



138 STUDENT LIVING JAMAICA LIMITED
UNAUDITED FINANCIAL STATEMENTS
NINE MONTHS ENDED 30 JUNE 2015

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11th August 2015

CHAIRMAN'S INTERIM REPORT TO THE SHAREHOLDERS

The Board of Directors of 138 Student Living Jamaica Limited (138 SL) is pleased to present our unaudited financial results for the company for the nine months ended 30 June 2015.

The Special project being undertaken by the company is for the development of 1,584 student residence units over eleven (11) new high-rise blocks in partnership with UWI at its Mona Campus under a Concession Agreement lasting up to 65 years. Under the terms of the Concession Agreement, 138 SL will finance, construct and operate 1,584 units in three (3) development phases, with the first being ready to accept students for the 2015/6 academic school year.

Balance Sheet commentary

Construction in progress

Construction in Progress represents all expenditure incurred to date as it relates to financing costs incurred for the construction loan, architectural designs and engineering work as well as construction work certified to date.

Advance to contractors/Prepayments

Amounts advanced to the Contractors as Mobilization and through the Contractor to Suppliers as pre purchases have been included under Current Assets and are to be repaid by the Contractor prior to the completion of Phase 1 which is scheduled for the first week in September for the first 3 blocks and end of October for block 4.

Cash and cash equivalent

Under the loan agreement, the company is required to establish Cash Reserves totaling \$395M and these amounts have been placed jointly with JMB and NCB for tenures ranging between 60 to 180 days.

Amounts due to contractors and Other Payables

This represents (a) retention amounts deducted from payments to the contractors, which will be paid subsequent to the completion of the project's warranty period, and (b) amounts due to the contractor/suppliers for work performed/provided up to end of June respectively, paid in July 2015.

Share capital/Long term loan

Phase 1 of the Construction commenced September 2014 and is being financed by a joint \$1.35B loan from Jamaica Mortgage Bank (JMB) and National Commercial Bank (NCB) and from proceeds of over \$J500M raised from the recent successful public offering. Both the ordinary and preference shares, relating to the company's share issue, were over-subscribed and the pertinent fees to the underwriters and arrangers and other IPO costs have been deducted from the proceeds which has been reported net in Share Capital.

Outlook



Handing over of the buildings by the contractor will be in stages, scheduled for August 10, 20 and mid September 2015. The Management team is now in place and support staff have been recruited to deliver a new experience in student living and to welcome the first batch of 576 students at 138SL in early August 2015.

Long term funding, by way of a bond, to repay the Construction Loan received from Jamaica Mortgage Bank and National Commercial Bank has been secured and will be paid on the completion of the buildings.

Construction of phase 2 consisting of another 576 rooms is scheduled to commence September 2015 and will come into operation in August 2016. Phase 2 was tendered to seven large construction companies and a preferred contractor selected. Negotiations have commenced with the preferred contractor which should lead to a final construction contract.

The directors have signed a new Concession Agreement with UWI Mona for the restoration and reconstruction of certain traditional halls, with the room count under this Agreement totaling approximately 750 and can be operated for a maximum period of 35 years. The Concession is being done under a 100% subsidiary, 138 SL Restoration Limited.

A handwritten signature in black ink, appearing to be 'John W Lee'.

John W Lee
CHAIRMAN

138 STUDENT LIVING JAMAICA LIMITED
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

Note

		UNAUDITED 30 JUNE 2015 <u>J\$'000</u>	UNAUDITED 31 MARCH 2015 <u>J\$'000</u>	UNAUDITED 31 DEC 2014 <u>J\$'000</u>	AUDITED 13 NOV 2014 <u>J\$'000</u>
NON-CURRENT ASSETS:					
Construction in progress	4	1,039,650	709,527	543,284	435,565
CURRENT ASSETS:					
Advance to contractors		175,876	116,092	119,304	-
Prepayments		12,577	-	-	-
Other receivables		5,542	5,868	142	-
Withholding tax recoverable		2,481	617	360	-
Cash and cash equivalents	5	454,852	486,303	483,153	-
		651,328	608,880	602,959	-
		<u>1,690,978</u>	<u>1,318,407</u>	<u>1,146,243</u>	<u>435,565</u>
EQUITY:					
Share capital	6	864,078	864,078	864,289	435,565
Retained earnings		-	-	-	-
		864,078	864,078	864,289	435,565
NON-CURRENT LIABILITIES:					
Long term loan	7	617,214	367,947	266,554	-
CURRENT LIABILITIES:					
Amounts due to contractor		48,015	22,182	6,526	-
Contractors levy		2,356	2,824	1,175	-
Other payables		159,315	61,376	7,699	-
		209,686	86,382	15,400	-
		<u>1,690,978</u>	<u>1,318,407</u>	<u>1,146,243</u>	<u>435,565</u>

Approved and signed on behalf of the Board by:



John W Lee - Chairman



Sharon Donaldson - Director

138 STUDENT LIVING JAMAICA LIMITED
UNAUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
NINE MONTHS ENDED 30 JUNE 2015

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
	<u>J\$'000</u>	<u>J\$'000</u>	<u>J\$'000</u>
Shares allotted in lieu of payment	<u>435,565</u>	-	<u>435,565</u>
Net proceeds from share issue	505,691	-	505,691
Less: IPO transaction costs	<u>(77,178)</u>	=	<u>(77,178)</u>
	<u>428,513</u>	=	<u>428,513</u>
Income/(deficit) for the period	=	=	=
Balance at 30 June 2015	<u>864,078</u>	=	<u>864,078</u>

138 STUDENT LIVING JAMAICA LIMITED
UNAUDITED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED 30 JUNE 2015

	<u>2015</u> <u>J\$'000</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Net (loss)/profit	-
Items not affecting cash resources:	
Advance to contractors	(175,876)
Prepayments	(12,577)
Other receivables	(5,542)
Withholding tax recoverable	(2,481)
Amounts due to contractor	48,015
Contractors levy	2,356
Other payables	159,315
Net cash provided by operating activities	13,210
CASH FLOW FROM INVESTING ACTIVITIES:	
Construction in progress	(604,085)
Net cash used in investing activities	(604,085)
CASH FLOW FROM FINANCING ACTIVITIES	
Share issue	428,513
Loan proceeds	617,214
Net cash provided by financing activities	1,045,727
Net increase in cash and cash equivalents	454,852
Cash and cash equivalents at start of year	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	454,852

138 STUDENT LIVING JAMAICA LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 30 JUNE 2015

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) 138 Student Living Jamaica Limited (138 SL) is a limited liability company. The company is incorporated and domiciled in Jamaica. The registered office of the company is located at 7th Floor, Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston.
- (b) The company is established to construct and rent living facilities at the University of the West Indies under a 65 years lease agreement.

2. REPORTING CURRENCY:

Items included in the financial statements of the company are measured using the primary economic environment in which the company operates (“the functional currency”). These financial statements are presented in Jamaican dollars which is considered the company’s functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied throughout the periods presented.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed below:

138 STUDENT LIVING JAMAICA LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 30 JUNE 2015

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(a) **Basis of preparation (cont'd) -**

(i) **Income taxes**

The company is listed on the Jamaica Stock Exchange Main Market and as such will be subjected to the appropriate tax rate.

(ii) **Fair value of financial assets**

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

(iii) **Construction in progress**

Construction in progress comprises the cost of constructing the investment property which will be held for long term rental and not occupied by the company. Investment property is initially stated at cost and subsequently carried at fair value.

Standards, Interpretations and amendments to published standards not yet effective in the reporting period

During the reporting period, the following standards, amendments and interpretations became effective. Those considered relevant to the company are as follows:

IFRS 9

Financial instruments (effective for annual reporting periods beginning on or after 1 January 2018), introduces new requirements for classifying and measuring financial assets. It also includes guidance and classification and measurement of financial liabilities designated as fair value through profit or loss. The standard also amends some of the requirements of IFRS 7 Financial Instruments: Disclosure, including added disclosures about investments in equity instruments designated as fair value through other comprehensive income.

138 STUDENT LIVING JAMAICA LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

IFRS 14 Presentation of financial statements for Regulatory Deferral Accounts (effective for annual reporting period beginning on or after 1 January 2016), amendments made to revise the way deferred accounts in the statement of comprehensive income is presented.

IFRS 15 Presentation of financial statements for Revenue from Contracts with Customers are presented (effective for annual periods beginning on or after 1 January 2017).

(b) Borrowings and borrowing costs -

Borrowings are recognised initially at the time the proceeds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost and any difference between proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Other borrowing costs are recognized as expense in the period in which they are incurred. Borrowing costs that are directly attributable to the construction of investment property are capitalized.

(c) Revenue recognition -

Revenue is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Subsequent to construction completion, Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis unless collectability is doubtful.

(d) Foreign currency translation -

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

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UNAUDITED NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 30 JUNE 2015

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(d) **Foreign currency translation (cont'd) -**

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the statement of comprehensive income

(e) **Dividends -**

Dividend distribution to the company's ordinary shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

4. **Construction in progress**

Construction in progress consists of construction costs to date of proposed investment property and includes structuring fees, loans processing fees, net interest earned and charged and management and professional fees.

5. **Cash and cash equivalents**

	\$'000
Investments (short term)	457,814
Cash at bank	573
Bank overdraft	(3,535)
	454,852

138 STUDENT LIVING JAMAICA LIMITED
UNAUDITED NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 30 JUNE 2015

6. SHARE CAPITAL:	<u>2015</u> \$
Authorised -	
480,500,000 ordinary shares at no par value	
94,500,000 cumulative redeemable preference shares	
Stated Capital -	
414,500,000 Ordinary shares Issued and fully paid	691,646,457
34,528,500 Preference shares Issued and fully paid	<u>172,642,500</u>
	<u>864,288,957</u>
Opening balance 14 November 2014	435,565,120
Initial public offering	505,691,410
Less: IPO transactions costs	<u>(77,178,437)</u>
	<u>428,512,973</u>
Closing balance 30 June 2015	<u>864,078,093</u>

At the balance sheet date, the company's issued and fully paid up ordinary share capital stood at 414,500,000. This includes shares allotted in the initial public offering in November 2014 of 82,900,000 at a price of \$4.00 per share.

As part of the initial public offering, the company also offered 33,680,000 cumulative redeemable preference shares at \$5.00 per share. Arising from the over-subscription of these shares, an additional 848,500 shares were issued to subscribers. Preference dividend for the years 2014 to 2017 will be accumulated and be paid in 2018 and annually thereafter. Dividend yield on preference shares will be indexed to the Government of Jamaica 180 day weighted average Treasury Bill yield plus a premium of three percent. The paid up share capital for both classes is net of transaction cost incurred of \$77,178,000.

7. LONG TERM LOANS:

138 SL has obtained a construction loan in the amount of J\$1.35 billion, funded by Jamaica Mortgage Bank and National Commercial Bank to facilitate the construction of Phase 1 of the Project. Of this amount, the lenders have disbursed \$617,214,000 to the company at the end of the third quarter. The loan's tenor is for a period up to 15 months with a 13.5% fixed interest rate

This is to be repaid by the issue of a long term bond which has been secured pending the completion of the buildings.

138 STUDENT LIVING JAMAICA LIMITED
TOP TEN (10) LARGEST SHAREHOLDERS
QUARTERLY REPORT AS AT 30 JUNE 2015

SHAREHOLDER	HOLDINGS AS AT 30 JUNE 2015
K Limited	228,389,217
Douglas Stiebel	31,352,359
Kingsley Charles St George Thomas	15,700,899
Barita Investments Limited	14,477,800
JCSD Trustee Services Ltd - Sigma Optima	12,500,000
Sagicor Life Jamaica Limited	12,500,000
Sagicor Pooled Equity Fund	12,500,000
First Caribbean International Securities - A/c Barita Real Estate Portfolio	12,200,000
WISYNCO Group Ltd Pension Fund	10,000,000
Barrington Phillip Brown	7,334,592

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SHAREHOLDING OF DIRECTORS AND CONNECTED PERSONS

For purposes of compliance with Rule 407 of the Jamaica Stock Exchange Rules, details of stockholdings of Directors and Senior Management and their connected persons as at 30 June 2015 are set out hereunder:

DIRECTORS	SHAREHOLDING	CONNECTED PERSONS	SHAREHOLDING
JOHN W. LEE	NIL	K LIMITED MARRYNETTE LEE	228,389,217 NIL
MARRYNETTE LEE	NIL	K LIMITED JOHN W LEE	228,389,217 NIL
KINGSLEY THOMAS	15,700,899	KAESHA THOMAS KALA THOMAS	NIL NIL
DOUGLAS STIEBEL	NIL	DOUGLAS/CHRISTINE STIEBEL CHRISTINE STIEBEL	31,352,359 NIL
ANGELA LEE LOY	NIL	IAN ANDREW LEE AEGIS BUSINESS SOLUTIONS LTD EVE ANDERSON RECRUITMENT LTD	NIL NIL NIL
DEBBIE-ANN GORDON	NIL	ERIC CRAWFORD	NIL
SHARON DONALDSON	100,000.00	JUNIOR LEVINE	NIL

SHAREHOLDING OF SENIOR MANAGEMENT AND CONNECTED PERSONS

SENIOR MANAGEMENT	SHAREHOLDING	CONNECTED PERSONS	SHAREHOLDING
N/A			