

Cacao Holdings Limited

Consolidated Financial Statements
Expressed in United States Dollars
31 December 2022

CACAO Holdings Limited

Index

31 December 2022

Page

Independent Auditors' Report to the Members

Financial Statements

Statement of Financial Position	1-2
Statement of Comprehensive Income	3
Statement of Changes in Equity	4
Statements of Cash Flows	5
Notes to the Financial Statements	6-47

CACAO Holdings Limited

Consolidated Statement of Financial Position

31 December 2022

Expressed in United States Dollars unless otherwise indicated

	Notes	2022 \$	2021 \$
ASSETS			
Non-current assets			
Restricted cash	4	13,821,832	13,449,742
Property, plant and equipment	5	90,429,469	104,824,057
Right of use asset	15 (a)	1,507,098	1,510,944
Deferred taxation	16(a)	5,751,854	5,373,512
Intangible assets	6	5,177,700	6,927,350
Goodwill	7	29,613,000	29,613,000
Total non-current assets		146,300,953	161,698,605
Current assets			
Cash and cash equivalents	8	1,075,234	2,475,102
Accounts receivable	9	20,496,063	20,241,635
Prepaid expenses	10	5,403,148	3,800,584
Due from ultimate parent company	18(a)	315,821	315,821
Recoverable taxes	11	543,431	723,951
Inventories	12	27,867,405	25,747,085
Total current assets		55,701,102	53,304,178
TOTAL ASSETS		202,002,055	215,002,783
EQUITY AND LIABILITIES			
Shareholders' equity:			
Stated capital	13(a)	1,000	1,000
Contributed capital		1,886,477	1,886,477
Accumulated surplus		67,977,665	62,638,403
Total equity		69,865,142	64, 525,880
LIABILITIES			
Non-current liabilities:			
Long-term loans	14	58,140,738	74,608,318
Lease liability	15(b)	1,384,694	1,231,016
Deferred taxation	16(b)	22,293,697	26,484,080
Total non-current liabilities		81,819,129	102,323,414

CACAO Holdings Limited

Consolidated Statement of Financial Position (Continued)

31 December 2022

Expressed in United States Dollars unless otherwise indicated

	Notes	2022 \$	2021 \$
Current liabilities:			
Current portion of long-term loans	14	16,833,333	16,833,333
Current portion of lease liability	15(b)	337,107	415,222
Deferred revenue		2,209	788
Accounts payable	17	24,573,580	24,057,795
Due to related party	18(b)	589,913	174,450
Short-term loan	19	6,500,000	4,000,000
Taxation payable		1,481,642	2,671,901
Total current liabilities		<u>50,317,784</u>	<u>48,153,489</u>
TOTAL EQUITY AND LIABILITIES		<u>202,002,055</u>	<u>215,002,783</u>

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

Approved for issue by the Board of Directors on 12 April 2023 and signed on its behalf by:

Rolando Gonzalez-Bunster Director

Flavio Pinheiro Director

CACAO Holdings Limited

Consolidated Statement of Other Comprehensive Income

Year ended 31 December 2022

Expressed in United States Dollars unless otherwise indicated

	Notes	2022	2021
Operating income	20	223,687,771	162,441,206
Operating expense	21	(202,293,590)	(143,845,503)
Profit from operating activities		<u>21,394,181</u>	<u>18,595,703</u>
Other income		647,387	500,090
(Loss)/ gain on disposal of property, plant and equipment		(49,278)	37,133
Profit before net finance costs and taxation		<u>21,992,290</u>	<u>19,132,926</u>
Finance charge	22	(7,019,566)	(6,875,734)
Finance income	22	<u>789,591</u>	<u>918,338</u>
Profit before taxation		15,762,315	13,175,530
Taxation	23	<u>(5,623,053)</u>	<u>(6,103,249)</u>
Profit for the year, being total comprehensive income		<u><u>10,139,262</u></u>	<u><u>7,072,281</u></u>

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

CACAO Holdings Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

Expressed in United States Dollars unless otherwise indicated

	Share capital [note 13(a)]	Contributed capital	Accumulated surplus	Attributable to shareholders	Total
Balances at December 31, 2020	1,000	1,886,477	61,566,122	63,453,599	63,453,599
Profit for the year, being total comprehensive income					
Distribution to shareholders	-	-	7,072,281	7,072,281	7,072,281
Transaction with owners - Balances at December 31, 2021	-	-	(6,000,000)	(6,000,000)	(6,000,000)
	1,000	1,886,477	62,638,403	64,525,880	64,525,880
Profit for the year, being total comprehensive income	-	-	10,139,262	10,139,262	10,139,262
Transaction with owners - Distribution to shareholders	-	-	(4,800,000)	(4,800,000)	(4,800,000)
Balances at December 31, 2022	1,000	1,886,477	67,977,665	69,865,142	69,865,142

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

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		10,139,262	7,072,281
Adjustments for:			
Depreciation	5	18,328,435	17,659,499
Amortisation of intangible assets	6	1,749,650	1,749,650
Amortisation of debt issuance costs		365,753	453,626
Amortisation – right-of-use assets	15	267,584	278,623
Interest expense on lease liability	22	148,220	137,874
Interest income	22	(789,591)	(918,338)
Interest expense	22	6,377,646	6,155,519
Taxation	23	5,623,053	6,103,249
Write-off of property, plant and equipment		80,313	--
Loss/(gain) on disposal of property, plant and equipment		49,278	(37,133)
		<u>42,339,603</u>	<u>38,654,850</u>
Movement in working capital			
(Increase)/decrease in accounts receivable		(531,094)	1,932,453
(Increase)/decrease in prepaid expenses		(1,602,564)	26,338
Increase in inventories		(2,120,320)	(2,548,042)
Increase in amount due from/ to related party		415,463	135,241
Increase in provisions and other liabilities		1,421	788
Increase in accounts payable		394,830	3,718,501
Cash generated by operations		<u>38,897,339</u>	<u>41,920,129</u>
Taxation paid		(11,048,474)	(7,723,571)
Interest paid		<u>(6,227,157)</u>	<u>(6,323,229)</u>
Net cash provided by operating activities		<u>21,621,708</u>	<u>27,873,329</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		716,800	918,338
Purchase of property, plant and equipment	5	(4,118,723)	(4,246,822)
Change in restricted cash		(372,090)	1,368,740
Right of use asset		(263,738)	(28,205)
Proceeds from sale of property, plant and equipment, net of transfers		73,945	63,929
Net cash used in investing activities		<u>(3,963,806)</u>	<u>(1,924,020)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution		(4,800,000)	(6,000,000)
Short term loan		2,500,000	(1,000,000)
Lease liability	15	75,563	(544,444)
Repayment of long-term loans		(16,833,333)	(16,833,333)
Net cash used in financing activities		<u>(19,057,770)</u>	<u>(24,377,777)</u>
Net (decrease)/increase in cash and cash equivalents		(1,399,868)	1,571,532
Cash and cash equivalents at beginning of year		2,475,102	903,570
Cash and cash equivalents at end of year		<u>1,075,234</u>	<u>2,475,102</u>

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

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

1. The Group

CACAO Holdings Ltd. (the company), is a limited liability company, which was incorporated incorporated in the Cayman Islands on December 1, 2010. The company is a wholly owned subsidiary of InterEnergy Holdings (IEH) the ultimate parent company.

The company is the holding company for CACAO Jamaica Limited and CACAO JPPC Limited. CACAO Jamaica is the immediate parent company of CACAO JEP Ltd.

- (a) CACAO JEP Ltd., formerly Basic JEP Ltd., a limited liability company, which was incorporated under the Commercial Code of St. Lucia on December 12, 1997, was renamed and incorporated in the Cayman Islands on March 19, 2010 and converted to an International Business Company on November 4, 2011 in St. Lucia. The company is a wholly owned subsidiary of CACAO Jamaica Ltd., the immediate parent company. As of August 2015, InterEnergy Holdings is its ultimate parent company.

Cacao JEP Ltd. is the 99% general partner of the following subsidiaries:

- (i) Jamaica Energy Partners, a partnership established to own and operate a 124-megawatt power facility for the generation and sale of electricity to Jamaica Public Service Company Limited (JPSCo).
- (ii) West Kingston Power Partners, a partnership established to own and operate a 65.5-megawatt power facility for the generation and sale of electricity to Jamaica Public Service Company Limited (JPSCo).

The Partnerships

- (i) Jamaica Energy Partners

The Partnership established a floating power facility at Old Harbour Bay, Jamaica, for the generation and sale of electricity to JPSCo, under a power purchase agreement (the power purchase agreement) with an initial term of 20 years, which commenced October 21, 1994. The initial power purchase agreement was restated with effect from January 12, 2006 to extend the period by approximately 12 years to 2026; this agreement also covers a new barge for a period of 20 years to 2026.

All of the Partnership's operating income is generated from JPSCo from its generation facilities which have a net capacity of 124 megawatts.

- (ii) West Kingston Power Partners

West Kingston Power Partners ('the Partnership') has been assigned the Jamaica Energy Partners Supply of Electricity License, 2010 (the License) and a power purchase agreement dated April 12, 2010 (the power purchase agreement) between Jamaica Energy Partners and JPSCo for the supply of electricity (net capacity and energy output) to JPSCo.

The partnership was formed for the purpose of designing, financing, constructing, owning, operating and maintaining a 65.5-megawatt diesel generation power plant located at West Kingston, Jamaica to generate, sell and supply electricity to JPSCo. The agreement is for an initial term that ends 20 years after the "commercial operations date" of the generation facility and may be extended for a period to be mutually agreed between the parties.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

1. The Group (continued)

The Partnerships (continued)

The power purchase agreement includes detailed provisions in respect of the design, construction and operation of the generation facility and its interconnection with the JPSCo supply network, as well as provisions for liquidated damages for failure to perform certain obligations in accordance with the agreement, such as

- Shortfall in commissioned dependable capacity of the complex
- Shortfall in on-going capacity
- Shortfall in dispatched level requested

- (b) CACAO JPPC Ltd., a limited liability company, which was incorporated under the Commercial Code of St. Lucia on November 13, 2018. The company is a wholly owned subsidiary of CACAO Holdings Ltd., the immediate parent company. InterEnergy Holdings is its ultimate parent company.

The company has 100% ownership of the following subsidiary, effective March 13, 2019:

Jamaica Private Power Company Limited ("JPPC") is a limited liability company incorporated and domiciled in Jamaica with its registered office at 100 Windward Road, Kingston 2.

JPPC was established for the sole purpose of developing, owning and operating a 60 megawatt low-speed diesel power plant located at Rockfort, Kingston, Jamaica (the Facility) under a Power Purchase Agreement. The principal activities of JPPC is the generation and sale of net energy output, and earning revenue from declared dependable capacity.

Jamaica Private Power Company Limited (JPPC) entered into a Power Purchase Agreement (PPA) with Jamaica Public Service Company Limited (JPS). JPS will purchase the contract capacity, as defined, at specified rates under a dispatchable arrangement. On the commercial operations date January 7, 1998, JPPC was required to provide an operation security deposit in the amount of US\$2,000,000 to ensure the proper operation and maintenance of the facility and to secure as a source of US dollar fund for JPPC if US dollar is unavailable. The previous PPA expired 20 years from the commercial operations date of January 7, 1998 on December 31, 2017 and was extended on November 9, 2017 for 7 years to December 31, 2024.

The company and its subsidiaries are collectively referred to in these financial statements as "the group". At December 31, 2022, the company had no direct employees.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

2. Statement Of Compliance And Basis Of Preparation

(a) Statement of compliance

The Consolidated Financial Statements of the Group have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee ("IFRIC Interpretations") adopted by the International Accounting Standards Board (IASB).

Certain new and amended standards which were in issue came into effect during the current financial period. The adoption of these standards and amendments did not result in any significant change to the presentation and disclosures in these financial statements.

New and amended standards and interpretations not yet effective

At the date of approval of the financial statements, there were certain new and amended standards and interpretations to existing standards, which were in issue, but were not yet effective and had not been early adopted by the group. Those which management considered may be relevant to the group are as follows

- Amendments to IAS 37 Provision, Contingent Liabilities and Contingent Assets is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- Annual Improvements to IFRS Standards 2018-2021 cycle contain amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 41 Agriculture, and are effective for annual periods beginning on or after January 1, 2022.
 - i. IFRS 9 Financial Instruments amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - ii. IFRS 16 Leases amendment removes the illustration of payments from the lessor relating to leasehold improvements.
 - iii. The amendments to IAS 41 Agriculture removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

2. Statement Of Compliance And Basis Of Preparation (Continued)

(a) Statement of compliance: (continued)

New and amended standards and interpretations not yet effective (continued)

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance contracts and IFRS 16 Leases**, is effective for annual accounting periods beginning on or after

January 1, 2022 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis.

A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

- **Amendments to IAS 1 *Presentation of Financial Statements***, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Group is assessing the impact that these amendments will have on its financial statements when they become effective.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

2. Statement Of Compliance And Basis Of Preparation (Continued)

(b) Basis of measurement and functional currency

The financial statements are presented on the historical cost basis.

(c) Foreign currency translation:

(i) Functional and presentation currency:

These financial statements are presented in United States dollar, which is the functional and presentation currency of the Company. The United States dollar is the functional currency because it is the primary economic environment in which the Company operates.

All financial information presented in United States dollar have been rounded to the nearest thousands, except when otherwise indicated.

(ii) Transactions and balances:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to United States dollars at the rates of exchange ruling at that date. Non-monetary assets are carried at historical costs and are converted at the rates of exchange ruling at the date of transaction. Gains and losses arising from fluctuations in exchange rates are included in profit or loss. For the purposes of the statement of cash flows, realised foreign currency gains and losses are treated as cash items and included in cash flows from operating or financing activities along with movement in the relevant balances.

(d) Use of estimates and judgments:

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next financial year are discussed below:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

2. Statement Of Compliance And Basis Of Preparation (Continued)

(d) Use of estimates and judgments (Continued)

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainly inherent in such estimates.

(iii) Residual value and useful life of property, plant and equipment:

The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Company.

(e) Comparative Information

The balances as of December 31, 2021 that are exposed for comparative purposes, arise from the financial statements as of said dates.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies

(a) Basis of consolidation

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements combine the financial position of the company and its subsidiaries as at December 31, 2022 and their results of operations and cash flows for the year then ended, after eliminating significant intra-group amounts. The company and its subsidiaries are collectively referred to in the financial statements as “the group”.

(b) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(c) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. The amounts included are short-term fixed deposits.

(d) Accounts receivable

Trade and other receivables are measured at amortised cost, less impairment losses [see note 3 (s)].

(e) Accounts payable

Accounts payable are measured at amortised cost.

A provision is recognised in the statement of financial position when the group 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 and the amount can be estimated reliably. 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 liability.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (continued)

(f) Inventories

Inventories, excluding fuel, are valued at the lower of cost, determined on the weighted average basis, and net realizable value. Fuel is determined using the first-in-first-out (FIFO) method. A downward adjustment of \$26,307 was done to restate the fuel inventory using Weighted average valuation in accordance with the InterEnergy (Parent) Group.

(g) Investment in subsidiaries

The company's investment in subsidiaries is accounted for under the equity method in accordance with IAS 28 and is measured at the shared of profit, net of impairment.

(h) Related parties

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

- (i) A person or a close member of that person's family is related to a reporting entity if that person:
 - (a) has control or joint control over the reporting entity;
 - (b) has significant influence over the reporting entity; or
 - (c) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (ii) An entity is related to a reporting entity if any of the following conditions applies:
 - (a) 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).
 - (b) 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).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) 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.
 - (f) The entity is controlled, or jointly controlled, by a person identified in (i).
 - (g) A person identified in (i)(a) 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).
 - (h) The entity or any member of a group of which it is a part, provides key management services to the entity.

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

The group has related party relationships with its ultimate parent company, and other subsidiaries, its subsidiaries, directors and key management personnel and companies with common directors, and its pension schemes. "Key management personnel" comprises the group's leadership team which includes executive directors and specified senior officers

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(i) Property, plant and equipment

Land and buildings held for use in the production or supply of electricity or for administrative purposes, and certain machinery and equipment are carried at cost, less accumulated depreciation and impairment losses. The values of these assets are subject to annual impairment reviews.

Cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised as expenses in the statement of comprehensive income as expenses.

Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Current annual rates of depreciation are:

Property and power installations	20 – 30 years
Motor vehicles, machinery and equipment	4 – 8 years
Furniture, fixtures and office equipment	3 – 10 years
Right-of-use assets	5 - 12 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(j) Intangible asset

This represents the carrying value of the Power Purchase Agreement with JPSCO and is measured at fair value, less accumulated amortization and impairment losses. The value of this asset is subject to annual impairment review.

Amortization is calculated on the straight-line method over the estimated useful life of the intangible asset. The expected useful life of is 10.3 years For the Jamaica Energy Partner's assets and 17.3 years for the West Kingston Power Partner's assets.

(k) Revenue recognition

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Additionally, the group operates in the spot market with spot prices which are billed in accordance with prevailing market prices.

The group recognizes revenue when it transfers control over a service rendered to a customer. The group's revenues come from the sale of energy, capacity to a final customer as governed by a signed PPA agreement.

The group followed the five-step approach to assess the impact of IFRS 15 on these contracts:

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(l) Contract identification

- Agreed and approved by both parts, the company and by customer.
- Identifies the commitments of the purchaser in the contract.
- Identifies the commitments of the seller in the contract.
- Prices are established in the contract
- Payment conditions are established.
- The risk, timing, or amount of the entity's future cash flows are expected to change, so the contract has commercial substance. Collection is reasonably assured at the time of delivery.

1) Performance obligations: Revenue is recognized upon delivery of energy to the customer.

2) Determination of the price: The transaction price is based on: i) contracted prices which are billed in accordance with provisions of the PPA and ii) spot prices which are billed in accordance with prevailing market prices. Revenues are not adjusted for the effect of financing components as sales are made with the credit term of 15 days, which is consistent with market practice.

3) Allocate transaction price: In the contract the transaction price is explicitly stated for each performance obligation. The price of the energy in the contract represents a standard selling price since it arises from similar transactions in the market.

4) Recognize revenue: IFRS 15 includes a practical expedient that allows entities to recognize revenue in the amount at which the entity has a right to invoice if that amount corresponds directly with the value to the customer of the entity's performance to date. As the contracts establish a monthly measurement of both capacity and electricity items, the seller will apply this practical expedient in accounting for the sale of energy.

(m) Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(n) Foreign currency

These financial statements are presented in United States dollars, which is the functional currency of the group. Foreign currency balances, including those held in Jamaica dollars, at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies including those denominated in Jamaica dollars are converted at the rates of exchange ruling at the dates of those transactions.

(o) Financing costs

Financing costs are capitalized as part of the cost of property, plant and equipment up to the time they are brought into use. These costs are amortized over the life of the asset. Subsequent financing costs are included in profit or loss.

(p) Debt issuance cost

Debt issuance costs represent those charges incurred to secure debt (such as loans and bonds).

Debt issuance costs are capitalised and amortised to interest expense over the loan term, using the effective interest method.

(q) Pension costs

The subsidiaries sponsor a pension plan (note 25), the assets of which are held separately from those of the group. Contributions to the plan are charged as expenses in the period in which they are incurred.

(r) Leases

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(r) Leases (continued)

i. As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(r) Leases (continued)

ii. As a Lessor

Agreement where by the Group conveys to a client the right of use of an asset for an agreed period of time in return for a payment, or a series of payments, are classified and accounts for a lease. Leases where the Group retains all the risk and rewards of ownership are classified as operating lease. When the asset is leased out under an operating lease, then the correspondent asset is included in the balance sheet based on the nature of the asset. Lease income on operating assets, or capacity charge as is the case for the Group, is recognized over the term of the lease as billed since it is the most representative basis of the time pattern in which use benefit of the asset is diminished.

(s) Impairment of financial assets

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward looking information.

The group assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The group recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to action such as realising security if any is held; or
- the financial asset is more than 90 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(s) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(s) Impairment of financial assets (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

(t) Impairment of non-financial assets

Long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset groups to be tested for possible impairment, the group first compares the recoverable value of the CGU to its carrying value.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Impairment losses and reversals of previously recognized impairment losses are recognised in profit or loss.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(u) Financial instruments

A financial instrument is any contract that gives rise to 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 and accounts receivable. Similarly, financial liabilities mainly comprise accounts payable.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Trade and other receivables
- Due from related party company

Due to their short-term nature, the group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(u) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

The group's objective is to hold financial assets to collect contractual cash flows. In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs. The group's financial liabilities, which mainly comprise accounts payables is recognised initially at fair value.

Financial assets and liabilities – Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

3. Significant Accounting Policies (Continued)

(u) Financial instruments (continued)

(iii) Derecognition

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) 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 in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

4. Restricted Cash

This represents interest-bearing deposits, which have been designated to be utilized as indicated in accordance with the Syndicated Loan Agreement and Trust and Retention Accounts Agreement with the group's lenders.

	2022 \$	2021 \$
(i) To facilitate major maintenance	1,997,834	1,937,547
(ii) Debt service	11,796,537	11,458,880
(iii) Debt payment	27,461	53,315
	<u>13,821,832</u>	<u>13,449,742</u>

5. Property, Plant And Equipment

	Property and power installations \$	Furniture Motor Vehicles machinery and equipment \$	Capital work in progress \$	Total \$
Cost:				
Adjusted balances at December 31, 2020	289,808,534	28,388,145	828,126	319,024,805
Additions	1,182,927	1,569,274	1,494,621	4,246,822
Adjustments/Transfers	560,010	823,804	(1,383,814)	-
Disposals	-	(845,998)	-	(845,998)
December 31, 2021	291,551,471	29,935,225	938,933	322,425,629
Additions	1,131,344	2,353,030	634,349	4,118,723
Adjustments/Transfers	-	386,939	(386,939)	-
Disposals	(216,588)	(1,270,807)	(80,313)	(1,567,708)
December 31, 2022	292,466,227	31,404,387	1,106,030	324,976,644
Accumulated depreciation:				
December 31, 2020	180,559,845	20,201,430	-	200,761,275
Charge for the year	14,754,878	2,904,621	-	17,659,499
Eliminated on disposals	-	(819,202)	-	(819,202)
December 31, 2021	195,314,723	22,286,849	-	217,601,572
Charge for the year	15,235,899	3,092,536	-	18,328,435
Eliminated on disposals	(126,074)	(1,256,758)	-	(1,382,832)
December 31, 2022	<u>210,424,548</u>	<u>24,122,627</u>	<u>-</u>	<u>234,547,175</u>
Net book values:				
December 31, 2022	82,041,679	7,281,760	1,106,030	90,429,469
December 31, 2021	96,236,748	7,648,376	938,933	104,824,057
December 31, 2020	109,248,689	8,186,715	828,126	118,263,530

At the reporting date, property and power installations include buildings at a cost of \$2,814,197 (2021: \$2,814,197) [net book value of \$1,303,195 (2021: \$1,424,220)] were constructed on leased land (see note 15).

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

6. Intangible Assets

This represents the carrying value of the power purchase agreement with Jamaica Energy Partners, West Kingston Power Partners and Jamaica Private Power Company Limited, allocated from the cost of acquiring the partnerships and company.

	2022 \$	2021 \$
At beginning and end of year	<u>17,668,000</u>	<u>17,668,000</u>
Accumulated amortization		
At beginning of year	10,740,650	8,991,000
Charge for the year	<u>1,749,650</u>	<u>1,749,650</u>
At end of year	<u>12,490,300</u>	<u>10,740,650</u>
Carrying value	<u>5,177,700</u>	<u>6,927,350</u>

7. Goodwill

	2022 \$	2021 \$
At beginning of the year	<u>29,613,000</u>	<u>29,613,000</u>
At end of the year	<u>29,613,000</u>	<u>29,613,000</u>

For the purpose of the impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or grouping of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

In testing goodwill for impairment, the recoverable amount of the cash-generating unit is estimated based on estimated value-in-use. Where the recoverable amount exceeds the carrying amount, no impairment allowance is made. The recoverable amount of the cash-generating unit (CGU) is arrived at by estimating the future cash flows and discounting those cash flows using long-term after-tax discount rates applicable to Jamaica Energy Partners and West Kingston Power Partners. Future sustainable cash flows are estimated based on the most recent projections, after taking account of past experience.

Goodwill as at December 31, 2022 amounted to \$29,613,000 (2021: \$29,613,000).

As of December 31, 2022, as a result of our annual goodwill impairment analysis, no impairment was recognized. The discount rates used to discount future net cash flows is the estimated weighted-average cost of capital for the reporting unit (RU). The rate was determined considering the conditions of the country where the operations are carried out. The discount rates used for the annual goodwill impairment test is 10.49%.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

8. Cash And Cash Equivalents

	2022	2021
	\$	\$
Interest bearing funds	950,223	2,427,898
Non-interest-bearing funds	125,011	47,204
	<u>1,075,234</u>	<u>2,475,102</u>

9. Accounts Receivable

	2022	2021
	\$	\$
Trade receivables	19,376,573	19,075,915
Change in law costs recoverable from JPSCo	131,104	172,466
Fuel adjustment recoverable from Petrojam	259,732	259,732
Other receivables	346,564	739,980
Insurance receivables	567,809	-
Staff receivables	60,745	240,006
	<u>20,742,527</u>	<u>20,488,099</u>
Less: Allowance for doubtful debts	<u>(246,464)</u>	<u>(246,464)</u>
	<u>20,496,063</u>	<u>20,241,635</u>

(a) At the reporting date, allowance for doubtful debts of \$246,464 (2021: \$246,464) was made in respect of other receivables.

(b) The ageing analysis of trade receivables is as follows:

	2022	2021
	\$	\$
Neither past due nor impaired	17,424,225	16,824,429
31-60 days	1,952,348	2,251,486
	<u>19,376,573</u>	<u>19,075,915</u>

10. Prepaid Expenses

	2022	2021
	\$	\$
Inventory Prepayment	168,610	78,457
Insurance	2,829,513	2,510,823
Deposit for services	2,405,025	1,211,304
	<u>5,403,148</u>	<u>3,800,584</u>

11. Recoverable Taxes

This represents amounts recoverable from the tax authorities in Jamaica on corporate income tax including amounts paid by the previous parent company, Dr. Bird Power Company.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

12. Inventories

	2022	2021
	\$	\$
Fuel and chemicals	8,327,487	7,677,099
Equipment spares	7,707,229	7,102,224
Engine spares	9,624,011	10,232,212
Materials	403,390	453,775
Inventories in transit	1,805,288	281,775
	<u>27,867,405</u>	<u>25,747,085</u>

No provision has been made in the financial statements for local charges to be incurred in clearing the inventories in transit.

13. Shareholders' Equity

(a) Stated capital

	2022	2021
	\$	\$
Authorised:		
50,000 ordinary shares of \$1 par value		
Issued and fully paid:		
1,000 ordinary shares of \$1 par value	<u>1,000</u>	<u>1,000</u>

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

14. Long-Term Loans

	2022 \$	2021 \$
JEP 2025 Bond (a)	42,500,000	42,500,000
Bank of Nova Scotia (b)	5,250,000	8,250,000
First Citizens Bank Limited (c)	3,233,333	4,850,000
JMMB Bank (Jamaica) Limited (c)	2,533,333	3,800,000
National Commercial Bank Jamaica Limited (c)	5,333,333	8,000,000
Sagicor Bank Jamaica Limited (c)	8,233,333	12,350,000
First Caribbean International Bank Limited (c)	4,666,668	7,000,000
First Global Bank Limited (c)	3,000,000	4,500,000
Proven Management Limited (c)	666,667	1,000,000
	<u>75,416,667</u>	<u>92,250,000</u>
Less: Current maturities	(16,833,333)	(16,833,333)
	<u>58,583,334</u>	<u>75,416,667</u>
Less: Debt issuance costs	(442,596)	(808,349)
	<u>58,140,738</u>	<u>74,608,318</u>

Maturities of long-term loans are as follows:

	2022 \$	2021 \$
Year ending December 31:		
2022	-	16,833,333
2023	16,833,333	16,833,333
2024	16,083,333	16,083,334
2025	42,500,000	42,500,000
	<u>75,416,666</u>	<u>92,250,000</u>

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

14. Long-Term Loans (Continued)

- (a) Jamaica Energy Partners, through arrangers Sagicor Investments Jamaica Limited, issued the following bonds totaling USD 42.5M on January 18, 2018:

- (i) A seven - year USD 30M variable rate bond
- (ii) A seven - year JMD equivalent USD 12.5M indexed variable rate bond. Interest and principal payments on this bond will be made in Jamaican Dollars.

Both bonds were issued at a coupon rate of SORF (Secured Overnight Financing Rate) plus 562 basis points with a common maturity date of January 18, 2025 or January 18, 2031, subject to an extension option. For the extension option to be affected, both the investor and the issuer must agree on the terms and issue an Extension Notice. The funds from the bond issue were disbursed through monthly drawdowns over the first year and fully drawn down at year end.

- (b) The loan is payable monthly over a six-year period which commenced on September 25, 2018 and matures on August 24, 2024. Interest is accrued at 5.25% annually.

Further, under the loan arrangement, the subsidiary, Jamaica Private Power Company, has a revolving credit facility equivalent to US\$3 million to be loaned in Jamaican dollars from time to time, attracts a standby fee which is calculated at a rate of 0.25% per annum on the aggregate amount of the unutilised portion of the facility when the average monthly utilization falls below 50%.

- (c) This syndicated loan facility is to be repaid within 7 years with a moratorium of 15 months from the date of disbursement. The loan is repayable in 24 equal quarterly installments commencing on the next interest payment date following the moratorium period. Interest is payable quarterly, starting March 31, 2018 at a variable rate of 3-month LIBOR plus 5.62% per annum.

Further, under the syndicated arrangement, the subsidiaries, Jamaica Energy Partners and West Kingston Power Partners, have a one-year renewable variable rate facility of \$5M and \$3M, respectively, on which they can make drawdowns for working capital purposes.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

14. Long-Term Loans (Continued)

These loans have an interest rate of 4% per annum during the one-year period commencing from the date of disbursement and in any subsequent renewal period, the rate may be varied by agreement in writing between the borrowers and the applicable lenders.

(d) The securities on the loans and bonds are summarised below

- (i) Joint and several debentures over the present and future assets of the Partnership;
- (ii) A first priority ship mortgage on all vessels;
- (iii) A floating charge over all its other assets
- (iv) Security contract over project equipment and movable property;
- (v) Deed of assignments over all receivables due under the Power Purchase Agreements (PPAs) and all the rights of the Partnership under the Fuel Supply Agreement (FSA) with Petrojam; and
- (vi) Deed of Subordination for all inter-company and shareholders/partners' loans and advances;
- (vii) Debt Service Reserve Account (DSRA) funded with a minimum of six (6) months' principal and interest payments with the option to establish a Standby letter of credit in favour of the lenders in lieu of a DRSA, providing the bank with at least 90 days' notice of its intention to do so;
- (viii) Deed of assignment of business impact insurance policies;
- (ix) Cross corporate guarantees in favour of the Partnership and West Kingston Power Partners covering the full indebtedness of each entity.
- (x) Establishment of a major maintenance reserve account to fund the projected operations and maintenance charges for the existing twelve (12) months. Major maintenance reports are to be conducted every three (3) years during the life of the loan;
- (xi) Mortgages by way of guarantee over the leasehold interests.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

15. Leases

The group has land and motor vehicles that are utilized under lease arrangements. The components of lease costs were as follows:

	2022	2021
	\$	\$
Depreciation of assets	267,584	278,623
Interest on lease liabilities	118,914	118,914
Total amounts recognized in profit or loss	<u>386,498</u>	<u>397,537</u>

Amounts reported in the balance sheet were as follows:

(a) Right-of-use-assets

	2022	2021
	\$	\$
Cost	2,450,272	2,422,068
Addition	258,122	28,205
Accumulated Depreciation	(1,201,296)	(939,329)
Property plant and equipment	<u>1,507,098</u>	<u>1,510,944</u>

(b) Lease liabilities included in the statement of financial position

	2022	2021
	\$	\$
Lease liabilities	<u>1,721,801</u>	<u>1,646,238</u>
Current installments of obligations under operating leases	242,999	267,405
Long-term portion of obligations under operating leases	1,249,240	1,164,742
Total operating lease liabilities	<u>1,492,239</u>	<u>1,432,147</u>
Current installments of obligations under finance leases	94,108	147,817
Long-term portion of obligations under finance leases	135,454	66,274
	<u>229,562</u>	<u>214,091</u>
Current portion of lease obligation	337,107	415,222
Long-term portion of lease obligation	1,384,694	1,231,016
	<u>1,721,801</u>	<u>1,646,238</u>

	2022	2021
	\$	\$
Amounts recognized in statement of cash flows	75,563	(544,444)
Total cash inflow/(outflow) for leases	<u>75,563</u>	<u>(544,444)</u>

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

15. Leases (Continued)

Maturities of lease liabilities under non-cancellable leases are as follows:

	2022	2021
	\$	\$
Less than one year	465,703	421,602
One to four years	906,360	1,028,556
Thereafter	948,794	689,821
Total undiscounted lease payments at December 31	2,320,857	2,139,979
Less discount	(599,053)	(493,741)
Balances at December 31	<u>1,721,804</u>	<u>1,646,238</u>

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

16. Deferred Taxes

Deferred tax is attributable to temporary differences between the tax basis of an asset or liability and its carrying amount in the financial statements. These differences will result in taxable or deductible amounts in future years when the reported amount of the asset or liability is recovered or settled. The balance of deferred tax at the reporting date is comprised as follows:

(a) Deferred tax asset

	Recognised in income	December 31, 2021	Recognised in income	December 31, 2022
	\$	\$	\$	\$
Effect of tax losses carried forward	(184,960)	65,830	(65,830)	-
Interest accrued	14,323	1,834	17,791	19,625
Unrealized foreign exchange	115,755	26,931	(38,060)	(11,129)
Property, plant and equipment	(939,017)	5,366,514	323,913	5,690,427
Other	(89,234)	(87,597)	140,528	52,931
	(1,083,133)	5,373,512	378,342	5,751,854

(b) Deferred tax liability

	Recognised in income	December 31, 2021	Recognised in income	December 31, 2022
	\$	\$	\$	\$
Accounts receivable	25,560	(41,327)	3,367	(37,960)
Debt issuance costs	121,808	(183,085)	90,936	(92,149)
Intangible assets	1,140,624	(3,306,233)	309,464	(2,996,769)
Lease obligations	(123,868)	355,891	75,598	431,489
Unrealised foreign exchange losses	(153,904)	(23,310)	(115,626)	(138,936)
Accounts payable	727	165,796	121,256	287,052
Property, plant and equipment	2,604,871	(23,451,812)	3,705,388	(19,746,424)
	3,615,818	(26,484,080)	4,190,383	(22,293,697)

17. Accounts Payable

	2022	2021
	\$	\$
Trade payables	15,643,066	16,547,459
Interest payable	801,525	502,890
Other liabilities	4,339,410	5,382,840
Other accrued liabilities	3,789,579	1,624,606
	<u>24,573,580</u>	<u>24,057,795</u>

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

18. Related Party Balances

(a) Due from/(to) ultimate parent company

The amount due from/(to) the ultimate parent company is unsecured, interest free and repayable before December 31, 2022.

	2022	2021
	\$	\$
InterEnergy Group	315,821	315,821

(b) Due from/(to) related parties

The amount due from/(to) related parties is unsecured, interest free and repayable before December 31, 2022.

	2022	2021
	\$	\$
Evergo Holdings Limited	589,913	-
InterEnergy Systems Dominicana SRL	-	174,450
	<u>589,913</u>	<u>174,450</u>

19. Short Term Loan

This facility is an unsecured loan from CIBC FirstCaribbean International Bank, with an interest rate of 4% per annum and is a part of the refinanced debt facility. This is repayable by December 2022 \$6,500,000 (2021: \$4,000,000)

20. Operating Income

	2022	2021
	\$	\$
Sale of electric energy	158,618,644	100,044,711
Operating lease of power generation facility (Note 27)	65,069,127	62,396,495
	<u>223,687,771</u>	<u>162,441,206</u>

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

21. Operating Expenses

	2022	2021
	\$	\$
Fuel, lubricants and chemicals	139,617,452	87,882,624
Depreciation (note 5)	18,328,435	17,659,499
Labour expenses (note 24)	15,187,887	14,380,071
Maintenance	17,074,758	12,667,341
EV Energy Purchases	7,533	228
Insurance	5,210,476	4,481,579
Amortization of intangible asset (note 6)	1,749,650	1,749,650
Amortization of right of use assets	267,584	278,623
Professional fees	753,446	786,120
Travel expenses	473,397	557,801
Office expenses	507,455	409,919
Training and recruitment (note 24)	378,144	233,904
Environment expenses	392,374	275,236
Community services	452,094	307,227
Rent and leases	2,621	5,294
Vehicle expenses	336,507	157,205
Communication	280,340	276,720
Utilities	888,963	870,665
Liquidated damages	334,646	474,818
Other	49,828	390,979
	<u>202,293,590</u>	<u>143,845,503</u>

22. Finance Charges and Income

	2022	2021
	\$	\$
Finance charges:		
Interest expense	6,377,646	6,155,519
Interest on finance leases	38,839	18,960
Interest on operating leases	109,381	118,914
Finance fees	452,516	542,037
Bank charges	41,184	40,304
	<u>7,019,566</u>	<u>6,875,734</u>
	2022	2021
	\$	\$
Finance income:		
Foreign exchange gain	(210,965)	(254,972)
Investment income including interest earned on short-term deposits	(578,626)	(663,366)
	<u>(789,591)</u>	<u>(918,338)</u>

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

23. Taxation

The group is subject to income tax at a rate of 33⅓% on the net income of the subsidiaries. Under the Caricom Treaty for the Avoidance of Double Taxation, the after-tax partnership distributions will not be subject to income tax in St. Lucia.

Taxation is based on results for the periods as adjusted for tax purposes and comprises the following:

	2022 \$	2021 \$
Current year tax:		
Income tax at 33⅓%	10,020,850	8,736,911
Adjustment in respect of prior year	170,928	(100,977)
Deferred taxation (see note 16):		
Origination and reversal of temporary differences	(4,568,725)	(2,532,685)
	<u>5,623,053</u>	<u>6,103,249</u>

Taxation is based on results for the periods as adjusted for tax purposes and comprises the following

Reconciliation of actual tax charge

	2022 \$	2021 \$
Profit before tax	<u>15,762,315</u>	<u>13,175,530</u>
“Expected” tax at 33⅓% of profit before tax	5,254,105	4,391,843
Effect on income tax of treating the following items differently for tax purposes:		
Depreciation and capital allowances	(65,017)	4,228,397
Items not allowed for tax purposes	263,037	(2,416,014)
	<u>5,452,125</u>	<u>6,204,226</u>
Adjustment in respect of prior year	170,928	(100,977)
Actual tax charge	<u>5,623,053</u>	<u>6,103,249</u>

24. Labour Concentration

During the year, there was no category of employees represented by unions.

At the reporting date, staff costs were as follows:

	2022	2021
Labour expenses (note 21)	15,187,887	14,380,071
Training and recruitment (note 21)	378,144	233,904
	<u>15,566,031</u>	<u>14,613,975</u>

25. Pension Plan

Jamaica Energy Partners, West Kingston Power Partners and Jamaica Private Power Partners sponsor a defined contribution pension plan for employees who have satisfied minimum service requirements. The Scheme is administered by Victoria Mutual (VM) Pensions Management Limited (formerly Prime Asset Management Limited). Both employees and the subsidiaries are required to contribute five percent (5%) of employees' salary to the plan, and employees may make an additional voluntary contribution of up to ten percent (10%). Due to the nature of the plan, it is not anticipated that any further significant liability will accrue to the group. The group's contribution for the year amounted to \$383,305 (2021: \$371,618).

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments

(a) Financial risk management

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about the group's exposure to each of the above risks arising in the ordinary course of the group's business, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

The group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The shareholders are ultimately responsible for the establishment and oversight of the group's risk management framework. The executive management team provides principles for overall risk management, as well as policies covering specific areas.

(i) Credit risk

Credit risk is the risk that its customers or counterparties will cause a financial loss for the group by failing to discharge their contractual obligations.

Management of credit risk

Management performs ongoing analysis of the ability of its customer and other counterparties to meet repayment obligations.

Trade receivables

Due to the nature of its operations, the group has limited exposure to credit risk from its main operations. The chief risk arises from having only one customer, Jamaica Public Service Company Limited. The group's exposure to credit risk from this arrangement is governed by the terms of the Power Purchase Agreement.

Management of credit risk

The customer is allowed fourteen days after the end of each month to submit payment of amounts owing to the group. In the event of late payment, the group is allowed to draw down on a letter of credit established by the customer for this purpose. The letter of credit is established for approximately two (2) months of projected revenue.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments (Continued)

(a) Financial risk management (continued)

(i) Credit risk (continued)

Expected credit loss assessment

The group allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and the available press information about its customer) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit ratings, where available. Exposure within each credit risk grade and an ECL rate is calculated for the group's customer based on delinquency status and actual historical credit loss experience.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions, the economic conditions over the expected lives of the receivables and other factors such as (the group having a sole customer; available letter of credit to secure approximately two month receivables based on the PPA agreement; and contracted payment terms where overdue payments exceeding 15 days are subject to interest at the prevailing bank base rate.)

Cash resources

Risks relating to cash and bank balances are limited because the counterparties are banks with high credit rating. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Maximum exposure to credit risk

Impairment on cash and cash equivalents has been measured at 12-month expected loss basis and reflects the short maturities of the exposures. The group considered that cash resources have low credit risk.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments (Continued)

(a) Financial risk management: (continued)

(i) Credit risk (continued)

Maximum exposure to credit risk (continued)

As at December 31, 2022 and 2021 no general impairment allowance was recognized, however an allowance was made for a specific doubtful debt receivable for estimated losses inherent in the accounts receivable portfolio.

The group's maximum exposure to credit risk at year end is represented by its respective carrying amount.

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The group manages this risk by keeping a substantial portion of its financial assets in liquid form. The group maintains a balance between continuity of funding and flexibility through the use of bank loans.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments (Continued)

(a) Financial risk management (continued)

(ii) Liquidity risk (continued)

The following are the remaining contractual cash flows at the end of the reporting period of financial liabilities, including estimated interest payments:

		2022				Total \$	Carrying amount \$
		Less than 3 months \$	3-12 Months \$	1-5 Years \$	Over 5 years \$		
Accounts payable		24,573,580	-	-	-	24,573,580	24,573,580
Short term loans		-	6,648,750	-	-	6,648,750	6,500,000
Long-term loans		5,941,376	17,628,571	63,560,101	-	87,130,048	75,416,667
Due to related party		589,913	-	-	-	589,913	589,913
Finance lease obligations		34,484	72,334	147,219	-	254,037	229,562
Operating lease obligations		90,341	269,228	1,300,733	406,626	2,066,928	1,492,239
		31,229,694	24,618,883	65,008,053	406,626	121,263,256	108,801,961
		2021				Total \$	Carrying amount \$
		Less than 3 months \$	3-12 Months \$	1-5 Years \$	Over 5 years \$		
Accounts payable		24,057,795	-	-	-	24,057,795	24,057,795
Short term loans		-	4,160,000	-	-	4,160,000	4,000,000
Long-term loans		5,688,105	17,635,072	92,530,565	-	115,853,742	92,250,000
Due to related party		174,450	-	-	-	174,450	174,450
Finance lease obligations		20,990	62,975	144,136	4,229	232,330	214,091
Operating lease obligations		84,596	253,785	1,024,488	558,426	1,921,295	1,432,147
		30,025,936	22,111,832	93,699,189	562,655	146,399,612	122,128,483

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments (Continued)

(a) Financial risk management (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the group's assets, the amount of its liabilities and/or the group's income. Market risk arises in the group due to fluctuations in the value of assets and liabilities.

- *Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group incurs foreign currency risk primarily on the settlement of accounts receivable and payable, lease payments and purchases and loans that are denominated in a currency other than the United States dollar. The currency giving rise to foreign currency risk is the Jamaica dollar (J\$)

The functional currency of the group is the United States Dollar. It does not have any international operations and does not maintain significant balances in Jamaican and other currencies.

Management monitors its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

	Assets		Liabilities		Net assets/(liabilities)	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
US\$ equivalent	3,413,510	4,653,141	9,445,854	9,375,184	(6,032,344)	(4,722,043)

Sensitivity analysis:

A 4% (2021: 8%) strengthening of the United States dollar (the group's principal foreign currency) against the Jamaican dollar would have increased profit by \$241,294 (2021: increased by \$377,763). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 1% (2021: 2%) weakening of the United States dollar against the Jamaican dollar at year end would have decreased profit by \$60,323 (2021: decreased profit by \$94,441). This analysis assumes that all other variables, in particular interest rates, remain constant.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments (Continued)

(a) Financial risk management (continued)

(iii) Market risk (continued)

- *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The group is exposed to interest rate risk because it has borrowings at floating rates. Interest rate risk is managed by maintaining an appropriate mix of variable and fixed rate assets and liabilities.

The maturity profiles and interest rates of the group's loans are disclosed in note 14.

Interest bearing financial assets relate to cash and bank balances.

At December 31, 2022, the interest profile of the group's interest-bearing financial instruments was:

	2022 \$	2021 \$
Fixed rate instruments:		
Financial assets	14,772,055	15,877,660
Financial liabilities	(11,750,000)	(12,250,000)
	<u>3,022,055</u>	<u>3,627,660</u>
Variable rate instruments:		
Financial liabilities	(70,166,666)	(84,000,000)
	<u>(70,166,666)</u>	<u>(84,000,000)</u>

Fair value sensitivity analysis for fixed rate instruments:

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect the statement of comprehensive income.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments (Continued)

(a) Financial risk management (continued)

(iii) Market risk (continued)

- *Interest rate risk (continued)*

Cash flow sensitivity analysis for variable rate instruments

In respect of United States dollar denominated balances, if interest rates had been 1% higher or 0.5% lower (2021: 1% higher or 1% lower) and all other variables were held constant, the group's loss/profit for the year would increase/decrease by \$701,667/350,833 (2021: \$840,000).

(b) Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the group consists of cash and cash equivalents and equity of the group (consisting of issued capital and retained earnings).

The shareholders monitor the level of dividends paid. For the term-loan facility, dividend could be paid if the debt service ratio for the four rolling quarters is at least 1.2:1 and net debt ratio of 3.5:1.

The debt service ratio is the ratio of the last twelve months earnings before interest and dividend to interest and current portion of long term loan paid in the last twelve months as defined by the Term Loan Agreement. The shareholders continue to ensure that sufficient cash resources are maintained to finance the operations.

There were no changes to the group's approach to capital management during the period.

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments (Continued)

(c) Commodity price risk

Commodity risk arises from the fluctuations in oil prices. The group purchases fuel at the spot price at the date of loading of the vessel that delivers the fuel to the plant but payment is made monthly based on the spot price at the penultimate day of the previous month.

(d) Fair value disclosure

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transactions.

Fair value of the group's financial liability that is measured at fair value on a recurring basis

The following table provides an analysis of financial instruments held as at the reporting date, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The following table provides an analysis of financial instruments held as at the reporting date, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows (continued):

- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly (i.e. as prices) or indirectly (i.e., derived from prices). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2 and;

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

26. Financial Instruments (Continued)

(d) Fair value disclosure (continued)

- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instruments that are not observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There are no financial instruments classified as Level 1, Level 2 or Level 3 and there were no transfers between levels during the year.

The following methods and assumptions have been used in determining the fair values of financial assets and financial liabilities:

- The carrying amounts of cash and bank balances, receivables and payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturity of these instruments.
- For financial instruments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Restricted cash	13,821,832	13,821,832	13,449,742	13,449,742
Cash and cash equivalents	1,075,234	1,075,234	2,475,102	2,475,102
Accounts receivable	20,496,063	10,496,063	20,241,635	20,241,635
Due from ultimate parent	315,821	315,821	315,821	315,821
Financial liabilities				
Long - term loans	75,416,666	75,416,666	92,250,000	92,250,000
Finance lease obligations	229,562	229,562	214,091	214,091
Operating lease obligations	1,492,239	1,492,239	1,432,147	1,432,147
Due to related party	589,913	589,913	174,450	174,450
Accounts payable	24,573,580	24,573,580	24,057,795	24,057,795
Short-term loan	6,500,000	6,500,000	4,000,000	4,000,000

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

27. The Group /As Lessor

The Group has recognized revenues of \$65,069,127 (\$62,396,495 in 2021) from plants that conveyed to a client the right to use an asset for an agreed period of time in return for a payment, or series of payments. The Partnership is not exposed to residual values at the end of the current leases, nor have any obligation to sell any facility to the lessee. The Partnership will retain full title of all the facilities subject to lease. The future minimum lease payments receivable under the non-cancellable operating lease, grouped according to their maturity dates. The amounts shown in the table are the contractual undiscounted cash flows

	2022 \$	2021 \$
2022	-	65,069,127
2023	63,914,171.	62,691,245
2024	65,305,894	62,998,555
2025	53,506,374	51,065,131
2026	27,352,505	26,967,901
2027 and Thereafter	125,267,000	123,453,000
	<u>335,345,944</u>	<u>392,244,959</u>

CACAO Holdings Limited

Notes to the Financial Statements

31 December 2022

Expressed in United States Dollars unless otherwise indicated

28. Commitments And Contingencies

- (a) The group entered into a Power Purchase Agreement (PPA) with Jamaica Public Service Company Limited (JPS). JPS will purchase the contract capacity, as defined, at specified rates under a dispatchable arrangement. On the commercial operations date January 7, 1998, the group was required to provide an operation security deposit in the amount of US\$2,000,000 to ensure the proper operation and maintenance of the facility and to secure as a source of US dollar fund for the Group if US dollar is unavailable. The previous PPA expired 20 years from the commercial operations date of January 7, 1998 on December 31, 2017 and was extended on November 9, 2017 for 7 years to December 31, 2024. During the year, on January 8, 2018, the group provided an operations security deposit of US\$1 million under the extended PPA.

On September 28, 2018 a non-cash security deposit by way of a Letter of credit of U\$1 million was issued by Bank of Nova Scotia Jamaica Limited. This matures on September 28, 2024.

The agreement provides for liquidated damages to be paid to JPS if the facility does not meet certain performance levels. JPS charges the group liquidated damages with respect to shortfalls in commissioned dependable capacity and also liquidated damages for dispatch deviation. Liquidated damages of \$474.82 thousands (2021: \$268.33 thousands) were accrued in the current period.

Interest is charged on trade receivables at the base rate as defined in the Power Purchase Agreement (PPA), on amounts outstanding. A Letter of Credit was issued in accordance with the PPA.

- (b) The group has entered into a Fuel Supply Agreement with Petrojam Limited (Petrojam) for the fuel oil supply to the Facility. The price for such fuel oil shall be at the then current market price. Petrojam will supply between 40,000 and 60,000 barrels of fuel oil each month to the facility. The group has the option of buying the Petrojam delivery facilities in the event of certain circumstances. The agreement expires 20 years from the commercial operations date of January 7, 1998. The Fuel Supply Agreement with Petrojam Limited was extended on November 9, 2017 for seven years to December 31, 2024.
- (c) The group has entered into a lease agreement with Jamaica Public Service Company Limited and Urban Development Corporation for the lease of certain parcels of land where the Facility has been constructed. The initial rent of J\$125,100 per month is revised annually for inflation since construction of the Facility and continuing through the term of the Agreement. The Agreement expires concurrently with the Power Purchase Agreement. The charge is calculated at the prevailing exchange rate.