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**Kingston Properties Limited**



**ANNUAL REPORT///2010**



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## Chairman's Statment



### To Our Shareholders

The Board of Directors is pleased to present the annual report of Kingston Properties Limited (formerly Carlton Savannah REIT (Ja) Limited) for the financial year ended December 31, 2010.

During 2010, Kingston Properties operated in a world economy that continued its rebound from the depths of the recession. In global commercial real estate markets, the Asian economies of Singapore, China and Hong Kong led the recovery. In the US, while there were many mixed signals, property values began showing general signs of stabilization and improvement in the third quarter of 2010. Strong demand by investors for Canadian retail properties helped to push sales to record levels in that country in 2010 while many Latin American economies demonstrated great resilience in their real estate sectors.

Jamaica's real estate market was not immune to the impact of the global economic crisis. However, areas such as Kingston's downtown business district showed renewed signs of life as at least one major corporation and the government announced plans for building and relocating operations downtown. Real estate sector sales completed in 2010 totalled some J\$43.5 billion according to the National Land Agency (NLA), an increase over that of 2009 of

roughly 13%. Across the Caribbean, economies such as that of Barbados are beginning to see an uptick in terms of property development and their overall prospects.

Kingston Properties continued in 2010 to execute its strategic vision and added two properties to its portfolio: a fully tenanted 26,000 square feet warehouse/office property in Kingston, Jamaica and nineteen (19) residential condominium units in the Miami Loft II in downtown Miami, USA. Both properties are generating stable yields.

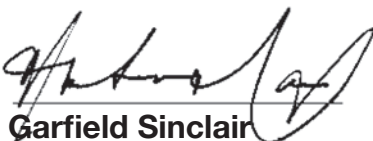
### Looking Ahead

We are optimistic for 2011 given the continued strengthening of economies worldwide and expect to see gains in commercial real estate prices. Kingston Properties will seek to diversify its investment property base by increasingly utilizing its advantage as the only publicly traded Real Estate Investment Trust (REIT) in the region to access capital markets. We will continue to maintain a disciplined investment approach by combining proactive asset management with the application of prudent capital and risk management strategies. We expect this to result in stable and predictable dividend distributions to our shareholders.

### In Appreciation

I'd like to thank my fellow Board members, shareholders and the extended Kingston Properties team for their unwavering support and dedication to the execution of our business strategies as established by the Board.

With continued focus on our core strategies, I remain confident that we will be able to deliver strong and stable results into the foreseeable future.



**Garfield Sinclair**

April 26, 2011



## About Kingston Properties - The REIT



Kingston Properties Limited, a real estate company incorporated in Jamaica, actively manages real estate properties to generate stable, sustained income and capital appreciation for its shareholders. Our business model is patterned on Real Estate Investment Trusts (REITs) in the United States of America (USA). We target real estate properties in Jamaica, the wider Caribbean and international markets wherever we identify a value proposition.

Kingston Properties pursues a diversification strategy in order to prudently mitigate risk. The portfolio mix is targeted to include property types such as office buildings, hotels, residential and industrial across various Caribbean islands and other markets.

The benefits from investing in real estate via owning shares in Kingston Properties are many including tax-efficiency by virtue of owning shares in a Jamaican public company, potential for dividend payments and long-term capital appreciation and a higher level of liquidity from trading the company's shares as opposed to directly buying & selling real estate. Additional benefits include enhancement of portfolio diversification for investors as real estate has proven to be an asset class with a lower correlation to stocks or bonds, thereby providing increased return potential and diversification within a well-balanced portfolio. Finally, the affordability factor means individuals can participate in real estate investing through a small investment in the shares of Kingston Properties.



## Notice of the 3<sup>RD</sup> Annual General Meeting



**NOTICE IS HEREBY GIVEN** that the 3<sup>rd</sup> Annual General Meeting of KINGSTON PROPERTIES LIMITED will be held at the Knutsford Court Hotel, 85 Chelsea Avenue, Kingston 5 on Thursday, June 9, 2011 at 10 a.m. for the following purposes:

1. To receive the Audited Accounts for the year ended December 31, 2010 and the Reports of the Directors and Auditors thereon
2. To Elect Directors

The Director retiring by rotation in accordance with Article 107 of Schedule I of the Company's Articles of Incorporation is Mr. Garfield Sinclair who being eligible for re-election offers himself for re-election to the Board.

3. To authorize the Directors to fix the remuneration of the Auditors
4. To authorize the Directors to issue and/or allot such of the authorized capital of the Company as is presently unissued in the form of Preference Shares, the same to be issued and/or allotted with rights/restrictions as may be fixed by the Directors or a Committee of Directors.
5. To transact any other ordinary business of the company

By Order of the Board of Directors



**Nicole Foga**  
Company Secretary

Registered Office:  
7 Stanton Terrace, Kingston 6

April 20, 2011

**Note:**

In accordance with the Schedule to the Articles of Incorporation, a shareholder is entitled to vote by proxy. A suitable Form of Proxy is enclosed. Forms of Proxy must be lodged at the Company's registered office at least forty-eight hours before the time appointed for holding the meeting.



## Corporate Data



### BOARD OF DIRECTORS

- Garfield Sinclair, BSc., C.P.A
- Fayval Williams, CFA, MBA
- Nicole Foga, BA, LLB, LLM
- Lisa Gomes
- Peter J. Reid

### CORPORATE & REGISTERED OFFICE

7 Stanton Terrace

Kingston 6, Jamaica

**Telephone/Fax:** (876) 978-8852

**Website:** [www.kpreit.com](http://www.kpreit.com)

**Email:** [info@kpreit.com](mailto:info@kpreit.com)

### REGISTRAR & TRANSFER AGENT

Jamaica Central Securities Depository

### AUDITORS

KPMG

### ATTORNEYS-AT-LAW

Hylton & Hylton; Patterson Mair Hamilton

### BROKERS

- NCB Capital Markets Limited
- Proven Wealth Management
- Scotia DBG

### BANKERS

- National Commercial Bank Limited
- First Caribbean International Bank (St. Lucia)
- Pan Caribbean Bank

### ACCOUNTANTS

- CrichtonMullings Strategies – Jamaica
- Crichton Mullings & Associates PA - USA

### SUBSIDIARY COMPANIES

- Carlton Savannah REIT (St. Lucia) Ltd
- Kingston Properties Miami LLC

### STOCK SYMBOL

KPREIT

### EXCHANGE

Jamaica Stock Exchange



## Board Of Directors



The Board of Kingston Properties Limited is comprised of five diverse and highly accomplished individuals who are dedicated to serving the best interests of the stockholders. The Board, which meets monthly, is responsible for directing and providing oversight of the management of the company in carrying out its responsibilities, reviews the company's strategy, approves and implements governance policies and provides oversight of financial reporting, regulatory and legal compliance.

### DIRECTORS

- **Chairman** - **Garfield Sinclair**
- **Executive Director** - **Fayval Williams**
- **Company Secretary** - **Nicole Foga**
- **Director** - **Lisa Gomes**
- **Director** - **Peter J. Reid**



## Board Of Directors

### Garfield Sinclair, Chairman of the Board



**Mr. Sinclair** is the Managing Director for LIME Jamaica and the Cayman Islands. LIME is a regional telecommunications service provider in 13 countries throughout the Caribbean. He was also one of the pioneering members of the Dehring Bunting & Golding Limited (DBG) team between 1994 and 2007, rising to the level of President & Chief Operating Officer. He resigned after the company was acquired by Scotiabank. He was responsible for overseeing the Operations, Treasury & Asset Trading, Brokerage, Marketing and Information Technology Units inclusive of the DB&G Unit Trust Managers Ltd and DB&G Merchant Bank Ltd subsidiaries.

He has nearly 20 years of experience in the financial services industry having held a senior position with the audit firm PricewaterhouseCoopers, where he specialized in auditing some of the country's largest financial institutions.

Mr. Sinclair is a licensed CPA with the California Board of Accountancy.

His educational background includes:

- Massachusetts Institute of Technology - Sloan School of Management Executive Certificate in Strategy and Innovation 2007
- University of Pennsylvania (Wharton) Executive Development Program 2004
- California Board of Accountancy, California, USA 1993  
C.P. A. LICENCE – Non Practicing
- San Diego State University, California, USA 1979 - 1983  
B.Sc. BUSINESS ADMINISTRATION (ACCOUNTING)

He has been on the Board of Directors of the following organizations:

1. The Jamaica Stock Exchange
2. Dehring Bunting & Golding Limited
3. DB&G Unit Trust Managers Limited
4. DBG Merchant Bank Limited

He is currently on the Board of Directors of The Jamaica Stock Exchange Pension Fund – Chairman.

He was also appointed the Chairman of the Board of the Statistical Institute of Jamaica (STATIN) and subsequently resigned with the 2007 change of government in Jamaica.

## Board Of Directors Fayval Williams, Executive Director



**Ms. Williams** has been with Kingston Properties since the inception of the company serving in the capacity of Executive Director responsible for the company's affairs and the execution of its operating objectives.

Prior to Kingston Properties, Ms. Williams served as Chief Investment Officer of JMMB Limited from March, 2005 to Sept, 2007 with investment responsibilities spanning the trading department, investment research, and pensions. Also, during the period Sept, 2002 to Feb, 2004, Ms. Williams consulted with JMMB in the areas of market risk management and investment research where she led that company's efforts to develop investment research capabilities. Ms. Williams also served as the Head of the Valuation and Pricing team for its public offering.

In 2004, Ms. Williams consulted with the Financial Services Commission (FSC) in the area of Research and Policy.

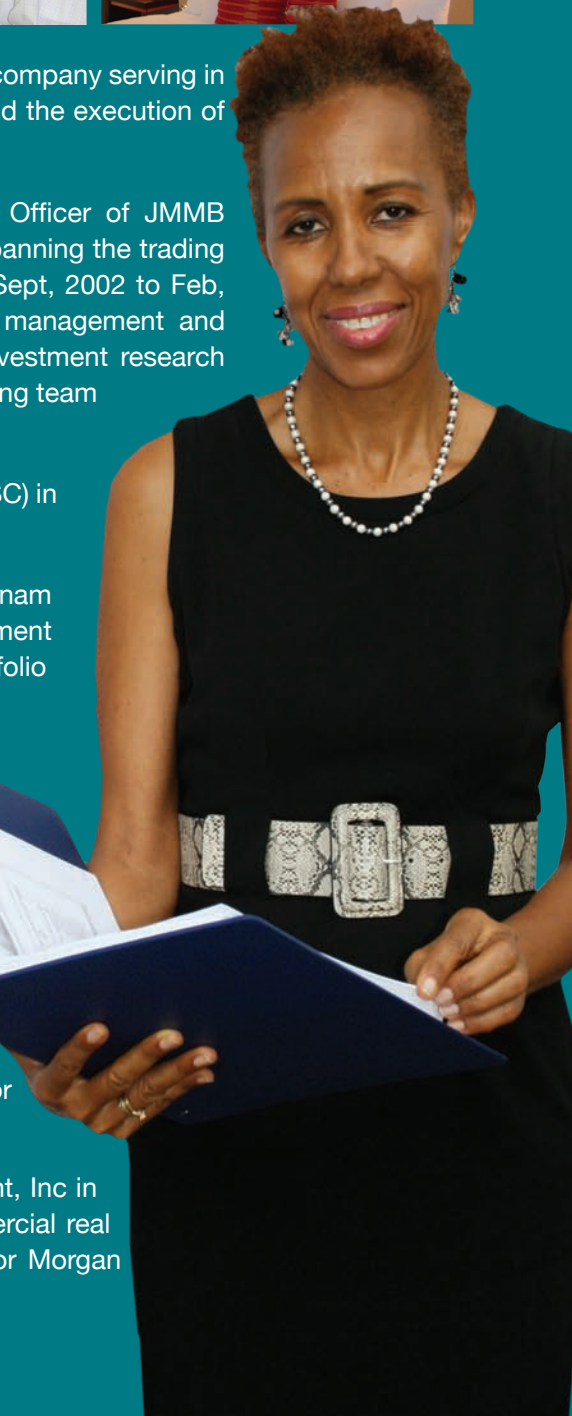
Prior to returning to Jamaica, Ms. Williams was Senior Vice President at Putnam Investments, in Boston, a top-10-global mutual fund manager. Her investment work spanned a broad cross-section of industries. She also had portfolio management responsibilities for an equity portfolio product and led Putnam's efforts to incubate a market neutral hedge fund.

Ms. Williams' investment experience also includes approximately five years as Vice President at Wellington Management Company in Boston, Massachusetts. Her focus was on fixed income securities investments. Prior to Wellington, she was a Fixed Income Analyst at Northwestern Mutual Life Insurance Company in Milwaukee, Wisconsin and shared portfolio management responsibilities for a US\$3 billion portfolio. She was a member of the team that provided macro economic and market input for both the strategic and tactical portfolio decisions.

Ms. Williams interned at the Equitable Real Estate Investment Management, Inc in Chicago, Illinois. While there, she performed valuation analysis on commercial real estate properties. She also worked as an Information Systems Analyst for Morgan Stanley Inc in New York.

Ms. Williams' educational background includes the following:

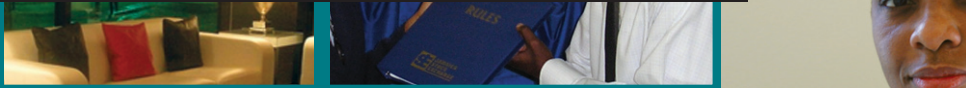
- Chartered Financial Analyst (CFA)
- Master's in Business Administration (MBA) from the Wharton Business School at The University of Pennsylvania
- Bachelors of Arts (with honors) from Harvard University, Cambridge, Massachusetts





## Board Of Directors

### Nicole Foga, Company Secretary & Director



**Ms. Foga** is the Managing Partner of the Law Firm of Foga Daley and heads its Telecommunications, Media & Technology Department. Her practice areas include mergers and acquisitions, regulatory compliance, franchising and software licensing.

Admitted to the Jamaican Bar in 1993, Ms. Foga is an ODASS Scholar and holds a Master of Laws Degree in Commercial Law, focusing on International Commercial Transactions and Intellectual Property, from Aberdeen University, a Bachelor of Arts Degree with First Class Honours and a Bachelor of Laws Degree from the University of the West Indies.

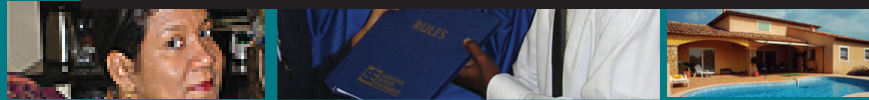
Ms. Foga chairs the Technology, Broadcasting and Telecommunications Committee of the Jamaican Bar Association, is a Director/Secretary of the Environmental Foundation of Jamaica (EFJ) and a Trustee for both the EFJ and the University of Technology.

Previous appointments include the first General Counsel for the Office of Utilities Regulation, Legal Advisor to the Broadcasting Commission, Crown Counsel in the Attorney General's Department and Ministerial Advisor on telecommunications law and policy.

Previous directorships include, Cable & Wireless Jamaica Limited, Kingston and Montego Bay Free Zone and Factories Corporation of Jamaica.

## Board Of Directors

### Lisa Gomes, Director



Ms. Lisa Gomes is the Director of Finance and Planning at Sandals Resorts International (SRI).

Prior to SRI, Ms. Lisa Gomes worked with the Guardian Holdings Group since the eighties, and has over 27 years of experience in the Investment Industry having been an integral part of the Investment Committees of the subsidiaries of Guardian Holdings Group.

Additionally, Ms. Gomes served as a Director and the President of Guardian Asset Management Jamaica Limited, a position she held since the company's existence in October 2002.

Ms. Gomes is a Certified General Accountant and holds the FLMI designation.

She is currently a Director of Proven Wealth Management Limited, Ocho Rios Beach Limited, and a trustee of the ATL Pension Fund. Past Secretary of the Jamaica Security Dealers Association and Chairperson for the Jamaica Business Council for HIV & AIDS.





# Board Of Directors

## Peter J. Reid, Director



Mr. Peter Reid was a Senior Officer at The Bank of Nova Scotia Jamaica Ltd (BNSJ) for ten years and one of two District Vice Presidents, providing sales and service strategic leadership for half the branch network. A Career Banker, he has had eighteen (18) years experience in the financial service industry mainly in the areas of sales management, credit, financial analysis, financial advisory and deal structuring.

Assignments and major deals have spanned a wide cross section of economic sectors specializing in the areas of raising capital, acquisitions, balance sheet restructuring and financial advisory. Formerly a Director of Guardian Life Limited, Guardian Asset Management Jamaica Limited and West Indies Alliance Insurance Company Limited and sat on a number of board committees. Additionally he was a Director of Grace Kennedy Currency Trading Services Ltd. Harmonisation Ltd., National Water Commission, Dehring Bunting & Golding Limited, DB&G Merchant Bank and DB&G Unit Trust Services Ltd.

Currently he is a Senior Vice President and Chief Operating Officer at The Victoria Mutual Building Society.

### PROFESSIONAL EXPERIENCE

#### The Bank of Nova Scotia Jamaica Ltd (1995-2005)

Primarily responsible for the profitable development of the retail and commercial portfolios for half the Bank's Branch Network (Approx. J\$30 Billion in assets).

- US\$70 Million Note Issue for Government of Jamaica: Advised, structured and distributed
- J\$450 Million Underwriting for Manufacturing Company: Advised, structured and distributed
- J\$60 Million Underwriting for manufacturing company: Advised, structured and distributed
- US\$26 Million Equity fundraising for Hotel Development: Advised, structured and distributed

#### Dehring Bunting & Golding Ltd. (1992-1995)

- J\$37.5 Million Common Stock Issue for Dehring Bunting & Golding Ltd.
- US\$20 Million Acquisition for Agro Business Company: Advised and structured Bid Proposal
- J\$100 Million Bond issue for Micro Investment Development Agency
- J\$100 Million Jamaica Mortgage Bank Shelter Bond Issue
- Advisor on the Privatization of Trans Jamaican Airlines Limited-domestic airline
- Advisor on the Privatization of the Jamaica Sugar Factories-for the Ban Pong Group, Thailand

#### Citibank NA (1988-1992)

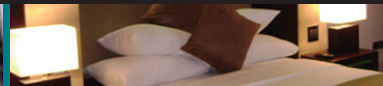
- US\$30 Million Receivables Based Syndicated Financing, Financial Institution; Advised and restructured Balance Sheet to provide secured financing
- US\$3 Million Debt Conversion, hotel: advised, structured and executed financial restructuring
- US\$20 Million Receivables Based Syndicated financing, Telecommunication Company; restructured Balance Sheet to provide secured financing for the company
- US\$1 Million Foreign Exchange Hedge; Financial Institution; structured hedge product that resulted in the hedging of the capital
- J\$12.5 Million Lease Financing Facility; advised and structured Lease

#### Education

York University (Toronto) (1981-1984); Bachelor of Arts (Honours) In International Studies



## Corporate Governance



Kingston Properties maintains a high standard of corporate governance to protect shareholders' interests and to enhance long-term shareholder value. The following outlines the main corporate governance practices:

- **BOARD OF DIRECTORS**

The Board is responsible for the overall corporate governance and closely monitors the related areas of business operations, risk and financial performance. The Board has established a framework for the management of the operations, including a system of internal control and a business risk management process. The Board currently consists of five members, three of whom are Independent Directors. Directors Gomes and Reid were nominated to the Board during 2010.

The composition of the Board has been determined using the following principles:

1. the Chairman of the Board should be a non-executive Director;
2. the Board comprises Directors with a range of commercial and financial experience including expertise in funds management and the real estate industry; and
3. at least one-third of the Board comprises Independent Directors.

The composition will be reviewed regularly to ensure that the Board of Directors has the appropriate mix of expertise and experience.



# Corporate Governance



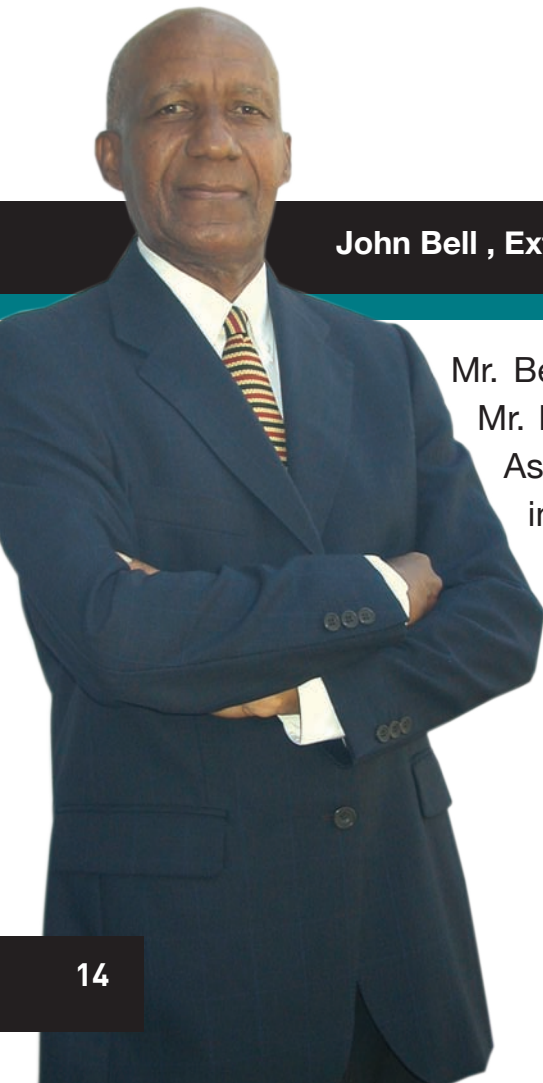
The Board established the Audit Committee to assist it in discharging its responsibilities.

- **AUDIT COMMITTEE**

The Audit Committee comprises of two Directors and an external member.

The members are:

- **Mr. Garfield Sinclair (Chairman)**
- **Ms. Nicole Foga (Company Secretary)**
- **Mr. John Bell (Chartered Accountant)**



**John Bell , External Member**

Mr. Bell is a former partner with PricewaterhouseCoopers, Jamaica. Mr. Bell was lead partner of the firm's Financial Services Audit and Assurance practice for many years. He holds a Bachelor's degree in Economics and Accounting from the University of the West Indies and is a Fellow of the Institute of Chartered Accountants of Jamaica and the Association of Chartered Certified Accountants of Great Britain and has over 30 years experience in his profession.

# Corporate Governance



The role of the Audit Committee is to monitor and evaluate the effectiveness of the company's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

Other responsibilities include:

1. Review of the nature and extent of non-audit services performed by external auditors
2. Monitor of the procedures in place to ensure compliance with applicable legislation
3. Monitor and review of the procedures established to regulate interested party transactions



# Risk Management



- **MANAGEMENT OF BUSINESS RISKS**

Risk management is a critical component of real estate investing. All income property investments are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances such as an oversupply of space or a reduction in demand for real estate in a particular area. Management attempts to manage these risks through geographic, type of asset and tenant diversification in Kingston Properties' portfolio.

At its monthly board meeting, the Board reviews the financial performance of the company against a previously approved budget, making any adjustments that are required. The Board also reviews the business risks associated with real estate investing, focusing on factors such as market trends. The Board also examines asset and liability management and responds to any comments or issues raised by the auditors.

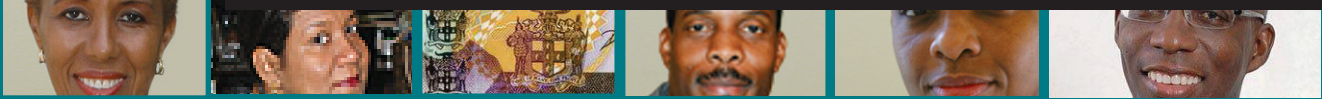
In assessing business risk, the Board considers the underlying economic environment, financing options available to Kingston Properties and stability of the tenant base of the various properties. The Board assesses real estate proposals recommended by management and provides a final approval on selected transactions.

- **RELATED PARTY TRANSACTIONS**

### **Internal Control System**

The Board has responsibility for approving the establishment of an internal control system to ensure that all transactions are authorized, all transactions are recorded, access to assets is allowed only for authorized purposes, accounting records describe only real assets and that all Related Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of the shareholders.

# Disclosure of Shareholders



As of December 31, 2010, the top 10 shareholders were as follows:

Names	Shareholding
NCB Capital Markets Limited A/C 2231	13,817,840
Prime Asset Management Limited - JPS	12,182,700
Guardian Life Shelter Plus Fund	5,280,000
NCB Insurance Company Limited A/C WT 109	4,200,000
Guardian Life Limited - Blue Chip	3,874,700
Guardian Life Limited Pooled Pension	3,250,000
Jamaica Money Market Brokers Limited	2,578,000
NCB Capital Markets X Trading A/C	2,500,000
Platoon Limited	2,495,160
Guardian Life Limited/ Cel Growth Fund	1,608,000

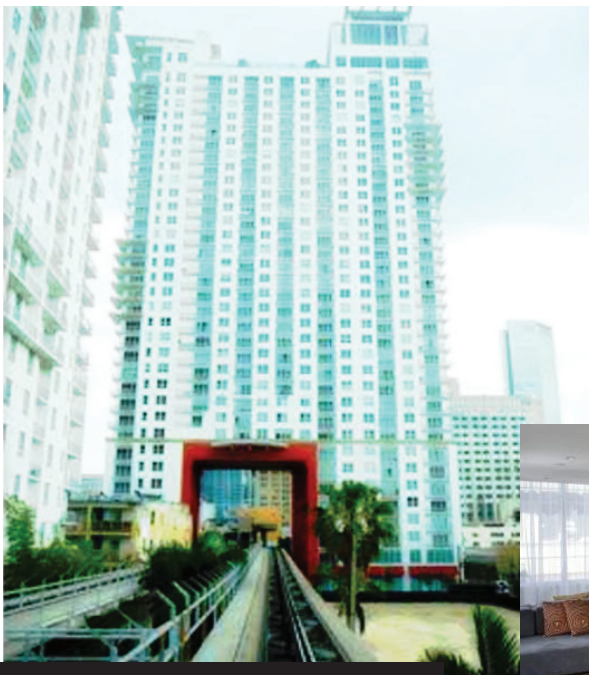
Directors	Shareholding	Connected Shareholders
Garfield Sinclair	Nil	
	2,495,160	Platoon Limited
Fayval Williams	272,070	
	20,000	Dorothy Vassell
	11,000	Leo Williams
Nicole Foga	15,865	



# Management Discussion & Analysis



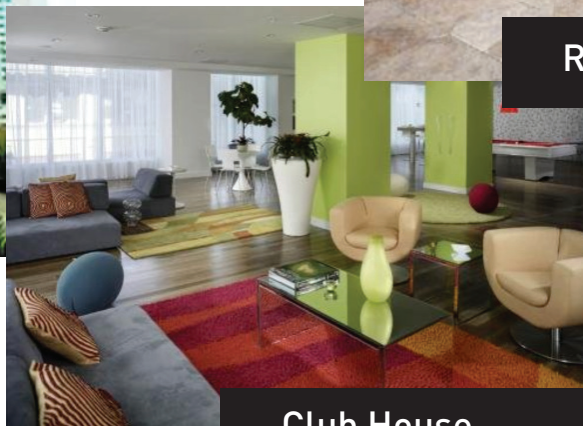
During 2010, Kingston Properties identified and acquired a fully tenanted office/warehouse building of approximately 26,000 square feet located on Hagley Park Road in Kingston, Jamaica and 19 condominium apartments in the Loft II building in downtown Miami in the State of Florida, USA, 18 of which were tenanted at purchase.



Miami Loft II building



Roof Top Swimming Pool



Club House

The units remained in demand in 2010 with occupancy averaging 95%. During 2010, we also were able to increase the rental rates without any impact on occupancy. Additionally, condo fees remained stable and the service level consistently high.

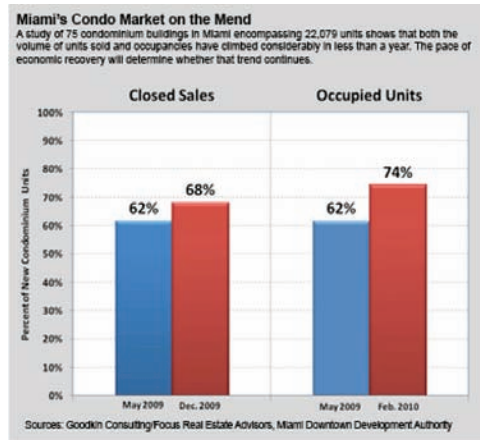
## STATE OF THE CONDO MARKET IN DOWNTOWN MIAMI

Miami's metro rental market remains one of the strongest in the US with growing occupancy rates. According to a recent study, commissioned by the City of Miami's Downtown Development Authority (DDA) and conducted in partnership with Goodkin Consulting and

# Management Discussion & Analysis

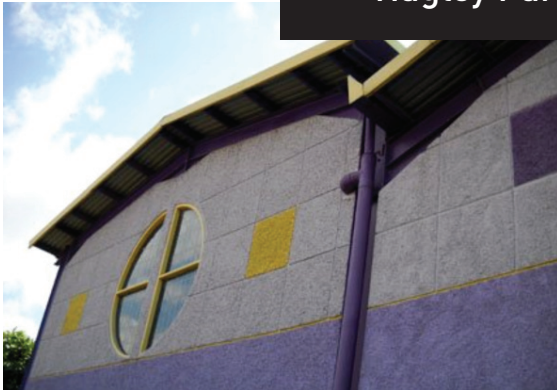


Focus Real Estate Advisors LLC, condo sales and occupancy rates are on the rise.



If current trends continue, the study predicts that all of downtown Miami's existing condo inventory could be occupied within 25 months. Important preconditions are employment stability and job creation.

## Hagley Park Road Building



The ratcheting down of interest rates in Jamaica since 2009 puts the spotlight on real estate as investors search for investments with yields. As a result, while real estate prices swooned in developed markets such as the US, Jamaica experienced a relatively stable real estate market. Kingston continues to be the hub of economic activity for Jamaica.

The Hagley Park Road property is 26,000 square feet of warehouse and office space in the heart of the automotive parts center of Jamaica. It remains 100% leased to a US based company with operations worldwide providing commercial cleaning, sanitation and hygiene solutions for businesses.



# Management Discussion & Analysis



## CORPORATE OBJECTIVE

The primary corporate objective of Kingston Properties is to increase shareholder value through the ownership and management of real estate properties that will generate sustainable, above average long term dividend yields. In this regard, management has an intense focus on increasing dividend per share over the long term without employing excessive financial leverage or taking undue amounts of operating risk.

## MANAGEMENT STRATEGIES

- Focus on Caribbean and select international markets
- Ensure geographical diversification
- Actively manage the portfolio of real estate asset to take advantage of market strengths
- Employ prudent capital and risk management strategies

### Property Sourcing

Kingston Properties continues to add to its network of real estate relationships that enhance the company's ability to source real estate investment opportunities across the Caribbean and other markets. We use internal and external expertise to identify those property types and markets that offer the most potential.

### Funding Strategy

Kingston Properties seeks to establish secure commitments or raise capital from a variety of funding sources to strengthen its ability to seize opportunities. The company can utilize a variety of funding instruments:

- Convertible bond, with incentives for holders to convert to equity
- Secured bond with first claim on the property
- Equity capital: preferred, common
- Other types of instruments based on investor preferences and objectives

These property types are within the scope of the Kingston Properties' investments criteria: hotels, offices, industrial buildings, warehouses, retail (e.g. shopping centers), parking lots/parking garages, mixed use.

# Management Discussion & Analysis



## BUSINESS STRATEGY

The primary business objective continued to be maximization of total returns to shareholders from real estate property investments so as to provide consistently superior long-term yields. The strategy to achieve this objective remained as follows:

- **Concentrate on a Few Carefully Selected Geographic Markets**

With its purchases in 2010, the company has begun to structure a diversified portfolio of real estate properties and target international markets that have improving macro-economic fundamentals and demonstrate a proven hard currency earning capacity.

- **Opportunistically Acquire Assets**

Kingston Properties is positioned to acquire portfolios of real estate assets or individual properties from institutions or individuals if valuations meet our criteria. In addition, the company's relatively low leverage and strategies to access capital has been providing us with a competitive advantage when pursuing acquisitions.

- **Explore Joint- Venture Opportunities.**

Kingston Properties remains open to participate with third parties in property ownership, through joint ventures or other types of co-ownership. These types of investments should permit the company to own interests in larger assets without unduly restricting diversification and, therefore, add flexibility in structuring its portfolio.

The company continues to explore joint-venture opportunities with strategic institutional partners that have a preference for owning real estate properties via a REIT structure. We have acquired real estate properties for cash and may continue to do so. Additionally, we are also particularly well-positioned to appeal to sellers wishing to contribute their ownership of property for equity in a diversified real estate operating company that offers liquidity through access to the public equity markets and distribution of dividends.

- **Demonstrate Value Creation.**

We will pursue, on a selective basis, the sale of properties to take advantage of the demand for any of our premier properties.

Kingston Properties commits to regularly reviewing its property portfolio and deciding which assets are likely to generate less-than-average cash flows in future years. The proceeds from the sale of these properties will be reinvested in opportunities with higher yielding prospects or provide dividend to shareholders.



# Management Discussion & Analysis



## INVESTMENT OBJECTIVES

We continue to pursue our investment objectives primarily through the acquisition of moderate-to-heavily-discounted properties with above average yields.

Kingston Properties recognizes that local investors have a desire to diversify their investment portfolios beyond Jamaica. Likewise, there are international investors who want to invest in the Caribbean and Central American region through a transparent, publicly listed vehicle such as Kingston Properties. The company's objective is to scout out the best opportunities that meet the varying needs of investors desirous of investing in the real estate asset class.

## Current Properties Under Management

Properties	Sq Ft	Lease Expiration	Options	Description
Hagley Park Road Kingston, Ja	26,000	3-Feb-15	2 terms of 5 year	Warehouse/Office
Miami Loft II Miami, Florida, US	<u>16,092</u> 42,092	Vary dates		Residential Condos

# Management Discussion & Analysis



## SUMMARY OF FINANCIAL RESULTS

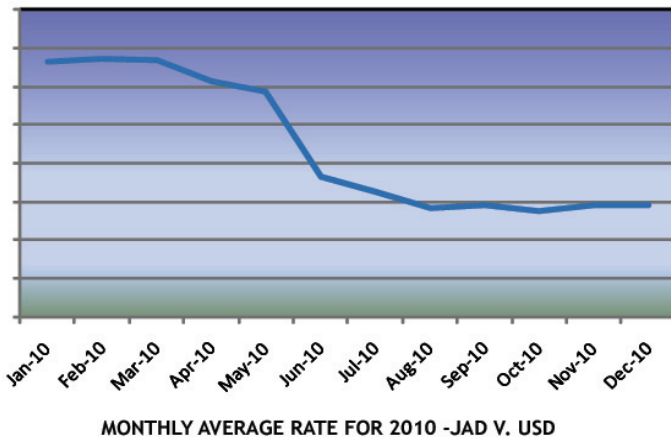
Profit for the twelve months ended December 31, 2010 was \$15,106,156 or \$0.22 per share. This compares with profits of \$27,215,275 for 2009 or \$0.40 per share. During 2010, the company transitioned to primarily generating rental revenues having acquired two major real estate properties, 26,000 square feet warehouse/office building in Kingston, Jamaica and 19 condominium units in the Miami Loft II building in downtown Miami, USA. Revenues for the year were \$33,119,567. For 2009, revenues were nil as the Carlton Savannah Hotel in Port of Spain, Trinidad was still in the construction phase. Profit before income tax for 2010 was \$11,511,920 and income tax credit was \$3,594,236. This compares with \$26,082,254 in profit before taxes in 2009, primarily comprised of foreign exchange gains and a tax credit of \$1,133,021.

Operating expenses were \$28,741,596. Operating margin was 13.2%. These results reflect expense items such as insurance, property taxes, condo association fees, and repair & maintenance and professional fees.

Finance income for 2010 was \$18,219,256 and consisted primarily of \$15,162,087 of interest income on invested cash and \$3,235,962 of unrealised gains on conversion of foreign exchange. For the similar period in 2009, finance income was \$35,549,921. Unrealised gains on conversion of foreign exchange totalled \$15,043,047 while interest income was \$20,506,874.

Interest expense for 2010 was \$11,085,307 and was the result of a credit facility of US\$1,699,988 secured by hypothecation of a deposit of equal amount and a vendor's mortgage of US\$300,000 which has an interest rate of 6% per annum in the first year.

Foreign currency translation differences for foreign operations being total other comprehensive expense were \$17,765,164 versus income of \$35,781,838 in 2009.



During 2010, the Jamaican dollar appreciated 4.2% versus the USD. This impacted the profitability of Kingston Properties as the USD earnings of its foreign subsidiaries were translated into Jamaican dollars. Additionally, the company's assets are denominated in USD and so translation for reporting purposes back into Jamaican dollars negatively impacted shareholder equity.



# Management Discussion & Analysis



Total assets at December 31, 2010 were \$681,897,900 with current assets being \$256,424,572. Current assets consisted of \$162,411,388 cash and cash equivalent plus \$87,322,931 of reverse repurchase agreement. \$145,078,336 of cash and cash equivalent was held as collateral for a credit facility of a similar amount.

Investment property which consists of the fully tenanted 26,000 square feet warehouse/office building in Kingston, Jamaica and 16,092 square feet of residential condominium space (19 units) in downtown Miami, totalled \$419,942,891.

Receivables of \$6,690,253 were primarily withholding tax recoverable of \$3,183,069, \$2,067,976 of security deposits and prepayments of \$1,337,263.

Total current liabilities were \$154,888,721 comprising primarily notes payable of \$145,078,336 and accounts payable and accrued charges of \$9,568,529. Notes payable represents a draw down under a credit facility with Pan Caribbean Bank Limited. The loan is secured against a Carlton Savannah REIT (St. Lucia) Limited deposit of similar amount. Accounts payable and accrued charges primarily consisted of security deposits held which totalled \$5,823,773.

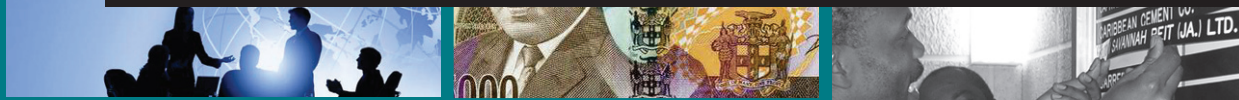
Loan payable of \$25,602,240 represents a mortgage from the vendor of the Hagley Park Road property. The loan attracts interest of 6% in the first and 7% in the second year. Principal is repayable in one instalment on April 22, 2012.

Shareholders' equity at December 31, 2010 was \$501,406,939 versus \$504,065,947 at December 31, 2009. The 0.5% decline in the equity base reflected primarily the movement in the translation reserve as a result of the 4.2% appreciation of the Jamaican dollar vis a vis the US dollar.

Net cash provided by operations in 2010 totalled positive \$14,391,286 versus a negative \$315,949 for the same period last year.



# Communication with Shareholders



Management acknowledges the importance of regular communication with shareholders and investors to ensure that they are well informed about the activities and performance of the company. The communication channels are via the company’s website, annual reports, quarterly financial reports and the various disclosures and announcements to the Jamaica Stock Exchange that are also sent electronically via e-mail to shareholders. In addition, we welcome comments and questions from shareholders which can be easily facilitated via e-mail or telephone.

Home Board of Directors Management Partners Financials Properties Contact Us Real Estate News

## Kingston Properties Limited

THE REIT

THE REIT

Real Estate News

Display # 20

#	Web Link	Hits
1	<a href="#">Caribbean/Mexico Hotel Development Pipeline</a>	1
2	<a href="#">For South Florida market, a hopeful sign</a>	22
3	<a href="#">Real estate in emerging economies on the rise; U.S. outlook improves</a>	17
4	<a href="#">Commercial real estate turned a corner?</a>	17

Menu

- Corporate Governance
- Buy/Sell Shares
- Dividend History
- The REIT IPO



# Communication with Shareholders



During 2010, Kingston Properties focused on providing real estate news to the general public. Our view is global and so we brought current market conditions and trends from real estate markets around the world. Our flagship product is our weekly newsletter launched in October 2010 with its insightful articles from expert publications and video clips from various news media. These activities support our tagline “...**gateway to global real estate investing.**”

Vol. 1 #16 • March 7, 2011 Compiled by Kingston Properties Limited

**THE REIT**  
Kingston Properties Limited  
A Jamaica Stock Exchange Listed Company

**What's news this week?**

Property Market... News, Commentaries and Trends

**USA and Caribbean – Most Popular Real Estate Markets.**

Results from UK based Worldwide Property Group show that 72% of people who responded to that company's survey "believe property to be the best investment, making it easily the most popular choice. Gold was in second place at 16% whilst shares trailed in third place with just 11% of the votes.

The survey, which covers several aspects pertaining to the property sector, also revealed that 77% of respondents consider this to be a great time to invest in UK property, with 64% also of the opinion that many overseas property markets represent a great opportunity to invest right now. In fact, just over half of the people who took the survey are currently considering buying a property overseas with the USA and Caribbean by far the most popular regions. Spain and France also ranked highly." [Read More](#)

\*\*\*\*\*

It is easy to own the shares of Kingston Properties Limited, stock symbol [KPREIT](#). Call any of the [local brokers](#).

[Kingston Properties Limited](#)...gateway to global real estate investing.

**In this Issue**

- [Jamaican Real Estate News](#)
- [Caribbean Real Estate News](#)
- [US Real Estate News](#)
- [Canadian Real Estate News](#)
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- [Chinese Real Estate News](#)
- [Asian Real Estate News](#)
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# Communication with Shareholders



unaffordable housing. In addition to raising interest rates three times since October, China ordered local governments to introduce restrictions such as banning residents from buying third or subsequent homes, after earlier measures such as higher down-payment requirements and mortgage rates had a limited effect. [Read more](#)

#### Hong Kong facing severe housing shortage for the next 20 years

The overheating of the Hong Kong property market has left the private housing market severely unaffordable and the trend is expected to continue for the next 20 years, according to research carried out by the Royal Institution of Chartered Surveyors. Its new report on property affordability over the next five, ten and 20 years, is being submitted to the government to help finalise annual budgets. [Read more](#)



## Asian Real Estate News



#### Luxury property values in Asia showed steady growth at end of 2010

Residential capital values rose 1.8% quarter on quarter in the last three months of 2010 in luxury residential markets in Asia, a new report reveals. However, price growth has slowed steadily from the 7.4% quarter on quarter pace recorded in the third quarter of 2009, as sales activity cooled after a string of anti speculative measures implemented in 2010 by various governments, the report from property consultants Jones Lang LaSalle shows. [Read More](#)

## Links

- [REITs up again in February \(VIDEO\)](#)
- [REITs key to maximizing returns in new normal retirement Portfolios \(VIDEO\)](#)
- [Real Estate optimism slowly increasing in Florida](#)
- [Investors embracing REITs yields \(VIDEO\)](#)
- [REITs have several enduring qualities \(VIDEO\)](#)
- [Global interest in U.S. Real Estate growing](#)
- [REITs dividends are going to grow \(VIDEO\)](#)



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This publication is being furnished to you for informational purposes only. Investors must make their own determination of the appropriateness of any investment in real estate properties referred to herein based on the legal, tax, and accounting considerations applicable to such investors and their own investment strategy. By virtue of this publication, neither Kingston Properties Limited nor any of its employees shall be responsible for any investment decision.



# Corporate Social Responsibility



Corporate Social Responsibility (“CSR”), in essence, is a set of transparent and ethical actions to give back, nurture and aid in the progress of the various environments in which a company operates. Kingston Properties is committed to the principles of Corporate Social Responsibility and shows this commitment by aiming to satisfy shareholder expectations, respecting the physical environment and imbuing ethical standards through the company.

Additionally, as part of its responsibility to the financial market place, the company’s business transactions, deals and relationships with all its groups of customers, suppliers and partners are executed with the highest concern for transparency and ethical conduct, guided by high corporate governance standards. We monitor and ensure that our business activities comply with the spirit of the law, ethical standards, and international norms.

## LEGISLATIVE AGENDA

Many countries have facilitated an increasingly liquid and transparent real estate securities market by passing REIT legislation. In the past years, Japan, Singapore, Hong Kong, Nigeria and France have joined the ranks of REIT participants. Countries like the UK, Germany and Italy have converted to REIT status in 2007.

The Caribbean is notably absent from the above list of countries and is therefore not reaping the significant benefits that the REIT structure can bring to the region. Kingston Properties continues to seek ways to be successful in facilitating the enactment of comprehensive REIT legislation by the Parliament of Jamaica.





## REIT Investments Benefits



There are multiple reasons why the REIT approach to real estate investment has been embraced by policymakers and investors alike in the U.S., and increasingly around the world. Some of these reasons include the following :

**Diversification:** Investors should populate their portfolios with assets that yield returns with sufficiently different attributes from their other investments, i.e. create a portfolio of assets that behave differently across market conditions.

**Compliment to Direct Investment:** REITs offer a strong complement to direct investment in real estate. By taking advantage of both public and private investment in real estate, investors can take advantage of a broad continuum of investment options for their real estate allocations. In short, investing in REITs is investing in real estate.

**Dividends:** Over the long run, REITs tend to generate a stable and consistent income stream for investors.

**Inflation-Proof Investing:** The steady dividends of REIT's over the long run suggest that the REIT securities are “inflation-proof” investments. This attribute of REITs' investment performance takes on special significance for income-oriented investors, such as retirees, because a steady income source prevents the erosion of purchasing power.

**Liquidity:** Investors long considered real estate to be the ultimate immovable, illiquid asset. Beginning in 1960 with the advent of REITs in the U.S., this age-old view has begun to change. REITs in the U.S. and many other parts of the world now make real estate investing easy and efficient, thanks to market liquidity. The equities of



# REIT Investments Benefits



companies that own portfolios of properties or engage in real estate financing are bought and sold on major stock exchanges around the world.

As a result of their liquidity, REIT and listed real estate equities have become the most efficient way for investors and investment managers across the globe to gain exposure to commercial real estate; an effective way for professional investment managers to manage their investment exposure to real estate; and a meaningful way to reduce the risk of illiquidity.

**Investment Performance:** Comparison studies in various markets of returns of companies that invest in real estate show that REITs offer strong long-term investment returns.

**Leverage:** Studies show that REITs effective use of leverage create additional value for investors.

**Risk-Adjusted Returns:** Analysis done by Ibbotson Associates found that adding REITs to the typical investment portfolio can have a dramatic impact on its long-term stability and returns.

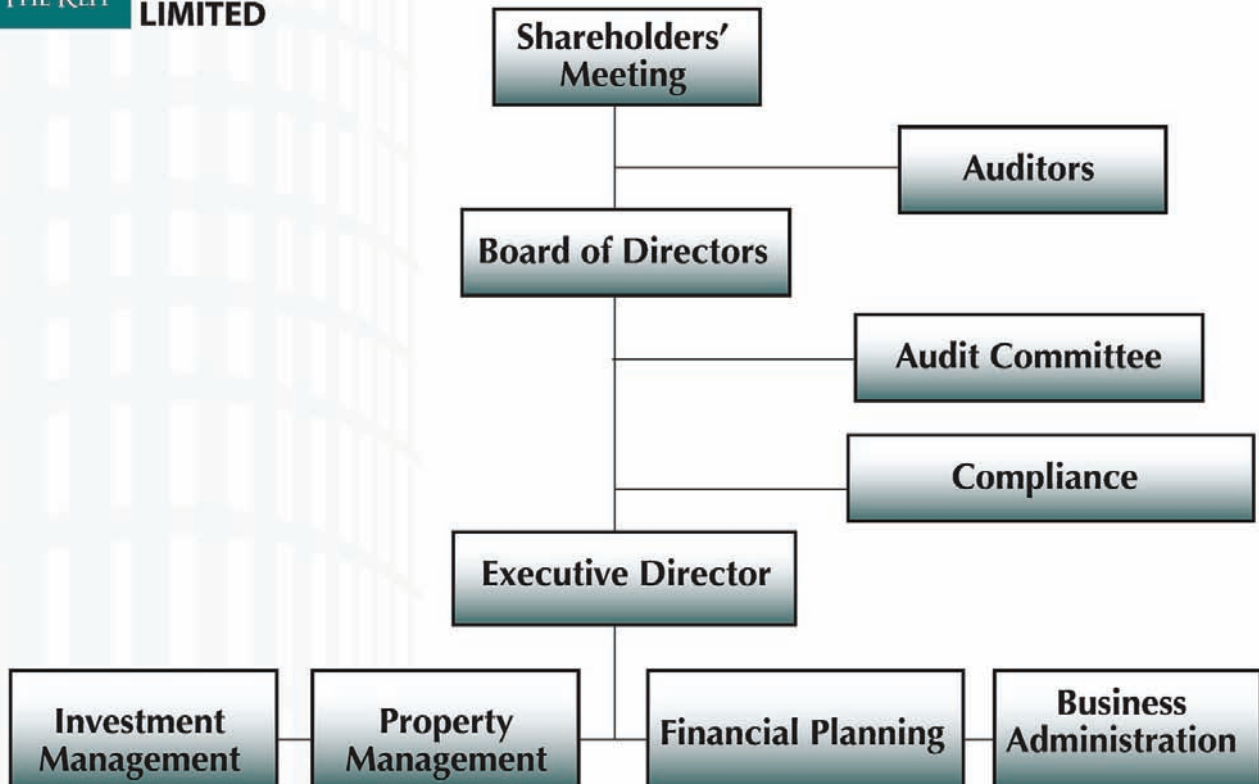
**Transparency & Governance:** REITs provide operating transparency, meaning that listed REITs are registered and regulated in their various countries and are therefore likely to adhere to high standards of corporate governance, financial reporting and information disclosure.



# Corporate Structure - Team & Partners



**KINGSTON  
PROPERTIES  
LIMITED**





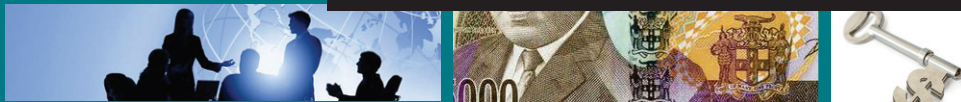
# Investment Management



Kingston Properties **Investment Management Process** is focused on identifying existing properties with auditable cashflows in markets with sound fundamentals and tenants with strong credit histories. Our analysis begins with market analysis in which we scrutinize the real estate fundamentals, property and market conditions, neighbouring vacancies, the surrounding tenant mix and demographic patterns in recognition that local market fundamentals drive property selection.

**Property Selection** incorporates rent comparisons among various properties, trends in capitalization (yields), potential for net operating income growth and historical sales comparisons. Kingston Properties utilizes data sources that provide updated trends and forecasts for factors such as market rents, vacancies and inventory for different property types including apartments, office, retail and industrial properties. Kingston Properties utilizes a network of real estate professionals who work to identify properties and spot opportunities.

# Investment Management



**Property Valuation Analysis** involves detailed modeling of cashflows of the individual properties with attention on the important assumptions such as rent growth, the level of vacancy that could be experienced, operating expenses for items such as insurance, taxes, repair and maintenance. The industry leading Argus software has the flexibility to model one property or a portfolio of properties, engage in scenario analysis, vary the assumptions and seamlessly see the impact on the Internal Rate of Return (IRR).



Schedule Of Prospective Cash Flow  
In Inflated Dollars for the Fiscal Year Beginning 3/1/2010

For the Years Ending	Year 1 Feb-2011	Year 2 Feb-2012	Year 3 Feb-2013	Year 4 Feb-2014	Year 5 Feb-2015	Year 6 Feb-2016	Year 7 Feb-2017	Year 8 Feb-2018	Year 9 Feb-2019	Year 10 Feb-2020
<b>Gross Revenue</b>										
Potential Rental Revenue	\$387,753	\$4,468,695	\$4,912,912	\$4,963,006	\$5,042,674	\$5,158,267	\$5,233,560	\$5,279,266	\$5,645,476	\$6,231,962
Absorption & Turnover Vacancy	(1,899)	(22,957)	(89,412)	(43,869)	(38,580)	(53,546)	(58,264)	(103,298)	(412,083)	(137,487)
Base Rent Abatements		(11,281)								
Scheduled Base Rental Revenue	385,854	4,434,457	4,823,500	4,919,137	5,004,094	5,104,721	5,175,296	5,175,968	5,233,393	6,094,475
Miscellaneous Rental Revenue	439,950	479,945	479,945	305,246	30,759	30,759				
Expense Reimbursement Revenue		249,125	306,946	335,148	346,787	359,083	376,325	388,393	463,528	526,353
Non-Refundable Deposits										
<b>Total Gross Revenue</b>	385,854	5,123,532	5,610,391	5,559,531	5,381,640	5,463,804	5,551,621	5,564,361	5,696,921	6,620,828
General Vacancy	(3,027)	(9,652)	(879)	(8,390)	(5,817)	(437)	(10,826)	(985)	(2,868)	(5,313)
Collection Loss	(3,937)	(28,150)	(28,448)	(30,474)	(31,423)	(31,957)	(33,864)	(32,452)	(33,275)	(36,682)
<b>Effective Gross Revenue</b>	378,890	5,085,720	5,581,064	5,520,667	5,344,600	5,431,410	5,506,931	5,530,924	5,660,778	6,578,233
<b>Operating Expenses</b>										
Reimbursable Expenses		480,386	540,187	557,189	574,217	591,036	605,320	623,699	641,815	665,458
Office & Retail Expenses	167,003	692,385	755,912	779,243	802,782	826,740	853,320	877,087	903,828	930,855
<b>Total Operating Expenses</b>	167,003	1,172,771	1,296,099	1,336,432	1,376,999	1,417,776	1,459,240	1,500,786	1,545,643	1,596,313
<b>Net Operating Income</b>	211,887	3,912,949	4,284,965	4,183,635	3,967,601	4,013,634	4,047,691	4,030,138	4,115,135	4,981,920
<b>Debt Service</b>										
Principal Payments		308,330	359,639	385,642	413,518	443,409	475,466	509,836	546,691	586,209
Interest Payments	16,500	1,426,851	1,512,399	1,484,647	1,456,773	1,426,881	1,394,824	1,360,454	1,323,594	1,284,078
Origination Points & Fees		220,518								
<b>Total Debt Service</b>	16,500	1,955,699	1,872,038	1,870,289	1,870,291	1,870,290	1,870,290	1,870,290	1,870,285	1,870,287
<b>Leasing &amp; Capital Costs</b>										
Tenant Improvements		53,194	102,415	54,419	7,896	17,164	44,853	132,884	443,946	65,410
Leasing Commissions		50,894	86,022	40,557	19,561	30,751	77,338	107,960	445,320	140,280
Capital Costs & Reserves	3,801	16,728	18,320	18,827	19,403	20,515	21,080	21,659	22,256	22,906
Security Deposits		(23,907)	(25,659)	(26,428)	(27,227)	(28,283)	(27,268)	(26,415)	(23,548)	(26,729)
Investment of Capital		23,907	25,659	26,428	27,227	28,283	27,268	26,415	23,548	26,729
Distribution from Investment		(1,956)	(22,987)	(24,623)	(26,428)	(27,227)	(28,092)	(27,125)	(28,181)	(27,422)
Deposit Refund		1,956	22,987	24,623	26,428	27,227	28,092	27,125	28,181	27,422
<b>Total Leasing &amp; Capital Costs</b>	3,801	120,816	206,757	113,803	46,860	68,430	143,271	262,503	911,522	228,596
<b>Cash Flow After Debt Service</b>	\$191,586	\$1,836,434	\$2,206,170	\$2,199,543	\$2,050,450	\$2,074,914	\$2,034,130	\$1,897,345	\$1,333,328	\$2,883,037
<b>Portfolio Expenses</b>										
Portfolio Management Fee	18,945	254,286	279,053	276,003	267,230	271,571	275,347	276,546	283,039	328,912
<b>Cash Flow After Portfolio Expenses</b>	\$172,641	\$1,582,148	\$1,927,117	\$1,923,540	\$1,783,220	\$1,803,343	\$1,758,783	\$1,620,799	\$1,050,289	\$2,554,125

**Deal Structuring** involves the analysis of the most efficient and return-enhancing way to finance the respective properties. Kingston Properties' ability to offer a variety of instruments including common equity, redeemable and non-redeemable preferred shares, and a variety of fixed income instruments puts the company in good stead to correctly match the cashflows of the properties to the appropriate instrument, thus minimizing financing risk.

# Investment/Property Management



**Return analysis** uses industry leading valuation software to estimate the return potential of each property. This process takes into consideration the likely capital appreciation prospects for the property and is influenced by the macro economic trends of the location of the property. For example, for an apartment building, the important variables include macro trends in the job market.

**Deal Review and Final Approval** is an important component of the investment management process. The Board of Directors takes an active role in the review in order to determine specific properties for approval. Their priorities include the potential change in the company's balance sheet, the sustainability of cashflows and capital management.

## PROPERTY MANAGEMENT

The Property Management team has responsible for overseeing the lease and property management activities of the company's portfolio so as to ensure the smooth and efficient operation of all investment properties. This team is also involved in tenants' retention activities, service quality standards and administration of all leases in the various investment properties, which will include rental collections, insurance and property tax matters. This team oversees the marketing function, ensures that the buildings are leased at optimal rents and occupancy levels to meet the financial targets of the portfolio.

**Post Deal Management** focuses on the active management of the properties, tenant relations, market surveillance, return analysis and consistent reporting. Property management

ensures that the physical asset is adequately maintained and that property data is collected and analyzed for trends. Kingston Properties uses a combination of internal and external professionals to ensure properties remain competitive in terms of rental rates and physical condition.



For data collection and analysis, Kingston Properties use industry software Rent Manager a residential and commercial property management solution designed specifically to help real estate professionals work more efficiently and effectively. Rent Manager includes a completely integrated accounting system that offers General Ledger, Accounts Payable, Accounts Receivable, Budgeting, and drill-down financial reports that integrate seamlessly with a property management software system.

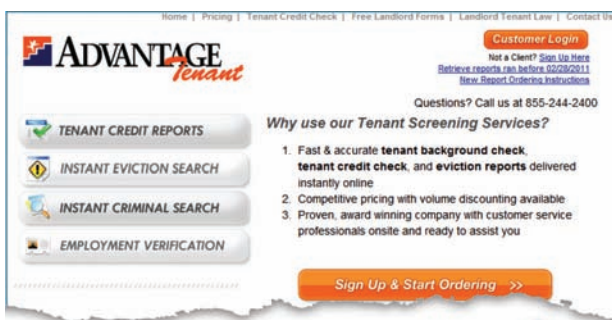
# Property Management



For our multi-tenant property in Miami, efficient rent collection and processing, is a priority. Here again Kingston Properties utilizes the state of the art technology for the industry to streamline the process of lease collection. The Pay Lease software allows for electronic rent collection and is a very cost effective way to ensure timely collection thus avoiding the “check is in the mail” syndrome.



Property Management of our residential property involves us consistently maintaining the important activity of tenant screening and selection. The software, *Advantage Tenant*, gives us the technology to incorporate information about the prospective tenant’s credit record, address verification, employment history and background checks. This screening tool utilizes nationwide data that helps us to fast track our approval process, an important competitive edge in a fast paced rental market.



Property Management also involves control of repair and maintenance expenses while providing the highest level of tenant relations. Utilizing the service of *Service America*, a national company in the US that has been providing repair and maintenance services for almost 40 years, has allowed Kingston Properties to be uniformed in its delivery of this important service for our tenants. This service is cost effective, covers emergencies and allows the tenants to directly access it on their schedule.





# The Team & Partners

## Fayval Williams – Executive Director



**Mrs. Williams** holds the position of Executive Director of the company and has overall executive responsibility for the company's affairs. The primary objectives remain as follows:

- a) Implement the long-term vision and strategy as developed and recommended to the board such that it results in creation of shareholder value.
- b) Develop and recommend to the board annual business plans and budgets that support the long-term vision and strategy of Kingston Properties.
- c) Lead the company and set a philosophy that is well understood, widely supported, consistently applied and effectively implemented.
- d) Ensure that appropriate systems are maintained to protect assets and maintain effective control of operations.
- e) Ensure that the day-to-day business affairs of the company are appropriately managed.
- f) Develop, attract, retain, motivate and either supervise or partner with an effective top management team capable of achieving objectives.
- g) Serve as chief spokesperson, communicating effectively with shareholders and all stakeholders.
- h) Manage the reporting and compliance aspects of the company either directly or through appointed affiliates.

# The Team & Partners

## Tatesha Robinson – Research Analyst



**Tatesha Robinson** is a member of the Investment Committee which meets weekly to report on the developments in the portfolio of properties and to discuss new potential transactions. She provides the operations management for the US based properties ensuring timely rent collection and a high level of tenant relations. She also processes the lease renewals for existing tenants, interacts with the management company and leasing agents, screens new applicants and liaises with our US based accounting firm to ensure that information is consistent and up-to-date. Ms. Robinson is also responsible for using Rent Manager to generate reports such as market and rent analysis, unit turnover analysis and to log tenant profile and maintenance data on each apartment.

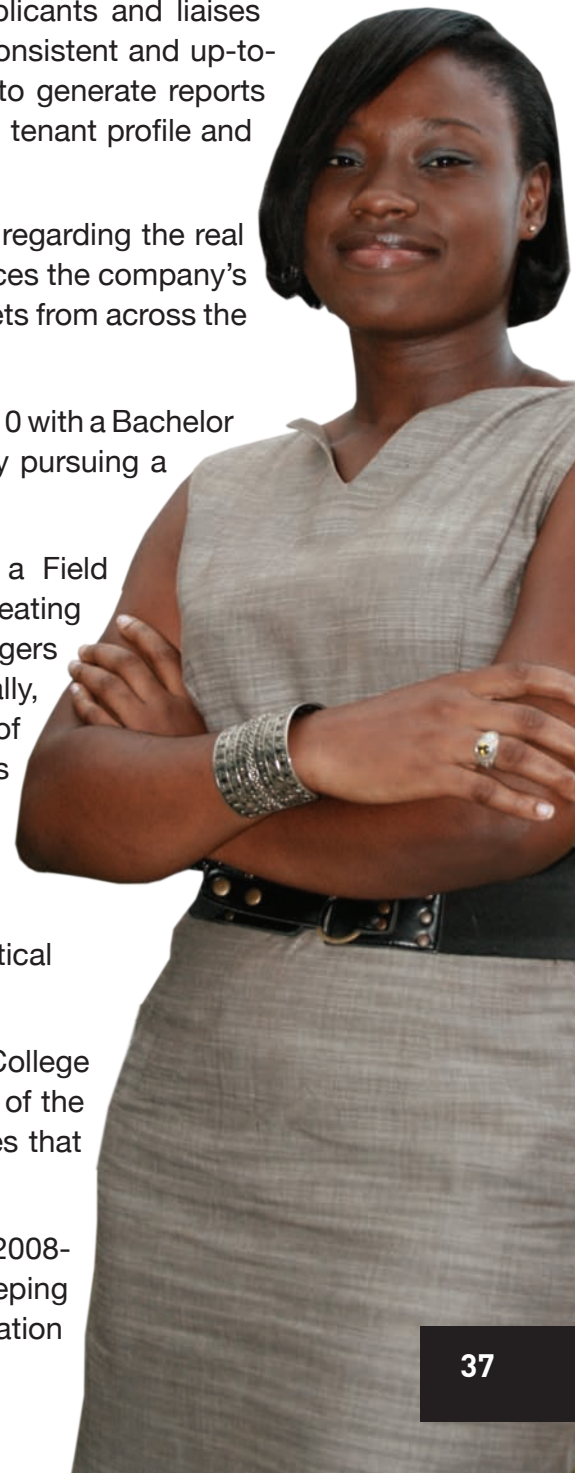
Ms. Robinson also has a primary function of conducting research regarding the real estate sector locally and internationally. She researches and produces the company's flagship weekly newsletter, gleaming articles about real estate markets from across the world. The newsletter is read by about 150 people weekly.

Ms. Robinson graduated from the University of the West Indies in 2010 with a Bachelor of Science in Economics and Statistics (Honours) and is presently pursuing a Master of Science in Economics.

Prior to being employed at Kingston Properties, Tatesha was a Field Agent at MBJ Airports Limited in 2009 where her role involved creating questionnaires to effectively capture the feedbacks of the passengers as it relates to the overall services offered by the airport. Additionally, she was the leader of the team and had the responsibilities of overseeing the completion of the project undertaken as well as writing a comprehensive report on the findings of the study.

Ms. Robinson also worked with the National Housing Trust (NHT). Her duties involved capturing accurate data from numerous households across the country and recording this data in a Statistical Package. She held various leadership positions which included:

- Vice President of the Student Union at Browns Town Community College from 2006-2007 with the responsibilities of reporting the concerns of the students to the Board of Directors as well as implementing policies that aided in the effective operation of the institution.
- Treasurer at the Rex Nettleford Hall (Cluster Eight), UWI Mona 2008-2009 where she was responsible for the accurate, reliable safe keeping and reports of funds collected as well as assisting in the implementation of policies regarding fund raising activities.





## The Team & Partners

### Pierre Shirley – Business Development Consultant



During 2010, we utilized the consulting services of Pierre Shirley in the capacity of Business Development Consultant with responsibilities that include deal sourcing, structuring and financing. Pierre brought to Kingston Properties a wealth of experience in the Real Estate industry that included in-depth analysis of rent rolls, financial statements, property budgets, appraisals, environmental reports, property condition reports, tenant leases, management agreements, deeds, notes, and mortgages.

While at Kingston Properties, Pierre helped to streamline the US operations by establishing the prospective tenant application process, simplifying the process and increasing the turn-around time for applicant approval or disapproval. He was also proactive in utilizing technology such as the electronic payment system to accelerate on-time rent collection.

Pierre Shirley holds a Bachelor's Degree in Business Administration (BBA) with a Major Concentration in Real Estate Finance and a Master's of Science Degree (M.Sc.) in International Real Estate both from the Florida International University in Miami, Florida.



## Financial Planning



The Financial Planning team comprises a strongly linked partnership with Crichton Mullings Strategics in Jamaica, Crichton Mullins PA in the USA and Kingston Properties. Together, this team oversees the accounting, taxation, treasury, compliance and reporting functions. This team is also involved in the areas of strategic planning, budgeting, investor relations, operations and business development opportunities.

Return Analysis and Reporting provides us with data to compare the actual results with the projections and provides a feedback loop into the Investment Process and for the Board of Directors. It also feeds back into guiding the assumptions for future properties. As well, Crichtonmullings brings insights into tax strategies and help to guide the decision making by analyzing the accounting implications of various scenarios.

- **Business Administration**

This team has responsible for providing an effective support system. Additionally, it involves proper allocation of resources and identification of talent to support the company's growth.



# The Team & Partners

CrichtonMullings Strategies – Jamaica / Crichton Mullings & Associates PA - USA



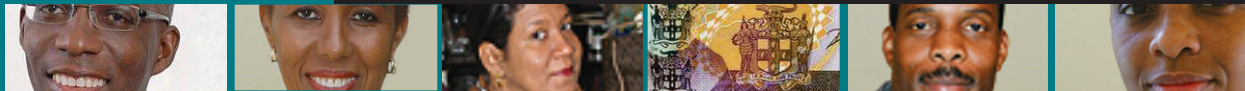
**Mr. Mullings** is a Chartered Accountant and Certified Public Accountant licensed in Jamaica and Florida with over twenty five years of international experience in the audit and financial services industry. He holds an undergraduate degree in Accounting and a Masters in Business Administration. He has over 20 years of experience in auditing, accounting, taxation, systems design and implementation and business consulting.

Mr. Mullings worked with Booth Anderson & Company of London as a Senior Accountant and with Mitchell Titus & Company, of New York as a manager. His experience also includes several years as an Audit Manager and Senior Consultant with PricewaterhouseCoopers, Jamaica.

**Mrs. Gonzales** is a graduate of the University of the West Indies, where she received both an undergraduate degree (with first class honours) and a masters degree (with distinction) in accounting. A Chartered Accountant, she is a member of the Institute of Chartered Accountants of Jamaica. Mrs. Gonzales has over eight years of experience in audit, taxation and accountancy with four years in management. She is skilled in the areas of tax planning and consulting, mediation and negotiation, audit and internal audit, due diligence exercises and recruitment of accounting personnel.



## Summary



Equity and credit market concerns have eased over the past year and continue to steadily improve. More abundant and cheaper capital has increased demand for commercial properties, placing downward pressure on capitalization rates and thereby increasing the market value of our portfolio.

Kingston Properties expects to continue making acquisitions on a very select and disciplined basis. In the United States, signs of recovery in the commercial real estate market are boosting optimism among owners. The REIT's portfolio is performing well and management expects continued growth from our contracted rental escalations. In short, management remains very optimistic and excited about its ability to continue to grow the company and for it to prosper in the coming years.



THE REIT

ANNUAL REPORT 2010

## Index to the Financial Statements

- **Independent Auditors' Report**
- **Group Statement of Comprehensive Income**
- **Group Statement of Financial Position**
- **Group Statement of Changes in Equity**
- **Group Statement of Cash Flows**
- **Company Statement of Comprehensive Income**
- **Company Statement of Financial Position**
- **Company Statement of Changes in Equity**
- **Company Statement of Cash Flows**
- **Notes to the Financial Statements**



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## INDEPENDENT AUDITORS' REPORT

To the Members of  
KINGSTON PROPERTIES LIMITED

### Report on the Financial Statements

We have audited the financial statements of Kingston Properties Limited ("the company"), and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 3 to 34, which comprise the statements of financial position as at December 31, 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS REPORT (Cont'd)  
To the Members of  
KINGSTON PROPERTIES LIMITED

**Report on the Financial Statements, (cont'd)**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the company and the group as at December 31, 2010, and of their financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

**Report on additional matters as required by the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in black ink that reads 'KPMG' with a horizontal line extending to the right.

Chartered Accountants  
Kingston, Jamaica

February 28, 2011

KINGSTON PROPERTIES LIMITEDGroup Statement of Comprehensive Income  
Year ended December 31, 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Revenue:			
Rental income	4, 9(c)	33,119,567	-
Operating expenses		<u>(28,741,596)</u>	<u>( 9,467,667)</u>
Results from operating activities		<u>4,377,971</u>	<u>( 9,467,667)</u>
Finance income		18,219,256	35,549,921
Finance costs		<u>(11,085,307)</u>	-
Net finance income	5	<u>7,133,949</u>	<u>35,549,921</u>
Profit before income tax	6	11,511,920	26,082,254
Income tax credit	7	<u>3,594,236</u>	<u>1,133,021*</u>
Profit for the year		<u>15,106,156</u>	<u>27,215,275</u>
Other comprehensive (expense)/income:			
Foreign currency translation differences for foreign operations being total other comprehensive (expense) /income		<u>(17,765,164)</u>	<u>35,781,838</u>
Total comprehensive (expense)/income for the year		<u>\$ ( 2,659,008)</u>	<u>62,997,113</u>
Earnings per stock unit:	8	<u>22 cents</u>	<u>40 cents*</u>

\* Restated [see note 27(ii)].

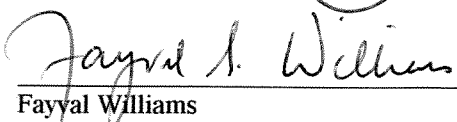
The accompanying notes form an integral part of the financial statements.

KINGSTON PROPERTIES LIMITEDGroup Statement of Financial Position  
December 31, 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>NON-CURRENT ASSETS</b>			
Investment properties	9(a)	419,942,891	-
Furniture, software and equipment	10	561,324	108,130
Deferred tax asset	11	<u>4,969,113</u>	<u>1,260,103*</u>
Total non-current assets		<u>425,473,328</u>	<u>1,368,233</u>
<b>CURRENT ASSETS</b>			
Receivables	14	6,690,253	1,603,964
Deposit on investment property	15	-	26,400,000
Reverse repurchase agreements	16	87,322,931	469,216,488
Cash and cash equivalents	17	<u>162,411,388</u>	<u>35,454,464</u>
Total current assets		<u>256,424,572</u>	<u>532,674,916</u>
Total assets		<u>\$681,897,900</u>	<u>534,043,149</u>
<b>EQUITY</b>			
Share capital	18	406,608,605	406,608,605
Translation reserve		50,187,363	67,952,527
Retained earnings		<u>44,610,971</u>	<u>29,504,815*</u>
Total equity		<u>501,406,939</u>	<u>504,065,947</u>
<b>NON CURRENT LIABILITIES</b>			
Loans payable	19	<u>25,602,240</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Loans payable	19	145,078,336	26,767,689
Accounts payable and accrued charges	20	9,568,529	3,082,431
Income tax payable		<u>241,856</u>	<u>127,082</u>
Total current liabilities		<u>154,888,721</u>	<u>29,977,202</u>
Total equity and liabilities		<u>\$681,897,900</u>	<u>534,043,149</u>

The financial statements on pages 3 to 34 were approved for issue by the Board of Directors on February 28, 2011 and signed on its behalf by:

  
\_\_\_\_\_  
Garfield Sinclair Director

  
\_\_\_\_\_  
Fayyal Williams Director

\* Restated [see note 27(ii)].

KINGSTON PROPERTIES LIMITEDGroup Statement of Changes in Equity  
Year ended December 31, 2010

	Share capital (note 18)	Other reserve	Cumulative translation adjustments	Retained earnings	Total
<b>Balances at December 31, 2008:</b>					
As previously reported	406,608,605	23,580,934	36,014,756	11,817,969	478,022,264
Prior period adjustments [note 27(i)]	<u>-</u>	<u>(23,580,934)</u>	<u>( 3,844,067)</u>	<u>-</u>	<u>( 27,425,001)</u>
<b>As restated</b>	<u>406,608,605</u>	<u>-</u>	<u>32,170,689</u>	<u>11,817,969</u>	<u>450,597,263</u>
Total comprehensive income:					
As previously reported					
Profit for the year	-	-	-	21,692,947	21,692,947
Prior period adjustments [note 27(ii)]	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,522,328</u>	<u>5,522,328</u>
As restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,215,275</u>	<u>27,215,275</u>
Other comprehensive income:					
Translation of foreign subsidiary's balances, being total other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>35,781,838</u>	<u>-</u>	<u>35,781,838</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>35,781,838</u>	<u>27,215,275</u>	<u>62,997,113</u>
Contributions by and distributions to owners					
Dividend paid (note 23), being total distributions to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 9,528,429)</u>	<u>( 9,528,429)</u>
<b>Balances at December 31, 2009</b>	<u>406,608,605</u>	<u>-</u>	<u>67,952,527</u>	<u>29,504,815</u>	<u>504,065,947</u>
Balances at December 31, 2009					
As previously reported	406,608,605	-	67,952,527	23,982,487	498,543,619
Prior period adjustments [note 27(ii)]	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,522,328</u>	<u>5,522,328</u>
As restated	<u>406,608,605</u>	<u>-</u>	<u>67,952,527</u>	<u>29,504,815</u>	<u>504,065,947</u>
Total comprehensive income/(expense):					
Profit for the year	-	-	-	15,106,156	15,106,156
Other comprehensive income/(expense):					
Translation of foreign subsidiaries' balances, being total other comprehensive expense for the year	<u>-</u>	<u>-</u>	<u>(17,765,164)</u>	<u>-</u>	<u>( 17,765,164)</u>
Total comprehensive income/(expense) for the year	<u>-</u>	<u>-</u>	<u>(17,765,164)</u>	<u>15,106,156</u>	<u>( 2,659,008)</u>
<b>Balances at December 31, 2010</b>	<u>\$406,608,605</u>	<u>-</u>	<u>50,187,363</u>	<u>44,610,971</u>	<u>501,406,939</u>

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

KINGSTON PROPERTIES LIMITEDGroup Statement of Cash Flows  
Year ended December 31, 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities			
Profit for the year		15,106,156	27,215,275*
Adjustments to reconcile profit for the year to net cash provided by/(used in) operating activities:			
Translation difference		( 17,765,164)	35,781,838
Income tax		( 3,594,236)	( 1,133,021)*
Depreciation	10	55,519	-
Interest income		( 15,162,087)	( 20,506,874)
Interest expense		11,085,307	-
Unrealised foreign exchange gains		( 3,235,962)	( 15,043,047)
Operating profit before changes in working capital		( 13,510,467)	26,314,171
Changes in:			
Deposit on investment property		26,400,000	( 26,400,000)
Other receivables		( 4,984,345)	( 1,475,752)
Accounts payable and accrued charges		<u>6,486,098</u>	<u>1,245,632</u>
Net cash provided/(used) by operations		<u>14,391,286</u>	<u>( 315,949)</u>
Cash flows from investing activities			
Property under construction		-	314,363,000*
Interest received		15,060,143	20,457,448
Reverse repurchase agreements		381,893,557	(469,216,488)
Additions to office equipment	10	( 508,713)	( 108,130)
Additions to investment property		<u>(419,942,891)</u>	<u>-</u>
Net cash used by investing activities		<u>( 23,497,904)</u>	<u>(134,504,170)</u>
Cash flows from financing activities			
Dividend paid		-	( 9,528,429)
Interest paid		( 11,085,307)	-
Loans payable		<u>143,912,887</u>	<u>26,767,689</u>
Net cash provided by financing activities		<u>132,827,580</u>	<u>17,239,260</u>
Net increase/(decrease) in cash and cash equivalents		123,720,962	(117,580,859)
Cash and cash equivalents at beginning of year		35,454,464	137,992,276
Effect of exchange rate fluctuations on cash and cash equivalents		<u>3,235,962</u>	<u>15,043,047</u>
Cash and cash equivalents at end of year		<u>\$162,411,388</u>	<u>35,454,464</u>

\* Restated [see note 27(ii)].

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

KINGSTON PROPERTIES LIMITEDCompany Statement of Comprehensive Income  
Year ended December 31, 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Revenue:			
Rental income	4, 9(c)	13,443,069	-
Miscellaneous		<u>-</u>	<u>1,017,039</u>
		13,443,069	1,017,039
Operating expenses		(14,287,677)	( 8,692,391)
Results from operating activities		( 844,608)	( 7,675,352)
Finance income		2,988,337	21,136,090
Finance costs		(11,085,307)	<u>-</u>
Net finance (costs)/income	5	( 8,096,970)	<u>21,136,090</u>
(Loss)/profit before income tax	6	( 8,941,578)	13,460,738
Income tax	7	<u>3,709,010</u>	<u>1,260,103*</u>
(Loss)/profit, being total comprehensive (expense)/income for the year		\$( <u>5,232,568</u> )	<u>14,720,841</u>

\* Restated [see note 27(ii)].

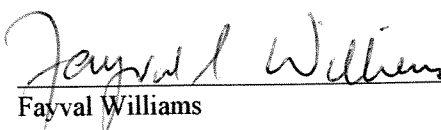
The accompanying notes form an integral part of the financial statements.

**KINGSTON PROPERTIES LIMITED****Company Statement of Financial Position  
December 31, 2010**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>NON-CURRENT ASSETS</b>			
Investment properties	9(a)	184,632,259	-
Furniture, software and equipment	10	295,794	108,130
Deferred tax asset	11	4,969,113	1,260,103*
Investment in subsidiaries	12	<u>308,730,729</u>	<u>282,156,561</u>
Total non-current assets		<u>498,627,895</u>	<u>283,524,794</u>
<b>CURRENT ASSETS</b>			
Due from subsidiary	13	2,391,890	-
Receivables	14	3,771,686	1,554,538
Deposit on investment property	15	-	26,400,000
Reverse repurchase agreements	16	87,322,931	469,216,488
Cash and cash equivalents	17	<u>2,460,135</u>	<u>8,722,305</u>
Total current assets		<u>95,946,642</u>	<u>505,893,331</u>
Total assets		<u>\$594,574,537</u>	<u>789,418,125</u>
<b>EQUITY</b>			
Share capital	18	406,608,605	406,608,605
Retained earnings		<u>12,197,927</u>	<u>17,430,495*</u>
Total equity		<u>418,806,532</u>	<u>424,039,100</u>
<b>NON CURRENT LIABILITIES</b>			
Loans payable	19	<u>25,602,240</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Loans payable	19	145,078,336	26,767,689
Accounts payable and accrued charges	20	5,087,429	2,465,185
Owed to subsidiary	21	<u>-</u>	<u>336,146,151</u>
Total current liabilities		<u>150,165,765</u>	<u>365,379,025</u>
Total equity and liabilities		<u>\$594,574,537</u>	<u>789,418,125</u>

The financial statements on pages 3 to 34 were approved for issue by the Board of Directors on February 28, 2011 and signed on its behalf by:

  
\_\_\_\_\_  
Garfield Sinclair Director

  
\_\_\_\_\_  
Fayval Williams Director

\* Restated [see note 27(i)].

KINGSTON PROPERTIES LIMITEDCompany Statement of Changes in Equity  
Year ended December 31, 2010

	<u>Share capital</u> (note 18)	<u>Retained earnings</u>	<u>Total</u>
<b>Balances at December 31, 2008</b>	406,608,605	12,238,083	418,846,688
Total comprehensive income:			
As previously reported:			
Profit, being total comprehensive income for the year	-	9,198,513	9,198,513
Prior period adjustments [note 27(i)]	<u>-</u>	<u>5,522,328</u>	<u>5,522,328</u>
	<u>-</u>	<u>14,720,841</u>	<u>14,720,841</u>
Contributions by and distributions to owners:			
Dividend paid (note 23) being total distributions to owners	<u>-</u>	<u>(9,528,429)</u>	<u>(9,528,429)</u>
<b>Balances at December 31, 2009</b>	<u>406,608,605</u>	<u>17,430,495</u>	<u>424,039,100</u>
Balances at December 31, 2009			
As previously reported	406,608,605	11,908,167	418,516,772
Prior period adjustments [note 27(ii)]	<u>-</u>	<u>5,522,328</u>	<u>5,522,328</u>
	406,608,605	17,430,495	424,039,100
Loss, being total comprehensive expense for the year	<u>-</u>	<u>(5,232,568)</u>	<u>(5,232,568)</u>
<b>Balances at December 31, 2010</b>	<u>\$406,608,605</u>	<u>12,197,927</u>	<u>418,806,532</u>

KINGSTON PROPERTIES LIMITEDCompany Statement of Cash Flows  
Year ended December 31, 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities			
(Loss)/profit for the year		( 5,232,568)	14,720,841*
Adjustments to reconcile profit for the year to net cash (used in)/provided by operating activities:			
Depreciation	10	47,959	-
Income tax		( 3,709,010)	( 1,260,103)*
Interest income		( 2,380,525)	( 6,093,043)
Interest expense		11,085,307	-
Unrealised foreign exchange gains		( 786,605)	( 15,043,047)
Operating loss before changes in working capital		( 975,442)	( 7,675,352)
Changes in:			
Other receivables		( 2,115,203)	( 1,475,752)
Deposit on investment property		26,400,000	( 26,400,000)
Accounts payable and accrued charges		2,622,244	1,084,250
Due from subsidiary		( 2,391,890)	-
Owed to subsidiary		(336,146,151)	336,146,151
Net cash (used in)/provided by operations		<u>(312,606,442)</u>	<u>301,679,297</u>
Cash flows from investing activities			
Interest received		2,278,580	6,093,043
Reverse repurchase agreements		381,893,557	(469,216,488)
Investment in subsidiaries		( 26,574,168)	-
Additions to office equipment	10	( 235,623)	( 108,130)
Additions to investment property		<u>(184,632,259)</u>	<u>-</u>
Net cash provided by/( used in) investing activities		<u>172,730,087</u>	<u>(463,231,575)</u>
Cash flows from financing activities			
Dividend paid		-	( 9,528,429)
Interest paid		( 11,085,307)	-
Loans payable		<u>143,912,887</u>	<u>26,767,689</u>
Net cash provided by financing activities		<u>132,827,580</u>	<u>17,239,260</u>
Net decrease in cash and cash equivalents		( 7,048,775)	(144,313,018)
Cash and cash equivalents at the beginning of the year		8,722,305	137,992,276
Effect of exchange rate fluctuations on cash and cash equivalents		<u>786,605</u>	<u>15,043,047</u>
Cash and cash equivalents at end of the year		<u>\$ 2,460,135</u>	<u>8,722,305</u>

\* Restated [see note 27(ii)].

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

## KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements  
December 31, 2010

### 1. Identification and principal activities

Kingston Properties Limited [formerly Carlton Savannah REIT (Jamaica) Limited] ("the company") was incorporated in Jamaica under the Companies Act on April 21, 2008. The company is domiciled in Jamaica, with its registered office at 7 Stanton Terrace, Kingston 6, Jamaica. The company is listed on the Jamaica Stock Exchange.

The company has two wholly owned subsidiaries:

- (i) Carlton Savannah REIT (St. Lucia) Limited, incorporated in St. Lucia under the International Business Companies Act of 1999 on May 8, 2008; and its wholly owned subsidiary
- (ii) Kingston Properties Miami LLC, incorporated in Florida under the Florida Limited Liability Company Act on March 12, 2010, a wholly-owned subsidiary of Carlton Savannah REIT (St. Lucia) Limited.

The company and its subsidiaries are collectively referred to as "Group". In these financial statements 'parent' refers to the company and intermediate parent refer to its wholly owned subsidiary, Carlton Savannah REIT (St. Lucia) Limited.

The principal activity of the Group is to make accessible to investors, the income earned from the ownership of real estate properties.

### 2. Statement of compliance and basis of preparation

- (a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the relevant provisions of the Jamaican Companies Act ("the Act").

#### **New and revised standards and interpretations that became effective during the year:**

Certain new and revised standards and interpretations came into effect during the financial year under review. The following are considered relevant to the financial statements:

- Revised IFRS 3, *Business Combinations*, becomes effective for annual reporting periods beginning on or after July 1, 2009. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced.
- IAS 27 (Revised), *Consolidated and Separate Financial Statements*, becomes effective for annual reporting periods beginning on or after July 1, 2009. It requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. It also specifies the accounting when control is lost, requiring that any remaining interest in the entity be re-measured to fair value, and a gain or loss be

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements  
December 31, 2010

2. Statement of compliance and basis of preparation (cont'd)

## (a) Statement of compliance (cont'd):

**New and revised standards and interpretations that are not yet effective:**

At the date of approval of the financial statements, certain new and revised standards and interpretations came into effect during the financial year under review. They were not adopted early and therefore have not been taken into account in preparing the financial statements. The following are considered relevant to the financial statements:

- IFRS 9, *Financial Instruments (2009)*, is effective for annual reporting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value.
- Amendment to IAS 32, *Financial Instruments: Presentation*, is effective for annual reporting periods beginning on or after February 1, 2010. The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IAS 24 (Revised), *Related Party Disclosure*, effective for annual reporting periods beginning on or after January 1, 2011, introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.
- Amendments to IFRS 7, *Disclosures – Transfer of Financial Assets*, is effective for accounting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities and to evaluate the nature of, and risks associated with, the entity's continuing involvement in these derecognized assets.
- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, is effective for annual reporting periods beginning on or after July 1, 2010. It addresses the accounting by the debtor in a debt for equity swap transaction and specifically how the entity should measure the equity instruments issued to extinguish a financial liability.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements  
December 31, 2010

2. Statement of compliance and basis of preparation (cont'd)

## (a) Statement of compliance (cont'd):

**New and revised standards and interpretations that are not yet effective (cont'd):**

- IFRS 9, *Financial Instruments (2010)*. The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for annual reporting periods beginning on or after January 1, 2013. The revised standard now includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.
- *Improvements to IFRS 2010* contain amendments to six standards and to one interpretation and are effective for accounting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendments are as follows:
  - IFRS 3, *Business Combinations*, is amended to state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has been settled or otherwise resolved at the effective date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004). IFRS 3 has also been amended to limit the accounting policy choices to measure non-controlling interests (NCI) upon initial recognition either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation. IFRS 3 was also amended to provide guidance on unreplaced and voluntary replaced share-based payment awards. The amendments are effective for accounting periods beginning on or after July 1, 2010.
  - IFRS 7, *Financial Instruments: Disclosures*, has been amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The amendment is effective for annual reporting periods beginning on or after January 1, 2011.
  - IAS 1, *Presentation of Financial Statements*, has been amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. The amendment is effective for annual reporting periods beginning on or after January 1, 2011.

## KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements  
December 31, 2010

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

**New and revised standards and interpretations that are not yet effective (cont'd):**

- IAS 27, *Consolidated and Separate Financial Statements*, has been amended to add guidance about disposals of all or part of a foreign operation and about accounting for a loss of significant influence or joint control. The amendments are effective for annual reporting periods beginning on or after July 1, 2010.
- IAS 34, *Interim Financial Reporting*, has been amended to provide a number of examples of events or transactions that require disclosure. The amendment is effective for accounting periods beginning on or after January 1, 2011.
- The revision to IFRIC 13, *Customer Loyalty Programmes*, amends the terminology used in respect of the values of awards and award credits in a customer loyalty programme. The interpretation as amended now states that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is effective for annual reporting periods beginning on or after January 1, 2011.

The Group is assessing the impact, if any, that these amendments and improvements to standards and new interpretations would have on future financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars (\$), unless otherwise indicated, which is the functional currency of the company. The financial statements of the subsidiaries, which have a different functional currency, are translated into the presentation currency in the manner described in note 3(g)(ii).

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from these estimates. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements  
December 31, 2010

2. Statement of compliance and basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd):

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.

In particular, the assumptions concerning the future and other areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

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

- Fair value of financial instruments

In the absence of quoted market prices, the fair value of the Group's financial instruments was determined using a generally accepted alternative method. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

- Fair value of investment properties

The fair value of investment property as at the reporting date is based on open market value, which may be defined as the best price at which an interest in a property might reasonably be expected to be sold by private treaty at the date of valuation, assuming:

- a willing seller;
- a willing buyer;
- a reasonable period in which to negotiate a sale, taking into account the nature of the property and state of the market;
- values are expected to remain stable throughout the period of market exposure and disposal by way of sale;
- the property will be freely exposed to the market;
- that no account has been taken of any possible additional bid/s reflecting any premium in price which might be forth-coming from a potential purchaser with a special interest in acquiring the premises; and
- that the subject premises, in its current zoned use class, can be sold, exchanged, transferred, let, mortgaged or used for any other economic activity, within its land use class, in the open market.

It is possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

(ii) Critical accounting judgements in applying the Group's accounting policies

There are no critical accounting judgements in applying the Group's accounting policies that have a significant effect on the financial statements.

KINGSTON PROPERTIES LIMITEDNotes to the Financial Statements  
December 31, 20103. Significant accounting policies

## (a) Consolidation:

The consolidated financial statements comprise the financial position, results of operations and cash flows of the company and its subsidiaries (note 1), after eliminating intra-group amounts.

## (i) Subsidiaries

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

## (ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## (b) Investment in subsidiary:

Investment in the wholly-owned subsidiary (note 1) is accounted for at cost less, if any, impairment losses.

## (c) Cash and cash equivalents:

Cash and cash equivalents are carried at cost. For the purposes of the cash flow statement and cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

## (d) Accounts payable and accrued charges:

Accounts payable and accrued charges are stated at cost.

## (e) Receivables:

Receivables are stated at amortised cost less, if any, impairment losses.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

3. Significant accounting policies (cont'd)

## (f) Related parties:

A party is related to the company, if:

- (i) directly, or indirectly, the party:
  - (a) controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
  - (b) has an interest in the entity that gives it significant influence over the company;  
or
  - (c) has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the company;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (i) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

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

## (g) Foreign currencies:

- (i) Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the foreign exchange rates ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Exchange differences arising on settlement of monetary items or on reporting the Group's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expense in the period in which they arise. Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at historical cost are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

3. Significant accounting policies (cont'd)

## (g) Foreign currencies (cont'd):

Exchange differences arising on a monetary item that, in substance, forms a part of the company's net investment in a foreign entity is included in equity in these financial statements until the disposal of the net investment, at which time they are recognised as income or expense.

(ii) The assets and liabilities of the foreign operations, which are "foreign entities", as defined in IFRS, are translated into Jamaica dollars for the purpose of inclusion in these financial statements as follows:

- (1) all assets and liabilities at the rate ruling at the reporting date;
- (2) all income and expense items at the exchange rate ruling at the dates of the transactions;
- (3) the resulting exchange differences are included in equity until the disposal of the investment.

## (h) Impairment:

The carrying amount of the Group's assets is reviewed at each reporting sheet date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

## (i) Calculation of recoverable amount:

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at 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.

## (ii) Reversals of impairment:

An impairment loss in respect of a receivable is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, 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 carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

KINGSTON PROPERTIES LIMITEDNotes to the Financial Statements (Continued)  
December 31, 20103. Significant accounting policies (cont'd)

## (i) Reverse repurchase agreements:

Reverse repurchase agreements are transactions whereby the Group makes funds available to institutions by entering into short-term agreements with those institutions. On delivering the funds, the company receives the securities, or other documents evidencing a claim on the securities, and agrees to resell the securities, or surrender the documents evidencing the claim, on a specified date and at a specified price. Reverse repurchase agreements are accounted for as short-term collateralised lending. The difference between sale and purchase consideration is recognised as interest income on the accrual basis over the term of the agreement.

## (j) Financial assets and liabilities:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, receivables, resale agreements and due from subsidiary. Financial liabilities comprise loans payable, accounts payable and accrued charges, and owed to subsidiary.

## (i) Recognition:

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

## (ii) Derecognition:

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

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

## (k) Capital:

## (i) Classification:

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

## (ii) Share issue costs:

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

## (iii) Dividends:

Dividends are recorded in the financial statements in the period in which they are declared.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

3. Significant accounting policies (cont'd)

## (l) Income tax:

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

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

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

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

Current and deferred tax assets and liabilities are offset in the statement of financial position if they apply to the same tax authority.

## (m) Furniture, software and equipment:

- (i) Items of office equipment are stated at cost less accumulated depreciation and, if any, impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

The costs of day-to-day servicing of office equipment are recognised in profit or loss as incurred.

- (ii) Depreciation is recognised in the statement of comprehensive income on the straight-line basis, over the estimated useful life of the asset. The depreciation rate for the furniture, software and equipment are as follows:

Software	33 $\frac{1}{3}$
Computer and accessories	20%
Furniture and fixtures	10%

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

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3. Significant accounting policies (cont'd)

## (n) Investment properties:

Investment properties, comprising, warehouse building and residential apartments, is held for long-term rental yields and capital gain.

Investment properties are initially recognised at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value.

## (o) Revenue recognition:

Rental income:

Rental income is recorded in these financial statements on the accrual basis using the straight line method.

## (p) Segment reporting:

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expense that relate to transactions with any of the Group's other components. All operating segments for which discrete information is available are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess their performance.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

4. Rental income

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Hagley Park Warehouse	13,443,069	-	13,443,069	-
Miami Condominium	<u>19,676,498</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$33,119,567</u>	<u>-</u>	<u>13,443,069</u>	<u>-</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

5. Net finance income/(costs)

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Finance income:				
Interest income	15,162,087	20,506,874	2,380,525	6,093,043
Unrealised gains on conversion of foreign exchange	3,235,962	15,043,047	786,605	15,043,047
Realised loss on conversion of foreign exchange	( 178,793)	-	( 178,793)	-
	<u>18,219,256</u>	<u>35,549,921</u>	<u>2,988,337</u>	<u>21,136,090</u>
Finance costs:				
Interest expense	(11,085,307)	-	(11,085,307)	-
	<u>\$ 7,133,949</u>	<u>35,549,921</u>	<u>( 8,096,970)</u>	<u>21,136,090</u>

6. Disclosure of expenses

The following are among the items charged in arriving at profit/(loss) before income tax:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
Auditors' remuneration	1,013,120	1,251,773	609,500	958,023
Key management personnel compensation				
Directors' remuneration:				
- salaries	2,886,055	1,558,041	2,886,055	1,558,041
- fees	<u>699,913</u>	<u>476,037</u>	<u>422,955</u>	<u>476,037</u>

Key management personnel comprise the Board of Directors, which includes an executive director.

7. Income tax

(a) Income tax comprises:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
(i) Current tax expense:				
Income tax at 1%	114,774	127,082	-	-
(ii) Deferred tax (credit)/expense:				
Origination and reversal of temporary differences	(3,709,010)	(1,260,103)*	(3,709,010)	(1,260,103)*
Total income tax credit	<u>\$(3,594,236)</u>	<u>(1,133,021)</u>	<u>(3,709,010)</u>	<u>(1,260,103)</u>

\* Restated [see note 27(ii)].

KINGSTON PROPERTIES LIMITEDNotes to the Financial Statements (Continued)  
December 31, 20107. Income tax (cont'd)

## (b) Reconciliation of effective tax rate:

The tax rate for the company is 33½% of profit before income tax adjusted for tax purposes, while the tax rate for the St. Lucia subsidiary is 1% of profits. The actual credit for the year is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Profit before income tax	\$11,511,920	26,082,254	(8,941,578)	13,460,738
Computed "expected" tax (credit)/expense at 33½%	( 2,980,526)	4,486,913	(2,980,526)	4,486,913
Computed "expected" tax expense at 1%	<u>114,774</u>	<u>126,215</u>	-	-
	( 2,865,752)	4,613,128	(2,980,526)	4,486,913
Tax effect of difference between profit for financial statements and tax reporting purposes on:				
Disallowed expenses	( <u>728,484</u> )	( <u>5,746,149</u> )	( <u>728,484</u> )	( <u>5,747,016</u> )
Actual tax credit	\$( <u>3,594,236</u> )	( <u>1,133,021</u> )	( <u>3,709,010</u> )	( <u>1,260,103</u> )

- (c) Subject to agreement by the Commissioner, Taxpayer Audit and Assessment, taxation losses, available for set-off against future taxable profits, amounted to approximately \$17,500,000 as at December 31, 2010 (2009: \$5,378,000).

8. Earnings per stock unit

Earnings per stock unit ("EPS") is computed by dividing profit for the year of \$15,106,156 (2009: \$27,215,275) by stock units in issue during the year, numbering 68,800,102.

9. Investment properties

- (a) Investment properties held by the Group are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Hagley Park warehouse [see (i)]	184,632,259	-	184,632,259	-
Miami condominium [see (ii)]	<u>235,310,632</u>	-	-	-
	<u>\$419,942,891</u>	-	<u>184,632,259</u>	-

- (i) This represents 26,000 square feet of commercial property located on Hagley Park Road, Kingston, Jamaica, [see note 19(ii)].

- (ii) This represents 16,092 square feet of residential condominium space (19 units) in the Loft II building located at 133 NE 2<sup>nd</sup> Avenue in downtown Miami, Florida.

KINGSTON PROPERTIES LIMITEDNotes to the Financial Statements (Continued)  
December 31, 20109. Investment properties (cont'd)

(b) The carrying amounts of investment properties have been determined as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Additions during the year	431,063,459	-	184,632,259	-
Foreign currency translation adjustments	( 11,120,568)	-	-	-
Balance at December 31	<u>\$419,942,891</u>	<u>-</u>	<u>184,632,259</u>	<u>-</u>

(c) Gross lease rental income for investment properties:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Gross lease rental income	<u>\$33,119,567</u>	<u>-</u>	<u>13,443,069</u>	<u>-</u>

(d) Property operating expenses are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Insurance premium	1,844,961	-	1,325,878	-
Taxes and fees	3,779,495	-	83,437	-
Professional fees	2,614,303	-	1,770,000	-
Other expenses	<u>8,196,848</u>	<u>-</u>	<u>315,700</u>	<u>-</u>
	<u>\$16,435,607</u>	<u>-</u>	<u>3,495,015</u>	<u>-</u>

10. Furniture, software and equipment

	<u>Group</u>		<u>Total</u>
	<u>Office equipment</u>	<u>Computer software</u>	
Cost:			
Additions for year and balance at December 31, 2009	108,130	-	108,130
Additions	<u>235,623</u>	<u>273,090</u>	<u>508,713</u>
December 31, 2010	<u>343,753</u>	<u>273,090</u>	<u>616,843</u>
Depreciation:			
Charge for year and total to December 31, 2010	<u>47,959</u>	<u>7,560</u>	<u>55,519</u>
Net book value:			
December 31, 2010	<u>\$295,794</u>	<u>265,530</u>	<u>561,324</u>
December 31, 2009	<u>\$108,130</u>	<u>-</u>	<u>108,130</u>

KINGSTON PROPERTIES LIMITEDNotes to the Financial Statements (Continued)  
December 31, 201010. Furniture, software and equipment (cont'd)

	<u>Company</u> <u>Office</u> <u>equipment</u>
Cost:	
Additions for year and balance at December 31, 2009	108,130
Additions December 31, 2010	<u>235,623</u> <u>343,753</u>
Depreciation:	
Charge for year and total to December 31, 2010	<u>47,959</u>
Net book value:	
December 31, 2010	<u>295,794</u>
December 31, 2009	<u>108,130</u>

11. Deferred tax asset

	<u>Group and Company</u>	
	<u>2010</u>	<u>2009</u>
Beginning of year	1,260,103	-
Movement during the year	<u>3,709,010</u>	<u>1,260,103</u>
Balance at the end of the year	<u>\$4,969,113</u>	<u>1,260,103</u>

Deferred tax movement is attributable to the following:

	<u>Group and Company</u>	
	<u>2010</u>	<u>2009</u>
Furniture, software and equipment	(1,447,176)	( 15,317)
Receivables	( 33,983)	-
Tax losses	5,861,612	1,236,684
Unrealised foreign exchange losses	<u>588,660</u>	<u>38,736</u>
	<u>\$4,969,113</u>	<u>1,260,103</u>

12. Investment in subsidiaries

The parent's investment in subsidiaries comprises the amount paid for shares in Carlton Savannah REIT (St. Lucia) Limited and funds loaned to Kingston Properties Miami LLC, net of funds borrowed from the intermediate parent.

	<u>2010</u>	<u>2009</u>
Carlton Savannah REIT (St. Lucia) Limited [see (i) below]	73,579,977	282,156,561
Loan to Kingston Properties Miami LLC [see (ii) below]	<u>235,150,752</u>	<u>-</u>
	<u>\$308,730,729</u>	<u>282,156,561</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

12. Investment in subsidiaries (cont'd)

(i) Carlton Savannah REIT (St. Lucia) Limited:

	<u>2010</u>	<u>2009</u>
Amount paid for shares	282,156,561	282,156,561
Funds borrowed	<u>(208,576,584)</u>	<u>-</u>
Net investment	<u>\$ 73,579,977</u>	<u>282,156,561</u>

The sum of \$208,576,584 is the portion of an amount that was borrowed from Carlton Savannah REIT (St. Lucia) Limited which was on-lent to Kingston Properties Miami LLC for the purpose of acquiring condominiums in Miami.

(ii) Kingston Properties Miami LLC:

Kingston Properties Miami LLC has no share capital; the parent's sole ownership and control of it are by virtue of the intermediate parent (note 1) being its sole member. The loan to this subsidiary constitutes the parent's investment in this subsidiary.

As of February 1, 2010, it was determined by the directors that the amount on-lent, net of the amount borrowed, constituted a long-term investment in the parent's foreign operations and, accordingly, repayment of these amounts will neither be required nor expected to occur in the foreseeable future.

13. Due from subsidiary

This represents advances and charges paid by the company on behalf of its subsidiary, Carlton Savannah REIT (St. Lucia) Limited. The amount shown is the Jamaica dollar equivalent at the reporting date, total receivable at the reporting date was US\$28,028. The amount is interest free, unsecured and repayable within more than twelve (12) months after the reporting date.

14. Receivables

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Withholding tax recoverable	3,183,069	1,496,338	3,183,069	1,496,338
Security deposits	2,067,976	58,200	58,200	58,200
Prepayments	1,337,263	-	428,472	-
Other receivables	<u>101,945</u>	<u>49,426</u>	<u>101,945</u>	<u>-</u>
	<u>\$6,690,253</u>	<u>1,603,964</u>	<u>3,771,686</u>	<u>1,554,538</u>

15. Deposit on investment property

At December 31, 2009 the company had paid a deposit of US\$300,000 (the Jamaican dollar equivalent being \$26,400,000) towards the acquisition of the Hagley Park warehouse [see note 9(a)(i)], which acquisition was completed during the current year.

16. Reverse repurchase agreements

The Group entered into reverse repurchase agreements with major financial institutions, collateralised by Government of Jamaica securities.

The fair value of the underlying securities used to collateralise the reverse repurchase agreements was \$96,921,388 (2009:\$503,157,000) at the reporting date.

KINGSTON PROPERTIES LIMITEDNotes to the Financial Statements (Continued)  
December 31, 201017. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Interest bearing accounts [see note 19(i)]	162,411,388	35,218,057	2,460,135	8,485,898
Demand deposit	<u>-</u>	<u>236,407</u>	<u>-</u>	<u>236,407</u>
	<u>\$162,411,388</u>	<u>35,454,464</u>	<u>2,460,135</u>	<u>8,722,305</u>

18. Share capital

	<u>2010</u>	<u>2009</u>
Authorised capital: 500,000,000 ordinary shares of no par value		
Stated capital: Issued and fully paid: 68,800,102 ordinary shares	<u>\$406,608,605</u>	<u>406,608,605</u>

19. Loans payable

	<u>Group and Company</u>	
	<u>2010</u>	<u>2009</u>
Bank loan [see (i)]	145,078,336	26,767,689
Vendor's mortgage [see (ii)]	<u>25,602,240</u>	<u>-</u>
	<u>\$170,680,576</u>	<u>26,767,689</u>

- (i) This represents a draw-down under a credit facility of US\$1,699,988 (J\$145,078,336) [2009: US\$299,988 (J\$26,767,689)], evidenced by a promissory note. In the previous year, the initial loan of \$299,988 bore interest of 9% and was settled during 2010. The second loan which bears interest at 7.5% originally matured twelve (12) months after the date of drawdown, but was renewed and is now repayable December 23, 2011.

It is secured by hypothecation of a deposit of US\$1,699,988 (2009: US\$300,169) held by a subsidiary with the bank [see note 17].

- (ii) This represents a mortgage of US\$300,000 (2009: US\$ Nil) from the vendor of the Hagley Park Road property. The loan attracts interest of 6% per annum in the first year and 7% per annum in the second year. Principal is repayable in one (1) instalment on April 22, 2012.

20. Accounts payable and accrued charges

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Accounts payable	865,176	69,900	682,500	69,900
Short-term loans	17,611	17,611	17,611	17,611
Dividend payable	183,005	88,509	183,005	88,509
Other payables and accrued charges	2,678,964	2,906,411	1,270,605	2,289,165
Security deposits held	<u>5,823,773</u>	<u>-</u>	<u>2,933,708</u>	<u>-</u>
	<u>\$9,568,529</u>	<u>3,082,431</u>	<u>5,087,429</u>	<u>2,465,185</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

21. Owed to subsidiary

	<u>Company</u>	
	<u>2010</u>	<u>2009</u>
Funds borrowed from subsidiary [see (i)]	-	337,819,862
Advances and charges to subsidiary [see (ii)]	-	( 1,673,711)
	<u>\$ -</u>	<u>336,146,151</u>

- (i) The amount in the prior year represented the Jamaica dollar equivalent of the total outstanding of US\$3,793,359.
- (ii) The amount in the previous year comprised payments by the parent on behalf of its subsidiary, Carlton Savannah REIT (St. Lucia). The amount shown was the Jamaica dollar equivalent of US\$18,794.

22. Segment reporting

The Group has one operating segment, *rental of real estate*, which includes the earning of income from the ownership of real estate. Internal management reports are reviewed monthly by the Board. Information regarding the reportable segment is included below.

Performance is measured based on segment profit before income tax, as included in the internal management reports that are review by the Board. Segment report is used to measure performance as management believe that such information this the most relevant in evaluating the results of the segment compared to other entities that operated within these industries.

(a) Geographical information

	<u>2010</u>			<u>Total Group</u>
	<u>Jamaica</u>	<u>United States of America</u>	<u>Consolidation adjustments and eliminations</u>	
Revenue	<u>\$13,443,069</u>	<u>19,676,498</u>	<u>-</u>	<u>33,119,567</u>
	<u>2009</u>			<u>Total Group</u>
	<u>Jamaica</u>	<u>United States of America</u>	<u>Consolidation adjustments and eliminations</u>	
Revenue	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

22. Segment reporting (cont'd)

## (a) Geographical information (cont'd)

	<u>2010</u>			
	<u>Jamaica</u>	<u>United States of America</u>	<u>Consolidation adjustments and eliminations</u>	<u>Total Group</u>
Non-current assets	\$ <u>184,928,052</u>	<u>235,576,163</u>	<u>-</u>	<u>420,504,215</u>
	<u>2009</u>			
	<u>Jamaica</u>	<u>United States of America</u>	<u>Consolidation adjustments and eliminations</u>	<u>Total Group</u>
Non-current assets	\$ <u>108,130</u>	<u>-</u>	<u>-</u>	<u>108,130</u>

## (b) Information about reportable segment, not disclosed elsewhere in these financial statements:

	<u>2010</u>	<u>2009</u>
	\$	\$
Capital expenditure	<u>420,504,215</u>	<u>108,130</u>

During 2010, revenue from one customer of the Group represented approximately \$13,400,000 or 40.6% of the Group's total revenue.

23. Dividends

	<u>Group and Company</u>	
	<u>2010</u>	<u>2009</u>
Declared and paid/credited, US\$Nil (2009: US\$0.0016) per share	<u>\$Nil</u>	<u>9,528,429</u>
In the prior year, dividends were paid twice as follows:		
June 11, 2009 per share	-	0.0004
December 16, 2009 per share	<u>-</u>	<u>0.0012</u>
Total per share	<u>US\$Nil</u>	<u>0.0016</u>

24. Financial instruments and financial risk management

The group has exposure to credit, liquidity, and market risks, which arise in the ordinary course of the Group's business. This note presents information about the Group's exposure to each of the above-listed risks and the Group's objectives, policies and processes for measuring and managing risk.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

24. Financial instruments and financial risk management (cont'd)

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The risk management policies are established and implemented by the directors to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Board of Directors is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group.

No derivative instruments are presently used by the Group to mitigate, manage or eliminate exposure to financial instrument risks.

## (a) Credit risk:

Credit risk is the risk of a financial loss arising from a counter-party to a financial contract failing to discharge its obligations. The Group manages this risk by establishing policies for granting credit and entering into financial contracts. The Group's credit risk is concentrated, primarily, in cash and cash equivalents, receivables, reverse repurchase agreements and deposit on investment property.

Exposure to credit risk:

	Group		Company	
	2010	2009	2010	2009
Receivables	6,690,253	1,603,964	3,771,686	1,544,538
Deposit on investment property	-	26,400,000	-	26,400,000
Due from subsidiary	-	-	2,391,890	-
Reverse repurchase agreements	87,322,931	469,216,488	87,322,931	469,216,488
Cash and cash equivalents	<u>162,411,388</u>	<u>35,454,464</u>	<u>2,460,135</u>	<u>8,722,305</u>
	<u>\$256,424,572</u>	<u>532,674,916</u>	<u>95,946,642</u>	<u>505,883,331</u>

- (i) Cash and cash equivalents are held with financial institutions and collateral is not required for such accounts as management regards the institutions as strong.
- (ii) Receivables comprise the amounts set out in note 13. Management considers that the credit risk related to these items is not significant.
- (iii) Reverse repurchase agreements expose the Group to credit losses as there is a risk that the counterparty will fail to fulfil its contractual obligations. The Group manages this risk by contracting only with counterparties that management considers to be financially sound.

The Group has no significant concentration of credit risk, except for balances held with an investment broker.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

24. Financial instruments and financial risk management (cont'd)

## (a) Credit risk (cont'd):

The maximum credit exposure, the total amount of loss the Group would suffer if every counter-party to the Group's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the statement of comprehensive income

There was no change in the Group's approach to its credit risk management during the current or prior period.

## (b) Liquidity risk:

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financials instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, monitor future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

The Group is not subject to any externally-imposed liquidity requirements and there has been no change in the Group's approach to managing its liquidity risk during the year.

The following table presents the contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

**Group**

	2010				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over12 months
Loans payable	170,680,576	184,420,353	-	156,087,207	28,333,146
Accounts payable and accrued charges	<u>9,568,529</u>	<u>9,568,529</u>	<u>3,398,144</u>	<u>6,170,385</u>	<u>-</u>
	<u>\$180,249,105</u>	<u>193,988,882</u>	<u>3,398,144</u>	<u>162,257,592</u>	<u>28,333,146</u>

	2009				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over12 months
Loans payable	26,767,689	29,123,979	-	29,123,979	-
Accounts payable and accrued charges	<u>3,082,431</u>	<u>3,082,431</u>	<u>3,064,820</u>	<u>-</u>	<u>17,611</u>
	<u>\$29,850,120</u>	<u>32,206,410</u>	<u>3,064,820</u>	<u>29,123,979</u>	<u>17,611</u>

**Company**

	2010				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over12 months
Loans payable	170,680,576	184,420,353	-	156,087,207	28,333,146
Accounts payable and accrued charges	<u>5,087,429</u>	<u>5,087,429</u>	<u>1,807,109</u>	<u>3,280,320</u>	<u>-</u>
	<u>\$175,768,005</u>	<u>189,507,782</u>	<u>1,807,109</u>	<u>159,367,527</u>	<u>28,333,146</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

24. Financial instruments and financial risk management (cont'd)

## (b) Liquidity risk (cont'd):

**Company (cont'd)**

	2009				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over 12 months
Loans payable	26,767,689	29,123,979	-	29,123,979	-
Owed to subsidiary	336,146,151	336,146,151	-	-	336,146,151
Accounts payable and accrued charges	<u>2,465,185</u>	<u>2,465,185</u>	<u>2,447,574</u>	<u>-</u>	<u>17,611</u>
	<u>\$365,379,025</u>	<u>367,735,315</u>	<u>2,447,574</u>	<u>29,123,979</u>	<u>336,163,762</u>

## (c) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Such risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices, such as foreign exchange and interest rates. The elements of market risk that affect the Group are as follows:

## (i) Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Group is exposed to foreign currency risk on transactions that it undertakes in foreign currencies. The main foreign currencies giving rise to this risk is the United States dollar. The Group ensures that the risk is kept to an acceptable level by matching foreign currency assets with foreign currency liabilities, to the extent practicable.

The exposure to foreign currency risk at the reporting date was as follows:

	Group		Company	
	<u>2010</u> US\$	<u>2009</u> US\$	<u>2010</u> US\$	<u>2009</u> US\$
Foreign currency assets:				
Cash	1,894,835	97,615	20,569	97,615
Reverse repurchase agreements	<u>1,023,226</u>	<u>5,268,804</u>	<u>1,023,226</u>	<u>5,268,804</u>
	2,918,061	5,366,419	1,043,795	5,366,419
Foreign currency liabilities:				
Payables and accrued charges	( 86,998)	( 198)	( 34,489)	( 198)
Loans payable	<u>(1,999,988)</u>	<u>( 299,988)</u>	<u>(1,999,988)</u>	<u>( 299,988)</u>
	<u>(2,086,986)</u>	<u>( 300,186)</u>	<u>(2,034,477)</u>	<u>( 300,186)</u>
Net foreign currency assets/ (liabilities)	<u>831,075</u>	<u>5,066,233</u>	<u>( 990,682)</u>	<u>5,066,233</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

24. Financial instruments and financial risk management (cont'd)

## (c) Market risk (cont'd):

## (i) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements

A 10% (2009: 10%) weakening of the Jamaica dollar against the United States dollar at December 31 would have increased/(decreased) the Group's and company's profit by \$7,092,461 (2009: \$45,119,871) and \$(8,454,559) (2009: \$45,119,871), respectively. The analysis assumes that all other variables, in particular, interest rates, remain constant.

A 5% (2009: 5%) strengthening of the Jamaica dollar against the United States dollar at December 31 would have (decreased)/increased the Group's and company's profit by \$(3,546,230) (2009: \$22,559,936) and \$4,227,280 (2009: \$22,559,936), respectively, on the basis that all other variables remain constant.

The following rate of exchange of J\$ for one US\$ applied in respect of the year under review:

	<u>Average rate</u>		<u>Reporting date spot rate</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
United States Dollar (US\$)	<u>87.38</u>	<u>88.49</u>	<u>85.34</u>	<u>89.06</u>

## (ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group manages this risk by monitoring interest rates daily. Even though there is no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close a gap, if it becomes necessary. As at the year end, the Group was not subject to significant interest rate risk.

Sensitivity to interest rate movements:

The Group does not have variable rate instruments nor does it account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)  
December 31, 2010

25. Fair value

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalents, reverse repurchase agreements, receivables, loans payable, accounts payable and owed to subsidiary are considered to approximate their carrying values due to their relatively short-term nature.

26. Capital management

The company's capital consists of ordinary shares and retained earnings. The Board's policy is to maintain capital at a level which balances the need for the Group to be financially strong, and be able to sustain future development of the business, with the need for dividend payments. The Board of Directors monitors the return on capital, which it defines as profit after tax divided by total shareholders' equity. The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. The company is not subject to any externally-imposed capital requirements.

27. Prior period adjustments

- (i) In a prior period, the carrying value of the property under construction was estimated at \$341,788,001. However, it was subsequently determined that a more appropriate carrying amount would be the deposit paid by the company to Balton Properties Limited for the shares the company purchased in Carlton Savannah REIT (St. Lucia) Limited in the amount of \$314,363,000.

This adjustment had no effect on the profit for the year or other amounts presented in the consolidated financial statements as at, and for the period ended, December 31, 2008, except for reducing property under construction by \$27,425,001, and, correspondingly, reducing translation difference and other comprehensive income by \$3,844,067 and other reserves by \$23,580,934, thereby also reducing equity by \$27,425,001.

- (ii) Deferred tax liability is the amount of income taxes payable in future periods in respect of differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. In the prior year, deferred tax was inadvertently computed on exchange gains in respect of the company's reverse repurchase agreements and non-operating bank accounts. This treatment was changed in the current year retrospectively.

The adjustment changed deferred tax expense from \$4,262,225 to a deferred tax credit of \$1,260,105 and has increased profit for the year then ended by \$5,522,328 for the company and the group financial statements, and correspondingly changed deferred tax liability from \$4,262,225 to a deferred tax asset of \$1,260,103, thereby increasing equity by \$5,522,328. Earnings per stock unit consequently increased from 31 cents to 40 cents.

KINGSTON PROPERTIES LIMITED

SUPPLEMENTARY INFORMATION TO THE  
FINANCIAL STATEMENTS

DECEMBER 31, 2010

KINGSTON PROPERTIES LIMITED

Other Operating Expenses  
Year ended December 31, 2010

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Advertising and promotion	887,945	860,244	887,945	860,244
Audit and accounting fees	1,833,410	2,174,966	1,271,690	1,420,580
Bank charges	260,593	636,890	191,054	616,000
Courier	346,928	70,497	346,928	70,497
Computer and internet expenses	135,695	4,480	95,044	4,480
Depreciation	55,519	-	47,959	-
Development	12,511	20,000	12,511	20,000
Directors, remuneration	699,913	2,034,078	422,955	2,034,078
Homeowners' Association fees	6,900,795	-	-	-
Janitorial	54,500	24,750	54,500	24,750
Meals and entertainment	16,820	986	4,597	986
Meeting expenses	45,937	44,967	45,936	44,967
Miscellaneous	13,155	-	-	-
Motor vehicle allowance	1,302,055	-	1,302,055	-
Motor vehicle expenses	32,602	-	-	-
Insurance	1,844,961	-	1,325,878	-
Office supplies	63,905	65,023	79,393	65,023
Postage and delivery	37,284	32,748	20,668	32,748
Printing and reproduction	311,291	377,513	306,117	377,513
Property taxes	3,779,495	-	83,437	-
Professional fees	2,243,689	2,101,627	1,830,762	2,101,627
Broker fees	844,303	-	-	-
Consultancy	1,770,000	-	1,770,000	-
Regulatory fees and charges	399,694	-	399,694	-
Repairs	1,296,053	-	315,700	-
Rent expense	650,000	325,000	650,000	325,000
Salaries	2,085,430	30,000	2,085,430	30,000
Employers' taxes	213,952	-	213,952	-
Subscription	152,213	228,950	141,996	228,950
Telephone & answering services	190,556	107,359	185,843	107,359
Travel	154,939	285,869	95,745	285,869
Utilities	105,453	41,720	99,888	41,720
	<u>\$28,741,596</u>	<u>9,467,667</u>	<u>14,287,677</u>	<u>8,692,391</u>



# Notes





# FORM OF PROXY



I/We.....

of.....

Being a member(s) of Kingston Properties Limited hereby appoint

.....

or failing him or her.....

of.....

as my/our proxy to vote on my/our behalf at the Annual General Meeting of Kingston Properties Limited to be held at Knutsford Court Hotel on Thursday, June 9, 2011 at 10:00am and at any adjournment thereof.

Dated this.....day of.....2011

Signature.....

[J\$100 Stamp]

Signature.....

In the case of a Body corporate, this form should be executed under Seal in accordance with the company's Articles of Association.

To be valid, this proxy must be signed, duly stamped and deposited with the Corporate Secretary of the Company at

7 Stanton Terrace, Kingston 6, not less than 48 hours before the time appointed for holding the meeting.

A proxy need not be a member of the Company.



## **Kingston Properties Limited**

7 Stanton Terrace, Kingston 6, Jamaica  
Tel/Fax: 876-978-8852  
Website: [www.kpreit.com](http://www.kpreit.com)