CAC AIR CONDITIONING & ENERGY SOLUTIONS EXPERTS

2018 ANNUAL REPORT

RIDING THE WAVES OF CHANGE

As a Company, we are committed to Jamaica, the future of its people and delivering comprehensive and innovative air-conditioning and energy saving solutions to the local market and the wider Caribbean region.

CAC AIR CONDITIONING & ENERGY SOLUTIONS EXPERTS

VISION MISSION VALUES GOALS

Vision

Redefining indoor quality and comfort

Mission

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

Values

Problem resolution – We will assess, design, build and maintain solutions that solve our customers comfort, controls or health issues.

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

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

Behavioural Goals

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

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

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

Aspirational Goals

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

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

Accuracy – Try to get it right the first time.

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

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

THE COMPANY
& OUR HISTORY

CAC 2000 Limited (CAC) is an engineering company that specializes in the distribution, installation and servicing of Energy Efficient Air Conditioning Systems. We are the succession of a number of businesses starting with Webster's Engineering in the late 1920's. In the mid-1960s, the ICD 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 name 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. On July 24th, 2000 the Company was incorporated, and the remaining 51% was purchased on August 18th, 2000, and that is the Genesis of the Company's name: "CAC 2000 Limited".

By virtue of the various iterations of the business, we have been the sole appointed representative for Carrier®, world leaders in air conditioning technology, in Jamaica since 1929. Although the Company is predominantly a Carrier® dealer, we have expanded our portfolio to offer other premium equipment brands such as Mitsubishi Electric®, LG®, Fujitsu® and CIAC® as well as both factory and generic parts. In recent years our focus has expanded to include a range of solutions that are tailored to our clients' needs and support energy efficiency and greater control.

CAC sells, services and supports some of the most sophisticated air conditioning systems ever designed and completed in Jamaica and the Caribbean. Our technical and engineering expertise sets us apart from the competition and can be seen throughout Jamaica in the large projects that we have designed, managed and implemented.

Qualifications and experience

On the strength of the qualifications and experience of our team, we are first and foremost an engineering company that specializes in applied air conditioning systems (chillers, cooling towers, pumps, air handling units and state of the art variable refrigeration flow (VRF) systems, to name a few) and pride ourselves on offering technical solutions and multiple options for our clients' needs. In addition to being one of the leading providers of commercial Air Conditioning (HVAC) systems and refrigeration and energy solutions in

Jamaica, and maintaining a respectable share of the residential market, we are also one of the few Grade 1 contractors (and also a Grade 1 Mechanical Works and Grade 3 Electrical Works).

Our expertise is reinforced by our accolades. CAC was awarded two golds during the 2017 staging of the Stevie® Awards, one of the world's most coveted prizes designed to honour the achievements and positive contributions of businesses worldwide. This year, the Business Excellence Forum & Awards, designed to honour "the best of the best" small businesses and business owners worldwide, recognized CAC as a finalist in four of the five categories we entered: CEO of the Year, Fastest Growing Company, Best Company Culture, and Best Import/Export Company, a category we have been recognized in for the third year running and won for our performance in 2018.

None of our successes would be possible without the consistent dedication of our well-trained team, which has grown throughout the years. In 2000, CAC had only 22 employees and engaged between 30 and 40 contract workers. Today, CAC has 61 team members and engages 40 to 70 skilled contractors to service our clientele.

The Management team has consistently prioritized the training of our staff to ensure the organic growth of the Company, as is evidenced by the number of employees promoted over the last 3 years. As a Company, we know beyond a shadow of a doubt that our strength comes from two things: our dedicated employees and our relationships with our customers – neither of which are taken for granted.

Our commitment as a company is further evidenced in May 2016 when CAC established the CAC 2000 Foundation aimed at assisting disadvantaged, disabled and at-risk youth secure employment through education, as we know that with a good education anything is possible. We have partnered with existing programs and entities such as Rise which caters to the inner-city youth and the Pacers Running Club to raise funds for Step Centre which caters to the disabled. We have also received funding from JSIF for our Skills Training Program for air conditioning repairs and servicing.

As a Company, we are committed to Jamaica, the future of its people and delivering comprehensive and innovative air-conditioning and energy saving solutions to the local market and the wider Caribbean region.

Our expertise is reinforced by our accolades... None of our successes would be possible without the consistent dedication of our well-trained team...

CHAIRMAN'S REPORT

Company performance – Year ending Oct. 31, 2018

The year started slowly and then we picked up momentum only to have our operations severely disrupted by the chaotic Three Miles construction that restricted access for our customers, suppliers and employees (we only operate one Kingston location) and damaged our financial performance due to revenue, cost and cash reductions. Our key suppliers didn't believe us when we described the impact, so we flew them in and sent them home with videos!

Despite this challenge and elimination of Q4 profit, we managed to end the year reasonably well albeit with goods piled up overseas, late delivery on some projects and less cash in the bank. We are making efforts to get the Government of Jamaica to consider some temporary form of compensation for affected companies.

Our stock price moved from \$6.86 at the beginning of the financial year to \$16 at the end but we anticipated loss of value once the year end results were published (this has been the case with current stock prices of \$12.5). The good news is that, once the construction is completed, we can rebuild our profits and value.

Our team has identified a number of opportunities that will reduce our sensitivity to future external disruptions, and these include:

- Additional or new location(s)
- New products/solutions
- Regional expansion (Barbuda has been mentioned in the MD&A)
- Mergers and acquisitions
- Improving our financial structure

Expect to learn more in our future announcements!

I am pleased to announce that CAC 2000 Limited was the proud recipient of the Best Import/Export Company at this year's Business Excellence Forum and Awards Ceremony, an international competition that celebrates the best of the best in pro-growth business practices.

Board of Directors

Our Board is made up of 5 independent (as per definition in JSE rulebook Appendix 1 "Guidelines for determining independence of Board Directors" dated March 30, 2010) members and three executive members. As the Chairman and CEO are one position, and in compliance with suggested best practice, the Board also has a Lead Independent Director (Edward Alexander) who leads non-executive sessions and gives feedback to Chairman/CEO. Compensation for the Board is disclosed in our audited accounts.

On appointment, each Director was given a comprehensive set of documents pertaining to the company along with a selection of the National Association of Company Directors (NACD) guidelines including code of ethics and directors' duties. In 2018, we issued Board Guidelines and complied with recent JSE recommendations that the Audit and Remuneration Committees be comprised solely of independent directors. In addition, charters were drafted and approved for these committees, along with a Governance charter and board scoring mechanism (which we plan to use in 2019 for the first time along with filling identified gaps. Our current Board members offer expertise in finance, information technology, human resources, governance, legal and general management) and are looking to expand the training (three did Corporate Governance Training last year).

CAC 2000 Limited was the proud recipient of the Best Import/ Export Company at this year's Business Excellence Forum and Awards Ceremony, an international competition that celebrates the best of the best in pro-growth business practices.

> As we believe in constant education, we continue to invest in training and coaching for all team members.

Our Management

We are continuously reviewing and adjusting our structure to ensure we are equipped for our planned expansion. We have restructured where necessary to ensure that the right team is in place for our regional projects. We are building out the team to ensure that we have the right middle management to ensure our succession planning. As we believe in constant education, we continue to invest in training and coaching for all team members. One such programme we are enrolled in is the 'Engage and Grow's Red Belt Programme which is a 12-step programme delivered in 1 hour sessions per week to 12 team members. The 12 attendees are the 3 Executive Directors, 3 Senior Managers, 3 Middle Managers and 3 Junior Managers as it is believed that the best way to effect positive change within a Company is to start from the top all the way down. The programme builds high levels of trust within the organization through leadership acts, implementation of strategic road maps based on team feedback to change negative and keep positive behaviours with a focus on the heart side of the business versus the head side. To date, all attendees have had nothing but positive things to say about this new adventure we are on and that they are looking forward to more developmental programmes of this type being offered.

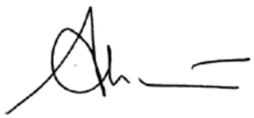
Our incentive scheme is closely tied to identified and assigned goals (individuals and teams) and company performance and we use our online HR system to actively track and measure progress.

In 2017 we had engaged an outside consultant to conduct a risk identification study and they prepared a comprehensive list of strategic and operational risks – many of the "high risks" have been addressed but we are looking at building an internal risk management/audit team in the near future.

CAC Foundation

The CAC Foundation continues with the technical training program which to date has trained 42 trainees. Unfortunately, this programme was also disrupted by the road construction, but we rented another facility and will continue to press to achieve our goal of training 100 persons by March 31, 2019. It is our vision to promote and improve the education of Jamaica's children providing them with the foundation to move forward to build successful careers.

I would like to thank our customers, staff and partners for their support during the year. We are looking forward to our continued partnership to build further growth and ride the waves of change successfully in 2019 and beyond.



Steven Marston
Chairman and CEO

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2019 Annual General Meeting of CAC 2000 Limited ("the Company") will be held on Monday, June 3, 2019 at 3:00 p.m. at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 for the following purposes:

1. **To consider the Company's Accounts and the Reports of the Directors and the Auditors for the year ended October 31st, 2018 and to consider and (if thought fit) pass the following resolution:**

   Resolution No. 1: "That the Directors' Report, the Auditor's Report and the Statements of Account of the Company for the year ended October 31st, 2018 be approved."

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

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

3. **The Directors, Mr. Colin Roberts, Mrs Gia Abraham, and Mr. Edward Alexander, shall retire from office pursuant to Article 102 of the Articles of Incorporation, and being eligible offer themselves for re-election. To consider and (if thought fit) pass the following resolutions:**

   Resolution No. 3: To approve the election and re-election of Directors recommended for appointment to the Board of Directors of the Company. To consider and (if thought fit) pass the following resolutions:

   a. "That retiring Director Colin Roberts be and is hereby re-elected a Director of the Company."

   b. "That retiring Director Gia Abraham be and is hereby re-elected a Director of the Company."

   c. That retiring Director Edward Alexander be and is hereby re-elected a Director of the Company."

4. **To transact any other special business**

BY ORDER OF THE BOARD OF DIRECTORS

Gia Abrahams, *Company Secretary*

DATED THIS 12TH DAY OF JANUARY 2019

Note: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

A special Resolution requires a three quarter majority vote of the members and will be filed with the Companies Office of Jamaica.

PRODUCTS

CAC 2000 Limited offers some of the largest and most technologically advanced air-conditioning systems in Jamaica. Our products come with a best value guarantee, backed with factory warranties.

We are long-time partners of Carrier®, LG®, Mitsubishi Electric® and Fujitsu® air-conditioning systems while also offering associated equipment from many other suppliers.

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

OUR SERVICES

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

We strive to remain the service industry leader in Jamaica by fostering a team of employees and contractors who offer a world-class standard of technical services and expertise. We are relentless in helping customers solve technical problems whether it be temperature inconsistencies across a BPO floor, mould build-up in a store, humidity control issues at a food filling plant or keeping an icing sugar plant dry to prevent explosions.

If it is a hard to solve issue the market calls us but we also pride ourselves on offering innovative technology to our customers e.g. we were the regional pioneers of the VRF hybrid system that matches the high efficiency variable speed condensers with conventional air handling units to replace standard efficiency commercial systems (splits and packaged units).

The Company's factory certified (Carrier®, LG®, Mitsubishi Electric®) technical teams are ready and available to provide a wide range of services such as:

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

CUSTOMERS

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

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

MOST NOTABLE PROJECTS

Some of our recent or most notable projects include:

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

THE BOARD OF DIRECTORS

Mr. Colin Roberts **Ms. Gia Abraham** **Mr. Steven Marston**

Mr. Steven Marston

B.Sc. (Environmental Engineering) & MS (Energy Management and Policy). Appointed July 24th, 2000. Executive Director, Chairman and Chief Executive Officer

Mr. Marston has worked in the air conditioning and energy business for over three decades. He began his career as an Alternative Energy Engineer at the Ministry of Mining and Energy, and later went on to hone his skills and hold a series of managerial positions. In 1985 he was appointed Lead Engineer at PCJ Engineering Limited, in 1990 he became the Managing Director of Enertech Limited, and finally he was appointed Managing Director at Conditionedair & Associated Contractors (then owned by the ICD Group) in 1993. 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, he completed a management buy-out of the remaining 51% of the shares of the company (renamed CAC 2000) and became the Chairman, Chief Executive Officer and majority beneficial owner. Since then he has lead it steadfastly to become the successful and profitable company that it is today having navigated the Company through many large-scale projects that it has undertaken over the period.

Mr. Marston earned his BSc (1st class Hons) from the University of Strathclyde, Scotland and his MS from the University of Pennsylvania. Mr. Marston also boasts a series of qualifications from the Harvard Business School including the Certificate Owner President Programme, Driving performance through Talent Management, Crossroads, and Mergers and Acquisitions programmes. He is a Registered Professional Engineer (P.E.) in Jamaica and a Chartered Engineer (C.Eng.) in the United Kingdom.

Mr. Marston is a proud member of the Jamaica Institution of Engineers (M.J.I.E), the American Society for Heating Refrigeration and Air Conditioning Engineers (MASHRAE) and a fellow of the Institution of Mechanical Engineers (F.IMechE).

Mr. Colin Roberts

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

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

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

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

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

Ms. Gia Abraham

BSc. (Biology), C.Dir, M.CI.D, Executive Director & Chief Operations Officer

Ms. Abraham worked for over 10 years in the banking industry starting with Royal Bank of Canada in Toronto. In 1996, she decided to leave her post as a Personal Investment Banker and return to Jamaica where she joined the Canadian Imperial Bank of Commerce (CIBC) in the area of training and development. This entailed the roll out of the new processes and procedures developed to the branches island wide, in 1997 Ms. Abraham was seconded to a regional team located in Barbados to work on a new banking platform for regional implementation. In March of 2000, Ms. Abraham chose to leave the banking world and join her husband in a new venture called CAC 2000 Limited.

The experience Ms. Abraham garnered over her years in banking has been instrumental in helping her to drive software upgrades, continuously question and push for improvement of the systems and procedures of the company all while continuing to play a key role in managing the "back-office" processes of the company as

>>Continued

well as the handling of the treasury and foreign supplier relationships. For 16 years this has enabled CAC to grow and sustain itself through active management of the company's cashflow versus debt. Approximately three years ago Ms. Abraham assumed the additional responsibility of the Service Department, which has year over year produced results and while there is still a lot to achieve in the department the potential, she sees is endless as she has confidence in her solid, well trained, focused and customer driven team.

Ms. Abraham spearheaded the formation of the CAC 2000 Foundation in May 2016, and presently holds the position of CEO. The Foundation is her pride and joy as she believes that Social Responsibility is one of the key things all companies should be involved in as a means of making where we live a better place for more than just a select few.

She earned her BSc at the University of Toronto and has also participated in numerous executive development programmes at Harvard Business School (HBS) including Key Executive, Leadership Development and Driving Performance through Talent Management. She was recently granted the privilege to use the designation of "Chartered Director (C.Dir)' upon completion of the CGTI Chartered Director Program. She is also a past Zumba and AFAA fitness instructor. Ms. Abraham has just completed her first year in the HBS three-year Owner President Management progamme, all while becoming a certified John Maxwell Coach.

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

NON-EXECUTIVE DIRECTORS

Mr. Edward Alexander

[appointed October 3rd, 2012] Independent Director

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

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

By 1993 he was given responsibility for information technology at GraceKennedy & Co. Ltd. and ushered in an era of innovation during his tenure. He left to form the tTech in 2006. He holds a Masters of Science degree from the University of Pennsylvania and Bachelor of Science degree from the University of Windsor. In addition he has completed professional courses at the Harvard Business School and the University of Florida. He is a former President of the Jamaica Computer Society, and a member of the Board of Management at Jamaica College, his alma mater.

Mr. Alexander serves as a member of the Audit Committee and is the Lead Independent Director on the CAC 2000 Board.

Ms. Jennifer McDonald

BA in Geography and Economics, M.B.A
[appointed May 30, 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.

Mr. Patrick A. H. Smith

BSc. in Public Administration, M.B.A [appointed May 30, 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.

Mr. Matthew Hogarth

LL.B Law (with honours). Appointed May 30, 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 on the board for the Jamaica Stock Exchange, Carreras Limited, Iron Rock Insurance and Heave Ho Properties (Century 21).

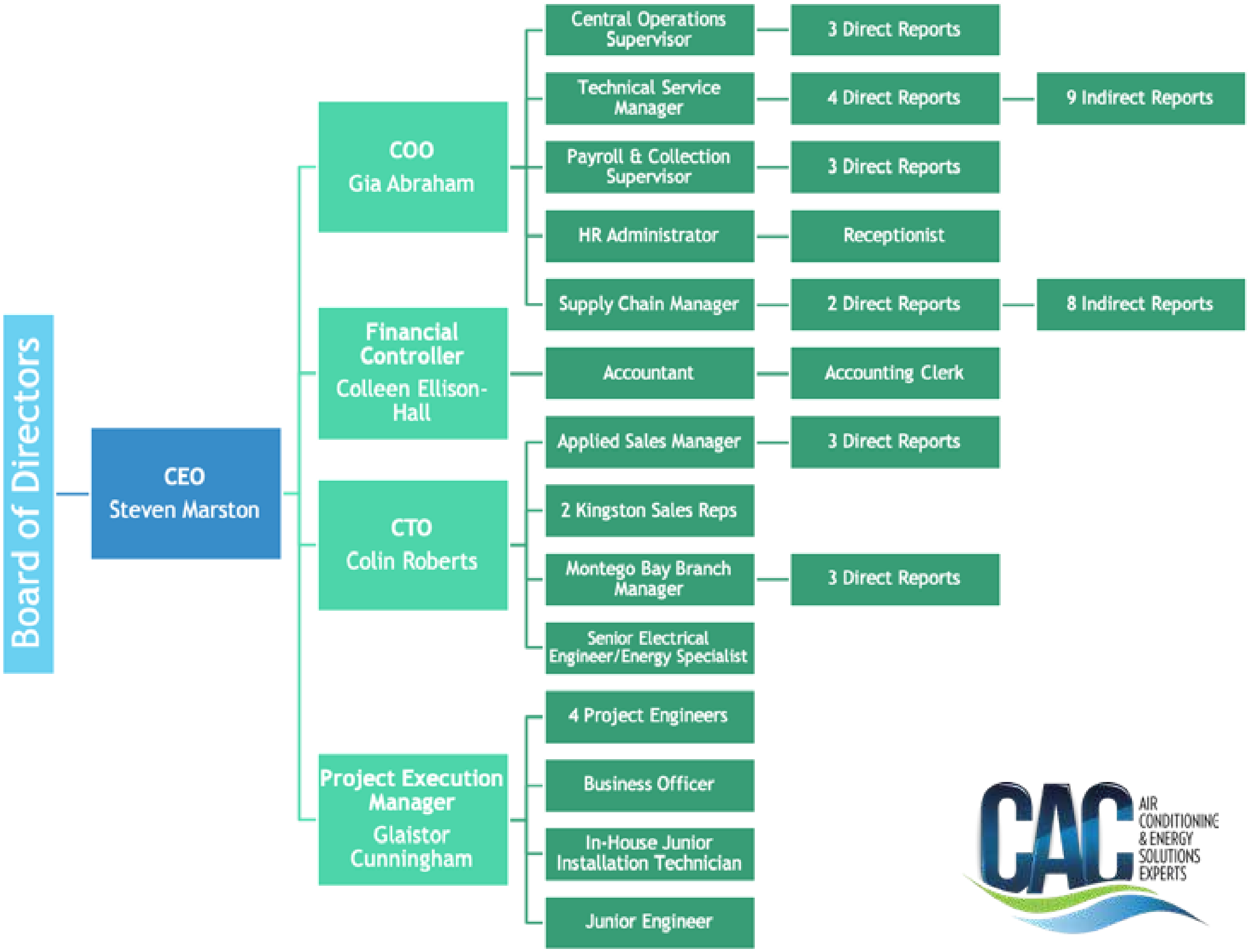
Mr. Hogarth is currently a Partner at the law firm MH&CO.

Mr. Richard Powell

BSc. (Hons.) in Civil Engineering, an MSc. In Highway Engineering; and an M.B.A. (with Distinction) . Appointed May 30, 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 to 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.

ORGANIZATIONAL CHART



CORPORATE DATA

Executive Directors

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

Non-executive Directors

Edward Alexander
Jennifer McDonald
Matthew Hogarth
Patrick Smith
Richard Powell

Registered Head Office

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

Attorney

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

Auditors

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

TOP 10 SHAREHOLDERS

AS AT OCTOBER 31, 2018

	Primary Account Holder	Joint Holder(s)	Volume	Percentage
1	CAC CARIBBEAN LIMITED		67,462,522	52.2835%
2	MR COLIN ROBERTS		27,355,291	21.2004%
3	LOUIS WILLIAMS		6,180,000	4.7895%
4	VMWEALTH EQUITY FUND		5,892,750	4.5669%
5	PAM - POOLED EQUITY FUND		3,334,203	2.5840%
6	MR HOWARD CHIN		3,204,599	2.4836%
7	CHRISTINE G. WONG		1,232,962	0.9555%
8	MR. PETER NICHOLAS ANTHONY FORDE	PATRICIA FORDE	1,232,961	0.9555%
9	JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL VENTURE		964,269	0.7473%
10	JAMAICA CREDIT UNION PENSION FUND LIMITED		843,463	0.6537%

Total Issued Capital:	**129,032,258**
Total Units Owned by Top 10 Shareholders:	**117,703,020**
Total Percentage Owned by Top 10 Shareholders:	**91.2198%**

BANKERS:

Scotiabank

Corporate Banking
Scotia Centre
Corner of Duke Street
& Port Royal Street
Kingston

National Commercial Bank

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

First Global Bank

New Kingston Branch
28-48 5 Barbados Ave
Kingston 5

EXECUTIVE HOLDINGS

AS AT OCTOBER 31, 2018

Name	Position	Primary Holder Joint Holder	Relationship	Units	%
Steven Marston	Chief Executive Officer		Key Members Holdings	0.00	0.00
			Connected Party Holdings	0.00	0.00
			Combined Holdings	0.00	0.00
Colin Roberts	CTO		Key Members Holdings	27,355,291.00	21.20
			Connected Party Holdings	0.00	0.00
			Combined Holdings	27,355,291.00	21.20
Gia Abraham	CAO		Key Members Holdings	300,000.00	0.23
			Connected Party Holdings	0.00	0.00
			Combined Holdings	300,000.00	0.23
Colleen Ellison-Hall	FC		Key Members Holdings	30,000.00	0.02
			Connected Party Holdings	0.00	0.00
			Combined Holdings	30,000.00	0.02
CAC Caribbean Limited	Connected Party	Steven Marston	Husband		
		Gia Abraham	Wife		
			Key Members Holdings	67,462,522.00	52.28
			Connected Party Holdings	0.00	0.00
			Combined Holdings	67,462,522.00	52.28
Total Key Members Holdings				**27,685,291.00**	**21.45**
Total Connected Party Holdings				**67,462,522.00**	**52.28**
Total Combined Holdings				**95,147,813.00**	**73.73**

CORPORATE GOVERNANCE

The Board has four (4) committees, namely the Corporate Governance Committee, Audit Committee, Remuneration Committee and the Information Technology Committee. The members of each committee include a majority of independent non-executive Directors. This is required by Rule 504(2)(b) of the Junior Market Rules in relation to the Audit Committee and Remuneration Committee.

Primary Responsibilities

All Directors:

- Serve as fiduciaries for all shareholders and unit holders.
- Direct the business and affairs of the company within the law.
- Oversee company performance.
- Select the CEO and ratify the selection of officers of the company.
- Review and confirm basic company objectives.
- Approve major policy and management decisions.

Independent Directors:

- Spend time learning the business of the company, developing informal contacts with management and other directors to build mutual trust.
- Advise management.

Secondary Responsibilities

All Directors:

- Adopt or change bylaws of the company.
- Approve changes in policies of the company and its subsidiaries.

Independent Directors:

- Review from an objetive perspective the work of management, refraining from involvement in day-to-day management.
- Bring perspective and fresh point of view to the board's deliberations.
- Provide general guidance based upon experience in special areas of expertise.

Additional Responsibilities

Planning

- Approve the short- and long-term objectives, strategies, and plans recommended by management and advise management regarding the planning process. Periodically evaluate progress against such plans.
- Identify any barriers to the company's progress and sense the timing for change.

Management

- Elect the officers of the company and delegate management responsibility and authority to them.
- Authorize necessary officer signatory authorities on behalf of the company.

Financial Structure

- Approve overall capital structure of the company.
- Approve overall financing programmes and policies.
- Authorize appropriate officers of the company to take actions as may be required to implement such programs.
- Approve all distribution actions.
- Establish regulations and controls concerning issue, transfer, and registration of securities.
- Ensure that there is a specific financial program designed to properly support the company's long-term plan for growth by reviewing long-term plans and financing to prepare for it.

Controls

- Identify the board's needs for information and arrange for its timely supply.
- Approve annual operating and capital budgets and review performance to plan quarterly.
- Review capital expenditures
- Review the accuracy and completeness of financial control systems through an audit committee composed entirely of outside directors.
- Ensure that management has adequate financial systems, including timely and accurate information.
- Inquire into major deficiencies in performance.
- Ensure existence of written policies and authorization systems for major expenditures.
- Require audited financial statements by a major public accounting firm.

Board Continuity

- Seek continuity and strengthening of the board through identifying and attracting additional and/or replacement directors.

BOARD MEETING ATTENDANCE

Board of Directors	Meeting held 14/12/2017	Meeting held 26/2/2018	Meeting held 30/5/2018	Meeting held 4/9/2018
Steven Marston, Chairman	√	√	√	√
Colin Roberts, Director	√	√	√	Absent
Edward Alexander, Independent Director	√	√	√	√
Gia Abraham, Director.Company Secretary	√	√	√	√
Matthew Hogarth, Independent Director	√	Absent	√	√
Patrick Smith, Independent Director	√	√	√	√
Jennifer McDonald, Independent Director	√	√	√	√
Richard Powell, Independent Director	√	√	√	√

BOARD COMMITTEES

CORPORATE GOVERNANCE COMMITTEE

The members of this committee are: Matthew Hogarth (Chairman), Gia Abraham and Jennifer McDonald.

During fiscal year 2017/2018 the Committee has undertaken the following work:

a. Drafted the Corporate Governance Charter for approval by the Board;

b. Established a self-audit checklist for the Committee to guide the process relating to corporate governance; and

c. Reviewed the Jamaica Stock Exchange's Corporate Governance Index rating program to ensure that the Company's corporate governance policies and procedures are apace with current best practices.

The committee shall continue to develop its framework to ensure that the Company's corporate governance practices are best in class.

Corporate Governance Charter

Purpose

The Corporate Governance Committee of CAC 2000 Limited has the responsibility of assisting the Board of Directors of CAC 2000 Limited in ensuring that its composition, structure, policies and processes for managing the Company are in keeping with world corporate governance best practice standards and adhere to the relevant legal and regulatory framework. The basic guidelines set out herein were mainly extracted from the Combined Code on Corporate Governance issued by the Financial Reporting Council of the United Kingdom, compiled by the Corporate Governance Committee of the Private Sector Organisation of Jamaica and the Corporate Governance and Regulations guidelines issued by the Jamaica Stock Exchange.

Composition

The membership of the Corporate Governance Committee shall comprise at least three (3) members of the Board, the majority of whom must be independent non-executive directors chosen for the competence and understanding of issues related to corporate governance. The members and the Chair of the Committee shall be appointed and removed by the Board in its sole discretion and shall serve until their resignation or removal.

Meetings

- Frequency
    - o The Committee shall meet at least twice annually, or more frequently as the members deem fit.
- Quorum
    - o The quorum for a meeting is two (2) members
- Reporting Obligations
    - o The Chair of the Committee shall report the minutes to the Board on a regular basis and, in particular, shall highlight any key actions taken by the Committee or recommendations being made to the Board with respect to the Board's mandate
    - o Members of the Board shall have access to all records of the Committee.

Authority & Responsibilities

The Committee shall support the Board in the administration and exercise of the Board's management of the Company by carrying out the following:

Corporate Governance Principles

- Developing, recommending and reviewing corporate governance principles applicable to the Board.
- Ensuring that the Board and is committees are in compliance with all regulatory composition requirements, which shall include requirements for director independence.
- Reviewing, no less than once annually, the adequacy of the charters of the Board and its various subcommittees, including the adequacy of this Charter, and submit to the Board any suitable recommendations in relation to the amendment of same.
- Reviewing, no less than once annually, the Company's Articles

of Incorporation and overall corporate governance policy and practices and submit to the Board any suitable recommendations in relation to the amendment of same.

- Preparing the annual Corporate Governance Statement for inclusion in the Company's Annual Report to its shareholders.
- Ensuring that there is accurate, timely and full financial governance reporting with strong internal controls and risk management.
- Ensuring that material information regarding the Company's operations are disclosed in a timely manner to the public and regulatory entities.
- Keeping abreast of the latest regulatory requirements, trends and guidance in corporate governance and updating the Board on corporate governance issues, where necessary.

Evaluation of Board & its Committees – Structure, Composition and Function

- Ensuring that the Board is structured and selected to ensure effectiveness, independence and protection of the public's interests through appropriate selection and operating processes.
- Establishing and facilitating an effective process for the annual evaluation of the Board and its committees, which shall include the development of a self-audit checklist which takes into account their respective mandates and the level of contribution of individual directors. The Committee shall report to the Board the results of its annual evaluations and, based on those results, may make recommendations in respect of the structure and effectiveness of the Board and any of its committees.
- Overseeing the development and implementation of a Board induction process for new directors and a programme of continuing director development and training, as needed.
- Considering possible conflicts of interests of directors and making relevant proposals to the Board in relation to its findings.
- Reviewing any change in status and professional affiliation of current directors, which shall include fulfilment of independence requirements, and making relevant proposals to the Board in relation to its findings.

Southern Cross BPO, Montego Bay

CAC designed and constructed a complete retrofit solution for another BPO in Montego Bay. This involved the replacement of an existing chilled water system with 331 tons of state-of-the-art air conditioning and ventilation equipment. The system consisted of twelve (12) LG-Carrier VRF Hybrid systems and three (3) LG VRF cassette systems. The HVAC works also entailed the implementation of energy recovery ventilators to improve system efficiency while providing the necessary outdoor air. In keeping with our commitment to better air quality, this project employed R410a which has a ODP (Ozone Depletion Potential) of zero. CAC also installed a Building Management System to allow for remote access and control.

MEETING ATTENDANCE

ANNUAL GENERAL MEETING

Members	Held 6/6/2018
Steven Marston, Chairman	√
Richard Powell, Independent Director	√
Patrick Smith, Independent Director	√
Jennifer McDonald, Independent Director	√
Gia Abraham, Director	√
Edward Alexander	√
Colin Roberts	√

AUDIT COMMITTEE

Members	Meeting held 7/12/2017	Meeting held 26/2/2018	Meeting held 25/5/2018	Meeting held 30/8/2018
Edward Alexander, Independent Director	√	√	√	√
Steven Marston, Director	via telephone	√	√	√
Richard Powell, Independent Director	√	√	√	√
Patrick Smith, Independent Director	√	√	√	√
Gia Abraham, Director		√		

REMUNERATION COMMITTEE

Members	Meeting held 7/12/2017	Meeting held 26/2/2018	Meeting held 25/5/2018	Meeting held 30/8/2018
Steven Marston, Director	via telephone	√	√	√
Richard Powell, Independent Director	√	√	√	√
Patrick Smith, Independent Director	√	√	√	√
Jennifer McDonald, Independent Director		Absent	√	Absent

INFORMATION TECHNOLOGY COMMITTEE

Members	Meeting held 30/5/2018	Meeting held 4/9/2018	Meeting held 19/12/2018
Jennifer McDonald, Committee Chairman	√	√	√
Patrick Smith, Member	√	√	√
Colin Roberts, Member	√	Absent	√

CORPORATE GOVERNANCE COMMITTEE

Members	Meeting held 28/5/2018
Matthew Hogarth, Committee Chairman	√
Jennifer McDonald, Member	Absent
Gia Abraham,Member	√
Steven Marston, Director	√

AUDIT COMMITTEE

The members of this committee are: Richard Powell (Chairman), Edward Alexander and Patrick Smith.

Purpose

To assist the Board of Directors in fulfilling its accountability for the efficient and effective performance in relation to:

- The integrity of the Company's financial statements;
- The Company's compliance with legal and regulatory requirements;
- The adequacy of the independent auditor's qualifications and independence;
- The internal controls and operational environment;
- The Company's risk identification, measurement and control processes.

Scope

The Committee shall provide oversight of the audit, compliance and risk management functions of the Company on behalf of the Board of Directors.

Composition

The Audit Committee shall consist of at least three (3) and no more than six (6) members of the Board of Directors all of whom shall be non-executive members.

Meetings

The Committee is required to meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require.

> If it is a hard to solve issue the market calls us... we also pride ourselves on offering innovative technology to our customers.

REMUNERATION COMMITTEE

The members of this committee are: Patrick Smith (Chairman), Jennifer McDonald and Richard Powell.

Purpose

To develop and determine the framework and policy for the remuneration of the Chief Executive Officer, the Executive Directors, and to provide guidance with respect to the remuneration off the next tier of Senior Executives within the Company.

The Committee also assists the Chairman in developing the remuneration package for the non-executive directors of the Board.

Composition

The Remuneration committee comprises three members, who shall be independent Non-Executive Directors, as well the Chairman of the Board/Chief Executive Officer.

Meetings

The Committee is required to meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require.

INFORMATION TECHNOLOGY COMMITTEE

The members of this committee are: Jennifer McDonald (Chairman), Patrick Smith and Colin Roberts.

Purpose

The Information Technology ("IT") Committee should ensure that there are prudent and effective IT policies and guidelines. It is responsible for the effective use of technology in business operations and ensuring that these is seamless connectivity among the various technologies employed.

Composition

The IT committee shall consist of at least two (2) but no more than five (5) members, including ex officio members.

Meetings

The IT committee shall convene at least three (3) times per year.

The Committee Charters are available on the CAC 2000 website: www.cacjamaica.com

CORPORATE GOVERNANCE

CODE OF ETHICS

As a leading provider of air-conditioning equipment and services, CAC 2000 has an ongoing responsibility to customers and all others who use our products and services. In meeting their needs, everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us. Everyone must be considered as an individual. We must respect our employees' dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly, and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development, and advancement for those qualified.

As an employer, CAC 2000 must provide and develop competent managers and employees, and their actions must be ethical and honest, as well as compliant with laws, rules, and regulations. Through our conflict of interest policy, we help our employees, officers, and directors avoid conflicts of interest, actual or apparent, between their personal and professional relationships. Any disclosures our board or management make to regulators, the public, or others, must be full, fair, accurate, timely, and understandable.

CAC 2000 and its employees are responsible to the communities in which we live and work and to the world community as well. We must be good citizens, support good works and charities, and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

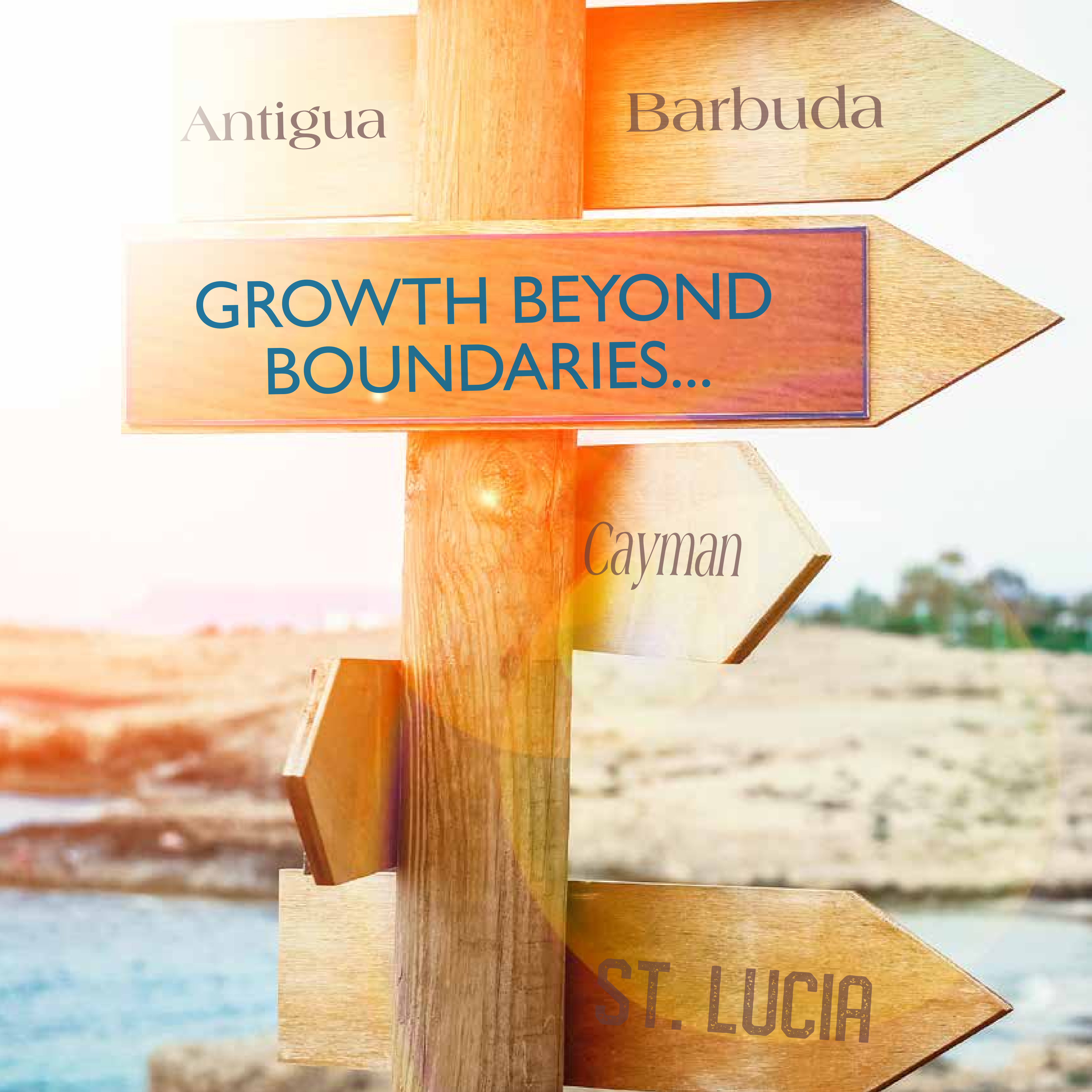
CAC 2000 recognizes its responsibilities to its owners. Our business must make a sound profit. We must experiment with new ideas. We must conduct research, develop innovative programs, and pay for any mistakes. We must purchase new equipment, provide any needed new facilities, and launch new products as needed in the marketplace. We must create reserves to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return on their investment.

Finally, as an incorporated entity, CAC 2000 is responsible to Jamaican regulators. In all our reports to these regulators, we make full, fair, accurate, timely, and understandable disclosures. We adhere to these same standards in our statements to our stakeholders and to the general public.

Any violations of this code, or of the more detailed standards found in other company codes, shall be reported promptly to the Company Secretary of CAC 2000, who serves as CAC 2000's chief ethics officer. The company's board of directors, supported by general counsel, is responsible for ensuring that each employee receives a copy of this code of ethics, and understands its content.

Megamart, Portmore

MegaMart requested the latest energy efficient technologies for the cooling of their store in keeping with their vision of using innovative technologies to reduce energy consumption and to improve comfort. The existing air conditioning systems at both stores were obsolete and due for replacement. CAC employed ultra-high efficiency VRF inverter technology air conditioning from LG. The store front area required 240 tons of cooling for each location which is the largest single zone cooling application for this type of technology in Jamaica. In fact CAC has been at the forefront in the use of large VRF systems. A typical VRF system consists of multiple small indoor units connected to a large bank of VRF condensing units. In this application each MegaMart store was cooled by four large VRF systems comprising cooling capacities of 60 tons! Each system was controlled by a sophisticated web based touch screen controller that precisely controls the setpoint and schedule for each of the four systems. This state-of-the-art system can keep administrators informed and updated through email and allows CAC to do remote troubleshooting and diagnostics, ensuring a optimum efficiency.


Antigua
Barbuda
GROWTH BEYOND BOUNDARIES...
Cayman
ST. LUCIA

Expanding our offerings with our suppliers throughout the region continues to provide us with a powerful regional advantage towards expansion...

MANAGEMENT DISCUSSION AND ANALYSIS

Holding strong during a year of unpredictable seas is what best describes the past year for CAC 2000. With strong focus, the company was able to hold its revenue firm. As a team, once we realized that the construction of the major thoroughfare would create a tremendous negative impact on the business, we went back to the drawing board to develop a sales strategy focused on better lead generation-to-sales conversion with existing and new customers and counter some, but not all, of the sales disruptions.

Significant in this past year and in-line with our five- year strategic plan is the securing of a project in Barbuda where CAC will play a pivotal role in the 10-year project. Expanding our offerings with our suppliers throughout the region continues to provide us with a powerful regional advantage towards expansion with Barbuda being the start. With this said we have focused on and remain committed to the expansion of our CAC 2000 team. This involves equipping our existing teams through more training opportunities thus building our existing capacity and also recruiting to meet the expected capacity requirements.

GROSS PROFIT

$453M

6.8%

INCREASE IN GROSS PROFIT OVER 2017

MD&A

Financial Performance

Revenue for the year ended October 2018 was flat at $1.21 billion when compared with the previous year. The year saw a 4.5% increase in our engineering revenues over last year and a 13.9% increase in Service revenues and, whilst we recorded a revenue dip in the overall efficient direct cost management led to higher gross profit at $453 million for the group or 6.8% higher than the previous year at $424 million. This was a welcome outcome as it occurred in a year that started well but ended with challenges outside of the company's control.

Specifically, in the second half of the year, the full effect of the road works was felt in the Three Miles area within the vicinity of the company's Marcus Garvey Drive head office. The company welcomes the improvement to the road network as it represents progress, however it has negatively impacted the ability of our customers to get to our location, as well as for our staff and trucks, to come and go easily. To underscore the point, in the third quarter ending July 2018, the Company generated a double-digit rise in revenue and also profit for that quarter when compared with year earlier levels. These gains were then nullified by the fourth quarter.

In the third-quarter, consideration was given to setting up a temporary location to offset fallout of walk-in traffic. At year-end we had not yet taken action on a new location as we have

FIVE-YEAR FINANCIAL REVIEW

	Oct-18	Oct-17	Oct-16	Oct-15	Jul-14
BALANCE SHEET ($'000)					
Non-current Assets	51,584	45,779	53,277	34,517	15,791
Current Assets	988,797	939,432	798,434	576,883	488,660
Non-current Liabilities	211,177	8,090	160,653	155,652	113,885
Current Liabilities	341,938	554,028	368,701	250,615	234,718
Shareholder's Equity	487,536	423,093	322,357	205,133	155,849
PROFIT & LOSS ($'000)					
Revenue	1,210,990	1,210,935	1,017,611	1,079,253	708,334
Yearly Change %	0.00%	19.00%	-5.71%	52.36%	-4.91%
Gross Profit	453,190	424,435	410,083	358,282	255,027
Yearly Change %	6.77%	3.50%	14.46%	40.49%	9.09%
Profit before Tax	74,766	100,514	11,316	84,802	51,304
Yearly Change %	-25.62%	788.25%	-86.66%	65.29%	-19.36%

Note: The Company's accounting year-end changed in 2015 from July 31 to October 31. Therefore, the results for October 2015 covered fifteen (15) months.

deployed other strategies such as mobile tools, work from home and proactive sales visits to customers instead of having them come to us. The road construction has, and continues to, adversely affect our retail sales and logistics but we were assured that it will be completed by mid-2019 when operational normalcy will return.

The Company experienced a rise in total administrative expenses at $384 million or 24% over the $309 million in the previous year, which is in keeping with our company strategic succession plan. We kept distribution costs stable at $37 million compared with a year earlier, but there were increases in legal and professional fees at $58 million compared to $33 million a year earlier.

Profit before taxation totaled $75 million when compared to the $100 million a year earlier. That equated to earnings per share of $0.58 compared with $0.78 a year earlier. Also, on May 30, 2018, management declared a $0.08 dividend which equated to $10.3 million compared to nil in the corresponding previous year.

The cash flow and equivalents position reflects a balance of $117 million at year end compared to $192 million a year prior. The reduction in cash was the result of increased investing in inventory which totaled $156 million compared to $76 million a year earlier. We also repaid $112 million of bank loans during the year and were able to do that as the Company issued $200 million in new preference shares,

IMPORTANT RATIOS

	Oct-18	Oct-17	Oct-16	Oct-15	Jul-14
PROFITABILITY : Reflects the performance of the company and its managers					
Return on Capital Employed	11%	23%	2%	18%	14%
Return on Equity	15%	24%	36%	32%	25%
Return on Total Asset	8%	12%	2%	17%	11%
Gross Profit Margin	37%	35%	40%	33%	36%
Earnings Per Share	0.58	0.78	0.08	0.65	7.67
Inventory Days	233	127	186	142	193
Debtor Days	136	142	113	96	76
Creditor Days	88	62	74	58	106
FINANCIAL : Reflects financial structure and stability of the company					
Current ratio	2.89	1.70	2.17	2.30	2.08
Liquidity Ratio(Acid test)	1.82	1.32	1.41	1.39	0.99
Debt to Capital Employed	30%	60%	34%	44%	42%
Debt to Equity ratio	0.43	0.02	0.50	0.76	0.73

$75M

PROFIT BEFORE TAXATION

$200M

NEW PREFERENCE SHARES ISSUED

$10.3M

DIVIDEND PAYMENTS

which came on the heels of a redemption in previous preference shares in July. The newly issued preferences shares are mandatorily redeemable at par on March 16, 2023. The favourable take up was given the market offer to pay dividends on the shares at 9.5% per annum for the initial four years and thereafter a variable rate of 3.0 percentage points above the weighted average yield of Jamaica Treasury Bills tenders.

Operational Initiatives

We continue to effectively compete with many overseas suppliers/contractors in the hotel, BPO, commercial and now cannabis sectors. During the year, we successfully financed two large commercial projects and are planning a major strategy to access more funds (from local and overseas sources) to further expand our financed solutions.

Our recent investments in software and improvements in goal setting, team alignment, systems, procedures and human resources have significantly improved our job conversion. Focus was also placed on updating our sales strategy thus improving the uptake in key products and solutions across the business.

We also announced steps to support the construction of a high-income development in the island of Barbuda by the developer Discovery Land Company. At year-end the design, build and scope was being defined with the view of a final budget becoming available. This contract is an integral step to expand to other countries within the region.

CAC 2000 has always maintained a first-world technical standard of expertise so we have always believed in our ability to compete with the international providers of cooling technology and services to the English-speaking Caribbean. We have spent the past few years meeting with potential customers, partners and suppliers to prepare ourselves for this expansion. The Barbuda project is the first significant projects that will follow in the region.

Management changes needed to support the regional expansion are already in place, but we are also expecting to add some new middle managers to join the team in the short to medium term. They will form part of the Company's long-term succession plan. In addition, the team has been doing various training sessions including ActionCoach, sales training, ValueSelling, Predictable Success and in 2019, Engage & Grow, as we work on aligning our future leaders.

iscovery Land Company property, in Barbuda.

Notable projects

Notable local projects during the year included installation work at Megamart Portmore, Alorica BPO and Southern Cross BPO.

Megamart Portmore
CAC collaborated with Megamart to develop its second Hybrid VRF solution for the supermarket chain. The high efficiency system was designed, supplied and installed in the Portmore branch of the Megamart Wholesale Club comprised of four (4) 60 Ton Carrier Air Handling units (indoor) and sixteen (16) LG condensers, complete with a state-of-the-art Central Controller accessible from the internet.

Alorica BPO Building 4, 58 Half-way Tree Rd., Kingston
Following on the two previous successfully completed projects for Alorica, CAC 2000 was again engaged to design and provide air conditioning and ventilation services for Building #4 at 58 Half-way Tree Road in Kingston. Although the timelines were aggressive, CAC's experienced and dedicated engineering team designed an extremely efficient system tailored to leverage Carrier's stock of X-Power VRF equipment.

Southern Cross BPO
CAC 2000 designed and constructed a complete retrofit solution for another BPO in Montego Bay. This involved the replacement of an existing chilled water system with 331 tons of state-of-the-art air conditioning and ventilation equipment. The system consisted of twelve (12) LG-Carrier VRF Hybrid systems and three (3) LG VRF Cassette systems. The HVAC works also entailed the implementation of energy recovery ventilators to improve system efficiency while providing the necessary outdoor air. CAC 2000 also installed a Building Management System to allow for remote access and control.

Outlook

The potential for growth of our Company remains strong. We are working on multiple expansion options both locally (spanning our three revenue segments) and also new revenue streams arising from the region, albeit in the developmental stages. While it is difficult to predict our future performance, it's not unreasonable to expect tripling of revenues over the next 2-3 years and, with a significant part of this growth being due to regional expansion.

Going forward, many of our products will be upgraded to more efficient units with expanded feature sets/capabilities in mid to late 2019. We are also planning new products/solutions including a significant presence in the renewable energy business, but we will disclose more at a later time.

Our outlook also includes focusing on providing energy saving solutions to businesses financed by credit arrangements. We have already secured key contracts for fiscal 2019 and look forward to greater penetration locally and regionally across several sectors. With continued focus on our team development, creating the expertise required for local and regional expansion through training opportunities, we are creating a robust crew of experts that will push us as we ride the waves of change, developing a more robust team allowing us to move further across the seas as opportunities present regionally.

It's not unreasonable to expect tripling of revenues over the next 2-3 years and, with a significant part of this growth being due to regional expansion.

CORPORATE
SOCIAL
RESPONSIBILITY

OUR MISSION

The CAC 2000 Foundation was established in 2016 to promote and improve the education of Jamaica's children. This is one of the company's primary objectives as a corporate leader. The foundation's other major objectives include:

- Partnering with support programmes to improve the education of children in learning institutions across Jamaica, with a focus on children in primary schools and children with learning disabilities.
- Advancing education by developing scholarships to allow children to attend high school.
- Partnering with other associations, locally and internationally, who share our vision and objectives.

MAXIMIZING IMPACT THROUGH PARTNERSHIP

Skills Training with RISE Life Management Services

The CAC 2000 Foundation continued in its third year of partnership with RISE (Reaching Individuals through Skills and Education) Life Management Services towards the training and mentoring of at-risk youth. In 2018, the CAC Foundation had the honor of donating $300,000 to RISE's WISE (Waste Innovation and Social Enterprise) programme. The donation will be used to help WISE to continue life skills training for inner city youth to create beautiful and useful items from upcycled waste and the overarching work of RISE in providing educational, vocational and health related services for at risk populations.

Partnership with Pacers Running Club

The CAC Foundation also partners with the Pacers Running Club, which hosts an Annual Charity Run to support the work and initiatives of the Jamaica Council of Persons with Disabilities (JCPD). We are happy to report that the 10K and Half-Marathon Charity Run held on November 10, 2018, was successful in raising a total of $650,000, which was a $250,000 increase over the previous year's donation! All proceeds were donated to the STEP Centre. The donation will greatly assist STEP in continuing the work of providing therapy, education and parenting for children with multiple disabilities.

Profile | People. Places. Experiences

TEEN GETS CREATIVE WITH RECYCLED MATERIALS looks to entrepreneurship

"It has been great focusing on the project that can help me in the future, rather than wasting my time on the weekends."

Impact Through the HEART/ NTA

In addition to charitable contributions, the Foundation makes a significant impact on the lives of HEART/ NTA interns with a programme for individuals seeking experience and vocational training in refrigeration and air conditioning repair techniques, including a basic understanding of clean energy solutions around the industry. These youths receive training and mentorship opportunities within CAC 2000 Ltd., working in collaboration with HEART/ NTA and other organisations. Through this programme the CAC 2000 Foundation will seek to assist in the gainful employment of disadvantaged and at-risk youth, youth with disabilities and women. Keep reading for details on how this partnership has been changing lives.

"The JSIF is pleased to see how these young people have applied themselves in learning so much in a short period of time. Through this programme with CAC 2000, they have quickly transformed "in the classroom" training into real life application. It is clear then, that the private sector's role in addressing youth unemployment is critical to ensuring Jamaica's long term success and development. The JSIF's intervention demonstrates how an integrated approach of training and hands on experience can provide significant value to our youth. This approach is made possible through the active involvement of companies like CAC 2000 in community development."

– Mr. Omar Sweeney, Managing Director, Jamaica Social Investment Fund

EMPOWERMENT THROUGH TRAINING & EMPLOYMENT

The CAC 2000 Foundation that seeks to assist in the gainful employment of disadvantaged and at-risk youth, youth with disabilities and women, primarily in communities across Jamaica in the Kingston and St. Andrew region. The Foundation's mission gave rise to a two-year Skills Training Programme for air conditioning repairs and servicing. The areas of greatest need have been identified as inner-city communities, most prone to violent conflict, with high dropout and unemployment rates. The Foundation views this youth training programme as an effective method of empowering Jamaica's future leaders to create sustainable change in their families and communities by equipping them with the necessary skills for gainful employment and personal development.

2018 Highlights

- The first orientation session was held on July 19th, the second on August 13th and the third session on October 3rd 2018
- A total of 43 students were enrolled in the programme to date with 3 cohorts (first cohort had 10 students; the second had 10 and the third had 23)
- To date, 18 students are currently working with contractors on practicum's across the island
- A 4th cohort of students began theoretical training in December 2018
- 12 students have completed training, with 6 coming from HEART and 2 from CAC's internal inventory department
- All 12 students are now full-time CAC employees
- 3 have already been promoted – 1 to Tech Support and 2 to Lead Technicians

Positive Feedback

Student feedback on the guest speaker and the overall skills training component was very positive. The training sessions were both successful and impactful for the students as they had the opportunity to voice their opinions and ask relevant questions pertaining to real life circumstances.

Partner groups such as JSIF also had positive things to say about the programme:

"The JSIF is pleased to see how these young people have applied themselves in learning so much in a short period of time. Through this programme with CAC 2000, they have quickly transformed "in the classroom" training into real life application. It is clear then, that the private sector's role in addressing youth unemployment is critical to ensuring Jamaica's long term success and development. The JSIF's intervention demonstrates how an integrated approach of training and hands on experience can provide significant value to our youth. This approach is made possible through the active involvement of companies like CAC 2000 in community development." – Mr. Omar Sweeney, Managing Director, Jamaica Social Investment Fund

The Foundation, which is spearheaded by Gia Abraham, will continue its commitment to developing educational opportunities resulting in employment and improved quality of life in 2019.

We are thankful for the contribution of our Director Dane McGregor for the incredible work he has done and look forward to the growth of the foundation with him as its executive director.

Integral to this work and everything we have achieved has been Changemakers Limited, led by Samantha Chantrelle, who facilitated the international funding and structuring of the Foundation.


11/12/2018

Jamaica Observer, Tuesday, November 6, 2018, pages from 10 to 10

10 SPECIAL ADVERTISING

FLOW Foundation — Connecting Communities, Transforming Lives

Young Teen Gets Creative with Recycled Material, Looks to Entrepreneurship

> The training sessions were both successful and impactful for the students as they had the opportunity to voice their opinions and ask relevant questions pertaining to real life circumstances.

Alorica BPO Building 4, Kingston

Following on the two previous successfully completed projects for Alorica, CAC 2000 were again engaged to design and provide air conditioning and ventilation services for Building #4 at 58 Half-way Tree Road in Kingston. Although the timelines were aggressive, CAC's experienced and dedicated engineering team designed an extremely efficient system tailored to leverage Carrier's stock of X-Power VRF equipment. CAC worked with our suppliers Carrier Air Conditioning Corporation to setup a stocking plan whereby the equipment would be stocked in anticipation of the needs of the project. It allowed Alorica to pull the trigger with very short notice and CAC 2000 to respond rapidly with the execution of the project.

The equipment used was the latest in Variable Refrigerant technology with high efficiency inverter driven condensing units using Zero ODP (Ozone Depletion Potential) refrigerant R410a. The IAQ (indoor air quality) for the staff members was also a key criteria for their health and safety as well as productivity and fresh air was brought in the office spaces using sophisticated ERV (Energy Recovery Ventilation) equipment from Carrier. This type of ventilation allows the incoming fresh air to be cooled by the air that is being exhausted thereby reducing the need for additional air conditioning cooling capacity for the ventilating air.

AUDITED FINANCIAL STATEMENTS

KPMG
Chartered Accountants
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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 45, which comprise the statement of financial position as at October 31, 2018, 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, 2018, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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	***How the matter was addressed in our audit***
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.	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. • Reviewing the certification received from external Quantity Surveyors and comparing the related revenue recognised to the amounts certified.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

KPMG

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CAC 2000 LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 to 7, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

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

KPMG

Chartered Accountants
Kingston, Jamaica

December 21, 2018

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

KPMG

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

STATEMENT OF FINANCIAL POSITION

October 31, 2018

	Notes	2018 $	2017 $
ASSETS			
Non-current assets			
Property, plant and equipment	3	51,854,814	45,550,889
Long-term receivables	4	-	228,069
Total non-current assets		51,854,814	45,778,958
Current assets			
Income tax recoverable		7,311,478	3,019,665
Inventories	5	367,004,488	208,385,972
Due from related parties	12(a)	11,696,022	-
Trade and other receivables	6	485,472,990	536,331,072
Investments		269,759	-
Cash and bank deposits	7	117,041,833	191,695,143
Total current assets		988,796,570	939,431,852
Total assets		1,040,651,384	985,210,810
EQUITY AND LIABILITIES			
Stockholders' equity			
Share capital	8	129,189,757	129,189,757
Capital redemption reserve	9	56,070,657	-
Retained earnings		302,275,721	293,903,431
Total stockholders' equity		487,536,135	423,093,188
Non-current liabilities			
Loans and borrowings	10	210,096,707	4,013,104
Obligations under finance lease	11	1,080,789	4,076,643
Total non-current liabilities		211,177,496	8,089,747
Current liabilities			
Loans and borrowings	10	2,964,038	249,887,100
Due to related parties	12(b)	6,803,481	5,422,439
Trade and other payables	13	328,728,403	295,903,418
Current portion of obligations under finance lease	11	2,995,854	2,658,668
Taxation payable		445,977	156,250
Total current liabilities		341,937,753	554,027,875
Total equity and liabilities		1,040,651,384	985,210,810

The financial statements on pages 8 to 45 were approved for issue by the Board of Directors on December 21, 2018, and signed on its behalf by:

____________ Chairman & CEO
Steven Marston

____________ Director
Patrick Smith

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

October 31, 2018

	Notes	2018 $	2017 $
Revenue	14	1,210,990,427	1,210,935,472
Cost of sales		(757,800,261)	(786,500,045)
Gross profit		453,190,166	424,435,427
Distribution expenses		(37,014,671)	(37,421,374)
Administrative expenses		(347,140,225)	(271,478,122)
Total distribution and administrative expenses	15	(384,154,896)	(308,899,496)
		69,035,270	115,535,931
Other income	17	19,032,213	2,115,167
Profit before finance cost and taxation		88,067,483	117,651,098
Other gains/(losses)		6,046,281	(2,277,238)
Interest income		3,325,094	1,090,090
Interest expense		(22,673,331)	(15,949,599)
Net finance cost	18	(13,301,956)	(17,136,747)
PROFIT BEFORE TAXATION		74,765,527	100,514,351
Taxation	19	-	221,812
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		74,765,527	100,736,163
Earnings per stock unit:			
Based on stock units in issue	21	0.58	0.78

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

STATEMENT OF CHANGES IN STOCKHOLDERS' NET EQUITY

October 31, 2018

	Share capital (note 8) $	Capital Redemption reserve (note 9) $	Retained earnings $	Total $
Balances at October 31, 2016	129,189,757	-	193,167,268	322,357,025
Total comprehensive income for the year	-	-	100,736,163	100,736,163
Balances at October 31, 2017	129,189,757	-	293,903,431	423,093,188
Total comprehensive income for the year	-	-	74,765,527	74,765,527
Redemption of preference shares	-	56,070,657	(56,070,657)	-
Transactions with owners of the Company:				
Dividends (note 20)	-	-	(10,322,580)	(10,322,580)
Balances at October 31, 2018	129,189,757	56,070,657	302,275,721	487,536,135

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

STATEMENT OF CASH FLOWS

October 31, 2018

	Notes	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		74,765,527	100,736,163
Adjustments for:			
Taxation	19	-	(221,812)
Depreciation	3	22,925,849	20,505,700
Gain on disposal of property, plant and equipment		(7,031,186)	-
Gain on revaluation of investments		(100,312)	-
Allowance for doubtful debts	6	5,552,988	(10,938,210)
Provision for inventory obsolescence		(2,291,905)	(4,090,136)
Interest expense	18	22,673,331	15,949,599
Interest income	18	(3,325,094)	(1,090,090)
Operating cash flows before movements in working capital		113,169,198	120,851,214
Movements in working capital:			
Inventories		(156,326,611)	76,006,585
Trade and other receivables		45,452,978	(167,245,183)
Trade and other payables		32,824,985	(64,872,775)
Due from related parties		(11,696,022)	1,664,849
Cash generated/(used) by operations		23,424,528	(33,595,310)
Interest paid		(22,673,331)	(14,945,983)
Income tax paid		(4,002,085)	(789,908)
Net cash used by operating activities		(3,250,888)	(49,331,201)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	3	(29,632,558)	(14,353,635)
Proceeds from disposal of property, plant and equipment		7,433,970	-
Purchase of investments		(169,447)	-
Interest received		3,405,279	1,028,036
Net cash used by investing activities		(18,962,756)	(13,325,599)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(10,322,580)	-
Repayment of bank loans		(111,970,721)	(10,659,815)
Repayment of preference shares		(148,037,000)	-
Due to related parties		1,381,042	1,902,055
Finance lease, net		(2,658,668)	(3,673,346)
Proceeds from bank loans		19,168,261	108,908,495
Proceeds from issue of redeemable preference shares		200,000,000	-
Net cash (used)/provided by financing activities		(52,439,666)	96,477,389
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(74,653,310)	33,820,589
Cash and cash equivalents at beginning of year		191,695,143	157,874,554
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	117,041,833	191,695,143

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

1. Identification

CAC 2000 Limited (the Company) is incorporated and domiciled in Jamaica. On January 7, 2016, the Company's ordinary shares were listed on the Jamaica Junior Stock Exchange through an Initial Public Offering. 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, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the year under review. The adoption of the new standards, interpretations and amendments did not result in any change in amounts and disclosures in the financial statements.

New and amended standards and interpretations that are not yet effective:

At the date of approval of these financial statements, certain new and amended standards and interpretations were in issue, but were not yet effective and had not been early adopted. The Company has assessed their relevance with respect to its operations and has concluded that the following may be relevant:

The following standards are expected to have a material impact on the Company's financial statements in the period of initial application.

- The Company is required to adopt IFRS 9 *Financial Instruments* from November 1, 2018. IFRS 9 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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations that are not yet effective (continued):

- IFRS 9 *Financial Instruments* (continued)

  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' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

  Under IFRS 9, loss allowances will be measured on either of the following bases:

  - 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
  - Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

  Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

  The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the Company is still in the process of determining the likely financial impact on its financial statements.

  IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The Company's assessment will include an analysis to identify data gaps against current processes.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations that are not yet effective (continued):

- IFRS 9 *Financial Instruments* (continued)

  Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

  - The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at November 1, 2018.
  - The Company will need to determine the business model within which a financial asset is held based on the facts and circumstances that exist at the date of initial application.

  The Company is still performing its assessment of the estimated impact of IFRS 9 on its retained earnings as at November 1, 2018.

- The Company is required to adopt IFRS 15 *Revenue from Contracts with Customers,* effective November 1, 2018. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, *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 falls in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange 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 an entry 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 that entity's performance.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations that are not yet effective (continued):

- IFRS 15 *Revenue from Contracts with Customers* (continued)

(i) Sale of goods

For the sale of goods, which comprises the sale of equipment and spare parts, revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

For certain contracts that permit the customer to return an item, revenue is currently recognised when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. If a reasonable estimate cannot be made, then revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

Under IFRS 15, revenue will be recognised for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Company is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

(ii) Installation contracts

Contract revenue currently 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. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations that are not yet effective (continued):

- IFRS 15 *Revenue from Contracts with Customers* (continued)

  (iii) Transition

  The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 November 2018). As a result, the Company will not apply the requirements of IFRS 15 to the comparative period presented.

  The Company is still performing its assessment of the estimated impact of IFRS 15 on its retained earnings as at November 1, 2018.

- 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. Entities 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.

  The Company is assessing the impact that this standard will have on its future financial statements.

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

(a) Statement of compliance (continued):

New and amended standards and interpretations that are not yet effective (continued):

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

  An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

  The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

  The Company is assessing the impact that this interpretation will have on its future financial statements.

- Amendments to IFRS 9, *Financial Instruments,* effective retrospectively for annual periods beginning on or after January1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

  The Company is assessing the impact that this amendment will have on its future financial statements.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(b) Basis of preparation:

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

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

(c) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date and the income and expense for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

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

(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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(c) Use of estimates and judgements (continued):

(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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(i) Property, plant and equipment (continued):

(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 shorter of the useful life of the asset or the term of the lease.
Motor vehicles	-	5 years
Plant and machinery	-	10 years
Furniture and fixtures	-	10 years
Tools and equipment	-	5 years
Computers and related equipment	-	3 years

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

(ii) 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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(iii) 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, investments, 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.

(iv) 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.

(v) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses.

(vi) 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).

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(i) Related parties (continued):

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity or its parent is provided with key management personnel services by the management entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(j) Cash and cash equivalents:

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

(k) Share capital:

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

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

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(k) Share capital (continued):

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

(i) 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;

(ii) 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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(p) Employee benefits:

(i) Short-term employee benefits:

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

(ii) Defined contribution plans:

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

(q) 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 23).

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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(q) Revenue recognition (continued):

(iii) Construction contracts (continued)

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.

(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.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(s) Segment reporting (continued):

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

The primary reportable segments are:

(i) Engineering – Sale and installation of industrial equipment

(ii) Residential, Light and Commercial (RLC) – Sale of smaller turnkey equipment

(iii) Service – After sale service and maintenance

The Company's operations are primarily carried out in Jamaica. Transactions between business segments have been eliminated.

(t) Net finance cost:

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

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(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 measured 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 measured 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 measured at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(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.

3. Property, plant and equipment

	Leasehold Improvements	Plant machinery & tools	Furniture fixtures & equipment	Computers & related equipment	Motor vehicles	Work-in-progress	Total
	$	$	$	$	$	$	$
Cost							
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	-	-	-	9,581,182	-	(9,581,182)	-
October 31, 2017	23,444,537	3,852,598	3,874,685	27,709,380	40,132,090	-	99,013,290
Additions	485,471	144,110	650,926	2,881,198	25,470,853	-	29,632,558
Disposal	-	-	-	-	(6,761,420)	-	(6,761,420)
October 31, 2018	23,930,008	3,996,708	4,525,611	30,590,578	58,841,523	-	121,884,428
Accumulated depreciation							
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	4,400,948	202,753	325,685	6,610,363	8,965,951	-	20,505,700
October 31, 2017	9,744,179	2,793,420	1,631,846	17,672,732	21,620,224	-	53,462,401
Charge for the year	4,498,042	303,990	393,323	6,464,972	11,265,522	-	22,925,849
Disposal	-	-	-	-	(6,358,636)	-	(6,358,636)
October 31, 2018	14,242,221	3,097,410	2,025,169	24,137,704	26,527,110	-	70,029,614
Net book values							
October 31, 2018	9,687,787	899,298	2,500,442	6,452,874	32,314,413	-	51,854,814
October 31, 2017	13,700,358	1,059,178	2,242,839	10,036,648	18,511,866	-	45,550,889

3. Property, plant and equipment (continued)

The Company leases various motor vehicles under non-cancellable finance lease agreements (note 11). The lease terms are four years. At year end, the net book value of motor vehicles acquired under finance leases was $4,076,643 (2017: $6,735,311).

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 $233,976 (2017: $228,069) is included in other receivables (note 6).

5. Inventories

	2018 $	2017 $
Merchandise/equipment	101,078,213	69,645,369
Work-in-progress	37,209,699	7,859,718
Service supplies/parts	114,797,153	103,004,914
Goods in transit	127,407,254	43,655,708
	380,492,319	224,165,709
Provision for obsolescence	(13,487,831)	(15,779,737)
	367,004,488	208,385,972

The cost of inventories recognised as cost of sales during the year was $507,802,495 (2017: $573,263,229).

6. Trade and other receivables

	2018 $	2017 $
Trade	472,726,129	522,896,488
Allowance for doubtful debts	(25,662,212)	(20,447,912)
	447,063,917	502,448,576
Other receivables*	28,436,575	24,662,964
Prepayments	9,972,498	9,219,532
	485,472,990	536,331,072

* Included in other receivables is $16,552,093 (2017: $16,053,772) held by a financial institution and hypothecated to support performance guarantees issued by the institution on behalf of the Company.

6. Trade and other receivables (continued)

Ageing of trade receivables at the reporting date was:

	2018		2017	
	Gross $	Impairment $	Gross $	Impairment $
0-30 days	73,428,772	-	111,842,998	-
31-60 days	27,223,494	-	94,791,561	-
61-180 days	129,824,322	-	128,737,645	-
More than 180 days	242,249,541	25,662,212	187,524,284	20,447,912
	472,726,129	25,662,212	522,896,488	20,447,912

Movement in allowance for doubtful debts on trade receivables

	2018 $	2017 $
Balance at beginning of year	20,447,912	32,453,138
Amount charged/(released)	5,552,988	(10,938,210)
Amount written off	(338,688)	(1,067,016)
Balance at end of year	25,662,212	20,447,912

During the year, impairment losses charged to the profit and loss amounted to $5,552,988. In the prior year, impairment losses reversed and credited to the profit and loss amounted to $10,938,210. Trade receivables written off amounted to $486,130 (2017: $1,064,891).

7. Cash and bank deposits

Cash and bank deposits include:

	2018 $	2017 $
Cash on hand and in bank	44,689,874	90,926,189
Short-term deposits denominated in Jamaican dollars	4,935,204	2,954,180
Short-term deposits denominated in foreign currencies	67,416,755	97,814,774
	117,041,833	191,695,143

Interest rates on the J$ deposits range from 0% - 6.58 % (2017: 0% - 5%) and US$ deposits from 0% - 0.75% (2017: 0% - 1.22%). Interest on Sterling deposit is 0.17% (2017: 0.12%).

8. Share capital

	2018 $	2017 $
Authorised in shares:		
200,000,000 (2017: 200,000,000) Ordinary units of no par value		
350,000,000 (2017: 350,000,000) Fixed and variable rate cumulative redeemable preference shares		
Stated capital:		
Issued and fully paid as stock units:		
129,032,258 (2017: 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
200,000,000 (2017: 148,037,000) Fixed and variable rate cumulative redeemable preference shares	200,000,000	148,037,000
	329,189,757	277,226,757
Less: Redeemable preference shares reclassified as liability (see note 10)	(200,000,000)	(148,037,000)
	129,189,757	129,189,757

9. Capital redemption reserve

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

10. Loans and borrowings

	2018 $	2017 $
Bank loans		
Motor vehicle loans (a)	13,060,745	5,863,204
Bridging loan (b)	-	100,000,000
Redeemable preference shares (c)	200,000,000	148,037,000
	213,060,745	253,900,204
Less: Current Portion	(2,964,038)	(249,887,100)
Long-term Portion	210,096,707	4,013,104

(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% and 10.5% (2017: 8.95% and 10.5%) p.a.

10. Loans and borrowings (continued)

(b) This loan represented an unsecured bridging loan from VM Wealth Management Limited. The loan attracted interest at a rate of 6.75% p.a. The loan was repaid on April 13, 2018.

(c) Redeemable preference shares:

	2018
	$
Balance at beginning of year	148,037,000
Redemption of preference shares (i)	(148,037,000)
	-
Issue of redeemable preference shares (ii)	200,000,000
Balance at end of year	200,000,000

(i) During the year, the Company redeemed the preference shares previously held.

(ii) 350,000,000 fixed and variable rate redeemable preference shares were authorized with an issue price of $1 per share (see note 8). Of this, $200,000,000 issued shares are fully paid. Redeemable preference shares do not carry the right to vote or rank equally with other shares with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares.

The redeemable preference shares are mandatorily redeemable at par on March 16, 2023 and the Company is obliged to pay holders of redeemable preference shares dividends of 9.5 percent per annum for the first four years and thereafter a variable rate of 3 percent 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. Dividend is paid quarterly.

11. Obligations under finance lease

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

	2018	2017
	$	$
In the year ended October 31, 2018		
2017	-	553,972
2018	553,972	3,323,830
2019	3,323,830	3,323,830
2020	553,972	553,972
Total Minimum lease payments	4,431,774	7,755,604
Less: Future interest payments	(355,131)	(1,020,293)
Net obligations under finance leases	4,076,643	6,735,311
Less: Current portion	(2,995,854)	(2,658,668)
	1,080,789	4,076,643

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

12. Balances and transactions with related parties

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

	2018 $	2017 $
(a) Due from related parties:		
Cool Airco Limited	11,696,022	-
(b) Due to related parties:		
Cool Airco Limited	6,484,983	5,422,439
Due to shareholders	318,498	-
	6,803,481	5,422,439

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

	2018 $	2017 $
Purchases - Cool Airco Limited	88,955,000	38,284,975
Consultancy fees paid - Cool Airco Limited	31,573,280	15,460,854

(d) Key management personnel compensation is as follows:

	2018 $	2017 $
Short-term employee benefits	53,462,615	41,224,720

13. Trade and other payables

	2018 $	2017 $
Trade payable	124,431,937	98,281,971
Customer deposits	81,936,411	54,454,650
Other payables and accruals	122,360,055	143,166,797
	328,728,403	295,903,418

Included in other payables and accruals is $68,212,506 (2017: $68,222,121) representing court awarded damages and other related costs. (See note 22).

14. Gross operating revenue

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

15. Total distribution and administrative expenses

	2018 $	2017 $
Directors fees	4,000,000	3,541,667
Directors remuneration	53,462,615	41,224,720
Staff costs	138,315,543	121,569,174
Audit fees	4,500,000	2,800,000
Bad debt expenses/(recovered)	6,039,118	(9,873,320)
Depreciation	22,925,849	20,505,700
Legal and professional fees	57,734,065	33,201,664
Promotion, advertising and entertainment	8,588,171	9,059,690
Repairs and maintenance of property, plant and equipment	7,700,564	5,195,289
Insurance	18,658,645	18,521,261
Occupancy, utilities and communication	19,124,248	19,107,588
Local and foreign travel	7,369,628	5,134,154
Office supplies and computer	14,706,489	14,670,594
Security service	6,200,490	6,158,195
Warranty and guarantee	811,553	5,358,298
Donations	5,062,915	4,139,662
Other	8,955,003	8,585,160
	384,154,896	308,899,496

16. Personnel expenses

Included in:

	2018 $	2017 $
Administrative expenses:		
Salaries and other employee benefits	153,582,604	130,161,492
Statutory contributions	15,164,692	12,280,531
	168,747,296	142,442,023
Selling and distribution:		
Salaries and wages	13,629,153	11,117,127
Statutory contributions	2,212,482	1,736,730
Commission	7,189,227	7,498,014
	23,030,862	20,351,871
	191,778,158	162,793,894
Directors remuneration	53,462,615	41,224,720
Staff costs	138,315,543	121,569,174
	191,778,158	162,793,894

17. Other income

Other income comprises gain on disposal of property, plant and equipment, commission income earned on projects and other miscellaneous income.

18. Finance costs

			2018 $	2017 $
Foreign exchange gains/(losses), net			6,046,281	(2,277,238)
Interest income	-	Third party	3,325,094	1,090,090
Interest expense	-	Bank loans	(3,897,147)	(1,700,620)
	-	Dividend on preference shares	(16,972,330)	(12,610,071)
	-	Finance lease	(665,162)	(994,739)
	-	Other	(1,138,692)	(644,169)
			(22,673,331)	(15,949,599)
			(13,301,956)	(17,136,747)

19. Taxation

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

	2018 $	2017 $
The total charge for the year comprises:		
Current tax credit:		
Prior year over accrual	-	(221,812)
Profit before taxation	74,765,527	100,514,351
Computed "expected" tax expense at rate of 25%	18,691,382	25,128,588
Difference between results for financial statements and taxation reporting purposes in respect of:		
Effect of excess depreciation over capital allowances	4,934,688	3,200,728
Disallowed items, net	14,986,674	4,799,440
Prior year overprovision	-	(221,812)
	38,612,744	32,906,944
Adjustment for the effect of tax remission (note b)	(38,612,744)	(33,128,756)
	-	(221,812)

19. Taxation (continued)

(b) Remission of income tax (continued):

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.

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.

20. Dividends and distributions

Dividends and distributions paid, gross, are as follows:

	2018 $	2017 $
Ordinary stock units @ $0.08 (2017: $Nil) per stock unit	10,322,580	-

On May 30, 2018, the directors declared interim dividends of $0.08 per stock unit.

21. 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.

	2018 $	2017 $
Profit attributable to shareholders	74,765,527	100,736,163
Weighted average number ordinary stock units in issue	129,032,258	129,032,258
Basic and diluted earnings per stock unit	0.58	0.78

22. Contingencies and commitments

(i) 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$7,077,874 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 $68,212,506 (2017: $68,222,121) 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, 2018, there were unexpired operating lease commitments in respect of office buildings terminating November 1, 2020 aggregating J$7,919,328 (2017: J$11,878,992) of which J$3,959,664 (2017: J$3,959,664) is payable within one year.

23. 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); and
- There would be an advisory board for the project comprising of two senior managers each from INICA and the Company.

23. Joint operation (continued)

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:

	2018 $	2017 $
Revenue	-	20,283,845
Cost of sales	-	(11,786,949)
Gross profit	-	8,496,896
Trade receivable	33,057,061	32,514,894

24. 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.

	2018			
	Engineering	Residential Light and Commercial	Service	Total
External segment revenues	796,587,971	226,763,712	187,638,744	1,210,990,427
Segment gross profit	286,769,601	85,201,784	81,218,781	453,190,166

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

25. 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 $1,812,107 (2017: $1,029,443).

26. Financial risk management

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

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

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

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

(a) Market risk

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

(i) 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).

26. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk management (continued)

The Company's exposure to foreign currency was as follows:

	2018		2017	
	US$	GBP	US$	GBP
Cash and bank deposits	626,659	5,312	1,089,069	5,305
Trade and other receivables	256,744	-	265,086	-
Due to related parties	(50,591)	-	(42,493)	-
Trade and other payables	(1,191,764)	-	(1,067,462)	-
Net exposure	(358,952)	5,312	244,200	5,305

Foreign currency sensitivity analysis:

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

	US$	GBP
At October 31, 2018:	129.82	166.21
At October 31, 2017:	126.64	165.58

Sensitivity analysis:

A 4% (2017: 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 $1,828,649 (2017: profit and equity would have increased by $1,908,233). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 2% (2017: 2%) weakening of the United States dollar and the Great Britain Pound against the Jamaica dollar at year end would have increased equity or increased profit by $914,324 (2017: $636,077).

The analysis was performed on the same basis for 2017.

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.

26. Financial risk management (continued)

(a) Market risk (continued)

(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.

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

	Carrying amount	
	2018 $	2017 $
Fixed rate instruments:		
Financial assets	72,351,959	101,366,661
Financial liabilities	(17,137,388)	(112,598,515)
	55,214,571	(11,231,854)
Variable rate instrument:		
Financial liability	(200,000,000)	(148,037,000)
	(144,785,429)	(159,268,854)

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.

26. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk management (continued)

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, third-party loans at the end of reporting period as these are substantially the interest sensitive instruments impacting financial results.

A change of 100 (2017: 100) basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	2018 Effect on profit or loss		2017 Effect on profit or loss	
	100bp Increase	100bp Decrease	100bp Increase	100bp Decrease
Cash flow sensitivity	2,000,000	2,000,000	1,480,370	1,480,370

(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 difficult to collect.

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.

26. Financial risk management (continued)

(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.

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.

	2018				
	Carrying amount	Contractual cash flows	0 - 12 months	1 – 2 years	2 – 5 years
Trade and other payables	328,728,403	328,728,403	328,728,403	-	-
Due to related parties	6,803,481	6,803,481	6,803,481	-	-
Loans and borrowings	213,060,745	305,000,719	23,716,937	24,026,640	257,257,142
Finance leases	4,076,643	4,431,774	3,323,830	1,107,944	-
	$552,669,272	644,964,377	362,572,651	25,134,584	257,257,142

	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	6,735,311	7,755,604	3,323,830	3,323,830	1,107,943
	$561,961,372	578,429,704	569,441,372	5,140,873	3,847,458

(d) Capital risk management

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

26. Financial risk management (continued)

(d) Capital risk management (continued)

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 2017.

(e) Fair value of financial instruments

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. 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.

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FORM OF PROXY

I/We____

of ____

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

____

of____ or

failing him ____

of____ as my/our proxy

to vote for me/us on my/our behalf at the 2018 Annual General Meeting of the Company to be held on March 9, 2017 and at any adjournment thereof.

Signed this ________________________ day of __________________2019

Signature __________________________ (Signature of primary shareholder)

Name: _______________________________ (Name of primary shareholder)

Signature__________________________ (Signature of secondary shareholder)

Name: ______________________________ (Name of secondary shareholder)