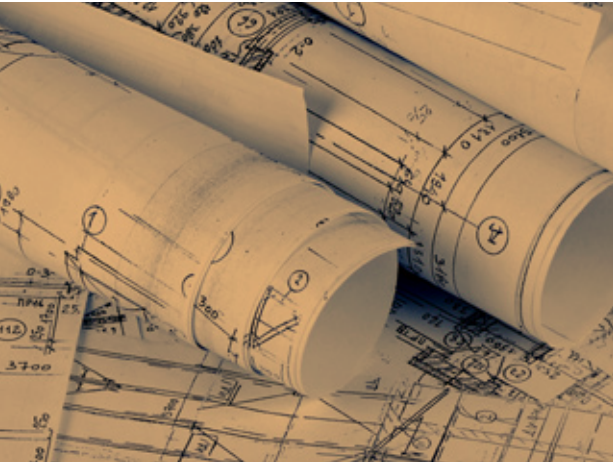


Submission to Office of Utilities Regulation

Landmark Developers Limited



Sewerage Services for
Liberty Estate Subdivision

TARIFF APPLICATION

May 19, 2017

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1.0 Executive Summary

1.1 Liberty Estate Development

Landmark Developers Limited (“Landmark”) established the Liberty Estate Development, a joint venture partnership between the Minister of Housing and Landmark (“Liberty Estate” or “the Development”) in 1998. Phase 1 of the Development was the first project under the Emancipation Lands Project rolled out by the Government Administration of the day. Liberty Estate, located at Industry Pen, Three Hills in the parish of St. Mary, has been developed in five phases, four of which have been sold and occupied by owners. Landmark was granted approvals by the St. Mary Parish Council and NEPA in 2016, to subdivide a fifth phase. These are as follows:

- Phase 1: JV Agreement in the year 1998. Two Hundred and Thirty Seven (237) lots subdivided and sold. These lots were approved with on site sewerage from NEPA.
- Phase 2: JV Agreement in the year 2000. Five Hundred and Eighty Eight (588) lots were subdivided and sold.
- Annex: Two Hundred and Six Lots (206) were subdivided and sold additionally on the parcel of lands for Phase 2.
- Phase 3: Two Hundred and Fourteen (214) lots were subdivided and sold on lands adjacent to Phase 2 and the Annex.
- Phase 3A: JV Agreement in the year 2014, which regularizes the working arrangements for the Annex and Phase 3 and intends to subdivide an additional Sixty lots (60) on Lot 263 of the Development. Proceeds from the revenue generated from the sale of Lots in Phase 3A will be used to rehabilitate the roads in all the phases and upgrade the sewage system.

1.2 Liberty Sewerage System

Due to the massive expansion of the Development with the addition of Phase 2 lots, NEPA granted approval for Phase 2 on the condition that onsite sewerage was no longer viable, as it exists in Phase 1, and that a sewerage collection and treatment system be constructed for Liberty Estate given the new service load and the Development’s proximity to the White River. Landmark constructed a sewerage system to serve Phase 2, Annex and Phase 3 of the Development in 2001.

The sewerage system includes the following:

The existing sewerage facility comprises of a central collection network that feeds into double chamber septic tanks where the sewage is processed in four (4)

systems. Thereafter, the primary treated sewage is siphoned into filter beds or secondary treatment. The secondary treatment waste water is then chlorinated and released into the environment. The system has a capacity of 313,500 gallons per day (GPD) and can collect, treat and dispose of sewage from up to 1,008 households. At present the number of connected households is 847 and the estimated average volume of sewage being collected is 263,427 GPD.

1.3 Plans for Expansion of the Liberty Estate Development

Landmark commenced the fifth phase (“Phase 3A”) of Liberty Estate in March 2017. Sixty (60) additional lots will be connected to the existing sewerage system on or before December 2018. It is not intended to subdivide any more lots after Phase 3A is completed.

1.4 Plans for Upgrade of the Sewerage System

In 2009, the Environmental Health Unit (EHU) of the Ministry of Health and NEPA stipulated to Landmark that the existing sewerage system needs to be modified to a tertiary sewerage treatment system. This is implemented by converting the sand filters to reed beds (constructed wetlands) with final disposal via absorption pits.

The cost of the modification is J \$43,628,400, and will be implemented and completed on or before September 2018.

The current sewerage system has the capacity to be expanded to service an additional 200 lots. This is not being contemplated at this juncture, but will be added based on a load demand basis.

1.5 Sewerage Services Licence

In 2011 Landmark Developers Limited applied for, and was granted, a licence by the Office of Utilities Regulations (OUR) to charge for sewerage services to the subdivision. The Licence, among other things, sets out the basis for application for a tariff to be charged to the residents of Liberty Estate.

Landmark received NEPA approvals for the design of the upgrade of the sewerage system and the connection of the fifth phase of the development to the sewerage system in 2016, and is now ready to proceed with the application for the sewerage services tariff.

1.6 Proposed Tariff

Based on the Licence, Landmark is hereby applying for a tariff that would allow it to recover both its operating costs and capital investments, as well as a Price Adjustment Mechanism (PAM) based on the NWC PAM.

The proposed tariff is as follows:

Table 1: Summary of proposed rates

Tariff Parameter	Tariff Request
Tariff yield on revenue	\$ 37,276,381
Fixed Service Charge	\$ 3,078/Month
Residential Usage Charge (Variable Costs)	\$589/Month
Commercial Usage Charge (Variable Costs)	\$589 /Month
Connection Fee	\$ 49,511
Verification Fee	\$ 7,427
Reconnection Fee	\$7,950
PAM	Rate to be adjusted based on NWC PAM to address foreign exchange and inflation risks.

Legal Framework

Landmark is a regulated utility pursuant to the Office of Utilities Regulation Act and operates under a Licence issued by the Minister of Water based on the recommendation of the Office of Utilities Regulation (OUR). The Licence sets out, among other things, the procedures for determining the rates that Landmark may charge consumers. The rates are to be set by the OUR in accordance with these procedures. Landmark and its activities are also subject to regulation by other relevant government agencies such as the National Environment and Planning Agency (NEPA) and the Ministry of Health.

Tariff Methodology

The mechanism for calculating the rates to be paid to Landmark for treatment of wastewater delivered is set out in Schedule 3 of the Licence granted to Landmark by the Minister of Water on the recommendation of the OUR.

The basic approach to establishing the rates involves the following:

1. Establishment of a test year which shall be the latest 12 months for which there are audited accounts.
2. Adjustment of the results of the test year to reflect normally expected operating conditions, revenues and costs that would come into effect within the next 12 months.
3. Determination of a Rate Base to reflect net investments with adjustments as appropriate.
4. Determination of the Revenue Requirement as the sum of:
 - a. Operating costs;
 - b. Depreciation;
 - c. Taxes; and
 - d. Return on investment allowed.
5. Determination of Fixed Price Components and Variable Price Components based on the Revenue Requirement and related assumptions.
6. Determination of Price Indexation Parameters.

Steps 5 and 6 are not included in the Licence but are additional steps required in order to ensure fair pricing for the wastewater treatment services to be provided to consumers.

Test Year

The Test Year is defined in the Licence as the latest twelve months of operation for which there are audited accounts. The most recent annual audited account available for Landmark is for calendar year 2016. The Test Year, therefore is 2016. The Test Year data is adjusted for known and measurable costs and parameters.

Summary of Landmark’s Tariff Application

The Summary of the Landmark’s Tariff Application is set out below:

Table 2: Summary of Base Tariff Determination

ITEM	TEST YEAR (NON-OPERATIONAL)	Landmark PROPOSED	REMARKS
NBV Asset Base (J\$)	\$111,412,711	\$152,677,442	Landmark Plant & Property existing + Cost of Upgrade to Sewerage Plant(2017)
WACC (Pre -Tax)	9.53%	9.53%	Determined using the CAPM methodology
OPEX- before Interest (J\$)	\$2,640,154	\$9,096,000	Landmark was non operational for the test year.
Finance Cost (J\$)	\$0	\$8,934,950	Interest and principal payments for Required bank loan and also interest on shareholder’s loan during non operational years.
Depreciation (J\$)	\$2,987,335	\$4,414,706	Depreciation proposed is the average of the Depreciation between 2017 and 2022.
ROI (J\$)	\$10,620,233	\$14,553,725	WACC * Asset Base
Taxes (J\$)	\$77,000	\$148,276	Property Tax and Asset Tax
Base Revenue Requirement (J\$)	\$16,447,722	\$37,276,381	
WW Flow Volume (M3)	N/A	N/A	Accurate water consumption data is not available.
Average Tariff (J\$/Month)	\$ 1,618	\$ 3,667	Due to the absence of water consumption data, a fixed tariff is proposed, which includes fixed cost components and variable cost components.

TARIFF REQUEST 1

Based on Landmark's expected Capital and Operating Costs and issues with measuring volumetric flow, Landmark proposes the following:

- Base Revenue Requirement of \$37,276,381.

The Base Tariff structure is designed to allow for efficient and fair rates as follows;

- A Fixed tariff of J\$3,667.00 per month, which comprises a fixed service charge of J\$3,078 and a fixed usage charge of J\$589; and
- A Variable (volumetric) tariff of J\$0.00/ M3 given the issues with assessing volume of water used by consumers, which is normally the basis for assessing volume of wastewater generated.

Once reliable water consumption information can be consistently obtained, an appropriate variable tariff will be proposed to the OUR.

TARIFF REQUEST 2

A monthly PAM shall be applied to the rates charged by Landmark. The PAM is an indexation mechanism that is applied to the base rates and charges for water and sewerage services to preserve the real revenue of a company. The PAM captures the movement of the consumer price index, foreign exchange (J\$/US\$) and JPS average charge per kilowatt hour (\$/kWh).

Landmark is requesting that a PAM equivalent to that of the National Water Commission should be applied to the base rate of Landmark one month after it is applied by the NWC.

TARIFF REQUEST 3

In order to recover its costs associated with the respective activities, Landmark is requesting that the following fees be applied.

Connection Fee

The revenue from the connection fee is to recover the initial capital cost of the sewerage system that has been utilized by the residents of Phase 2, annex and Phase 3 for some 15 years without any charges for the sewer service. The fee is determined as follows:

1.0 Executive Summary contd.

Labour:	\$J 7,426.61
Material:	\$J 22,279.83
Supervision:	\$J 14,853.22
Commission of Installation:	\$J 2,475.54
Mark Up:	\$J 2,475.54
	<hr/>
Connection Fee:	\$J 49,511

Verification Fee

The verification fee is charged to all existing customers and it is for the cost to certify that the connection is viable. The proposed fee is the labour cost in the connection fee \$J 7,427.

Reconnection Fee

The reconnection charge is based on the cost to physically create a disconnection of the customer's sewerage connection from the main system and then removing the blockage subsequently. The process involves the use of a backhoe which will be rented and the company's labour input, \$J 7,950.

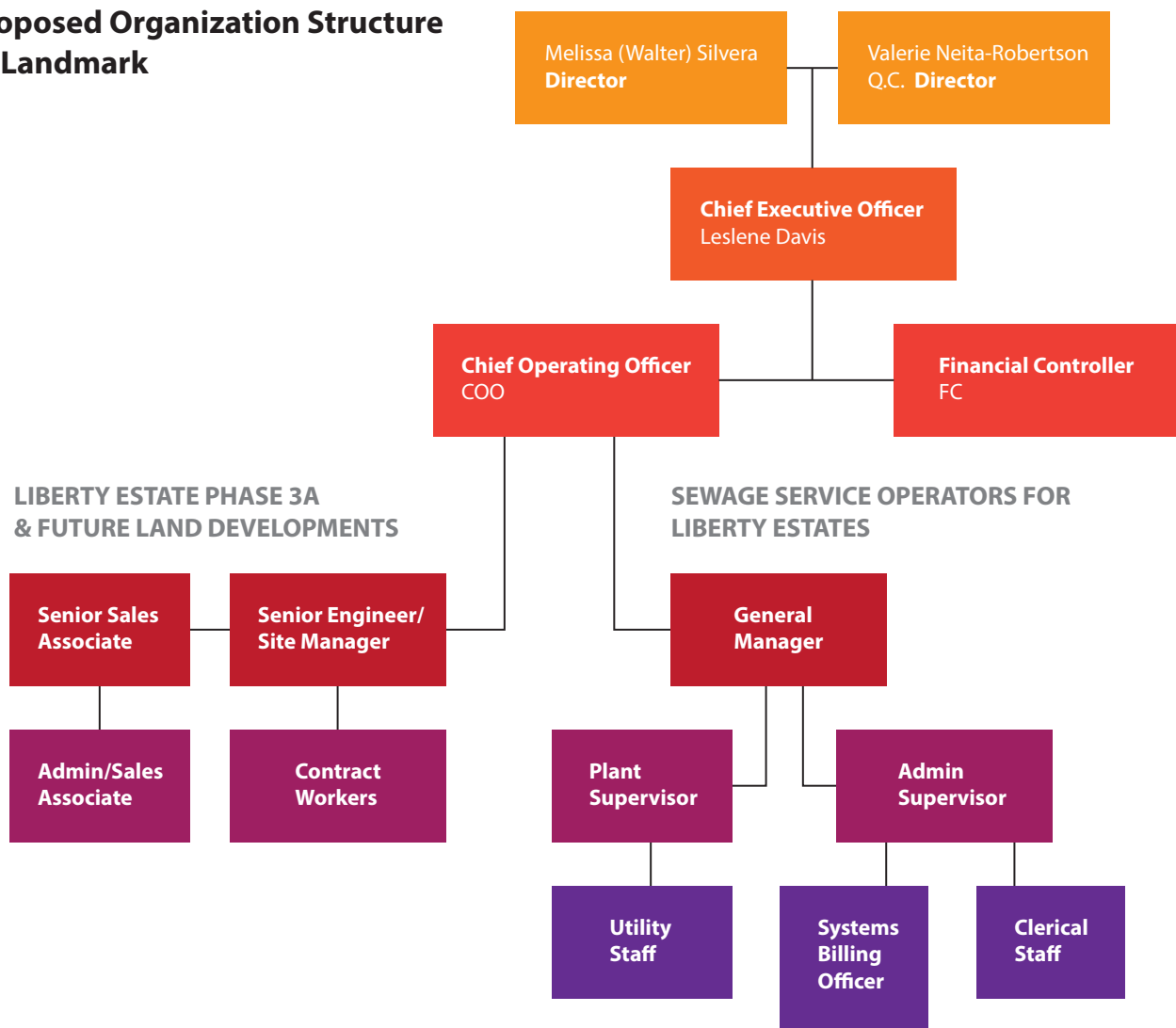
2.0 Company Background

Landmark Developers Limited (“the Company”) was established in 1988. The Company operated in the business of land development for several years and ceased operations in 2007. Landmark has undergone a series of structural changes subsequent to the issuance of the License to be a sewerage service provider, which resulted in Directors of the Company resigning from the Board and Principals selling shares respectively. Ms. Leslene Davis, the Chief Executive Officer of Landmark resigned from the Board of Directors March 7, 2017.

Landmark’s Board of Directors are Mrs. Melissa Silvera (“Melissa Walter”) and Mrs. Valerie-Neita Robertson Q.C. The shareholders of Landmark Developers Limited are Melissa Walter, Leslene Davis, Hector Carey and Trevor Clarke.

The new Board is mandated to get Landmark Developers Ltd operational.

Proposed Organization Structure of Landmark



3.0 Tariff Rate Determination



3.1 ASSUMPTIONS

Financing Assumptions										
Funding Source	Amount	%	Repayment Term (Yrs) (After Constr.)	Years of Interest Only (Incl. Constr.)	Total Term (Yrs.)	Final Maturity	Interest Rate	Investment Interest Rate	Debt Reserve (Mos)	CashFlow Sharing
Required Loan	60,000,000	0.00%	10	0.5	10	04-Dec-26	10.00%			
ShareHolders Loan	4,115,000	0.00%								
Management Equity	0	0.00%								
Third Party Equity	0	0.00%								
TOTAL FUNDING	64,115,000	100.00%								
TARIFF CLOSE TARGET DATE	31/7/2017									

Escalation	%/Yr.
Labor	6.00%
Utilities	5.00%
Transport Fees & Storage	7.00%
Maintenance	3.00%
Administration	4.00%
Taxes	2.00%

Operating Assumptions	Year 1	Year 3+
Monthly Sewage Service Fixed Charge	\$3,078.45	\$2,874.80
Monthly Sewage Service Usage Charge	\$589.05	\$550.08
Number of Existing Dwellings	847	907
Recovery Factor for Customers	100%	100%
Number of Recovered Customers	847	907

Rate Base Assumptions	
Base Revenue Requirement = Operating Costs + Depreciation + Taxes + Return on Investment	
Operating Costs = (Fixed + Variable) Administrative Costs + Finance Costs	
Administrative Costs = Plant Operating Costs	
Depreciation = Average Total Depreciation Dollars for the years 2017-2022	
Taxes are the Property & Asset Tax	
Cost of Equity Nominal (Post Tax) = Risk Free Rate + Equity Beta * (Mature Market Risk Premium + Country Risk Premium)	11.08%
where	
Risk Free Rate =	2.90%
Asset Beta =	0.50
Total Financing (Proposed Bank Loan + Shareholder's Loan + Cost of Plant & Property) =	\$181,502,380
Required Debt Ratio	35%
Equity Ratio	65%
Equity Beta =	
Asset Beta + (Asset Beta*(Landmark's Required Debt Ratio / Equity Ratio))	0.773
Mature Market Risk Premium =	5.00%
Country Risk Premium =	5.58%
Cost of Required Debt = Proposed Interest Rate from Local Banks	10.00%
Tax Rate	33.00%
Weighted Average Cost of Capital -Nominal Post Tax (WACC) = Required Debt Ratio x Cost of Debt x (1 - Tax Rate) + Equity Ratio X Cost of Equity	9.53%
Allowed Rate of Return is equal to the WACC	
Return on Investment = Allowed Rate on Return x Asset Base: where Asset Base = Audited Net Book Value of Asset as at December 2016 + the cost of the upgrade to the existing plant	

Tariff Rate Assumptions
The calculated Base Revenue Requirement is the total Tariff per year
The Fixed Component of the Tariff = ((Fixed Administrative Costs + Finance Costs) / Total Operations Cost)
The Variable Component of the Tariff = ((Variable Administrative Costs) / Total Operations Cost)
The Fixed Service Charge = (The Annual Fixed Tariff /12) /Number of Recovered Customers
The Variable Service Charge or Usage Charge = (The Annual Variable Tariff /12) /Number of Recovered Customers

3.2 RATE BASE DETAILS

BASE REVENUE REQUIREMENT		
	Audited Year 2016 (Non Operational)	Known Unmeasurables/ Projections
Operating Costs:		
Fixed Administrative Costs	\$0	\$6,200,000
Variable Administrative Costs	\$2,640,154	\$2,896,000
Finance Costs	\$0	\$8,934,950
Total Operating Costs	\$2,640,154	\$18,030,950
Depreciation:	\$2,987,335	\$4,414,706
Taxes (Property Tax & Asset Tax):	\$200,000	\$277,000
Return on Investment:		
Net Book Value Asset Base	\$111,412,711	\$152,677,442
Cost of Capital / Allowed Rate of Return	9.53%	9.53%
Total Return on Investment	\$10,620,233	\$14,553,725
TOTAL BASE REVENUE REQUIREMENT	\$16,447,722	\$37,276,381

RATE STRUCTURE		
	Audited Year 2016 (Non Operational)	Known Unmeasurables/ Projections
TOTAL ANNUAL TARIFF	\$16,447,722	\$37,276,381
Fixed Component Percentage	0.00%	83.94%
Variable Component Percentage	100.00%	16.06%
FIXED ANNUAL TARIFF	\$0	\$31,289,320
VARIABLE ANNUAL TARIFF	\$16,447,722	\$5,987,061
FIXED SERVICE CHARGE FOR YR 1 (Before Completion of Sewage System Upgrade & Phase 3A - additional 60 lots)	\$0	\$3,078
VARIABLE SERVICE CHARGE FOR YR 1 (Before Completion of Sewage System Upgrade & Phase 3A - additional 60 lots)	\$1,618	\$589
FIXED SERVICE CHARGE FOR YR 3 (Projected time of 60 new houses built in Phase 3A, Sewage System Upgrade completed)	\$0	\$2,875
VARIABLE SERVICE CHARGE FOR YR 3 (Projected time of 60 new houses built in Phase 3A, Sewerage System Upgrade completed)	\$1,511	\$550

3.3 OPERATIONAL DETAIL

	Year 1	Year 3+
Connection Fees	\$41,935,817.00	\$2,970,660.00
Verification Fee	\$6,290,669.00	\$0.00
Number of Existing Dwellings	847	907
Recovery Factor	100%	100%
Number of Recovered Customers	847	907
Percentage of Reconnections	15%	15%

Year 1 - Sewage Service Revenue				
	Item	Number of Recovered Customers	Price/month per Customer	Annual Revenue
Sewage Service Revenue	Fixed Service Charge	847	\$3,078	\$31,289,320
	Usage Charge	847	\$589	\$5,987,061
	Reconnection Fee	127	\$7,950	\$12,120,570
	Total (First Year)	847		\$49,396,951

Years 3+ Sewage Service Revenue				
	Item	Number of Recovered Customers	Price/month per Customer	Annual Revenue
Sewage Service Revenue	Fixed Service Charge	907	2,875	\$31,289,320
	Usage Charge	907	550	\$5,987,061
	Reconnection Fee	136	7,950	\$12,979,170
	Total (Years 3+)	907		\$50,255,551

Year 1 - Monthly & Annual Operating Costs		
Cost Category	Per Month	Per Year
Fixed Plant Operating Costs (See Administrative Detail)	\$516,667	\$6,200,000
Variable Plant Operating Costs (See Administrative Detail)	\$241,333	\$2,896,000
Total Administrative Costs	\$758,000	\$9,096,000
Total for Plant Operating Cost	\$758,000	\$9,096,000

Years 3+ Monthly & Annual Operating Costs		
Cost Category	Per Month	Per Year
Fixed Plant Operating Costs (See Administrative Detail)	\$516,667	\$6,200,000
Variable Plant Operating Costs (See Administrative Detail)	\$241,333	\$2,896,000
Total Administrative Costs	\$758,000	\$9,096,000
Total for Plant Operating Cost	\$758,000	\$9,096,000

3.4 ADMINISTRATIVE DETAIL

PLANT OPERATING COSTS		
Fixed Operation & Maintenance Costs	Annual Total	Monthly
Salaries & Wages	14,942,000	1,245,167
Office Lease	780,000	65,000
Insurance	242,000	20,167
Motor Vehicles	1,200,000	100,000
Safety Equipment & Consultation	130,000	10,833
Telephone/CUG/Internet & Cable	360,000	30,000
Accounting, Audit, Payroll, IT maintenance & services	1,210,000	100,833
Stationary	120,000	10,000
Security	1,800,000	150,000
Site Maintenance	240,000	20,000
Lab Services	600,000	50,000
Kitchen	540,000	45,000
Sub Total	6,200,000	516,667
TOTAL	6,200,000	516,667

PLANT OPERATING COSTS		
Variable Operation & Maintenance Costs	Annual Total	Monthly
Network Support - Disconnection & Reconnection	2,200,000	183,333
Electricity & Water	174,000	14,500
Transportation - Fuel, Gas, Oil & Grease	420,000	35,000
Chlorination	102,000	8,500
Sub Total	2,896,000	241,333
TOTAL	2,896,000	241,333
TOTAL ADMINISTRATIVE COSTS	9,096,000	758,000

3.5 SALARIES & WAGES

PERSONNEL DETAIL	Rate	Hourly/Salaried	Annual Hours	Annual Comp.	Number	Annual Total	Monthly
Management							
General Manager	\$341,667	S		4,100,000	1	4,100,000	341,667
Office Professionals							
Plant Supervisor	\$245,833	S		2,950,000	1	2,950,000	245,833
System Billing Officer	\$183,333	S		2,200,000	1	2,200,000	183,333
Administrative Officer				2,200,000	1	2,200,000	183,333
Clerical Staff	\$135,000	S		810,000	2	1,620,000	135,000
Utility Staff	\$50,000	S		624,000	3	1,872,000	156,000
Sub Total					9	14,942,000	1,245,167
TOTAL						14,942,000	1,245,167

3.6 DEPRECIATION & AMORTIZATION

	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
	2016	2017	2018	2019	2020	2021	2022
Sewage Plant Cost as at Dec 31, 2016	116,685,380	113,184,819	152,108,822	147,545,557	143,119,191	138,825,615	134,660,846
Sewage Plant Upgrade and Modification Cost		43,628,400					
Office Equipment	180,000	162,000	145,800	131,220	118,098	106,288	95,659
Furniture & Fixtures	522,000	469,800	422,820	380,538	342,484	308,236	277,412
Annual depreciation-percentage for Sewage Plant	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Annual depreciation - percentage for Office Equipment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Annual depreciation-percentage for Furniture & Fixtures	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Annual depreciation for Sewerage Plant-dollars	3,500,561	4,704,397	4,563,265	4,426,367	4,293,576	4,164,768	4,039,825
Annual depreciation for Office Equipment-dollars	18,000	16,200	14,580	13,122	11,810	10,629	9,566
Annual depreciation for Furniture & Fixtures-dollars	52,200	46,980	42,282	38,054	34,248	30,824	27,741
Total Annual depreciation - dollars	3,570,761	4,767,577	4,620,127	4,477,543	4,339,634	4,206,221	4,077,133
Cumulative depreciation	3,570,761	8,338,338	9,387,703	9,097,669	8,817,176	8,545,855	8,283,353
Net Property, Plant & Equipment Value	113,816,619	152,677,442	147,488,695	138,447,888	134,302,014	130,279,760	126,377,493
Loan Costs	4,115,000	60,000,000					
Annual amortization-percentage	0.00%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual amortization-dollars	0	1,500,000	0	0	0	0	0
Cumulative amortization	0	1,500,000					
Net loan fees	4,115,000	58,500,000	0	0	0	0	0
Annual amortization-percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual amortization-dollars	0	0	0	0	0	0	0
Cumulative amortization	0	0	0	0	0	0	0
Net start up expenses	4,115,000	58,500,000	0	0	0	0	0

3.7 USE OF LOAN PROCEEDS

BUDGET	TOTAL	(Closing)	1	2	3	4	5	6
		1-Aug-17	1-Sep-17	1-Oct-17	1-Nov-17	1-Dec-17	1-Jan-18	1-Feb-18
Site								
Utilities Office Rent Accrued		450,000						
Fencing & Security Infrastructure	1,600,000	1,600,000						
Office Furniture & Equipment	1,000,000	500,000	500,000					
Signage, Website, Media	1,941,800	541,800		800,000		600,000		
Modification and Upgrade of Sewerage to Tertiary Plant								
Infrastructure Works - Reed Beds, Absorption Pits <i>(See Cash Conversion Cycle yr 1)</i>	43,628,400			15,876,133	15,876,133	11,876,133		
Fees								
OUR License through to 2017	875,000	750,000						125,000
Administrative Costs								
Fixed Plant Operating Costs	3,100,000		516,667	516,667	516,667	516,667	516,667	516,667
Variable Plant Operating Costs	1,448,000		241,333	241,333	241,333	241,333	241,333	241,333
Finance Costs								
Initial Financing Costs	600,000	600,000						
Financing Interest only payments	3,000,000		500,000	500,000	500,000	500,000	500,000	500,000
Shareholders Loan Interest Payment	267,475		44,579	44,579	44,579	44,579	44,579	44,579
Contingency	2,539,325		277,953	277,954	249,554	577,954	577,954	577,954
TOTAL BUDGET	\$60,000,000	4,441,800	2,080,533	18,256,667	17,428,267	14,356,667	1,880,534	2,005,534

3.8 CASH CONVERSION CYCLE - YEAR 1

OPERATING YEAR 1												TOTAL		
	0	1	2	3	4	5	6	7	8	9	10	11	12	
	1-Aug-17	1-Sep-17	1-Oct-17	1-Nov-17	1-Dec-17	1-Jan-18	1-Feb-18	1-Mar-18	1-Apr-18	1-May-18	1-Jun-18	1-Jul-18	1-Aug-18	
CASH INFLOW														
SEWAGE SERVICE UNITS														
Number of Existing Dwellings		847	847	847	847	847	847	847	847	847	847	847	847	
Recovery Factor		0%	0%	25%	40%	55%	63%	77%	100%	100%	100%	100%	100%	
Number of Recovered Customers		0	0	212	339	466	534	652	847	847	847	847	847	6,437
Number of Customers to be Reconnected		0	0	0	51	70	80	98	127	127	127	127	127	934
SEWAGE SERVICE DOLLARS														
Fixed Service Charge		\$4,193,582	\$4,193,582	\$4,193,582	\$16,774,327	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	19,916,669
Usage Charge		\$3,145,335	\$3,145,335	\$3,145,335	\$11,642,689	\$1,434,094	\$293,528	\$358,756	\$465,917	\$465,917	\$465,917	\$465,917	\$465,917	3,540,969
Reconnection Fee					\$196,367	\$555,526	\$636,330	\$777,737	\$1,010,048	\$1,010,048	\$1,010,048	\$1,010,048	\$1,010,048	7,019,830
Connection Fee					\$16,774,327	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	\$4,193,582	41,935,817
Verification Fee														6,290,669
Total Sewage Service Sales		7,338,916	7,338,916	7,338,916	18,003,671	6,439,456	6,766,129	7,337,806	4,083,408	4,083,408	4,083,408	4,083,408	4,083,408	78,603,855
ACCOUNTS RECEIVABLE		0	7,338,916	7,338,916	4,961,922	18,003,671	6,766,129	7,337,806	4,083,408	4,083,408	4,083,408	4,083,408	4,083,408	\$78,603,855
INCOMING CASH														
Collections		0	7,338,916	7,338,916	4,961,922	18,003,671	6,766,129	7,337,806	4,083,408	4,083,408	4,083,408	4,083,408	4,083,408	\$78,603,855
Total incoming cash		0	7,338,916	7,338,916	4,961,922	18,003,671	6,766,129	7,337,806	4,083,408	4,083,408	4,083,408	4,083,408	4,083,408	\$78,603,855
CASH OUTFLOW														
SEWAGE SERVICE DOLLARS														
Fixed Plant Operating Costs (See Administrative Detail)		\$516,667	\$516,667	\$516,667	\$516,667	\$516,667	\$516,667	\$516,667	\$516,667	\$516,667	\$516,667	\$516,667	\$516,667	\$6,200,000
Variable Plant Operating Costs (See Administrative Detail)		\$241,333	\$241,333	\$241,333	\$241,333	\$241,333	\$241,333	\$241,333	\$241,333	\$241,333	\$241,333	\$241,333	\$241,333	\$2,886,000
Total Administrative Costs		\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$9,086,000
COST OF SEWAGE PLANT MODIFICATION & UPGRADE														
Reed Beds:														\$8,000,000
Excavation														\$25,428,400
Piping, Gravel & Reed Planting														\$10,200,000
Absorption Pits:														\$43,628,400
Excavate & Construction														\$105,448,800
Infrastructure Works - Reed Beds, Absorption Pits														105,448,800
Total Costs		0	1,516,000	33,268,267	33,268,267	25,268,267	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	\$105,448,800
Total Cash Outflow		0	1,516,000	33,268,267	33,268,267	25,268,267	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	\$105,448,800
LOAN PRINCIPAL & INTEREST PAYABLE		600,000	544,579	544,579	544,579	544,579	544,579	844,579	844,579	844,579	844,579	844,579	844,579	8,934,950
ACCOUNTS PAYABLE		0	1,516,000	33,268,267	33,268,267	25,268,267	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000	105,448,800
OUTGOING CASH														
Disbursements		600,000	2,060,579	33,812,846	33,812,846	25,812,846	2,060,579	2,060,579	2,360,579	2,360,579	2,360,579	2,360,579	2,360,579	114,383,750
Total outgoing cash/ Total Operating Cost		600,000	2,060,579	33,812,846	33,812,846	25,812,846	2,060,579	2,060,579	2,360,579	2,360,579	2,360,579	2,360,579	2,360,579	114,383,750
Beginning cash		60,008,147	59,408,147	64,686,484	38,212,554	9,361,630	1,552,455	5,931,332	10,636,882	15,814,108	17,336,937	20,782,694	22,505,423	24,228,252
Total receipts		0	7,338,916	7,338,916	4,961,922	18,003,671	6,766,129	7,337,806	4,083,408	4,083,408	4,083,408	4,083,408	4,083,408	78,603,855
Total disbursements		600,000	2,060,579	33,812,846	33,812,846	25,812,846	2,060,579	2,060,579	2,360,579	2,360,579	2,360,579	2,360,579	2,360,579	114,383,750
Ending cash		59,408,147	64,686,484	38,212,554	9,361,630	1,552,455	5,931,332	10,636,882	15,814,108	17,336,937	20,782,694	22,505,423	24,228,252	(11,551,644)

3.9 CASH CONVERSION CYCLE - YEAR 3

OPERATING YEAR 3														
	0	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
	1-Aug-20	1-Sep-20	1-Oct-20	1-Nov-20	1-Dec-20	1-Jan-21	1-Feb-21	1-Mar-21	1-Apr-21	1-May-21	1-Jun-21	1-Jul-21	1-Aug-21	
CASH INFLOW														
SEWAGE SERVICE UNITS														
Number of Existing Dwellings	907	907	907	907	907	907	907	907	907	907	907	907	907	
Recovery Factor	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Number of Recovered Customers	907	907	907	907	907	907	907	907	907	907	907	907	907	11,791
Number of Customers to be Reconnected	136	136	136	136	136	136	136	136	136	136	136	136	136	1,769
SEWAGE SERVICE DOLLARS														
Fixed Service Charge	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	\$2,607,443	33,896,763
Usage Charge	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	\$498,922	6,485,983
Reconnection Fee	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	\$1,081,598	14,060,768
Connection Fee	\$297,066	\$297,066	\$297,066	\$297,066	\$1,188,264	\$297,066	\$297,066	\$297,066	\$297,066	\$297,066	\$297,066	\$297,066	\$297,066	2,970,660
Verification Fee														0
Total Sewage Service Sales	4,187,963	4,485,029	4,485,029	4,485,029	5,376,227	4,485,029	4,485,029	4,485,029	4,187,963	4,187,963	4,187,963	4,187,963	4,187,963	57,414,173
ACCOUNTS RECEIVABLE	4,187,963	4,485,029	4,485,029	4,485,029	5,376,227	4,485,029	4,485,029	4,485,029	4,187,963	4,187,963	4,187,963	4,187,963	4,187,963	\$57,414,173
INCOMING CASH														
Collections	4,187,963	4,485,029	4,485,029	4,485,029	5,376,227	4,485,029	4,485,029	4,485,029	4,187,963	4,187,963	4,187,963	4,187,963	4,187,963	\$57,414,173
Total incoming cash	4,187,963	4,485,029	4,485,029	4,485,029	5,376,227	4,485,029	4,485,029	4,485,029	4,187,963	4,187,963	4,187,963	4,187,963	4,187,963	\$57,414,173
CASH OUTFLOW														
COST OF SEWAGE SERVICE														
Fixed Plant Operating Costs (See Administrative Detail)	516,667	516,667	516,667	516,667	516,667	516,667	516,667	516,667	516,667	516,667	516,667	516,667	516,667	\$6,716,667
Variable Plant Operating Costs (See Administrative Detail)	241,333	241,333	241,333	241,333	241,333	241,333	241,333	241,333	241,333	241,333	241,333	241,333	241,333	\$3,137,333
Total Administrative Costs	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$758,000	\$9,854,000
Total incoming cash	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	9,854,000
LOAN PRINCIPAL & INTEREST PAYABLE	4,915,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	800,000	14,515,000
ACCOUNTS PAYABLE	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	758,000	9,854,000
OUTGOING CASH														
Disbursements	5,673,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	24,369,000
Total outgoing cash/ Total Operating Cost	5,673,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	24,369,000
Beginning cash	(11,551,644)	(13,036,681)	(10,109,653)	(7,182,624)	(4,255,596)	(4,37,369)	2,489,659	5,416,688	8,343,717	10,973,679	13,603,642	16,233,604	18,863,567	21,493,529
Total receipts	4,187,963	4,485,029	4,485,029	4,485,029	5,376,227	4,485,029	4,485,029	4,485,029	4,187,963	4,187,963	4,187,963	4,187,963	4,187,963	57,414,173
Total disbursements	5,673,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	1,558,000	24,369,000
Ending cash	(13,036,681)	(10,109,653)	(7,182,624)	(4,255,596)	(437,369)	2,489,659	5,416,688	8,343,717	10,973,679	13,603,642	16,233,604	18,863,567	21,493,529	54,538,703

3.10 FINANCIAL SUMMARY

Financial Projections Summary					
	1	2	3	4	5
	1-Aug-18	1-Aug-19	1-Aug-20	1-Aug-21	1-Aug-22
Sewage Service Revenue					
Fixed Service Charge	31,289,320	31,289,320	31,289,320	31,289,320	31,289,320
Usage Charge	5,987,061	5,987,061	5,987,061	5,987,061	5,987,061
Reconnection Fee	12,120,570	12,120,570	12,979,170	12,979,170	12,979,170
Connection Fee	41,935,817		2,970,660		
Verification Fee	6,290,669				
Total Revenues	97,623,437	49,396,951	53,226,211	50,255,551	50,255,551
Cost of Sewage Service					
Fixed Plant Operating Costs (See Administrative Detail)	6,200,000	6,510,000	6,835,500	7,177,275	7,536,139
Variable Plant Operating Costs (See Administrative Detail)	2,896,000	3,040,800	3,192,840	3,352,482	3,520,106
Total Administrative/Plant Operational Expenses	9,096,000	9,550,800	10,028,340	10,529,757	11,056,245
EBITDA	88,527,437	39,846,151	43,197,871	39,725,794	39,199,306
Depreciation & Amortization	6,267,577	4,620,127	4,477,543	4,339,634	4,206,221
Interest & Principal Expense	8,934,950	9,600,000	9,600,000	9,600,000	9,600,000
Taxes	26,120,538	8,456,588	9,609,708	8,509,433	8,379,718
Total Other Expenses	41,323,064	22,676,715	23,687,251	22,449,067	22,185,939
Net Income	47,204,373	17,169,436	19,510,620	17,276,727	17,013,367
Plus Depreciation & Amortization	6,267,577	4,620,127	4,477,543	4,339,634	4,206,221
Decrease (Increase) in Net Working Capital					
Minus Capital Expenditures					
Free Cash Flow	53,471,949	21,789,563	23,988,162	21,616,361	21,219,588

3.11 INCOME STATEMENT

	0	1	2	3	4	5
	01-Aug-17	01-Aug-18	01-Aug-19	01-Aug-20	01-Aug-21	01-Aug-22
Sewage Service Revenue						
Fixed Service Charge	0	31,289,320	31,289,320	31,289,320	31,289,320	31,289,320
Usage Charge		5,987,061	5,987,061	5,987,061	5,987,061	5,987,061
Reconnection Fee		12,120,570	12,120,570	12,979,170	12,979,170	12,979,170
Connection Fee		41,935,817		2,970,660		
Verification Fee		6,290,669				
Total Sales	0	97,623,437	49,396,951	53,226,211	50,255,551	50,255,551
Cost of Sewage Service						
Fixed Plant Operating Costs (See Administrative Detail)	0	6,200,000	6,510,000	6,835,500	7,177,275	7,536,139
Variable Plant Operating Costs (See Administrative Detail)	0	2,896,000	3,040,800	3,192,840	3,352,482	3,520,106
Total Cost of Sewage Service	0	9,096,000	9,550,800	10,028,340	10,529,757	11,056,245
Gross Profit	0	88,527,437	39,846,151	43,197,871	39,725,794	39,199,306
<i>Gross Profit Margin</i>	<i>0.00%</i>	<i>90.68%</i>	<i>80.67%</i>	<i>81.16%</i>	<i>79.05%</i>	<i>78.00%</i>
EBITDA		88,527,437	39,846,151	43,197,871	39,725,794	39,199,306
<i>EBITDA Margin</i>		<i>90.68%</i>	<i>80.67%</i>	<i>81.16%</i>	<i>79.05%</i>	<i>78.00%</i>
Depreciation & Amortization						
Depreciation-Property, Plant & Equipment		4,767,577	4,620,127	4,477,543	4,339,634	4,206,221
Amortization-Loan Fees		1,500,000				
Amortization-Start-Up Expenses						
Total Depreciation & Amortization		6,267,577	4,620,127	4,477,543	4,339,634	4,206,221
EBIT		82,259,860	35,226,024	38,720,328	35,386,160	34,993,085
<i>EBIT Margin</i>		<i>84.26%</i>	<i>71.31%</i>	<i>72.75%</i>	<i>70.41%</i>	<i>69.63%</i>
Interest & Taxes						
Interest Expense		8,934,950	9,600,000	9,600,000	9,600,000	9,600,000
Pretax Income		73,324,910	25,626,024	29,120,328	25,786,160	25,393,085
Carry of loss		5,828,234				
Taxable Income		79,153,144	25,626,024	29,120,328	25,786,160	25,393,085
Tax Rate		33.00%	33.00%	33.00%	33.00%	33.00%
Taxes		26,120,538	8,456,588	9,609,708	8,509,433	8,379,718
Net Income		47,204,373	17,169,436	19,510,620	17,276,727	17,013,367
<i>Net Profit Margin</i>	<i>0.00%</i>	<i>48.35%</i>	<i>34.76%</i>	<i>36.66%</i>	<i>34.38%</i>	<i>33.85%</i>

3.12 BALANCE SHEET

	0	1	2	3	4	5
	01-Aug-17	01-Aug-18	31-May-19	31-May-20	31-May-21	31-May-22
ASSETS						
Current Assets						
Cash	59,408,147	70,125,642	98,330,232	127,081,105	153,312,917	179,005,552
Accounts receivable		4,083,408	4,083,408	4,187,963	4,187,963	4,187,963
Prepaid Items						
Total Current Assets	59,408,147	74,209,050	102,413,640	131,269,068	157,500,880	183,193,515
Property, Plant & Equipment						
Sewage Plant, Equipment, Furniture & Fixtures	117,387,380	157,445,019	152,677,442	148,057,315	143,579,773	139,240,139
Less: depreciation	(3,570,761)	(4,767,577)	(4,620,127)	(4,477,543)	(4,339,634)	(4,206,221)
Total PP&E	113,816,619	152,677,442	148,057,315	143,579,773	139,240,139	135,033,918
Total Assets	173,224,766	226,886,492	250,470,955	274,848,840	296,741,019	318,227,433
LIABILITIES						
Current Liabilities	64,115,000	64,115,000	64,115,000	60,000,000	60,000,000	60,000,000
Accounts Payable	1,110,000	1,516,000	1,516,000	758,000	758,000	758,000
Loan Interest & Principal Payable		844,579	844,579	800,000	800,000	800,000
Total Current Liabilities	65,225,000	66,475,579	66,475,579	61,558,000	61,558,000	61,558,000
Long-Term Liabilities						
LT Debt	0	0	0	0	0	0
Less current portion	0	0	0	0	0	0
Total Long-Term Liabilities	0	0	0	0	0	0
Total Liabilities and Equity	65,225,000	66,475,579	66,475,579	61,558,000	61,558,000	61,558,000

3.13 CASH FLOW

	1	2	3	4	5
	01-Aug-18	01-Aug-19	01-Aug-20	01-Aug-21	01-Aug-22
Cash Flow From Operations					
Net income	47,204,373	17,169,436	19,510,620	17,276,727	17,013,367
Adjustments to Reconcile Net Income to Net Cash Provided by Operations					
Depreciation	3,570,761	4,767,577	4,620,127	4,477,543	4,339,634
Amortization	0	1,500,000	0	0	0
Net (Increase) Decrease in Operating Assets:					
Accounts receivable	0	0	0	0	0
Prepaid items	0	0	0	0	0
Net Increase (Decrease) in Operating Liabilities:					
Accounts payable	0	0	0	0	0
Interest payable	0	0	0	0	0
Other current liabilities	0	0	0	0	0
Net Cash From Operations	50,775,134	23,437,013	24,130,747	21,754,270	21,353,001
Cash Flows From Investing Activities					
(Increase) Decrease in Property and Equipment	(40,057,639)	4,767,577	4,620,127	4,477,543	4,339,634
(Increase) Decrease in Loan Fees					
Net Increase (Decrease) in Cash	10,717,495	28,204,589	28,750,873	26,231,812	25,692,635
Cash Balance - Beginning of Period	59,408,147	70,125,642	98,330,232	127,081,105	153,312,917
Cash Balance - End of Period	70,125,642	98,330,232	127,081,105	153,312,917	179,005,552



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

LANDMARK DEVELOPERS LIMITED

I have audited the financial statements of Landmark Developers Limited (“the Company”) set out on pages 2 to 23, which comprise the statements of financial position as at 31 December, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with the IESBA Code. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Company’s financial reporting process.

To the Members of Landmark Developers Limited

Report on the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

To the Members of Landmark Developers Limited

Report on the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

I remain solely responsible for my audit opinion. I communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Basis for Disclaimer of Opinion

I have been unable to form an opinion retrospectively about whether the statement of financial position as at 31 December 2015, gives a true and fair view of the financial position, which opinion can serve as a basis for the audit of the financial statements for the year. If the amounts shown in the statement of financial position were to require adjustment this would directly affect the results reported for the year.

In addition, I have not been able obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.


Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, I do not express an opinion on the financial statements as to whether they have been properly prepared, in all material respects, in accordance with the SME-IFRS. In addition, I do not express an opinion on the statement of financial position together with the notes thereon as to whether they are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31 December 2016 according to the best of my information and explanations given to me, and as shown by the books of the Company.

Report on additional matters as required by the Jamaican Companies Act

I have not obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of my audit.

In my opinion, proper accounting records have not been maintained, so far as appears from my examination of those records, the financial statements give the information required by the Jamaican Companies Act, in the manner required.


Chartered Accountants
Unit 26, Regal Plaza
Kingston 5

March 9, 2017

LAFFERN RILEY
Chartered Accountant

Landmark Developers Ltd - Financial Statements 31 December 2016

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LANDMARK DEVELOPERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	<u>NOTE</u>	<u>2016</u>	<u>2015</u>
		<u>\$</u>	<u>\$</u>
INCOME:			
Revenue		-	-
EXPENSES:			
Property expenses including depreciation		3,187,335	3,087,335
Other operating expenses		2,640,154	2,481,845
Total expenses		<u>5,827,489</u>	<u>5,569,180</u>
Loss from operations		(5,827,489)	(5,569,180)
Finance costs (net)		(745)	(354)
Loss after finance costs		<u>(5,828,234)</u>	<u>(5,569,534)</u>
Taxation	5	-	-
Total comprehensive income		<u><u>(5,828,234)</u></u>	<u><u>(5,569,534)</u></u>

Landmark Developers Ltd - Financial Statements 31 December 2016

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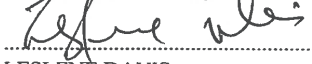
LANDMARK DEVELOPERS LIMITED


STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2016

	<u>NOTE</u>	<u>2016</u> \$	<u>2015</u> \$
ASSETS:			
Non-Current-			
Property, plant and equipment	6	111,412,711 111,412,711	114,400,045 114,400,045
Current Assets-			
Cash and cash equivalents	9	8,147 8,147	254,046 254,046
TOTAL ASSETS		<u>111,420,858</u>	<u>114,654,091</u>
EQUITY AND LIABILITIES:			
Capital and Reserves-			
Share capital	7	501	501
Revaluation reserve	10	63,350,190	63,350,190
Accumulated profits		42,845,167	48,673,400
		106,195,858	112,024,091
Current Liabilities-			
Payables and accruals	8	1,110,000	755,000
Shareholder's loan		4,115,000	1,875,000
		5,225,000	2,630,000
		<u>111,420,858</u>	<u>114,654,091</u>

The financial statements on pages 3 to 22 were approved for issue by the Board of Directors on March 2, 2017 and signed on its behalf by:


.....)
LESLENE DAVIS


.....) DIRECTORS
MELISSA WALTER

LANDMARK DEVELOPERS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	<u>Share Capital</u>	<u>Accumulated profits</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance at 31 December 2014	501	54,242,934	54,243,435
Loss for the year		(5,569,534)	(5,569,534)
Balance at 31 December 2015	<u>501</u>	<u>48,673,400</u>	<u>48,673,901</u>
Loss for the year		(5,828,234)	(5,828,234)
Balance at 31 December 2016	<u><u>501</u></u>	<u><u>42,845,167</u></u>	<u><u>42,845,668</u></u>

Landmark Developers Ltd - Financial Statements 31 December 2016

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LANDMARK DEVELOPERS LIMITED

STATEMENT OF CHANGES IN CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(5,828,234)	(5,569,534)
Adjustment to reconcile net loss to net cash provided by operating activities -		
Depreciation	<u>2,987,335</u>	<u>2,987,335</u>
	<u>(2,840,899)</u>	<u>(2,582,199)</u>
Non-Cash Working capital Components-		
Increase/(decrease) in Current Liabilities -		
Shareholder's loan	2,240,000	1,875,000
Payables and accruals	<u>355,000</u>	<u>630,000</u>
Net cash used in operating activities	<u>(245,899)</u>	<u>(77,199)</u>
Decrease in cash and cash equivalents	(245,899)	(77,199)
Cash and cash equivalents at beginning of year	<u>254,046</u>	<u>331,245</u>
Cash and cash equivalents at end of year	<u><u>8,147</u></u>	<u><u>254,046</u></u>

LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

Landmark Developers Limited (“company”) is incorporated in Jamaica and its principal activity is land development.

The company is domiciled in Jamaica and the address of its registered office is 95 – 97 Constant Spring Road, Kingston 8.

These Financial Statements are presented in Jamaican Dollars.

2. BASIS OF PREPARATION

- a) Statement of compliance -
The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board and comply with the provision of the Companies Act.
- b) Basis of measurement –
The financial statements have been prepared under the historical cost convention as modified for the inclusion of certain financial assets at fair value.
- c) Use of estimates and judgements -
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

Transactions during the year are converted into Jamaican dollars at the appropriate rates of exchange ruling on transaction dates. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the appropriate rates of exchange ruling on balance sheet date. Gains and losses arising from fluctuations in exchange rates are reflected in the profit and loss account.

(b) Financial instruments

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables and payables.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the assets are accounted for at the trade date, i.e., the date that the company commits itself to purchase or sell the assets. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than 90 days from the date of acquisition. Cash and cash equivalents are carried at cost.

LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES CONT'D:

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Capital leases

The company's policy is to account for Capital leases, which transfer substantially all the benefits and risks incident to the ownership of the leased property to the company, as the acquisition of an asset and the incurrence of an obligation. Under this method of accounting, the recorded value of the leased asset is amortised principally using the straight line basis over its estimated useful life and the obligation, including interest thereon is reduced through payments over the life of the lease. Depreciation expense on items subject to capital lease and the related accumulated depreciation is included in property, plant and equipment.

(iii) Depreciation

Depreciation is recognised in the income statement on straight-line basis annual rates estimated to write down the assets to their estimated residual values at the end of their expected useful lives.

The estimated useful lives are as follows:

Sewage plant	40 years
Furniture and fixtures	10 years
Office equipment	10 years

LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES CONT'D:

(e) Trade and other receivables:

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

(f) Trade and other payables:

Trade and other payables are stated at amortised cost.

(g) Impairment:

(i) Financial assets:

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative impact on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate inherent in the asset. All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment losses are recognised in the income statement.

(ii) Non-financial assets:

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the income statement.

LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES CONT'D:

- (h) Impairment cont'd:
(ii) Non-financial assets (cont'd):

Calculation of recoverable amount:

The recoverable amount of the company's assets is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment:

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

- (i) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, and annual vacation leave.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES CONT'D:

(j) Revenue:

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced by actual customer returns, discounts, General Consumption Tax (G.C.T), and other similar allowances. Sale of goods and service is recognised when all of the following conditions are satisfied:

- i. The company has transferred to the buyer the significant risks and rewards of ownership of the goods or when the service is provided.
- ii. The company having neither continuing managerial involvement to the degree normally associated with ownership nor effective control over the goods sold.
- iii. The amount of revenue can be measured reliably.
- iv. It is probable that the economic benefits associated with the transaction will flow to the company.

(k) Finance income:

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

(l) Related parties:

A party is related to the company if:

- (i) Directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the company that gives it significant influence over the company; or
 - has joint control over the company;
- (ii) The party is an associate (as defined in IAS 28 *Investments in Associates*) of the company;
- (iii) The party is a member of the key management personnel of the company or its parent;
- (iv) The party is a close member of the family of any individual referred to in (i) or (iii);

LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES CONT'D:

(l) Related parties (cont'd):

- (v) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iii) or (iv);

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

(m) **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Standards, interpretations and amendments to published standards effective in current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. None of these pronouncements is expected to have a significant impact on the accounting policies or financial disclosures of the company.

Standards and amendments to published standards not yet effective and have not been early adopted by the company.

- *IFRS 9 Financial Instruments* – (effective for annual periods beginning on or after 1 January 2016). IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 removes also the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value.
For financial liabilities, IFRS 9 retains most of the IAS 39 requirements, including amortised cost accounting for most financial liabilities and the requirement to separate embedded derivatives. The main change is where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The adoption of IFRS 9 is currently not expected to have a material impact on the company's financial position or results.

LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES CONT'D:

Standards and amendments to published standards not yet effective and have not been early adopted by the company cont'd.

- Amendments to IAS 1, 'Financial statement presentation' (effective for periods beginning on or after 1 July 2012). The main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The only anticipated impact on adoption is to the disclosure of items presented in OCI in the statement of comprehensive income.
- IAS 19, 'Employee benefits' (effective for annual periods beginning on or after 1 January 2014). The standard is not expected to have any impact on the company's financial statements.
- IFRS 10, "Consolidated Financial Statements", (effective for annual periods beginning on or after 1 January 2014). IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, "Consolidated and Separate Financial Statements". And SIC-12, "Consolidation – Special Purpose Entities". IAS 27 (Revised) now renamed 'Separate Financial Statements'. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard will not have any impact on the company's financial statements.
- IFRS 11, "Joint Arrangements", (effective for annual periods beginning on or after 1 January 2014). IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This standard is not expected to have any significant impact on the company's financial statements when it becomes effective.

Landmark Developers Ltd - Financial Statements 31 December 2016

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LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

4. LOSS BEFORE TAXATION:

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Loss before taxation is calculated after charging:		
Auditors' remuneration	25,000	25,000
Depreciation	<u>2,987,335</u>	<u>2,987,335</u>

5. TAXATION:

a) Reconciliation of applicable tax charges to effective tax charge

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Loss before taxation	<u>(5,828,234)</u>	<u>(5,569,534)</u>
Tax calculated at 25%	(1,457,058)	(1,392,384)
Net effect of other charges and allowances	<u>848,258</u>	<u>98,526</u>
Income tax	<u>-</u>	<u>-</u>

c) Subject to agreement with the Taxpayer Audit and Assessment Department, tax losses available to be utilised amounted to \$24,572,684 (2015 - \$23,546,785).

Landmark Developers Ltd - Financial Statements 31 December 2016

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LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

6. PROPERTY, PLANT AND EQUIPMENT:

	Furniture and fixtures	Office Equipment	Sewage Plant	Total
	\$	\$	\$	\$
At Cost/reevaluation - January 1, 2015	522,000	180,000	116,685,380	117,387,380
Addition	-	-	-	-
At Cost - December 31, 2016	<u>522,000</u>	<u>180,000</u>	<u>116,685,380</u>	<u>117,387,380</u>
Depreciation -				
Accumulated depreciation - January 1, 2015	52,200	18,000	2,917,135	2,987,335
Charge for the year	52,200	18,000	2,917,135	2,987,335
Accumulated depreciation - December 31, 2016	<u>104,400</u>	<u>36,000</u>	<u>5,834,270</u>	<u>5,974,670</u>
NET BOOK VALUE - DECEMBER 31, 2016	<u>417,600</u>	<u>144,000</u>	<u>110,851,111</u>	<u>111,412,711</u>
NET BOOK VALUE - DECEMBER 31, 2015	<u>469,800</u>	<u>162,000</u>	<u>113,768,245</u>	<u>114,400,045</u>

7. SHARE CAPITAL:

	2016	2015
	\$	\$
Authorised, Issued and fully paid 501 Ordinary shares at no par value.	<u>501</u>	<u>501</u>

Landmark Developers Ltd - Financial Statements 31 December 2016

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LANDMARK DEVELOPERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

8. PAYABLES AND ACCRUALS

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Accruals	1,110,000	755,000
	<u>1,110,000</u>	<u>755,000</u>

9. CASH AND CASH EQUIVALENT:

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Commercial Bank - US\$ Saving Account	5,293	31,049
Commercial Bank - savings account	2,854	222,997
	<u>8,147</u>	<u>254,046</u>

10. REVALUATION RESERVE

The property was revalued by D.L. Munroe & Associates Limited and the excess over cost transferred to revaluation reserve.

LANDMARK DEVELOPERS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	<u>₹</u>	<u>₹</u>
INCOME	-	-
EXPENSES:		
Depreciation	2,987,335	2,987,335
Registration fee	5,000	5,000
Assets tax	200,000	100,000
Accounting fee	25,000	25,000
Cleaning and sanitation	2,085,154	1,966,845
Travelling	400,000	360,000
Licence fee	125,000	125,000
Bank charges	745	354
	<u>5,828,234</u>	<u>5,569,534</u>
NET LOSS	<u>(5,828,234)</u>	<u>(5,569,534)</u>

APPENDIX B



Landmark Developers Limited

Sewage System Status Report

Landmark Developers Ltd - Sewage System Status Report

D.L Munroe & Associates Ltd.
Consulting Engineers, Planners & Project Managers
1 Aston Avenue
Tel: (876)832-7445
Email:desmond.munroe@gmail.com

STATUS REPORT ON SEWERAGE SYSTEM, INDUSTRY PEN, THREE HILLS , ST.MARY

The sewerage system for the housing development at Industry Pen, Liberty Estate was initially constructed to serve a total of 1008 lots for service to Phase 2, the annex and Phase 3. The initial approved design consisted of sewer laterals, septic tanks, sand filters and chlorine contact chambers, with final disposal of the effluent to tile fields.

A number of treatment units were built in response to the phased approach to the development, and these treatment units were located in various areas throughout the development. In fact, these units were separated into systems 1, 2, 3 and 4, and further disaggregated into sub systems.

Specifically, System 1 consists of two sub systems; System 2 consists of 3 sub systems, System 3 consists of 2 sub systems and System 4 consists of a single system.

Subsequently, in 2011 NEPA stipulated that the existing sand filters be upgraded into tertiary treatment plants with disposal into absorption pits, after chlorination of the effluent. The new design was approved in 2016 to service a total compliment of 1068 lots which includes septic tanks, reed beds, chlorination chambers and absorption pits.

This report will therefore inform on what presently exists on ground and apply a cost value to it.

Sewers & Laterals

The Sewers and Laterals for Phases 2, the annex and 3 are already in the ground, and will be increased to reflect the development of an additional 60 lots. The estimated value here is \$ J 46,674,152.

Existing Sewerage Disposal Plant

The built sewerage disposal plant consists of 7 septic tanks and 8 sand filters. The estimated value here is:

Septic Tanks (8#): \$17,005,614

Sand Filters (7#): \$53,005,614

Total Existing Treatment Units (Septic Tanks, Sand Filters): \$J 70,011,228

Existing Sewerage Infrastructure Value

The existing values of sewers, laterals and treatment units in the ground is estimated at \$J 116,685,380.

Landmark Developers Ltd - Sewage System Status Report

The Modified Approved System – Tertiary Treatment Plant

System 1:

The No. of Lots = 261

Average Design Flow = 295.8 m³/day

Total Septic Tank Capacity = 444 m³

Total Reed Bed Capacity = 1970 m³

System 2:

The No. of Lots = 267

Average Design Flow = 302.6 m³/day

Total Septic Tank Capacity = 454 m³

Total Reed Bed Capacity = 2836 m³

System 3:

The No. of Lots = 295

Average Design Flow = 335 m³/day

Total Septic Tank Capacity = 503 m³

Total Reed Bed Capacity = 2871 m³

System 4:

The No. of Lots = 185

Average Design Flow = 252 m³/day

Total Septic Tank Capacity = 378 m³

Total Reed Bed Capacity = 2516 m³



Desmond Munroe, P.E, MScE, BScE, BA

Prepared: January 1, 2015

Contact us:

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Director

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