138 STUDENT LIVING JAMAICA LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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FOR THE YEAR ENDED 30 SEPTEMBER 2016

INDEX

	Page
CHAIRMAN'S INTERIM REPORT TO THE SHAREHOLDERS	1
UNAUDITED FINANCIAL STATEMENTS	
Consolidated Statement of Comprehensive Income	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Changes in Shareholders' Equity	4
Consolidated Statement of Cash Flows	5
Notes to the Financial Statements	6-10
Top ten (10) largest shareholders	11
Shareholding of directors and connected parties	12

1 NOVEMBER 2016

CHAIRMAN'S REPORT TO THE SHAREHOLDERS

The Board of Directors of 138 Student Living Jamaica Limited (138 SL) is pleased to present our unaudited consolidated financial statements for the year ended 30 September 2016.

Financial Results Highlights

The fourth quarter ended 30 September 2016 reflected a significant improvement on the June quarter.

For the year, the **consolidated net loss of $22M** is comparable to the budgeted consolidated loss of $33M. Revenue totaled $295M, compared favorably to a budgeted Revenue of $300M, with long and short term rental income totaling $255M contributing 86%of total Revenue. Operating Expenses and Finance costs combined totaling $319M was 4%within budget.

The first set of 288 rooms in Phase 2 was delivered in August 2016, on schedule, accommodating 432 beds, and the second set consisting of the same number of rooms and beds is on schedule for hand over at the end of November 2016. The current level of occupancy is according to budget.

The operations of the Gerald Lalor Flats continue to improve and for this quarter has exceeded budget. The trend has continued into the next quarter with initiatives in place to ensure continuation.

The second phase of the Restoration Concession is about to commence with the demolition and reconstruction of the Irvine Hall and completion is scheduled for August 2017 in time for the start of the semester.

The Company has executed a binding Memorandum of Understanding with the University of Technology, Jamaica for the construction and operation of 600 rooms housing up to 1,200 students. Efforts are still being made to finalize the agreement.

The treatment of the cost of construction, once completed, is now being referred to as a Financial Asset in accordance with International Accounting Standards, specifically International Financial Reporting Interpretations Committee (IFRIC) 12 which gives guidance on accounting and reporting on Service Concession Agreements. The adoption of this standard has resulted in a significant increase in the value of the company's assets which is reflected in the Consolidated Statement of Comprehensive Income and amounts to $1.3B.

Overall, the Group continues to perform as per expectation. The demand for on-campus housing coupled with the response to the product being offered by 138SL augurs well for the future success of the operations.

John W Lee
CHAIRMAN

138 STUDENT LIVING JAMAICA LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2016

	Note	3 months ended 30 Sept 2016 J$'000	3 months ended 30 June 2016 J$'000	3 months ended 31 March 2016 J$'000	3 months ended 31 Dec 2015 J$'000	Unaudited 2016 J$'000	Restated 2015 J$'000
REVENUE							
Income		85,059	65,288	66,086	38,536	254,969	11,998
Other operating income		10,057	10,595	10,864	8,662	40,178	91
		95,116	75,883	76,950	47,198	295,147	12,089
EXPENSES							
Administrative expenses		(43,311)	(42,810)	(47,520)	(33,110)	(166,751)	(9,585)
PROFIT FROM OPERATIONS		51,805	33,073	29,430	14,088	128,396	2,504
Finance costs		(39,860)	(38,611)	(43,271)	(30,679)	(152,421)	(2,046)
PROFIT/(LOSS) BEFORE TAXATION		11,945	(5,538)	(13,841)	(16,591)	(24,025)	458
Taxation		857	522	-	297	1,676	935
NET PROFIT/ (LOSS) FOR THE PERIOD		12,802	(5,016)	(13,841)	(16,294)	(22,349)	1,393
Other comprehensive income Change in fair value of financial asset		1,331,217	-	-	-	1,331,217	-
Total comprehensive income for the period		1,344,019	(5,016)	(13,841)	(16,294)	1,308,868	1,393
Profit/(Loss) per stock unit	5	$0.03	($0.01)	($0.03)	($0.04)	($0.05)	($0.00)

138 STUDENT LIVING JAMAICA LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Note	UNAUDITED 2016 J$'000	Restated 2015 J$'000
NON-CURRENT ASSETS:			
Financial asset – service concession		4,390,000	1,353,510
Construction in progress		674,675	646,852
Deferred tax asset		2,611	935
		5,067,286	2,001,297
CURRENT ASSETS:			
Receivables		138,922	38,185
Taxation recoverable		8,351	3,112
Short term deposits		440,402	509,868
Cash and cash equivalents		37,977	44,540
		625,652	595,705
		5,692,938	2,597,002
EQUITY AND LIABILITIES:			
Share capital		721,153	721,153
Retained earnings		1,310,261	1,393
		2,031,414	722,546
NON-CURRENT LIABILITIES:			
Long term loan	6	3,096,103	1,036,684
Redeemable preference shares		172,642	172,642
		3,268,745	1,209,326
CURRENT LIABILITIES:			
Payables		392,779	263,883
Short term borrowings		-	401,247
		392,779	665,130
		5,692,938	2,597,002

Approved and signed on behalf of the Board by:

John W Lee – Chairman

Sharon Donaldson – Director

138 STUDENT LIVING JAMAICA LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
	J$'000	J$'000	J$'000
TOTAL COMPREHENSIVE INCOME			
Balance at 14 November 2014	435,565	-	435,565
TRANSACTION WITH OWNERS			
Net Issue of shares	285,588	-	285,588
Net Loss	-	(245)	(245)
Balance at 30 September 2015	721,153	(245)	720,908
Reversal of depreciation	-	1,638	1,638
Other comprehensive income	-	-	-
Restated balance as at 30 September 2015	721,153	1,393	722,546
Loss for the period	-	(22,349)	(22,349)
Other comprehensive income	-	1,331,217	1,331,217
Total comprehensive income for the period	-	1,308,868	1,308,868
Balance at 30 September 2016	721,153	1,310,261	2,031,414

138 STUDENT LIVING JAMAICA LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Unaudited 2016 J$'000	Restated 2015 J$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss)/ profit	(22,349)	1,393
Items not affecting cash resources:		
Deferred taxation	(1,676)	(935)
Interest income	(11,121)	(67)
Interest expense	51,790	1,958
	16,644	2,349
Changes in operating assets and liabilities:		
Receivables	(89,617)	(38,118)
Taxation recoverable	(5,239)	(3,112)
Other payables	77,107	261,925
	(17,749)	220,695
Net cash (used in)/ provided by operating activities	(1,105)	223,044
CASHFLOW FROM INVESTING ACTIVITIES:		
Financial asset – service concession	(561,876)	(1,037,565)
Construction in progress	(1,171,220)	(429,070)
Short term deposits	69,466	(509,868)
Net cash used in investing activities	(1,663,630)	(2,074,665)
CASHFLOW FROM FINANCING ACTIVITIES:		
Share capital	-	285,588
Preference shares	-	172,642
Short term loan	(401,247)	401,247
Long term loans	2,059,419	1,036,684
Net cash provided by financing activities	1,658,172	1,896,161
Net (decrease)/ increase in cash and cash equivalents	(6,563)	44,540
Cash and cash equivalents at start of the period	44,540	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37,977	44,540

138 STUDENT LIVING JAMAICA LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

(a) 138 Student Living Jamaica Limited (138 SL) is a limited liability company. The company was incorporated in Jamaica on 15 August 2014 and is 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 concession agreement granted by the University of the West Indies.

(c) The company, (138SL), is a public listed company and was listed on the Jamaica Stock Exchange on 18 December 2014.

(d) The company has a 100% subsidiary, 138SL Restoration Limited, a limited liability company, incorporated in Jamaica on 30 April 2015 and domiciled in Jamaica and which has a 35 year concession agreement. The concession was granted by the University of the West Indies, Mona, for the restoration and reconstruction of certain traditional Halls.

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. **BASIS OF CONSOLIDATON:**

The consolidated financial statements combine the financial position, results of operations and cash flows of the Company and its subsidiary, 138SL Restoration Limited.

4. **SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements are prepared in accordance International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act.

The principal accounting policies applied in the preparation of these unaudited financial statements are consistent with those used in the audited financial statements for the year ended 30 September 2015 with the exception of the retrospective adoption of International Financial Reporting Interpretations Committee (IFRIC) 12 - Service Concession Arrangements, and comply with the requirements of IFRS (IAS 34, Interim Financial Reporting).

138 STUDENT LIVING JAMAICA LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

5. **Loss per stock unit**

Loss per stock unit is calculated by dividing the net loss attributable to stockholders by the weighted average number of ordinary stock units in issue.

	3 months ending 30 Sept 2016 J$	3 months ending 30 June 2016 J$	3 months ending 31 March 2016 J$	3 months ending 31 Dec 2015 J$	Unaudited 2016 J$	**Restated** 2015 J$
Net profit/(loss) attributable to stockholders	12,802,000	(5,016,000)	(13,841,000)	(16,294,000)	(22,349,000)	1,393,000
Weighted average number of ordinary stock units	414,500,000	414,500,000	414,500,000	414,500,000	414,500,000	414,500,000
Profit/(Loss) per stock unit	0.03	(0.01)	(0.03)	(0.04)	(0.05)	(0.00)

6. LONG TERM LOAN:

	Group 30 Sept 2016 J$'000	Company 30 Sept 2016 J$'000	Group 30 Sept 2015 J$'000
Long Term Promissory Notes	1,890,689	1,422,907	1,036,684
Jamaica Mortgage Bank/National Commercial Bank	1,205,414	1,205,414	-
	3,096,103	2,628,321	1,036,684

Long Term Promissory Notes have been issued through CIBC First Caribbean International Bank and held by JCSD Trustee Services Limited, as Trustees for the Noteholders, with a fifteen (15) year tenure carrying interest at 6 months weighted average treasury bill yield (WATBY) plus 350 basis points. During the year, additional Long Term Notes were issued on the completion and hand over of the third block in the amount of $386M.

The subsidiary, 138 SL Restoration also raised funding for the renovation works for Gerald Lalor Hall through long term instruments issued through Victoria Mutual Wealth Management and MoneyMasters Limited to raise up to $2.795B for a period of 15 years. Interest is fixed at 11.5% for the first six months and thereafter a variable rate of 350 basis points above the weighted average rate applicable to the six month Jamaica Treasury Bill Tender (WATBY). JCSD Trustee Services Limited are the Trustee for the long term instruments and $468M has been raised to date.

A joint loan with Jamaica Mortgage Bank Limited (JMB) and National Commercial Bank Jamaica Limited (NCB) of up to $1.52B was negotiated to facilitate the construction of Phase 2 of the Concession Agreement. The loan's tenure is up to 18 months with a fixed interest rate of 11.5%

138 STUDENT LIVING JAMAICA LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

7. **RESTATEMENT OF PRIOR YEAR BALANCES**

Restatement of prior year balances relate to adjustments for the reclassification of assets from Investment property and property plant and equipment to Financial Asset - Service Concession under IFRIC 12 – Service Concession Agreements.

Effect on the consolidated statement of comprehensive income at 30 September 2015:

	As previously reported J$'000	Effect of restatement J$'000	As restated J$'000
REVENUE			
Income	11,998	-	11,998
Other operating income	91	-	91
	12,089	-	12,089
EXPENSES			
Administrative expenses	(11,223)	1,638	(9,585)
PROFIT FROM OPERATIONS	866	1,638	2,504
Finance costs	(2,046)	-	(2,046)
PROFIT/(LOSS) BEFORE TAXATION	(1,180)	1,638	458
Taxation	935	-	935
NET PROFIT/ (LOSS) FOR THE PERIOD	(245)	1,638	1,393
Other comprehensive income			
Change in fair value of financial asset*	-	-	-
Other comprehensive income for the period	(245)	1,638	1,393
Loss per stock unit	($0.00)		($0.00)

*cost approximated to fair value

138 STUDENT LIVING JAMAICA LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

7. **RESTATEMENT OF PRIOR YEAR BALANCES (continued)**

Effect on the consolidated statement of financial position as at 30 September 2015:

	As previously reported J$'000	Effect of restatement J$'000	As restated J$'000
NON-CURRENT ASSETS:			
Investment property	1,255,347	(1,255,347)	-
Property, plant and equipment	96,525	(96,525)	-
Financial asset – service concession	-	1,353,510	1,353,510
Construction in progress	646,852	-	646,852
Deferred tax asset	935	-	935
	1,999,659	1,638	2,001,297
CURRENT ASSETS:			
Receivables	38,185	-	38,185
Taxation recoverable	3,112	-	3,112
Short term deposits	509,868	-	509,868
Cash and cash equivalents	44,540	-	44,540
	595,705	-	595,705
	2,595,364	1,638	2,597,002
EQUITY AND LIABILITIES:			
Share capital	721,153	-	721,153
Accumulated deficit/ Retained earnings	(245)	1,638	1,393
	720,908	1,638	722,546
NON-CURRENT LIABILITIES:			
Long term loan	1,036,684	-	1,036,684
Redeemable preference shares	172,642	-	172,642
	1,209,326	-	1,209,326
CURRENT LIABILITIES:			
Payables	263,883	-	263,883
Short term borrowings	401,247	-	401,247
	665,130	-	665,130
	2,595,364	1,638	2,597,002

138 STUDENT LIVING JAMAICA LIMITED

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

7. **RESTATEMENT OF PRIOR YEAR BALANCES (continued)**

Effect on the consolidated statement of cash flows at 30 September 2015:

	As previously reported J$'000	Effect of restatement J$'000	As Restated J$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss)/ profit	(245)	1,638	1,393
Items not affecting cash resources:			
Deferred taxation	(935)	-	(935)
Interest income	(67)	-	(67)
Interest expense	1,958	-	1,958
Depreciation	1,638	(1,638)	-
	2,349	-	2,349
Changes in operating assets and liabilities:			
Receivables	(38,118)	-	(38,118)
Taxation recoverable	(3,112)	-	(3,112)
Other payables	261,925	-	261,925
	220,695	-	220,695
Net cash provided by operating activities	223,044	-	223,044
CASHFLOW FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment, net	(98,162)	98,162	-
Financial asset – service concession		(1,135,727)	(1,135,727)
Construction in progress	(429,070)	-	(429,070)
Investment property	(1,037,565)	1,037,565	-
Short term deposits	(509,868)	-	(509,868)
Net cash used in investing activities	(2,074,665)	-	(2,074,665)
CASHFLOW FROM FINANCING ACTIVITIES:			
Share capital	285,588	-	285,588
Preference shares	172,642	-	172,642
Short term loan	401,247	-	401,247
Long term loans	1,036,684	-	1,036,684
Net cash provided by financing activities	1,896,161	-	1,896,161
Net increase in cash and cash equivalents	44,540	-	44,540
Cash and cash equivalents at start of the period	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	44,540	-	44,540

138 STUDENT LIVING JAMAICA LIMITED

TOP TEN (10) LARGEST SHAREHOLDERS

SHAREHOLDER	HOLDINGS AS AT 30 SEPT 2016	% SHAREHOLDING
K LIMITED	167,439,627	40.4%
SAGICOR	125,709,697	30.33%
Sagicor Pooled Equity Fund	49,793,030	
JCSD Trustee Services Ltd – Sigma Optima	59,683,334	
Sagicor Pooled Mortgage & Real Estate Fund	16,233,333	
STIEBEL, DOUGLAS/ CHRISTINE STIEBEL	15,673,025	3.78%
BARITA INVESTMENTS LIMITED	14,477,800	3.49%
FIRST CARIBBEAN INTERNATIONAL SECURITIES – A/ C BARITA REAL ESTATE PORTFOLIO	12,200,000	2.94%
WISYNCO GROUP LIMITED PENSION FUND	10,000,000	2.41%
BROWN BARRINGTON PHILLIP	7,334,592	1.77%
BEACH, HELINE	5,000,000	1.21%
WILLIAMS, ENITH MARTIN	4,105,076	0.99%
JMMB PENSION FUND	3,773,734	0.91%

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138 STUDENT LIVING JAMAICA LIMITED

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 SEPTEMBER 2016** are set out hereunder:

DIRECTORS	SHAREHOLDING	CONNECTED PERSONS	SHAREHOLDING
JOHN W. LEE	NIL	K LIMITED	167,439,627
		MARRYNETTE LEE	NIL
MARRYNETTE LEE	NIL	K LIMITED	167,439,627
		JOHN W LEE	NIL
DOUGLAS STIEBEL	NIL	DOUGLAS/CHRISTINE STIEBEL	15,673,025
		CHRISTINE STIEBEL	NIL
ANGELA LEE LOY	NIL	IAN ANDREW LEE	NIL
		AEGIS BUSINESS SOLUTIONS LTD	NIL
		EVE ANDERSON RECRUITMENT LTD	NIL
PETER PEARSON	NIL	PETER/YVONNE PEARSON	400,000
DEBBIE-ANN GORDON	NIL	ERIC CRAWFORD	NIL
SHARON DONALDSON	100,000	JUNIOR LEVINE	NIL

SHAREHOLDING OF SENIOR MANAGEMENT AND CONNECTED PERSONS

SENIOR MANAGEMENT	SHAREHOLDING	CONNECTED PERSONS	SHAREHOLDING
ROSE HAMILTON	NIL	SEZVIN HAMILTON DEC'D	NIL
MICHELLE MORRISON	NIL	DAVE MORRISON	NIL