (if any).

### Director's Indemnity

To the fullest extent permitted by sections 201, 202 and 203 of the Companies Act, 2004 every Director or other officer of CAC or their respective legal representatives is entitled to be

indemnified out of the assets of CAC against all costs, charges, expenses, awards of damages, losses or liabilities which he may sustain or incur:

- (i) in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a Director or officer of the Company;
- (ii) in connection with any derivative action;
- (iii) in connection with any application under section 389 of the Companies Act in a case where relief is granted by the Court.

#### Directors' & Officers' Liability Insurance

The Directors are authorised to effect and maintain at the cost of CAC, such Directors' & Officers' Liability insurance as they shall deem fit.

#### Director's interest in contracts

If a Director is in any way directly or indirectly interested in a contract or proposed contract with CAC, he must disclose the nature and extent of his interest in writing and the affected Director may not be present during any Board meeting at which the contract is considered for approval and may be counted in the quorum.

#### Jamaica Taxation

Under current legislation, CAC's taxable surplus is subject to tax at the rate of 25%. Tax on dividends paid by the Company will be at the rate of 15%. Capital distributions are subject to transfer tax (currently 5% on the amount of the distribution). The transfer of Preference Stock Units on the JSE is exempt from transfer tax and *ad valorem* stamp duty. If the Preference Stock Units are transferred other than by way of the facilities of the CAC then such transfer tax (currently 5%) and stamp duty (currently approximately 1%) would be chargeable. Applicants should consult their own tax advisors, with respect to other possible tax implications.

#### Underwriting

The Offer contained in this Prospectus is not underwritten.

#### Insurance

The Company has procured sufficient insurance cover for all major risks that relate to its business. This includes:

- a. Private Commercial Motor Vehicle Insurance
- b. All Risks Property Damage & Business Interruption Insurance Policy
- c. Computer All Risks Insurance Policy
- d. Employer's Liability Insurance Policy
- e. Public & Products Liability Insurance Policy
- f. Excess Comprehensive General Liability Insurance Policy
- g. Loss of Money Insurance Policy

- h. Goods In Transit Insurance Policy
- i. Fidelity Guarantee Insurance Policy
- j. Contractors All Risk Insurance Policy
- k. Motor Contingent Liability Insurance Policy
- l. Management Liability Insurance Policy
- m. Marine Cargo Insurance Policy
- n. Group Life Insurance Policy
- o. Group Health Insurance Policy

All of the abovementioned policies of insurance are valid for varying time periods.

Confirmation of the insurance arrangements referred to in this section will be available for inspection as described in Section 16. The company is currently considering additional insurance policies, namely Key Man Insurance.

#### Pensions

Employees voluntarily participate in a Scotiabridge Pension Scheme. The Company matches employee contribution up to a maximum of 3% of salary (employees are permitted to contribute a higher portion if they so desire). Currently they are 21 employees participating in the Pension Scheme.

## 18. APPLICATION PROCEDURES AND CONDITIONS OF OFFER

### Application Procedures, Terms and Conditions

All Application Forms must be submitted together with payment for the Preference Shares in the form of either:

- (a) a manager's cheque made payable to "Victoria Mutual Wealth Management Limited" if the subscription amount is less than J\$1,000,000.00; or
- (b) authorisation from the Applicant on the Application Form, instructing VM Wealth to make payment from cleared funds held with VM Wealth in an investment account in the Applicant's name; or
- (c) where applicable, proof of payment to VM Wealth made electronically using either the RTGS payment system or by wire transfer. Absolutely no cash will be collected.

All completed Application Forms must be delivered to VM Wealth at any of its offices, as shown below:

<p style="text-align: center;"><b>KINGSTON</b> 53 Knutsford Boulevard Kingston 5 Telephone: (876)-960-5000-3</p>	<p style="text-align: center;"><b>MANDEVILLE</b> Shop #3, Manchester Shopping Centre Mandeville Telephone: (876)-962-7215</p>
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<p style="text-align: center;"><b>PORTMORE</b>  Lot 1 Scagrape Close  Portmore, Saint Catherine  Telephone: (876)-988-8603</p>	<p style="text-align: center;"><b>MONTEGO BAY</b>  Unit 8, Summit Business Centre,  Lot 3, Straddle Drive Bogue Estates,  Montego Bay, Saint James  Telephone: (876)-684-9806</p>
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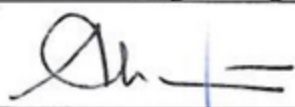


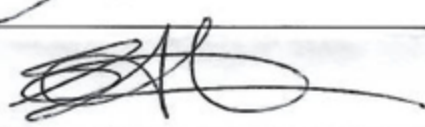


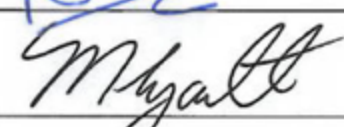
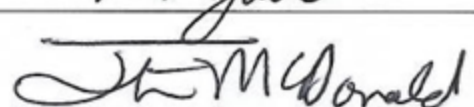
Application Forms must apply for a minimum denomination of \$50,000.00. Applications in excess of that number must be in multiples of \$10,000.00. Application Forms in other denominations will not be processed or accepted.

1. Applications must be for a minimum of 50,000 Preference Shares and multiples of 10,000.
2. The Directors of CAC in their sole discretion may accept (in whole or in part) or reject any application to purchase Preference Shares even if the application is received, validated and processed. The acceptance may be in respect of the whole or any part of the application and, accordingly, the allocated number of Preference Shares may be less than the amount specified in the Application Form.
3. The acceptance by CAC of an application to subscribe for the Preference Shares (in whole or in part) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the Preference Shares in respect of which the application has been accepted at the Offer Price.
4. If the Offer is oversubscribed, the Preference Shares may be allotted to Applicants on a basis to be determined by CAC in its sole discretion. Applicants may be allotted fewer Preference Shares than they applied for.
5. In respect of each Application which is accepted in whole or in part by CAC, CAC will issue a letter of allotment in the name of that Applicant (or in the joint names of joint Applicants) for the number of Preference Shares allotted to the Applicant. The letters of allotment will be sent to the stockbrokers listed in Section 5 of this Prospectus who will distribute same to the Applicants, along with a cheque for the portion of the subscription monies which is refundable to the Applicant if the Application has only been accepted in part.
6. Cheques for the amounts refundable to Applicants whose Applications are not accepted will be sent to the stockbrokers listed in Section 5 of this Prospectus who will distribute same to the Applicants. CAC will use its best efforts to send the letters of allotment and refund cheques to the stockbrokers within ten working days after the Closing Date or as soon thereafter as practicable.
7. Each letter of allotment and refund cheque will be mailed through the post at the Applicant's risk to the address of the Applicant (or of the first-named joint Applicant) stated in the Application Form.
8. Letters of allotment are not transferable or assignable.



## 19. DIRECTOR'S SIGNATURES

Signed on behalf of CAC 2000 Ltd by the below-mentioned Directors, for and on behalf of the Directors of the Company, on the 3<sup>rd</sup> day of March, 2018.

Name of Director/Secretary	Original Signed By:
Steven Marston	
Colin Roberts	
Richard Powell	
Gia Abraham	
Edward Alexander	
Patrick Smith	
Matthew Hogarth	
Jennifer McDonald	

## APPENDIX 1

### Auditors' Report and Financial Statements

[See following pages]



KPMG  
Chartered Accountants  
P.O. Box 76  
6 Duke Street  
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 Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of CAC 2000 Limited ("the Company"), set out on pages 8 to 42, which comprise the statement of financial position as at October 31, 2017, 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at October 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

##### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Sprun-Hendle  
Cynthia L. Lawrence  
Rajen Tahan  
Norman D. Hamford  
Roger B. Chambers

W. Ghani C. de Mel  
Nusse A. Johnson  
William A. Spence  
Rachelle N. Stephenson



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
CAC 2000 LIMITED

**Report on the Audit of the Financial Statements (continued)**

*Key Audit Matters*

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

1. *Recoverability of debtor balances*

***The key audit matter***

The Company has significant overdue balances with customers. There is significant judgement involved in determining the levels of allowance for impairment on these balances, because of the uncertainty involved in estimating the timing and amount of future collections given the nature of the customers and the specific industry in which the Company operates.

The use of judgement increases the risk that management's estimate could be materially misstated.

***How the matter was addressed in our audit***

Our procedures in this area included:

- Testing the manual and automated controls over recording and ageing receivables. Our testing of automated controls involved using our own Information Technology Audit specialists to test the design, implementation and operating effectiveness of automated controls;
- Testing subsequent receipts for selected customers;
- Evaluating the adequacy of the allowance for impairment recognised in respect of the Company's receivables, testing the underlying data used and re-performing the calculation;
- Evaluating the adequacy of the disclosures about the degree of estimation involved in arriving at the impairment allowance;
- Reviewing the accuracy of the disclosures in respect of the ageing of the trade receivables and the impairment allowance.



## INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
CAC 2000 LIMITED

### Report on the Audit of the Financial Statements (continued)

#### Key Audit Matters (continued)

#### 2. Revenue recognition using the percentage-of completion method

##### The key audit matter

The Company recognises revenue from its engineering contracts based on the percentage of completion (POC) method.

Significant management judgement is involved in :

- Estimating the physical proportion of the completed work for the contracts;
- The estimation of the total costs on the completed contracts, including contingencies that could arise from variations to original contract terms and claims.

##### How the matter was addressed in our audit

Our procedures in this area included:

- Reviewing the progress claims reports from the engineers for those claims not certified and assessing the reasonableness of the estimates made.
- Evaluating the effectiveness of management's controls over the input costs.
- Recomputing the revenues and the costs recognised for the current financial year based on the respective stage of completion and the contract values.
- Evaluating the adequacy of the disclosures in respect of the revenue from construction contracts.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.





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#### INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
CAC 2000 LIMITED

#### **Report on the Audit of the Financial Statements (continued)**

##### *Other information (continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

##### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

##### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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#### INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
CAC 2000 LIMITED

#### **Report on additional matters as required by the Jamaican Companies Act**

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6 - 7, forms part of our auditors' report.

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.

The engagement partner on the audit resulting in this independent auditors' report is Rajan Trehan.

Chartered Accountants  
Kingston, Jamaica

December 22, 2017



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## INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
CAC 2000 LIMITED

### Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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#### INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
CAC 2000 LIMITED

##### **Appendix to the Independent Auditors' report (continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

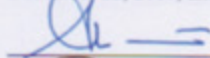
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

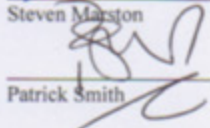


CAC 2000 LIMITEDStatement of Financial Position  
October 31, 2017

	<u>Notes</u>	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	45,550,889	51,702,954
Long-term receivables	4	<u>228,069</u>	<u>1,573,611</u>
Total non-current assets		<u>45,778,958</u>	<u>53,276,565</u>
<b>Current assets</b>			
Income tax recoverable		3,019,665	1,935,494
Inventories	5	208,385,972	280,302,421
Due from related parties	11(a)	-	1,664,849
Trade and other receivables	6	536,331,072	356,656,285
Cash and bank deposits	7	<u>191,695,143</u>	<u>157,874,554</u>
Total current assets		<u>939,431,852</u>	<u>798,433,603</u>
<b>Total assets</b>		<u>985,210,810</u>	<u>851,710,168</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Stockholders' equity</b>			
Share capital	8	129,189,757	129,189,757
Retained earnings		<u>293,903,431</u>	<u>193,167,268</u>
Total stockholders' equity		<u>423,093,188</u>	<u>322,357,025</u>
<b>Non-current liabilities</b>			
Loans and borrowings	9	4,013,104	153,917,254
Obligations under finance lease	10	<u>4,076,643</u>	<u>6,735,311</u>
Total non-current liabilities		<u>8,089,747</u>	<u>160,652,565</u>
<b>Current liabilities</b>			
Loans and borrowings	9	249,887,100	1,734,271
Due to related parties	11(b)	5,422,439	3,520,384
Trade and other payables	12	295,903,418	359,772,577
Current portion of obligations under finance lease	10	2,658,668	3,673,346
Taxation payable		<u>156,250</u>	-
Total current liabilities		<u>554,027,875</u>	<u>368,700,578</u>
<b>Total equity and liabilities</b>		<u>985,210,810</u>	<u>851,710,168</u>

The financial statements on pages 8 to 42 were approved for issue by the Board of Directors on December 22, 2017, and signed on its behalf by:

  
\_\_\_\_\_  
Steven Marston Chief Executive Officer

  
\_\_\_\_\_  
Patrick Smith Director

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

CAC 2000 LIMITEDStatement of Profit or Loss and Other Comprehensive Income  
For the year ended October 31, 2017

	Notes	2017 \$	2016 \$
Revenue	13	1,210,935,472	1,017,610,973
Cost of sales		( 786,500,045)	( 607,527,493)
Gross profit		424,435,427	410,083,480
Distribution expenses		( 37,421,374)	( 31,851,898)
Administrative expenses		( 271,478,122)	( 255,502,932)
Total distribution and administrative expenses	14	( 308,899,496)	( 287,354,830)
		<u>115,535,931</u>	<u>122,728,650</u>
Court awarded damages, net	20(i)	-	( 104,181,618)
Other income		<u>2,115,167</u>	<u>169,411</u>
<b>Profit before finance cost and taxation</b>		117,651,098	18,716,443
Foreign exchange (losses)/gains		( 2,277,238)	6,926,000
Interest income		1,090,090	1,406,350
Interest expense		( 15,949,599)	( 15,733,068)
Net finance cost	16	( 17,136,747)	( 7,400,718)
<b>PROFIT BEFORE TAXATION</b>		100,514,351	11,315,725
Taxation	17	<u>221,812</u>	( 845,746)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>100,736,163</u>	<u>10,469,979</u>
<b>Earnings per stock unit:</b>			
Based on stock units in issue	19	\$ <u>0.78</u>	<u>0.08</u>

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

CAC 2000 LIMITEDStatement of Changes in Stockholders' Net Equity  
For the year ended October 31, 2017

	Share capital (note 8) \$	Retained earnings \$	Total \$
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 18)	<u>-</u>	<u>( 21,935,484)</u>	<u>( 21,935,484)</u>
Balances at October 31, 2016	129,189,757	193,167,268	322,357,025
Total comprehensive income for the year	<u>-</u>	<u>100,736,163</u>	<u>100,736,163</u>
Balances at October 31, 2017	<u>129,189,757</u>	<u>293,903,431</u>	<u>423,093,188</u>

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

CAC 2000 LIMITEDStatement of Cash Flows  
For the year ended October 31, 2017

	<u>Notes</u>	<u>2017</u> \$	<u>2016</u> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		100,736,163	10,469,979
Adjustments for:			
Taxation	17	( 221,812)	845,746
Depreciation	3	20,505,700	14,915,160
Allowance for doubtful debts	6	( 10,938,210)	6,996,027
Provision for inventory obsolescence		( 4,090,136)	1,032,249
Interest expense	16	15,949,599	15,733,068
Interest income	16	( 1,090,090)	( 1,406,350)
Operating cash flows before movements in working capital		120,851,214	48,585,879
Movements in working capital:			
Inventories		76,006,585	( 53,254,890)
Trade and other receivables		(167,245,183)	( 80,335,514)
Trade and other payables		( 64,872,775)	177,475,222
Due from related parties		<u>1,664,849</u>	<u>4,626,931</u>
Cash generated by operations		( 33,595,310)	97,097,628
Interest paid		( 14,945,983)	( 15,733,068)
Income tax paid		( 789,908)	( 15,959,720)
Net cash (used)/generated by operating activities		( 49,331,201)	<u>65,404,840</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	3	( 14,353,635)	( 35,954,999)
Interest received		<u>1,028,036</u>	<u>1,383,589</u>
Net cash used by investing activities		( 13,325,599)	( 34,571,410)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		-	( 37,326,672)
Repayment of bank loans		( 10,659,815)	( 1,673,361)
Due to related parties		1,902,055	( 34,400,305)
Finance lease, net		( 3,673,346)	10,408,657
Proceeds from bank loans		108,908,495	-
Proceeds from issue of redeemable preference shares		-	-
Proceeds from issue of ordinary shares, net		<u>-</u>	<u>128,689,757</u>
Net cash provided by financing activity		<u>96,477,389</u>	<u>65,698,076</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,820,589	96,531,506
Cash and cash equivalents at beginning of year		<u>157,874,554</u>	<u>61,343,048</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	<u>191,695,143</u>	<u>157,874,554</u>

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



## CAC 2000 LIMITED

### Notes to the Financial Statements For the year ended October 31, 2017

#### 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 and amended standards that became effective during the year**

Certain new and amended standards came into effect during the current financial year. The adoption of these standards and amendments did not result in any change to the amounts and disclosures in the financial statements.

##### **New standards 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:

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

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

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

- 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.

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.

- 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.

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

CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

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.
- 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.

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.



CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

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

(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.

(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.



## CAC 2000 LIMITED

### Notes to the Financial Statements (Continued) For the year ended October 31, 2017

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

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

##### (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.

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.

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 20172. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

## (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:

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

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.

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.

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 20172. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (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 liabilities 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.

## (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).



CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

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 (cont'd):

- (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.



CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

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 measured at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest basis.

(m) Leases:

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.

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 20172. 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.

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 20172. 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 21).

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.



CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

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.



CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 20172. 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 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

3. Property, plant and equipment

	<u>Leasehold Improvements</u>	<u>Plant machinery &amp; tools</u>	<u>Furniture fixtures &amp; equipment</u>	<u>Computers &amp; related equipment</u>	<u>Motor vehicles</u>	<u>Work-in- progress</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
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	<u>3,259,750</u>	-	-	-	-	<u>(3,259,750)</u>	-
October 31, 2016	23,410,579	3,016,363	3,835,144	17,563,063	36,834,506	-	84,659,655
Additions	33,958	836,235	39,541	565,135	3,297,584	9,581,182	14,353,635
Transfers	-	-	-	<u>9,581,182</u>	-	<u>(9,581,182)</u>	-
October 31, 2017	<u>23,444,537</u>	<u>3,852,598</u>	<u>3,874,685</u>	<u>27,709,380</u>	<u>40,132,090</u>	-	<u>99,013,290</u>
<b>Accumulated depreciation</b>							
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	<u>3,751,784</u>	<u>276,384</u>	<u>249,609</u>	<u>3,849,642</u>	<u>6,787,741</u>	-	<u>14,915,160</u>
October 31, 2016	5,343,231	2,590,667	1,306,161	11,062,369	12,654,273	-	32,956,701
Charge for the year	<u>4,400,948</u>	<u>202,753</u>	<u>325,685</u>	<u>6,610,363</u>	<u>8,965,951</u>	-	<u>20,505,700</u>
October 31, 2017	<u>9,744,179</u>	<u>2,793,420</u>	<u>1,631,846</u>	<u>17,672,732</u>	<u>21,620,224</u>	-	<u>53,462,401</u>
<b>Net book values</b>							
October 31, 2017	<u>13,700,358</u>	<u>1,059,178</u>	<u>2,242,839</u>	<u>10,036,648</u>	<u>18,511,866</u>	-	<u>45,550,889</u>
October 31, 2016	<u>18,067,348</u>	<u>424,696</u>	<u>2,528,983</u>	<u>6,500,694</u>	<u>24,180,233</u>	-	<u>51,702,954</u>

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CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

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 \$6,735,311 (2016: \$10,408,657).

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 \$228,069 (2016: \$1,573,611) is included in other receivables (note 6).

5. Inventories

	<u>2017</u> \$	<u>2016</u> \$
Merchandise/equipment	69,645,369	80,609,940
Work-in-progress	7,859,718	74,895,956
Service supplies/parts	103,004,914	78,200,410
Goods in transit	<u>43,655,708</u>	<u>66,465,987</u>
	224,165,709	300,172,293
Provision for obsolescence	<u>( 15,779,737 )</u>	<u>( 19,869,872 )</u>
	<u>208,385,972</u>	<u>280,302,421</u>

The cost of inventories recognised as cost of sales during the year was \$573,263,229 (2016: \$408,206,712).

6. Trade and other receivables

	<u>2017</u> \$	<u>2016</u> \$
Trade	522,896,488	346,287,700
Allowance for doubtful debts	<u>( 20,447,912 )</u>	<u>( 32,453,138 )</u>
	502,448,576	313,834,562
Other receivables*	24,662,964	40,013,153
Prepayments	<u>9,219,532</u>	<u>2,808,570</u>
	<u>536,331,072</u>	<u>356,656,285</u>

\* Included in other receivables is \$16,053,772 (2016: \$15,929,759) held by a financial institution and hypothecated to support performance guarantees issued by the institution on behalf of the Company.

## CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 20176. Trade and other receivables (cont'd)

Ageing of trade receivables at the reporting date was:

	<u>2017</u>		<u>2016</u>	
	Gross \$	Impairment \$	Gross \$	Impairment \$
0-30 days	111,842,998	-	131,118,347	-
31-60 days	94,791,561	-	63,579,055	-
61-180 days	128,737,645	-	53,016,700	-
More than 180 days	<u>187,524,284</u>	<u>20,447,912</u>	<u>98,573,598</u>	<u>32,453,138</u>
	<u>522,896,488</u>	<u>20,447,912</u>	<u>346,287,700</u>	<u>32,453,138</u>

Movement in allowance for doubtful debts on trade receivables

	<u>2017</u> \$	<u>2016</u> \$
Balance at beginning of year	32,453,138	25,457,111
Amount (released)/charged, net	(10,938,210)	6,996,027
Amount written off	(1,067,016)	-
Balance at end of year	<u>20,447,912</u>	<u>32,453,138</u>

During the year, impairment losses reversed and credited to the profit and loss amounted to \$10,938,210. In the prior year, impairment losses net aggregating \$6,996,027 were recognised in profit or loss. Trade receivables written off amounted to \$1,064,891 (2016: \$2,879,252).

7. Cash and bank deposits

Cash and bank deposits include:

	<u>2017</u> \$	<u>2016</u> \$
Cash on hand and in bank	90,926,189	42,724,845
Short-term deposits denominated in Jamaican dollars	2,954,180	2,848,644
Short-term deposits denominated in foreign currencies	<u>97,814,774</u>	<u>112,301,065</u>
	<u>191,695,143</u>	<u>157,874,554</u>

Interest rates on the J\$ deposits range from 0% - 5% (2016: 0% - 5%) and US\$ deposits from 0% - 1.22% (2016: 0% - 1.22%). Interest on Sterling deposit is 0.12% (2016: 0.12%).



CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 20178. Share capital

	<u>2017</u> \$	<u>2016</u> \$
Authorised in shares:		
200,000,000 (2016: 200,000,000) Ordinary units of no par value		
350,000,000 (2016: 350,000,000) Fixed and variable rate cumulative redeemable preference shares		
Stated capital:		
Issued and fully paid as stock units:		
129,032,258 (2016: 129,032,258) ordinary units of no par value	138,773,634	138,773,634
Less: Share issue costs	( 9,583,877)	( 9,583,877)
	129,189,757	129,189,757
148,037,000 (2016: 148,037,000) Fixed and variable rate cumulative redeemable preference shares	148,037,000	148,037,000
	277,226,757	277,226,757
Less: Redeemable preference shares reclassified as liability (see note 9)	(148,037,000)	(148,037,000)
	<u>129,189,757</u>	<u>129,189,757</u>

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

	<u>2017</u> \$	<u>2016</u> \$
Bank loans		
Motor vehicle loans (a)	5,863,204	7,614,525
Bridging loan (b)	100,000,000	-
Redeemable preference shares (c)	148,037,000	-
	253,900,204	7,614,525
Less: Current Portion	(249,887,100)	( 1,734,271)
Long-term Portion	4,013,104	5,880,254
Redeemable preference shares (c)	-	148,037,000
	<u>4,013,104</u>	<u>153,917,254</u>

- (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% (2016: 8.95%) p.a.

CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

9. Loans and borrowings (cont'd)

(b) This represents an unsecured bridging loan from VM Wealth Management Limited. The loan attracts interest at a rate of 6.75% p.a. The loan is repayable by January 2018.

(c) Redeemable preference shares:

	<u>2017</u> \$	<u>2016</u> \$
Proceeds from issue of redeemable preference shares	<u>148,037,000</u>	<u>148,037,000</u>

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 (2016: 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 May 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:

	<u>2017</u> \$	<u>2016</u> \$
In the year ended October 31,		
2016	-	1,466,440
2017	553,972	3,755,618
2018	3,323,830	3,323,830
2019	3,323,830	3,323,830
2020	<u>553,972</u>	<u>553,972</u>
Total Minimum lease payments	7,755,604	12,423,690
Less: Future interest payments	<u>1,020,293</u>	<u>2,015,033</u>
Net obligations under finance leases	6,735,311	10,408,657
Less : Current portion	<u>2,658,668</u>	<u>3,673,346</u>
	<u>4,076,643</u>	<u>6,735,311</u>

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

CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

11. Balances and transactions with related parties

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

	<u>2017</u>	<u>2016</u>
	\$	\$
(a) Due from related parties:		
Shareholders' and directors' receivable	<u>-</u>	<u>1,664,849</u>
	<u>-</u>	<u>1,664,849</u>
(b) Due to related parties:		
Cool Airco Limited	5,422,439	3,432,568
Due to shareholders	<u>-</u>	<u>87,816</u>
	<u>5,422,439</u>	<u>3,520,384</u>
(c) During the period, the Company had the following significant transactions with related parties in the normal course of business.		
	<u>2017</u>	<u>2016</u>
	\$	\$
Purchases - Cool Airco Limited	38,284,975	21,924,014
Consultancy fees paid - Cool Airco Limited	<u>15,460,854</u>	<u>8,937,922</u>
	<u>53,745,829</u>	<u>30,861,936</u>
(d) Key management personnel compensation is as follows:		
	<u>2017</u>	<u>2016</u>
	\$	\$
Short-term employee benefits	<u>41,224,720</u>	<u>32,544,967</u>

12. Trade and other payables

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade payable	98,281,971	81,252,819
Customer deposits	54,454,650	112,058,682
Other payables and accruals	<u>143,166,797</u>	<u>166,461,076</u>
	<u>295,903,418</u>	<u>359,772,577</u>

Included in other payables and accruals is \$68,222,121 (2016: 124,181,618) representing court awarded damages and other related costs. (See note 20).

13. Gross operating revenue

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

CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

14. Total distribution and administrative expenses

	<u>2017</u> \$	<u>2016</u> \$
Directors fees	3,541,667	4,450,000
Directors remuneration	41,224,720	32,544,967
Staff costs	116,254,672	110,736,313
Audit fees	2,882,765	2,400,000
Bad debt (recovered)/expenses	( 9,873,320)	9,875,279
Depreciation	20,505,700	14,915,160
Legal and professional fees	33,118,899	22,600,487
Promotion, advertising and entertainment	9,059,690	9,511,296
Repairs and maintenance of property, plant and equipment	10,509,791	15,606,990
Insurance	18,521,261	12,418,730
Occupancy, utilities and communication	19,107,588	17,626,214
Local and foreign travel	5,134,154	4,946,498
Office supplies and computer	14,670,594	15,102,495
Security service	6,158,195	4,255,369
Warranty and guarantee	5,358,298	2,777,185
Donations	4,139,662	952,800
Other	<u>8,585,160</u>	<u>6,635,047</u>
	<u>308,899,496</u>	<u>287,354,830</u>

15. Personnel expenses

## Included in:

	<u>2017</u> \$	<u>2016</u> \$
Administrative expenses:		
Salaries and other employee benefits	124,846,990	114,808,020
Statutory contributions	<u>12,280,531</u>	<u>10,684,576</u>
	137,127,521	125,492,596
Selling and distribution:		
Salaries and wages	11,117,127	10,700,018
Statutory contributions	1,736,730	1,576,564
Commission	<u>7,498,014</u>	<u>5,512,102</u>
	<u>20,351,871</u>	<u>17,788,684</u>
	<u>157,479,392</u>	<u>143,281,280</u>
Directors remuneration	41,224,720	32,544,967
Staff costs	<u>116,254,672</u>	<u>110,736,313</u>
	<u>157,479,392</u>	<u>143,281,280</u>



CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

16. Finance costs

	<u>2017</u> \$	<u>2016</u> \$
Foreign exchange (losses)/gains, net	( 2,277,238)	6,926,000
Interest income - Third party	1,090,090	1,406,350
Interest expense - Bank loans	( 1,700,620)	( 1,206,548)
- Dividend on preference share	(12,610,071)	(12,473,113)
- Finance lease	( 994,739)	( 349,388)
- Other	( 644,169)	( 1,704,019)
	(15,949,599)	(15,733,068)
	(17,136,747)	( 7,400,718)

17. Taxation

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

	<u>2017</u> \$	<u>2016</u> \$
The total charge for the year comprises:		
Current tax (credit)/expense:		
Prior year overaccrual	( 221,812)	-
Income tax	-	691,212
	( 221,812)	691,212
Deferred taxation:		
Originating and reversal of other timing differences, net	-	154,534
	( 221,812)	845,746
Profit before taxation	100,514,351	11,315,725
Computed "expected" tax expense at rate of 25%	25,128,588	2,828,931
Tax effect of income and capital adjustments and expenses that are not deductible in determining taxable profits	-	( 103,929)
Tax overaccrual	( 221,812)	-
Irrecoverable contractors levy paid	-	( 494,137)
	24,906,776	2,230,865
Adjustment for the effect of tax remission (note b)	( 25,128,588)	( 1,385,119)
	( 221,812)	845,746

## CAC 2000 LIMITED

### Notes to the Financial Statements (Continued) For the year ended October 31, 2017

#### 17. Taxation (cont'd)

##### (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.

#### 18. Dividends and distributions

Dividends and distributions paid, gross, are as follows:

	<u>2017</u>	<u>2016</u>
Ordinary stock units @ \$Nil (2016: \$0.17) per stock unit	\$ -	<u>21,935,484</u>

There were no dividends declared during the year. On June 13, 2016, the directors declared dividends of \$0.17.

#### 19. 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.

	<u>2017</u> \$	<u>2016</u> \$
Profit attributable to shareholders	<u>100,736,163</u>	<u>10,469,979</u>
Weighted average number ordinary stock units in issue	<u>129,032,258</u>	<u>124,828,133</u>
Basic and diluted earnings per stock unit	<u>0.78</u>	<u>0.08</u>

#### 20. Contingencies and commitments

##### (i) Court awarded damages, net:

	<u>2017</u> \$	<u>2016</u> \$
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)
	<u>-</u>	<u>104,181,618</u>

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 201720. Contingencies and commitments (cont'd)

## (i) Court awarded damages, net (cont'd):

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 \$68,222,093 covering the related interest on charges for the court awarded damages and estimated legal costs payable to the claimant's lawyers.

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.

## (ii) Lease commitments

At October 31, 2017, there were unexpired operating lease commitments in respect of office buildings terminating November 1, 2020 aggregating J\$11,878,992 (2016: J\$14,088,696) of which J\$3,959,664 (2016: J\$3,959,664) is payable within one year.

21. Joint operation

During 2015, the Company entered into a Joint arrangement with an independent third party, Inica Ingenieria de Instalaciones S.A.L (INICA), a company registered in the Dominican Republic with registered office at the INICA Business Building, Santo Domingo, to carry out infrastructure improvements and renovations of The Braco Hotel in Jamaica; and to share the profits 50:50. 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.

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 201721. Joint operation (cont'd)

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:

	<u>2017</u> \$	<u>2016</u> \$
Revenue	20,283,845	130,575,090
Cost of sales	(11,786,949)	( 83,359,532)
Gross profit	<u>8,496,896</u>	<u>47,215,558</u>
Trade receivable	<u>32,514,894</u>	<u>39,272,124</u>
Work in progress	<u>-</u>	<u>10,106,655</u>

22. 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.

	<u>2017</u>			
	<u>Engineering</u>	<u>Residential Light and Commercial</u>	<u>Service</u>	<u>Total</u>
External segment revenues	<u>762,004,975</u>	<u>284,253,530</u>	<u>164,676,967</u>	<u>1,210,935,472</u>
Segment gross profit	<u>249,207,206</u>	<u>106,470,036</u>	<u>68,758,185</u>	<u>424,435,427</u>



CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 201722. Segment financial information (cont'd)

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

23. 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 \$2,856,902 (2016: \$3,011,535).

24. Financial risk management

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

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The board of directors has monitoring oversight of the risk management policies.

Derivative financial instruments are not presently used to reduce exposure to fluctuation in interest and foreign exchange rates.

Annual budgeting and the continuing monitoring of the operations of the Company against the budgets allow the Board and the management to achieve its objectives and to manage relevant financial risks that could be faced by the Company.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risks mainly arise from changes in foreign currencies and interest rates. Market risk exposures are measured using sensitivity analysis.

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 201724. Financial risk management (cont'd)(a) Market risk (cont'd)(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:

	<u>2017</u>		<u>2016</u>	
	<u>US\$</u>	<u>GBP</u>	<u>US\$</u>	<u>GBP</u>
Cash and bank deposits	1,089,069	5,305	970,708	5,301
Trade and other receivables	265,086	-	305,000	-
Due to related parties	( 42,493)	-	( 27,126)	-
Trade payables	( 604,264)	-	(560,714)	-
Net exposure	<u>707,398</u>	<u>5,305</u>	<u>687,868</u>	<u>5,301</u>

Foreign currency sensitivity analysis:

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

	<u>US\$</u>	<u>GBP</u>
At October 31, 2017:	126.64	165.58
At October 31, 2016:	128.30	154.20

Sensitivity analysis:

A 6% (2016: 6%) 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 \$5,427,797 (2016: \$5,344,250). This analysis assumes that all other variables, in particular interest rates, remain constant.

CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

24. Financial risk management (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk management (cont'd)

A 2% (2016: 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 \$1,809,266 (2016: \$890,708).

The analysis was performed on the same basis for 2016.

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.

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 201724. 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:

	<u>Carrying amount</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Fixed rate instruments:		
Financial assets	101,366,661	115,149,708
Financial liabilities	(112,598,515)	(18,023,181)
	<u>(11,231,854)</u>	<u>97,126,527</u>
Variable rate instrument:		
Financial liability	(148,037,000)	(148,037,000)
	<u>(159,268,854)</u>	<u>(50,910,473)</u>

*Sensitivity analysis for fixed rate instruments*

The Company's fixed rate financial instruments are not carried at fair value. Therefore a change in interest rate would not affect the profit for the year.

*Cash flow sensitivity analysis for variable rate instruments:*

Interest rate sensitivity has been determined based on the exposure to interest rates for the Company's short-term deposits, party loans at the end of reporting period as these are substantially the interest sensitive instruments impacting financial results.

A change of 100 (2016: 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 2016.

	<u>2017</u>		<u>2016</u>	
	<u>Effect on profit or loss</u>		<u>Effect on profit or loss</u>	
	<u>100bp</u>	<u>100bp</u>	<u>250bp</u>	<u>250bp</u>
	<u>Increase</u>	<u>decrease</u>	<u>increase</u>	<u>decrease</u>
Cash flow sensitivity	<u>\$1,480,370</u>	<u>1,480,370</u>	<u>3,700,925</u>	<u>3,700,925</u>



24. 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.

CAC 2000 LIMITED

Notes to the Financial Statements (Continued)  
For the year ended October 31, 2017

24. 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.

	2017				
	Carrying amount	Contractual cash flows	0 - 12 months	1 - 2 years	2 - 5 years
Trade and other payables	295,903,418	295,903,418	295,903,418	-	-
Due to related parties	5,422,439	5,422,439	5,422,439	-	-
Loans and borrowings	253,900,204	269,348,243	264,791,685	1,817,043	2,739,515
Finance leases	<u>6,735,311</u>	<u>7,755,604</u>	<u>3,323,830</u>	<u>3,323,830</u>	<u>1,107,943</u>
	<u>561,961,372</u>	<u>578,429,704</u>	<u>569,441,372</u>	<u>5,140,873</u>	<u>3,847,458</u>
	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	<u>10,408,657</u>	<u>11,910,391</u>	<u>3,323,830</u>	<u>3,323,830</u>	<u>5,262,731</u>
	<u>529,353,145</u>	<u>607,123,064</u>	<u>383,984,568</u>	<u>21,273,298</u>	<u>201,865,198</u>

(d) Capital risk management

The capital structure of the Company consists of equity attributable to the equity holders comprising issued capital and retained earnings.

The Company's objectives when managing its capital structure, which is a broader concept than the equity on the face of the statement of financial position are:

- i) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for stakeholders; and
- ii) Maintain a strong capital base to support the business development.

The Company's overall strategy remains unchanged from 2016.

CAC 2000 LIMITEDNotes to the Financial Statements (Continued)  
For the year ended October 31, 201724. 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.

## Appendix 2

### Terms of Issue of Fixed & Variable Rate Cumulative Redeemable Preference Shares

CAC 2000 Ltd

(the “Company”)

#### “Terms of Issue – Fixed & Variable Rate Cumulative Redeemable Preference Shares”

In these Terms of Issue:

“Agreed Rate” means 9.50% per annum for the first four years and thereafter a variable rate of 3.0 percentage points 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 on 2022.

“Business Day” means a date, not being a Saturday, Sunday or public holiday when banks are open for business in Jamaica;

“Issue Date” means the date of issue of the Preference Shares pursuant to the Offer;

“Offer” means the offer with respect to the Preference Shares made pursuant to that certain Prospectus issued by the Company;

“Preference Stock Units” means the preference stock units created on conversion of the Preference Shares, on issue.

The Preference Shares in the capital of the Company, with no par value, and subject as hereinafter provided, a tenor of 60 months, the same to be issued at a price of JS\$1.00 shall be denominated Fixed & Variable Rate Cumulative Redeemable Preference Shares” (herein in these Terms, the “Preference Shares”) conferring upon the registered holders thereof the following rights and shall be subject to the following restrictions, namely:

- (a) the right to a cumulative preferential dividend at the Agreed Rate per annum on the capital for the time being paid up or credited as paid up on the Preference Stock Units, in Jamaican Dollars, commencing on the expiration of ninety (90) days after the Closing Date with respect to the Offer, thereafter quarterly, in each case on the earliest possible date following declaration by the Board of Directors of the Company and processing by the Registrar and Transfer Agent engaged by the Company to attend to, *inter alia*, payments to registered holders;
- (b) the right on a winding up of the Company or other return of capital to repayment in Jamaican Dollars in priority to any payment to the holders of any other shares or stock units in the capital of the Company of:



- (i) the amounts paid up on the Preference Stock Units; and
  - (ii) any arrears or accruals of the cumulative preferential dividend on the Preference Stock Units, whether declared or earned, or not, calculated down to the date of such repayment but to no further or other right to share in the surplus assets of the Company on a winding up.
- (c) the Preference Stock Units shall NOT carry the right to vote at any general meeting of the Company EXCEPT in circumstances where the cumulative dividend on the Preference Stock Units remains unpaid for a period greater than 12 months and/or a resolution to wind up the Company has been passed AND in either such event, every holder of Preference Stock Units present in person or by proxy shall have one vote, and on a poll every holder of Preference Stock Units, present in person or by proxy, shall have one vote for each Preference Stock Unit of which he is the holder.
- (d) The Company may, without any consent or sanction of the holders of Preference Stock Units create and issue further preference shares, the same to be converted into preference stock units either ranking pari passu and identically in all respects and so as to form one class with the existing Preference Stock Units or ranking pari passu therewith as regards priority in respect of income and/or capital but carrying a different rate of dividend or otherwise differing from the Preference Stock Units.
- (e) The Preference Shares shall be issued as Fixed & Variable Rate Cumulative Redeemable preference shares, converted on issue to Preference Stock Units and subject to the provisions contained in Section 56 of the Companies Act of Jamaica (the "Act") (as the same may be amended from time to time) redemption of such Preference Stock Units shall be effected in the manner and on the terms following:
  - (i) For greater certainty in these Terms, it is hereby confirmed that redemption of the Preference Stock Units by the Company may be effected pursuant to a notice issued by the Company in accordance with these Terms PROVIDED THAT and notwithstanding any provision to the contrary contained herein, the Company reserves the right to redeem the Preference Stock Units at any time after the expiration of two (2) years from the Closing Date of the Offer, on a date fixed for the payment of any dividend, providing the registered holder with ninety (90) days' notice of its intention to so redeem.
  - (ii) At the time and place fixed for redemption of Preference Stock Units:
    - a. the registered holder, if such registered holder is the holder of Preference Stock Units by virtue of an allotment by the Company (the "original holder") or a transferee from the original holder effected OTHER than by the facilities of the Jamaica Stock Exchange, shall be bound to deliver up to the Company the relative share/stock certificate(s) with respect to the said Preference Stock Units for cancellation following redemption; and/or
    - b. the Company shall be bound to redeem the said Preference Stock Units and shall pay the registered holder, the redemption money in respect of such Preference Stock Units together with any arrears or accruals of the cumulative preferential dividend (whether earned or declared or not) calculated down to the date fixed for payment.

- (f) If the fixed cumulative dividend on the Preference Stock Units shall have been paid up in full up to and including the last yearly date fixed for payment, the Company may (subject to the provisions of the Companies Act) redeem all or any of the Preference Stock Units on the date coinciding with the last Business Day of the sixtieth month following the date of issue, by the purchase of such Preference Stock Units on the Jamaica Stock Exchange (by way of an uninterruptible put through) or by private treaty at a price of \$1.00 per Preference Stock Unit (exclusive of stamp duty, commission and other expenses of purchase and any accrued dividend thereon).
- (g) As from the time fixed for redemption of any of the Preference Stock Units under any notice given by the Company pursuant to paragraph (e) of these Terms, dividends shall cease to accrue on such Preference Stock Units except in respect of any Preference Stock Unit in respect of which payment due on such redemption was refused.
- (h) If any holder of Preference Stock Units shall fail or refuse to surrender the certificate(s) for such Preference Stock Units (where such surrender is required) or shall fail or refuse to accept the redemption money payable in respect of such Preference Stock Units, at the time fixed for redemption of any of the Preference Stock Units under any notice given by the Company pursuant to paragraph (e) of these Terms, such money shall be retained and held by the Company in trust for such registered holder but without interest or further obligation whatever.
- (i) No Preference Stock Units shall be redeemed otherwise than out of distributable profits or the proceeds of a fresh issue of preference shares made for the purposes of the redemption as permitted by the Act.
- (j) No Preference Stock Units redeemed by the Company shall be capable of re-issue and on redemption of any Preference Stock Units, the Directors may convert the authorised share capital created as a consequence of such redemption into shares and/or stock units of any other class of share capital into which the authorised share capital of the Company is or may at that time be divided of a like nominal amount (as nearly as may be) as the shares and/or stock units of such class then in issue or into unclassified shares and/or stock units of the same nominal amount as the Preference Stock Units.
- (k) The rights attaching to the Preference Stock Units may not be varied either while the Company is a going concern or during or in contemplation of a winding up of the Company without the consent in writing of the holders of three-fourths of the issued Preference Stock Units or without the sanction of an Extraordinary Resolution passed at a separate meeting of that class, but not otherwise. To every such separate meeting all of the provisions of the Articles of Association of the Company relating to general meetings of the Company or to proceedings thereat shall, *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-third in nominal amount of the issued Preference Stock Units (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those members who are present shall be a quorum) and that the holders of Preference Stock Units shall, on a poll, have one vote in respect of each Preference Stock Units held by them respectively.

These Terms of Issue were approved by the directors of the Company pursuant to a resolution of the directors of the Company passed as at October 24, 2017.



**INDIVIDUAL:** \_\_\_\_\_

DATE SIGNATURE AFFIXED: \_\_\_\_\_

DIRECTOR: \_\_\_\_\_ DIRECTOR/SECRETARY: \_\_\_\_\_

DATE SIGNATURES AFFIXED: \_\_\_\_\_

**USE BY REGISTRAR ONLY**

Form ID: \_\_\_\_\_

Batch #: \_\_\_\_\_

[illegible]

**SIGNATURE**

[illegible]

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[illegible]

**SIGNATURE**

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[illegible]

**SIGNATURE**

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NAME OF BANK:	
BRANCH:	
SWIFT/BIC	
NAME(S) ON BANK ACCOUNT	
ACCOUNT NUMBER:	
ACCOUNT TYPE:	
FOR FURTHER CREDIT TO:	



## **NOTES ON HOW TO COMPLETE THE APPLICATION FORM**

1. All completed applications must be delivered to the named Victoria Mutual Wealth Management Limited locations as detailed in Section 18 of the Prospectus
2. Application must be for a minimum of 50,000 shares with increments in multiples of 10,000.
3. All applicants must attach their payment for the specified number of Shares they have applied for, in the form of either:
  - a) A Manager's cheque made payable to Victoria Mutual Wealth Management Limited, or
  - b) Authorization Letter from the Applicant instructing Victoria Mutual Wealth Management Limited. to make payment from cleared funds held in an investment account in the Applicant's Name, or
  - c) Transfer in Real Time Gross Settlement (RTGS) system to VM Wealth Management Limited, in the case of payment of J\$1,000,000 or more to Bank of Jamaica account # 1015; BIC#JNCBJMKX; Beneficiary: National Commercial bank, 1-7 Knutsford Boulevard; for further credit to Victoria Mutual Wealth Management Limited A/C # 351171960.
  - d) If you are applying jointly with any other person you must complete the Joint Holder Information and each joint holder must sign the Application Form at the place indicated.
4. If you are applying jointly with another person, you must complete the Joint Holder Information and each joint holder **must** sign the Application Form in the place indicated.
5. All Applicants must be at least 18 years old and must attach a certified copy of their T.R.N. card or Jamaican Driver's Licence displaying the T.R.N.
6. Share Certificates will not be issued unless specifically requested through your broker. Instead, the shares allotted to a successful applicant will be credited to his account at the Jamaica Central Securities Depository ("JCSD"). If the applicant does not have a JCSD account, one will be created by your broker and the allotted shares deposited to that account.
7. All Applicants are deemed to have accepted the terms and conditions set out in the Prospectus and the Articles of Incorporation of the Company generally.

**THIS SECTION FOR USE BY BROKER ONLY**

DATE APPLICATION RECEIVED: \_\_\_\_\_

TIME RECEIVED: \_\_\_\_\_

PAYMENT METHOD: ☐ VMWM A/C # \_\_\_\_\_ ☐ VMBS TRANSFER/DEPOSIT SLIP  
☐ RTGS/WIRE ☐ CHEQUE

PAYMENT VALUE: \_\_\_\_\_ PAYMENT DATE: \_\_\_\_\_

VMWM ADVISOR: \_\_\_\_\_

BRANCH: \_\_\_\_\_

**BROKER STAMP AND SIGNATURE**