

Economic Overview

Financial markets remained extremely volatile for the first half of 2015. Commodity prices continued their decline and market expectations remain bearish on oil and iron prices. The U.S. economy contracted by 0.2% in the first quarter of 2015. However, improving jobs and housing data have induced the Fed to consider a small rate hike in 2015. The Greek crisis rattled global financial markets and contributed to declines in bond and equity prices. Emerging markets also suffered declines as the Brazilian economy continued to show signs of contraction and higher rates of inflation. Asset prices are likely to continue to be volatile and SIL's Investment Management Committee will monitor and analyse market events and trends with a view to identifying opportunities for and mitigating attendant risks to the portfolio.

Growth in realized income¹	56.79%
Growth in realized trading gains	269%
Growth in equity (July 1, 2014- June 30,2015)	28.69%
Efficiency ratio as at June 2015	29%
Weighted average number of shares	44,078,172
Earnings per share	J\$0.74

Financial Overview

Net interest income, SIL's primary source of income, totalled J\$28.2 million as at June 2015; approximately 30% higher than net interest income for the corresponding period in 2014 of J\$21.8 million. The company maintains a robust net interest margin of 92.5%. This reflects the company's sound management of its interest costs and the maximization of its United States Dollar interest income.

Gains on sale of investments almost quadrupled from J\$2.8 million in June 2014 to J\$10.3 million in June 2015 as the company realized some of the trading gains in its portfolio. This reflects the company's ability to generate attractive trading gains despite the anticipation of rising interest rates.

Devaluation in the first six months of 2015 was lower than in the corresponding period of 2014 and as a result, there was a significant reduction in unrealised foreign exchange gains. This figure fell from J\$24.9 million as at June 2014 to J\$12.3 million as at June 2015.

Excluding the effect of unrealised foreign exchange gains, total realized income was up 57% in the first six months of 2015 from J\$24.6 million in June 2014 to J\$38.5 million in June 2015. This underscores the company's continued ability to generate positive returns in real terms, even without the impact of

¹ Realized income = net interest income + gain on sale of investment

devaluation. However, when foreign exchange gains are taken into account, net profit for the first two quarters of 2015 was J\$33 million compared to J\$38.5 million for the first half of 2014. The company still maintains one of the highest net profit margins on the JSE. As at June 2015 SIL's net profit margin was 59%.

Operating expenses for the six months ending June 2015 were approximately J\$15.5 million or roughly 50% higher than the J\$10.2million operating expenses for the corresponding period in 2014. This was a result of J\$4.5 million of listing fees that accompanied the rights issue conducted in the second quarter of 2015. This is a one off cost. Nevertheless, it is worth noting that the sum of net interest income and gain on sale of investments - increased by over 56% between June 2014 and June 2015; outweighing the increase in operating expenses.

Total equity increased by 28.6% from J\$553.7 million in June 2014 to J\$712.50 million in June 2015. This was fuelled by a 44.6% increase in share capital which resulted from a rights issue conducted by the company in April 2015. Retained earnings increased by 52.5% highlighting the company's commitment to growth and value creation for stockholders.

Total assets increased by 23.5% from J\$737.2 million as at June 2014 to J\$910.5 million as at June 2015. This was the result of a proportionate increase in the size of the portfolio of investment securities which also experienced a 23.5% increase over the same period. This was funded primarily by the additional share capital raised earlier in the quarter as well as an increase in margin loans. As at June 2015, margin loans totalled J\$184.7 million, or 21% of the total portfolio of investment securities. The company's use of margin has enhanced the returns on the portfolio.

STERLING INVESTMENTS LIMITED
UNAUDITED BALANCE SHEET
JUNE 30, 2015

	Unaudited 6 months June 2015	Unaudited 6 months June 2014	Audited 12 Months Dec 2014
ASSETS			
Cash & Cash Equivalents	592,238	858,771	1,343,020
Accounts Receivable	22,583,367	18,065,211	18,963,875
Investment Securities	887,283,503	718,266,264	766,737,135
TOTAL ASSETS	910,459,109	737,190,246	787,044,030
LIABILITIES			
Margin Loan Payables	184,774,840	171,281,008	223,886,387
Other Payables	12,914,859	9,772,059	12,508,133
Due to Related Company	0	2,290,073	10,650,889
Preference Shares	10,000	10,000	10,000
Income Tax Payable	253,398	180,421	495,510
TOTAL LIABILITIES	197,953,097	183,533,561	247,550,919
SHAREHOLDERS' NET EQUITY			
Share Capital	632,358,961	437,296,904	437,296,904
Fair Value Reserve	(36,497,446)	39,888,322	10,976,493
Retained Earnings	116,644,497	76,471,458	91,219,714
TOTAL EQUITY	712,506,012	553,656,685	539,493,111
TOTAL LIABILITIES & EQUITY	910,459,109	737,190,246	787,044,030

STERLING INVESTMENTS LIMITED
UNAUDITED INCOME STATEMENT
FOR THE PERIOD ENDING JUNE 30, 2015

	Unaudited 6 months June 2015	Unaudited 6 months June 2014	Unaudited 3 months June 2015	Unaudited 3 months June 2014	Audited 12 months Dec 2014
Revenue:					
Interest Income	30,535,700	23,548,388	16,176,131	12,501,624	55,016,387
Foreign Exchange Gains	12,262,778	24,990,696	9,958,015	10,714,334	36,708,090
Gain on disposal of available-for-sale securities	10,288,166	2,787,025	7,453,294	1,992,332	4,979,908
	<u>53,086,643</u>	<u>51,326,109</u>	<u>33,587,440</u>	<u>25,208,290</u>	<u>96,704,385</u>
Expenses:					
Interest	(2,305,604)	(1,768,337)	(1,132,510)	(973,691)	(3,953,304)
Other operating	(15,472,514)	(10,195,560)	(8,635,913)	(4,610,680)	(24,541,621)
	<u>(17,778,118)</u>	<u>(11,963,897)</u>	<u>(9,768,423)</u>	<u>(5,584,371)</u>	<u>(28,494,925)</u>
Operating Profit	35,308,525	39,362,212	23,819,017	19,623,919	68,209,460
Other Income	2,294,019	2,237,895	1,157,275	1,167,562	7,493
Preference Dividend Expense	(4,635,582)	(3,108,802)	(2,317,791)	(1,554,401)	(9,271,165)
Profit before Income Tax	<u>32,966,961</u>	<u>38,491,306</u>	<u>22,658,501</u>	<u>19,237,080</u>	<u>58,945,788</u>
Income Tax Expense	(269,565)	-	(269,565)	-	(315,089)
Profit for Period	<u>32,697,396</u>	<u>38,491,306</u>	<u>22,388,936</u>	<u>19,237,080</u>	<u>58,630,699</u>
Other Comprehensive Income:					
Items that may be reclassified to Profit & Loss:					
Change in fair value of available-for-sale securities	(47,473,939)	29,069,373	(39,854,286)	15,629,981	157,544
	<u>(14,776,542)</u>	<u>67,560,679</u>	<u>(17,465,350)</u>	<u>34,867,061</u>	<u>58,788,243</u>
Weighted Average Number of Shares	44,078,172	40,145,470	44,078,173	40,145,470	40,145,470
Earnings Per Share	0.74	0.96	0.51	0.48	1.46

Sterling Investments Limited
Statement of Cash Flows For period ended June 30, 2015

	Period ended June 2015	Period Ended June 2014	Audited Dec 2014
Cash flows from operating activities			
Profit for the period	32,697,396	38,491,306	58,630,699
Adjustments for :			
Interest Income	(30,535,700)	(25,780,395)	(55,016,387)
Interest Expense	2,305,604	1,768,337	3,953,304
Income Tax Expense	269,565	0	315,089
Preference Share Interest	4,635,582	3,108,802	9,271,165
	<u>9,372,448</u>	<u>17,588,050</u>	<u>17,153,870</u>
Changes in operating assets:			
Accounts Receivable	(435,235)	(73,020)	(2,008)
Margins Payable	(39,111,547)	139,729,058	192,334,437
Other Payables	(4,228,856)	(5,124,416)	(8,550,705)
Due to Related Company	(10,650,889.00)	(5,509,897.49)	2,850,919
	<u>(45,054,080)</u>	<u>146,609,774</u>	<u>203,786,513</u>
Interest Received	27,351,442	17,499,368	45,765,685
Income Taxes Paid	(511,677)	0	0
Interest Paid	(2,305,604)	(1,768,337)	(3,953,304)
Net cash provided by operating activities	<u>(20,519,919)</u>	<u>162,340,806</u>	<u>245,598,894</u>
Cash flows from investing activity			
Investment securities, being net cash used by investing activity	<u>(168,020,307)</u>	<u>(210,665,191)</u>	<u>(288,047,892)</u>
Cash flows from financing activities			
Issue of ordinary shares	195,062,057	49,827,213	49,827,213
Dividend payment	(7,272,613)	(4,109,705)	(9,500,843)
Net cash provided by financing activities	<u>187,789,443</u>	<u>45,717,509</u>	<u>40,326,370</u>
Increase/(decrease) in cash and cash equivalents during the period	(750,782)	(2,606,876)	(2,122,628)
Cash and cash equivalent at the beginning of period	1,343,020	3,465,648	3,465,648.00
Cash and cash equivalent at the end of period	592,238	858,772	1,343,020

Sterling Investments Limited Statement of Changes in Equity For period ended June 30, 2015

	Share capital	Fair value	Retained earnings	Total
Balance at December 31, 2014	437,296,904	10,976,493	91,219,714	539,493,111
Comprehensive income:				
Profit for period	-	-	32,697,396	32,697,396
Other comprehensive income:				
Unrealised gains in fair value of available-for-sale securities	-	(47,473,939)	-	(47,473,939)
Total comprehensive income	437,296,904	(36,497,446)	123,917,110	524,716,569
Transactions with owners:				
Share issued during the period	195,062,056	-	-	195,062,056
Dividends	-	-	(7,272,613)	(7,272,613)
	195,062,056	-	(7,272,613)	187,789,443
Balance at June 30, 2015	632,358,960	(36,497,446)	116,644,497	712,506,012

Sterling Investments Limited Statement of Changes in Equity For period ended June 30, 2014

	Share capital	Fair value	Retained earnings	Total
Balance at December 31, 2013	387,469,691	10,818,949	42,089,858	440,378,498
Comprehensive income:				
Profit for period	-	-	38,491,306	38,491,306
Other comprehensive income:				
Unrealised gains in fair value of available-for-sale securities	-	29,069,373	-	29,069,373
Total comprehensive income	387,469,691	39,888,322	80,581,164	507,939,176
Transactions with owners:				
Share issued during the period	49,827,213	-	-	49,827,213
Dividends	-	-	(4,109,705)	(4,109,705)
	49,827,213	-	(4,109,705)	45,717,509
Balance at June 30, 2014	437,296,904	39,888,322	76,471,459	553,656,685

Notes

1. Identification: Sterling Investments Limited ("the Company") was incorporated on August 21, 2012 in St. Lucia under the International Business Companies Act, and commenced operations on December 1, 2012. The Company's registered office is located at 20 Micoud Street, Castries, St. Lucia. The principal activities of the Company are holding and trading of tradable and other securities and other investments.
2. In April 2015 the Company issued 15,730,811 new ordinary shares in a rights issue.
3. Statement of compliance and basis of preparation
 - a. **Statement of compliance:** The unaudited financial statements as at March 31, 2015 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2014
 - b. **Basis of measurement:** The financial statements are prepared on the historical cost basis, except for the inclusion at fair value of available-for-sale securities and financial assets at fair value through profit or loss.
 - c. **Functional and presentation currency:** The financial statements are presented in Jamaican dollars (J\$), which is the functional currency of the Company.



Director



Director

Top Ten Shareholders as at June 30, 2015

Name	Number of shares	Percentage
ATL Group Pension Trustees Nominee limited	10,000,000	17.9
GraceKennedy Limited Pension Scheme	5,227,270	9.36
Stephen Gager	3,455,170	6.19
PAM – Cable and Wireless Pension Real Estate Fund	3,000,000	5.37
V.M.B.S A/C Contributory Pension Scheme	2,668,905	4.78
National Insurance Fund	2,016,129	3.61
Satyanarayana Parvataneni	1,937,630	3.46
Charles A. Ross	1,892,790	3.39
Winnifred Mullings	1,842,760	3.3
Everton McDonald	1,349,790	2.42

Shareholdings of Directors as at June 30, 2015

	Number of shares	% of total
Derek Jones	0	0%
Maxim Rochester	0	0%
Michael Bernard	0	0%
Charles Ross	1,892,790	3.39