

ANNUAL REPORT 2014



KINGSTON
PROPERTIES
LIMITED



KINGSTON PROPERTIES LIMITED

TABLE OF CONTENTS

Chairman's Statement	2
About Kingston Properties - The REIT	3
OUR VISION, MISSION AND CORE VALUES STATEMENTS	4
Notice of Annual General Meeting	5
Corporate Data	6
Our Board Of Directors	7
Corporate Governance	13
Risk Management	16
Disclosure of Shareholding	17
Management Discussion & Analysis	18
Corporate Objective	21
Summary of Financial Results	23
Balance Sheet	23
Cashflow Statement	26
Seven-Years Financial Summary	27
Communications with Shareholders	28
Corporate Social Responsibility	29
Legislative Agenda	30
Corporate Structure	31
Investment Management	32
Property Management	34
The Team & Partners	36
Financial Planning	39
SUMMARY	40
Director's Report	41

INDEX TO FINANCIAL STATEMENTS	43
• Independent Auditors' Report	44
• Group Statement of Profit or Loss and Other Comprehensive Income	46
• Group Statement of Financial Position	47
• Group Statement of Changes in Equity	48
• Group Statement of Cash Flows	49
• Separate Statement of Profit or Loss and Other Comprehensive Income	50
• Separate Statement of Financial Position	51
• Separate Statement of Changes in Equity	52
• Separate Statement of Cash Flows	53
• Notes to the Financial Statements	54
• Supplementary Information to the Financial Statements	87
FORM OF PROXY	89



CHAIRMAN'S STATEMENT

...the Miami real estate market continued to perform robustly during 2014...

TO OUR SHAREHOLDERS:

The Board of Directors is pleased to present Kingston Properties' Annual Report for the financial year ended December 31, 2014.

Our financial results reflect the acquisition of a 19-unit apartment building in Miami and the sale of 4 units at the Loft II also in Miami. The board's decision regarding the purchase is in keeping with the goals and objectives of expanding the investment portfolio with properties that meet the total return targets. The sale of four (4) of the nineteen (19) condominium apartments at the Loft II was done to monetize properties that were overvalued, thus allowing funds to be redeployed in other properties with greater potential. We also signed a Letter of Intent to sell the Hagley Park building. Additionally, the board authorized a buy-back of up to 1% or 688,000 of Kingston Properties' common shares. During the year, 428,500 shares were purchased for approximately \$3.2 million.

Properties in the Miami real estate market continued to perform robustly during 2014 due to renewed consumer confidence and increasing demand from both domestic and international buyers. The median sale price for condominiums increased 8.6% to US\$190,000 in the fourth quarter compared to a year earlier according to the Miami Association of Realtors.

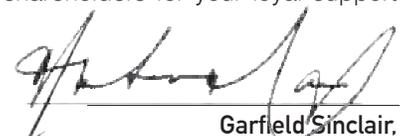
For Jamaica, the Real Estate Renting & Business Activities sector has been showing year-over-year quarterly growth in the range of 0.0% to 0.3% for the last five quarters. The Construction sector, which includes both residential and non-residential projects, also continues to register positive year-over-year growth for five of the last six quarters ended December 2014 in the range of 0.1% to 1.2%.

LOOKING AHEAD

We remain optimistic about the opportunities to grow the properties portfolio. Growth will be underpinned by the object of greater diversification. We will also remain steadfast to a disciplined investment approach and continue to employ prudent capital and risk management strategies.

IN APPRECIATION

On behalf of the Board, we once again say thanks to our management and staff, whose professionalism and dedication are critical to Kingston Properties' success. I extend my gratitude as well to fellow board members, partners and shareholders for your loyal support throughout the years.



Garfield Sinclair,
April 14, 2015

ABOUT KINGSTON PROPERTIES – THE REIT

The Real Estate Investment Trust (or “REIT”) structure that exists in the United States has been widely adopted around the world in more than 30 countries. At its core, the Real Estate Investment Trust Act of the United States allows a real estate ownership structure with tax treatment similar to that of mutual funds, which are tax-exempt pass-through entities with broad based ownership that distribute most of their earnings and capital gains to investors.

A REIT must comply with stringent rules with respect to assets, transactions, and income, and it must distribute 95% of that income as dividends. The REIT structure permits small and medium-sized investors access to the commercial real estate asset class, thereby providing a means to achieve the benefits associated with real estate investment for many investors for whom direct equity investment is beyond their means or unfeasible.

Investment in REITs offers immediate diversification benefits that can be tailored to specific investor needs. Across more than 30 countries, the REIT sector represents an important component of the real estate asset investment universe.

Kingston Properties – The REIT

Kingston Properties Limited is a real estate investment company incorporated in Jamaica that invests in and actively manages its real estate properties to generate stable, sustained dividend and capital appreciation of its properties for the benefit of its shareholders.

The benefits from investing in real estate via owning shares in Kingston Properties remain intact and include tax-efficiency by virtue of owning shares in a publicly listed Jamaican company, potential for consistent dividend payments and long-term capital appreciation in the stock, a higher level of liquidity from trading the company’s shares as opposed to directly buying and selling real estate, lower transactions costs when compared to outright purchase of 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.

VISION, MISSION AND CORE VALUES STATEMENTS

MISSION STATEMENT

Our mission is to be the premier Real Estate Investment Trust in Jamaica that acquires, owns, leases and manages real estate properties on behalf of our shareholders.

VISION

Kingston Properties will be a leading, readily recognized REIT known for creating shareholder value by its consistent and stable dividends.

CORE VALUES

- To place the interests of our shareholders first.
- To pursue excellence in everything we do.
- To stretch beyond our perceived abilities to attain success.

CORPORATE CULTURE

The Kingston Properties REIT challenge for all management and employees is to Think and Act like an Owner:

- **In every touch-point:** how we meet, greet, and assist our tenants, partners, stakeholders and our co-workers.
- **In every decision:** how our day-to-day role impacts profits and makes a difference.
- **In how we are rewarded:** achieving specific goals over a certain period of time.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 7th Annual General Meeting of KINGSTON PROPERTIES LIMITED will be held at the Courtleigh Hotel and Suites, 85 Knutsford Boulevard, Kingston 5, Jamaica on Thursday, May 14, 2015 at 10:30a.m. for the following purposes:

1. To Receive the Audited Accounts for the Year Ended December 31, 2014 and the Reports of the Directors and Auditors thereon.

The Company is asked to consider and if thought fit, pass the following Resolution:

Resolution 1

“THAT the Audited Accounts for the Year Ended December 31, 2014 along with the Reports of Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted.”

2. To Ratify Interim Dividend

The Company is asked to consider and if thought fit, pass the following Resolution:

Resolution 2

“THAT the interim dividend of US\$0.0025 per share declared by the Board of Directors of the Company on January 28, 2014, and paid on February 28, 2014 be and is hereby declared as the final dividend for the year ended December 31, 2014.”

3. To Re-Elect the Retiring Director

The Director retiring by rotation in accordance with Article 107 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.

The Company is asked to consider and if thought fit, pass the following Resolution:

Resolution 3

“THAT Mr. Garfield Sinclair, retiring by rotation, be and is hereby re-elected.”

4. To Fix the Remuneration of the Auditors

The Company is asked to consider and if thought fit, pass the following Resolution:

Resolution 4

“THAT KPMG having signified their willingness to continue in office as Auditors, the Directors be and are hereby authorized to agree to their remuneration in respect of the period ending with the next Annual General Meeting.”

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, Jamaica

April 14, 2015

CORPORATE DATA

BOARD OF DIRECTORS

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

REGISTERED OFFICE

- 7 Stanton Terrace
Kingston 6

CORPORATE OFFICE

- 36-38 Red Hills Road, Kingston 10
- Telephone: (876) 620-4707
- Tel/Fax: (876) 754-7840
- Website: www.kpreit.com
- Email: info@kpreit.com

REGISTRAR & TRANSFER AGENT

- Jamaica Central Securities Depository

AUDITORS

- KPMG

ATTORNEYS-AT-LAW

- Foga Daley
- Patterson Mair Hamilton
- Hylton & Hylton

BROKERS

- NCB Capital Markets Limited
- Proven Wealth Management
- Scotia Investments Limited
- JMMB Limited

BANKERS

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

ACCOUNTANTS

- CrichtonMullings Strategics - Jamaica
- CrichtonMullings & Associates PA - USA

SUBSIDIARY COMPANIES

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

STOCK SYMBOL

- KPREIT

EXCHANGE

- Jamaica Stock Exchange

BOARD OF DIRECTORS

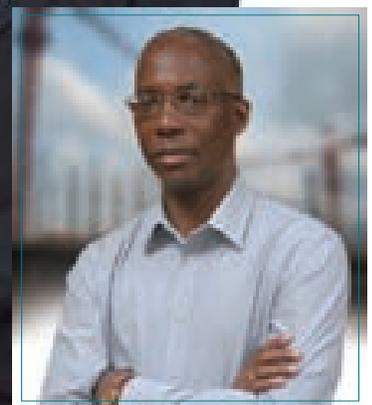
The five diverse and highly accomplished members of **Kingston Properties Board of Directors** remain dedicated to serving the best interests of the stockholders. The Board, which meets monthly, is responsible for directing and providing oversight of the management of the company in carrying out its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

• EXECUTIVE DIRECTOR
Fayval Williams

• CHAIRMAN
Garfield Sinclair

• DIRECTOR
Lisa Gomes

• COMPANY SECRETARY
Nicole Foga



• DIRECTOR
Peter Reid

A full-length portrait of Garfield Sinclair, a Black man with a short beard, wearing a light blue dress shirt, dark trousers, and brown leather shoes. He is standing with his hands clasped in front of him, looking directly at the camera. The background is a light, abstract architectural pattern.

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 Scotia Bank. 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.

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' education 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



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 Trustee for the University of Technology Pension Funds and a Deputy Chairman of the Copyright Tribunal.

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.

LISA GOMES

Director

MS. LISA GOMES is the Director of Finance and Planning at Sandals Resorts International (SRI). Prior to joining Sandals, Ms. Gomes served as a Director and the President of Guardian Asset Management Jamaica Limited a member of the Guardian Holdings Group, a position she held since the company's inception in October 2002 and until the Company was sold in 2010. Ms. Lisa Gomes worked with the Guardian Group for 27 years where she held a number of positions since the eighties. She has over 30 years experience in the Investment and Asset Management Industry having been an integral part of the Investment Committees of the subsidiaries of Guardian Holdings Group.

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

She is currently the Chairman of Proven Wealth Management Limited as well as Chairman of their Audit Committee. Ms. Gomes chairs Kingston Properties' Corporate Governance Committee. She sits on the Investment Committee of ATL Pension Fund and is a Past Secretary of the Jamaica Security Dealers Association and Chairperson for the Jamaica Business Council for HIV & AIDS.



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 sale 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



CORPORATE GOVERNANCE broadly defines the rules, processes, or laws by which Kingston Properties is operated, regulated and controlled. This refers specifically to internal factors defined by the Board of Directors, management, stockholders or the incorporation documents of the company, as well as to external forces such as investors and government regulations.

The Corporate Governance Committee members are as follows:

- Ms. Lisa Gomes
- Mr. Peter Reid
- Ms. Fayval Williams

Kingston Properties maintains a high standard of corporate governance to protect shareholders' interests and to enhance long-term shareholder value. Its Corporate Governance guidelines reflect those of the PSOJ's Code of Corporate Governance model. We are committed to the *"comply or explain"* approach. Our Corporate Governance document can be accessed at our website at www.kpreit.com

• BOARD OF DIRECTORS

While all of our employees are an integral part of the corporate governance system, the Board of Directors (including the audit committee) and the management merit special mention given their respective roles.

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 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.

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

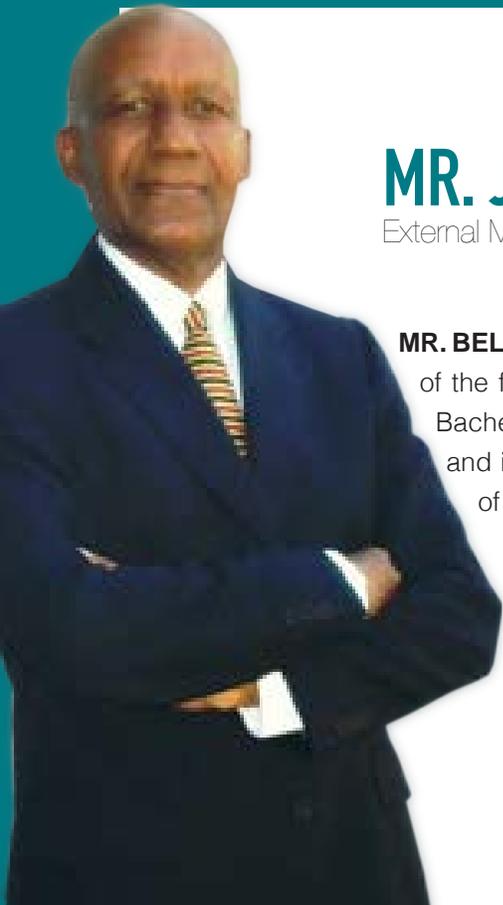
• AUDIT COMMITTEE

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

THE MEMBERS ARE:



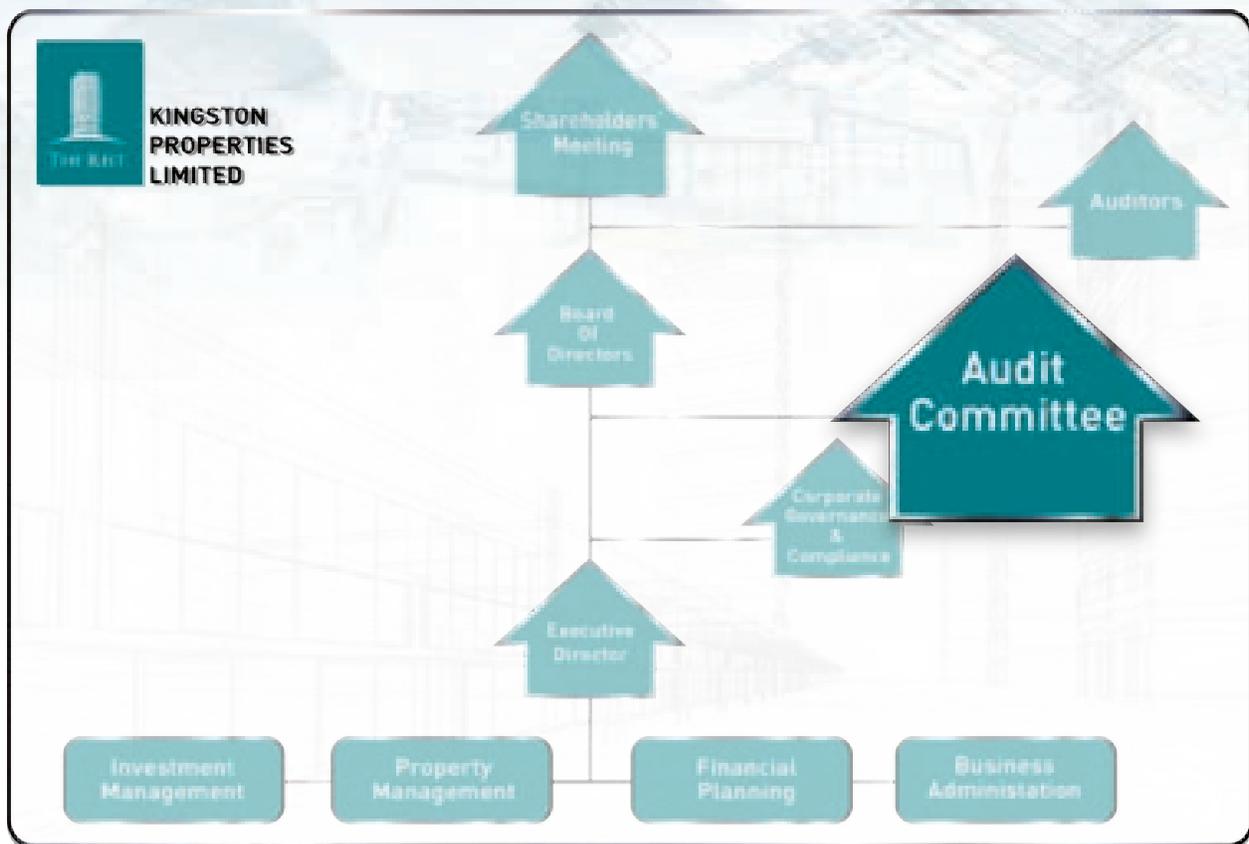
Mr. Garfield Sinclair (Chairman) | Ms. Nicole Foga (Company Secretary) | Mr. John Bell



MR. 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.



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

The specific risk of the property is the central risk factor in real estate investing. Other concerns are sector and geographic risks. Diversification by property type and geography is the appropriate approach that Kingston Properties use to manage real estate risk.

Kingston Properties real estate investments are in different geographic locations, include different types of properties (*i.e. office buildings, warehouses, residential*) and have a robust mix of corporate tenants. Additionally, we focus on ensuring proper due diligence when making acquisitions as to the local market, characteristics of the properties, strength of the underlying tenant base and the capital structure of the transaction.

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 be prejudicial to the interests of the shareholders.

DISCLOSURE OF SHAREHOLDINGS

As of December 31, 2014, the top 10 shareholders were as follows:

NAMES	SHAREHOLDINGS
NCB Capital Markets Ltd A/C 2231	16,317,840
Prime Asset Management Ltd - JPS	12,182,700
Guardian Life Shelter Plus Fund	5,280,000
NCB Insurance Co. Ltd A/CWT109	4,200,000
Guardian Life Ltd/Blue Chip	3,874,700
Guardian Life Pooled Pension Fund	3,250,000
Platoon Ltd	2,495,160
Guardian Life Ltd/CELGF	1,608,000
Guardian Life Ltd. AC-Mutual Growth Fund	1,574,700
MF & G Trust & Finance	1,550,000

Director and Management ownership of shares

DIRECTORS	SHAREHOLDINGS	CONNECTED SHAREHOLDERS
Garfield Sinclair	NIL	
	2,495,160	Platoon Limited
Peter Reid	1,100,000	Margaret Sylvester-Reid
Fayval Williams	282,000	
	20,000	Dorothy Vassell
	11,000	Leo Williams
Nicloe Foga	50,865	

MANAGEMENT DISCUSSION & ANALYSIS

During 2014, Kingston Properties added 13,931 square feet of space comprising 19 one-and-two bedroom apartments in a building located at 555 SW 4th Street. Concurrent with that, Kingston Properties sold 4 of its condo apartments at the Loft II. Together, these transactions totaled approximately US\$2.9 million and resulted in a geographic allocation consisting of 51% in Jamaica and 49% the United States. This compares with a portfolio mix in 2013 of 62% of properties in Jamaica and 38% in the United States.

For Jamaica, we continued ownership of the office and warehouse complex at Red Hills Road and at **Hagley Park Road**. However, the **Hagley Park Road** property was earmarked for sale as the sole corporate tenant indicated its plans to vacate the property and efforts to find a suitable replacement did not occur in the timeframe in which we wanted it.

Kingston Properties continues to respond promptly to our tenants' service needs as their satisfaction influences their attention to timely rental payments. We have a team of committed professionals who are passionate about excelling. The company rewards them through its emphasis on personal achievement, growth and learning.

MIAMI LOFT II BUILDING



Given the location of the Miami Loft II residential condo units, demand remained robust in 2014 with occupancy averaging 95%. During 2014, we again were able to increase the rental rates without any impact on occupancy. On the cost side, homeowners' association fees rose 3.8% in 2014, compared with the 11.8% in 2013 a year in which there was a significant increase in property taxes, parking space rental and general repair & maintenance.

555 SW 4TH STREET



DOWNTOWN MIAMI

In terms of sales, existing condominium sales posted the second best year in Miami's history in 2014 despite an increase in new condo construction. Condominiums continue to sell close to asking price, reflecting a strong consumer demand.

HAGLEY PARK ROAD BUILDING



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 was 100% leased to a US based company with operations worldwide. However, during the year, the tenant indicated that the lease would be allowed to expire without renewal. As such, the board took a decision to sell the property given the underlying weakness in the rental market for such a large property.

RED HILLS ROAD OFFICE/WAREHOUSE COMPLEX



The 47,865 square feet office/warehouse complex remained fully tenanted in 2014 to a diversified tenant base. As such, we were able to continue getting rental increases of approximately 2.5%. The building's proximity to Half Way Tree Road in Kingston is one of the primary drivers for the strong occupancy of the office and warehouse space.

SHARE REPURCHASE

No of Shares	Price	Total Cost	Broker	Trade Date	Settlement Date
403,000	\$ 7.50	\$3,022,500	Scotia Investments	18-Dec-14	23-Dec-14
17,200	\$ 7.50	\$129,500	Scotia Investments	19-Dec-14	24-Dec-14
4,000	\$ 6.50	\$26,500	Mayberry	17-Dec-14	22-Dec-14
4,300	\$ 6.90	\$29,670	Mayberry	17-Dec-14	22-Dec-14
428,500	\$ 7.48	\$3,207,170			

In June 2014, Kingston Properties announced a Share Buy Back program to purchase up to 1% of its outstanding shares. At December 31, 2014, the number of shares purchased totaled 428,500 for an amount of approximately \$3.2 million. Roughly 260,000 shares were left to be purchased under the program.

CORPORATE OBJECTIVE

The primary corporate objective of Kingston Properties continues to be to increase shareholder value through the ownership and management of real estate properties that will generate sustainable, above average long-term dividend. 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

Management's strategies aim to do the following:

- Ensure geographical diversification in its holdings of real estate properties.

The property types within the scope of the Kingston Properties' investments criteria include hotels, offices, industrial buildings, warehouses, retail (*e.g. shopping centers*), parking garages and mixed-use complexes.

- Actively manage the portfolio of real estate assets to take advantage of market strengths and opportunities.
- Continue to employ prudent capital and risk management strategies.

PROPERTY SOURCING

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

FUNDING STRATEGY

Kingston Properties Ltd evaluates each transaction to determine the appropriate mix of debt and equity. It remains open to raising capital from a variety of funding sources to strengthen its ability to seize opportunities. The company can utilize funding instruments such as:

- 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



BUSINESS STRATEGY

The primary business objective continues to be maximization of total returns to shareholders from real estate property investments by way of stable and consistent dividends and increases in property valuation. The strategies to achieve this objective include:

- **CAREFUL PROPERTY DEAL SELECTION**

Each purchase is subjected to cashflow modeling, valuation analysis, underlying market research and the appropriate due diligence.

- **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**

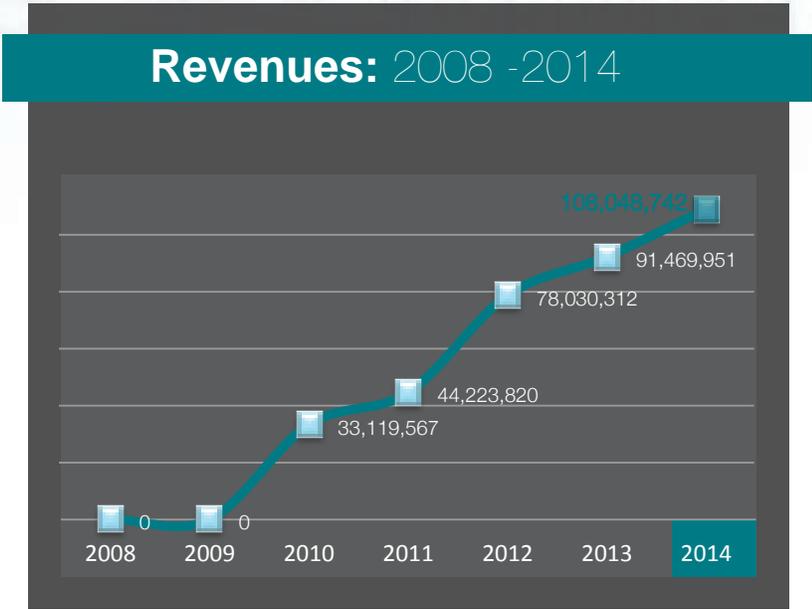
We will pursue, on a selective basis, the sale of properties to take advantage of the demand for any of our premier properties.

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.

INVESTMENT OBJECTIVES

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

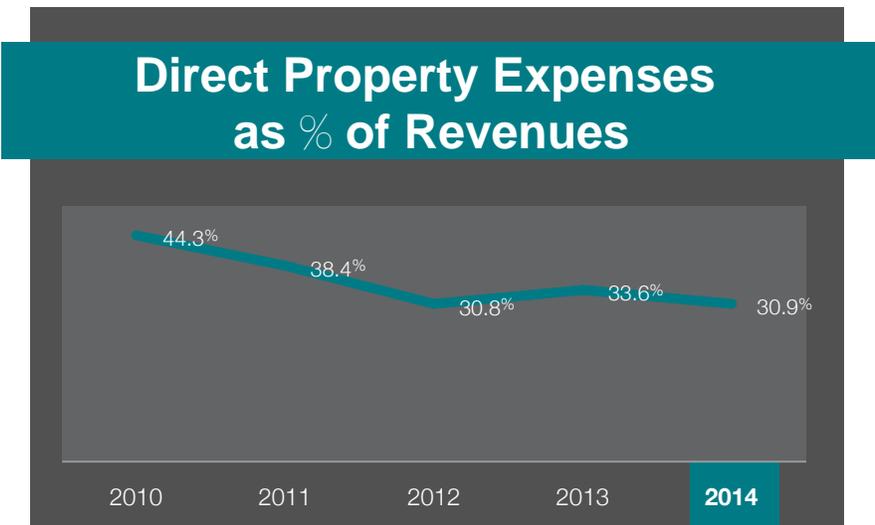
SUMMARY OF FINANCIAL RESULTS



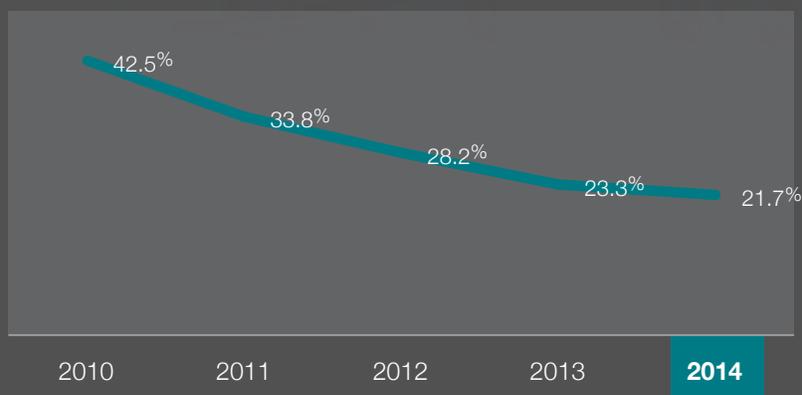
GROUP RENTAL REVENUES for the year ended December 31, 2014 were \$ 108,048,742, an increase of 18.1% year-on-year. Operating expenses were \$56,822,625 and included:

- *Direct property expenses* - insurance, property taxes, condo association fees, repair & maintenance and broker fees.
- *Administrative expenses* – accounting and auditing, regulatory fees, salaries, utilities, bank charges, advertising, travel

Direct property expenses were 30.9% of revenues for 2014 compared with 33.6% for 2013, while administrative expenses were 21.7%, a decline of approximately 1.6 percentage points.

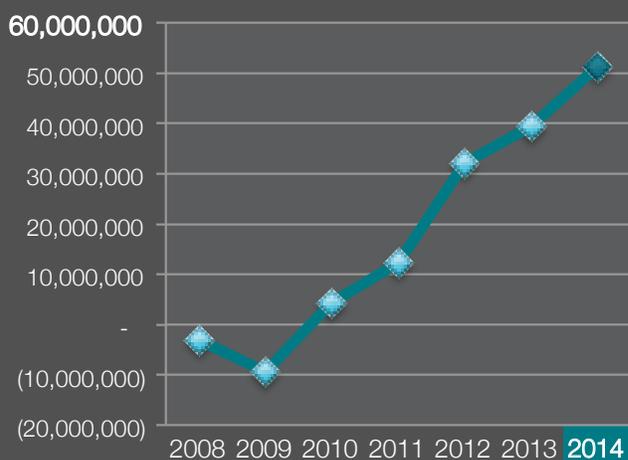


Administrative Expenses % of Revenues



RESULTS OF OPERATING ACTIVITIES BEFORE OTHER INCOME/GAINS for 2014 were \$51,226,117 versus \$39,457,030 for 2013. This was an increase of 29.8%, reflecting rental increases and the addition of the new property to the portfolio. Operating Margin before fair value gain on investment properties for 2014 was 47.4% versus 43.1% for the prior year.

Results of Operating Activities before other Income/Gains - 2008 -2014



Finance income for 2014 was \$7,556,896 versus \$6,907,726 for the prior year.

Finance costs for 2014 were \$53,257,758 comprising \$27,748,017 net unrealized losses on translation of foreign currency investments and borrowings due to the depreciation of the Jamaican dollar versus the United States dollar and \$25,693,415 for interest expense. This compares with \$70,533,346 total finance costs for 2013, which consisted of \$48,886,176 net unrealized losses on translation of foreign currency investments and borrowings and \$19,436,945 for interest expense.

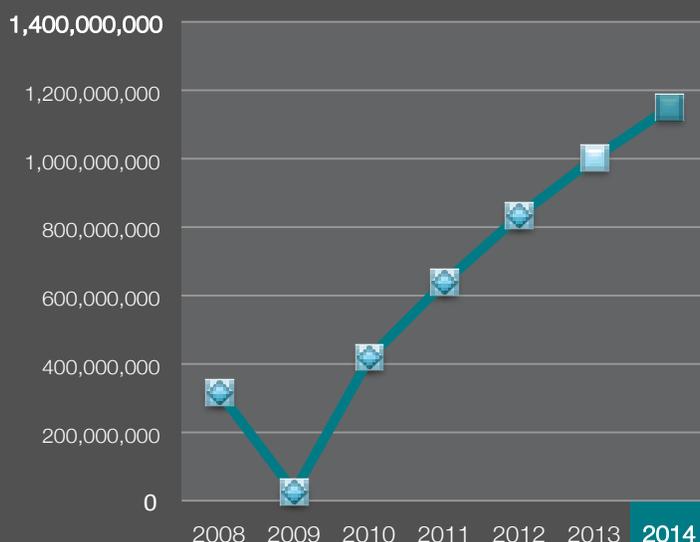
For 2014 the Jamaican dollar depreciated approximately 6.9% versus 13.6% in the prior year.

Total comprehensive income for 2014 was \$43,920,686 compared to \$120,664,721 for 2013. The amount in 2013 included \$130 million of fair value gain on investment properties.

BALANCE SHEET

TOTAL ASSETS at December 31, 2014 were \$1,418,478,576 versus \$1,261,946,632 at December 31, 2013, reflecting primarily the addition of the 19-apartment building in Miami. Investment properties, including the property held for sale, at December 31, 2014, totalled \$1,150,464,930, a 14.8% increase over that of 2013.

Investment Properties

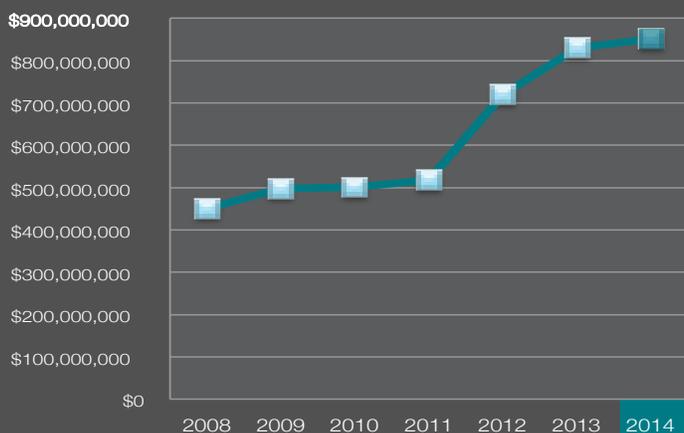


INVESTMENT PROPERTIES consisted of 15 units in the Miami Loft II residential condominium building, 19 apartment units in a building located at 555 SW 4th Street in Miami, office/warehouse complex on Red Hills Road in Kingston and Hagley Park office/warehouse building.

TOTAL CURRENT LIABILITIES were \$266,043,278 at end of December 31, 2014 compared with \$243,010,826 at December 31, 2013. Current liabilities in 2014 comprised primarily loans payable of \$238,604,331 and accounts payable and accrued charges of \$25,077,775. Loans payable represent the current portion of a vendor's mortgage on the Red Hills Road property and a draw down under a credit facility with Sagicor Bank Jamaica Limited. The loan is secured against a Carlton Savannah REIT (St. Lucia) Limited deposit of similar amount.

NONCURRENT LIABILITIES totaled \$300,502,225 at December 31, 2014 versus \$189,097,632 at December 31, 2013. Noncurrent liabilities in 2014 were the non-current portions of the vendor's mortgage on the Red Hills Road property, a mortgage loan on the condo units in Miami from Best Meridian Insurance Company also located in Miami and other mortgage loan from InterAmerican Bank to facilitate the purchase of the new investment property.

Shareholders' Equity



SHAREHOLDERS' EQUITY was \$851,933,073 at December 31, 2014 compared with \$829,838,174 at December 31, 2013. The increase was primarily a result of a rise in cumulative translation reserves.

CASHFLOW STATEMENT

Cashflow from Operations



Net cash provided by operating activities for 2014 was \$55,298,705 versus \$40,226,096 for 2013. Net cash used in investing activities was \$100,368,258 and was primarily for the purchase of the 19-apartment building at 555 SW 4th Street in Miami.

DIVIDEND HISTORY

Dividends Declared	Amount Per Stock Unit (US\$)	Record Date	Payment Date	Amount Paid (US\$)
14-May-09	\$ 0.0004	29-May-09	11-Jun-09	\$ 27,520
4-Nov-09	\$ 0.0012	6-Dec-09	16-Dec-09	\$ 82,560
27-Mar-12	\$ 0.0010	13-Apr-12	30-Apr-12	\$ 68,800
8-Jan-13	\$ 0.0015	25-Jan-13	28-Feb-13	\$103,200
28-Jan-14	\$ 0.0025	10-Feb-14	28-Feb-14	\$172,000

SEVEN YEAR FINANCIAL SUMMARY

Year	Revenues	Operating Profits before FV and other Income	Total Comprehensive Income	Earnings Per Share (EPS)	Investment Properties	Cashflow from Operating Activities
2008	-	\$ (3,041,316)	\$ 46,182,005	\$ 0.20	\$ 314,363,000	\$ 30,887,386
2009	-	\$ (9,467,667)	\$ 62,997,113	\$ 0.31	\$ 26,400,000	\$ (315,949)
2010	\$ 33,119,567	\$ 4,377,971	\$ (2,659,008)	\$ 0.22	\$ 419,942,891	\$ 14,391,286
2011	\$ 44,223,820	\$ 12,316,656	\$ 16,748,772	\$ 0.19	\$ 639,159,119	\$ 12,752,911
2012	\$ 78,030,312	\$ 32,027,090	\$ 206,925,680	\$ 2.60	\$ 834,085,129	\$ 45,965,165
2013	\$ 91,469,951	\$ 39,457,030	\$ 120,664,721	\$ 0.76	\$ 1,002,318,121	\$ 40,226,096
2014	\$ 108,048,742	\$ 51,226,117	\$ 43,920,686	(\$ 0.02)	\$ 1,150,464,930	\$ 55,298,705

COMMUNICATIONS WITH SHAREHOLDERS

Management acknowledges the importance of regular communication with shareholders and the investment community at large to ensure that they are well informed about the activities and performance of The REIT. 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 active participation in terms of comments and questions from shareholders. These can be easily facilitated via e-mail, telephone and social media via the company's Facebook page.

During 2014, Kingston Properties continued to provide real estate news to our shareholders and the general public. 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."



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.

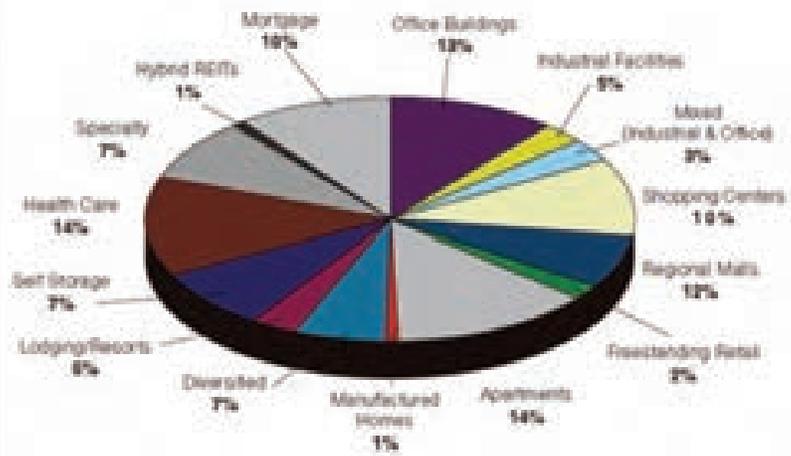
LEGISLATIVE AGENDA

REITs are common in 35 countries around the world and 13 countries in Europe operate REITs including Ireland, the UK, Germany, Netherlands, Italy and Belgium. The countries that have facilitated REITs have done so because of the benefits of having an increasingly liquid and transparent real estate securities market.

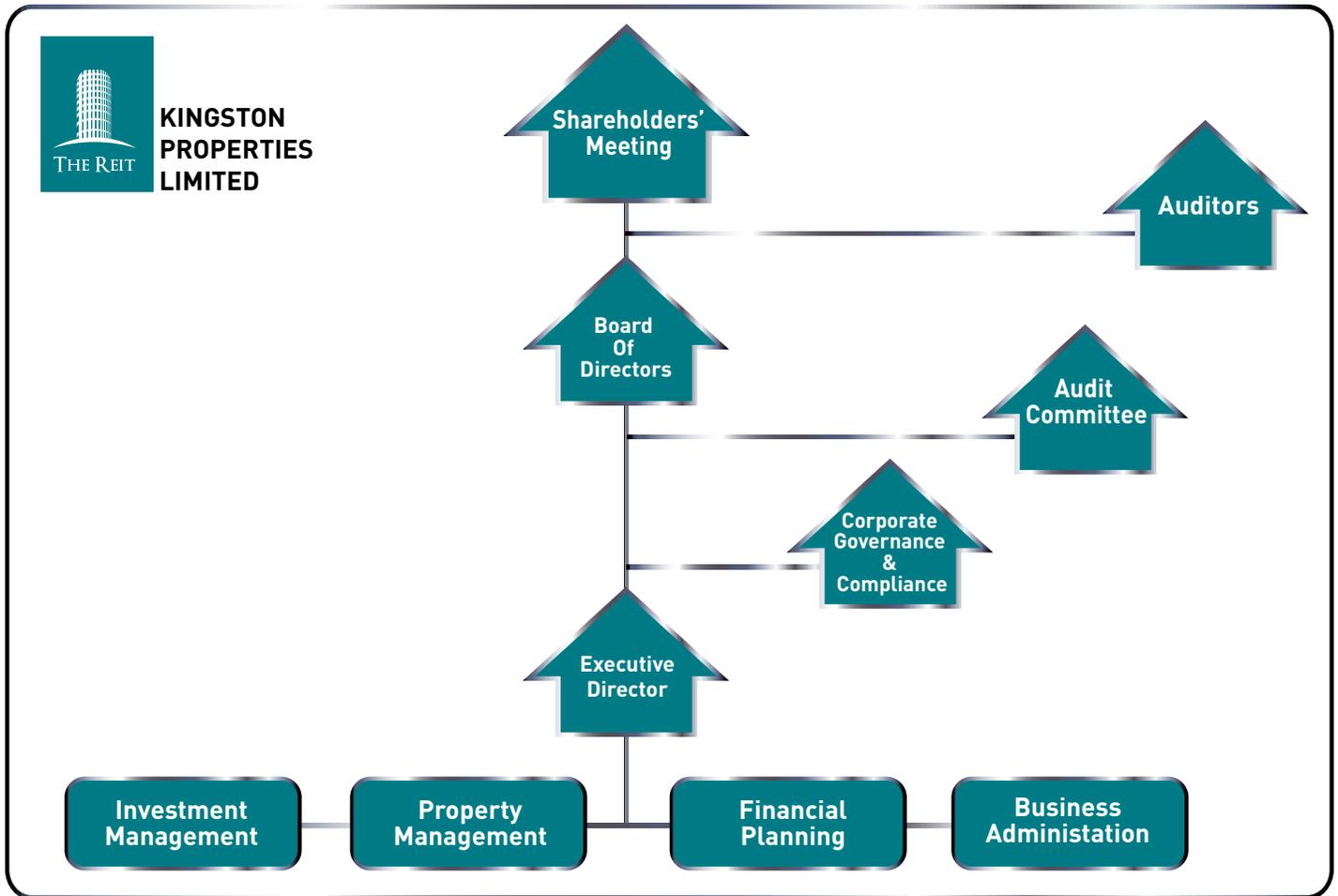
The Caribbean countries have not formally sought to create liquidity for their real estate market through the creation of REIT products. Kingston Properties continues to seek ways to be successful in facilitating the enactment of comprehensive REIT legislation by the Parliament of Jamaica.

In the interim, the company continues its commitment, through its articles and memorandum of association, to adhering to the rules that define a REIT. These include investment of at least 75% of its total assets in real estate, being managed by one or more directors or trustees, distribution of at least 90% of its net taxable income to shareholders and deriving at least 75% of its gross income from real property rents or interest on mortgage on real property.

REITs INVEST IN ALL PROPERTY TYPES



CORPORATE STRUCTURE



INVESTMENT MANAGEMENT

Investment management is the professional asset management of assets such as real estate in order to meet specified investment goals for the benefit of the investors. Kingston Properties Investment Management Process is primarily focused on 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 a rigorous due diligence process of the physical property, rent comparisons among various properties, analysis of trends in capitalization (yields), the 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.



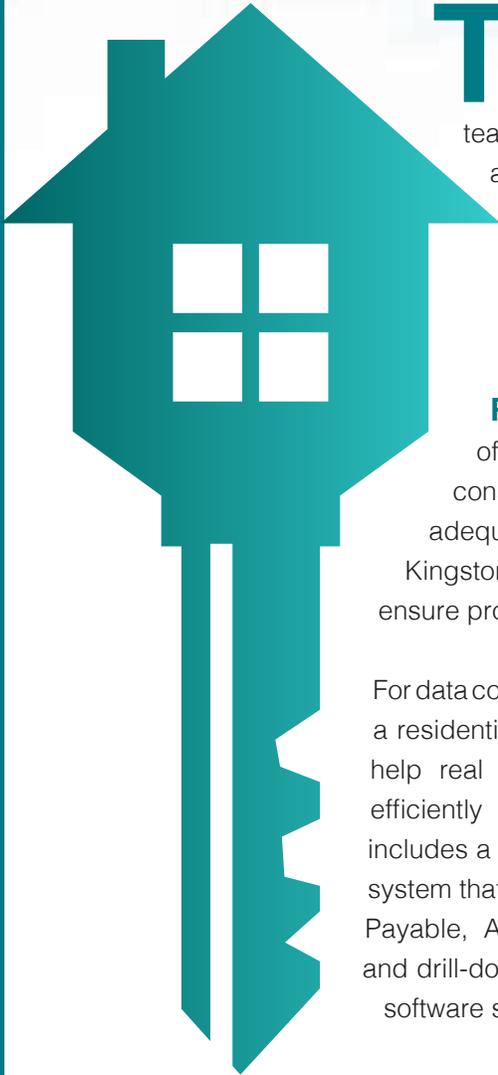
PROPERTY VALUATION ANALYSIS involves detailed modeling of cashflows of the individual properties with attention on the important assumptions such as rent growth, the level of vacancy that could be experienced, operating expenses for items such as insurance, taxes, repair and maintenance. We engage in scenario analysis and we test the assumptions to analyse the impact on the Internal Rate of Return (IRR).

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.

RETURN ANALYSIS & MARKET SURVEILLANCE - 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. Investment Management continually updates its information on market trends.

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, insurances 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.



For our multi-tenant residential 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 PayLease software allows for electronic rent collection and is 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, repairs to all major appliances, plumbing and allows the tenants to directly access the 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:

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



RESEARCH ANALYST/ OPERATIONS ADMINISTRATOR

Tatesha Robinson

TATESHA ROBINSON is a member of the Investment Committee which meets 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, gleaning articles about real estate markets from across the world.

Ms. Robinson graduated from the University of the West Indies in 2010 with a Bachelor of Science in Economics and Statistics (Honours) and in 2013 with a Master of Science in Economics.

Prior to being employed at Kingston Properties, Tatesha was a Field Agent at MJB 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.



PROJECT MANAGER ASSISTANT

Donovan Roberts

DONOVAN ROBERTS graduated from the University of “Marta Abreu”, in the Republic of Cuba with a degree in Civil Engineering in 2012. His course major included Construction Technology, Architectural Drawing, Structural Mechanics and Computer-Aided Design. Donovan also has a Diploma in Drafting and Building Technology and is fluent in Spanish.

His prior work experience included editing of Architectural drawings in AutoCAD and mild structural calculations at the Ministry of Labour and Social Security. His current responsibilities at Kingston Properties include the development of real estate indexes or statistical indicators that provide a representation of a value of the real estate sector in Jamaica. Additionally, Donovan is expected to be an integral part of the company’s residential development project.



FINANCIAL PLANNING

The Financial Planning team comprises a strongly linked partnership with CrichtonMullings Strategies in Jamaica and CrichtonMullings PA in the USA. 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.



SUMMARY



Kingston Properties' growth strategy continues to focus on acquiring properties with long term value based on the underlying trends in the market, the quality of the tenants and the ability to grow rental revenues. The advantages are cash flow stability and these tenants typically require fewer resources to oversee and manage. We like geographical diversification as a risk management tool and take time to search for properties with limited capital expenditure requirements. Throughout the acquisition process, Kingston Properties Ltd uses investment criteria that focus primarily on Internal Rate of Return, security of cash flow and potential for capital appreciation.

Additionally, Kingston Properties considers the potential to increase value by more efficient management of the properties being acquired.

As such, the focus is on increasing rental income through actively managing the tenant mix of each property, leasing vacant space and maintaining good relations with tenants.

DIRECTOR'S REPORT

The Directors of Kingston Properties Limited are pleased to submit herewith their Annual Report and the Audited Financial Statements for the year ended December 31, 2014.

FINANCIAL RESULTS



DIRECTORS' REPORT	YEAR ENDED DECEMBER 31, 2014
Results of operating activities	\$ 55,226,117
Profit before income tax	\$ 2,313,375
Income tax charge	\$ (3,450,350)
Profit/(losses) for the year	\$ (1,136,965)
Dividends on ordinary shares (US\$)	\$ 172,000

DIVIDENDS

The Directors recommended a dividend payment of US\$0.0025 per ordinary share which was paid on February 28, 2014. No further dividend was recommended during the year under consideration.

THE BOARD

The Directors of the Board as at December 31, 2014 comprised:

- Mr. Garfield Sinclair** (Chairman)
- Mrs. Fayval Williams** (Executive Director)
- Ms. Nicole Foga** (Company Secretary)
- Ms. Lisa Gomes** (Director)
- Mr. Peter Reid** (Director)

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

AUDITORS

Messrs, KPMG, the present auditors have signified their willingness to continue in office and a resolution authorizing the Directors to fix the Auditor's remuneration will be put to the Annual General Meeting.

THANK YOU

The Directors wish to thank the management and staff of the Company for the work they have done during the year under review.

By Order of the Board



Nicole Foga
Company Secretary

April 14, 2015



KINGSTON PROPERTIES LIMITED

INDEX TO THE FINANCIAL STATEMENTS

Independent Auditors' Report	44
Group Statement of Profit or Loss and Other Comprehensive Income	46
Group Statement of Financial Position	47
Group Statement of Changes in Equity	48
Group Statement of Cash Flows	49
Separate Statement of Profit or Loss and Other Comprehensive Income	50
Separate Statement of Financial Position	51
Separate Statement of Changes in Equity	52
Separate Statement of Cash Flows	53
Notes to the Financial Statements	54
Supplementary Information to the Financial Statements	87
Form Of Proxy	89



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INDEPENDENT AUDITORS' REPORT

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Financial Statements

We have audited the separate 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 43, which comprise the statements of financial position as at December 31, 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. 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.

For KPMG Chartered Accountants
 The Valley House Building
 6 Duncannon Street
 Kingston, Jamaica

For Kingston Properties Limited
 111, Bay View
 Kingston, Jamaica

For the Members of Kingston Properties Limited
 111, Bay View
 Kingston, Jamaica



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 Group and the Company as at December 31, 2014, and of the Group's and Company's financial performance 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, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

Chartered Accountants
Kingston, Jamaica

February 26, 2015

KINGSTON PROPERTIES LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income Year ended December 31, 2014

	Notes	2014	2013
Revenue - rental income	4, 9(d)	108,048,742	91,469,951
Operating expenses		(56,822,625)	(52,012,921)
Results of operating activities before other income/gains		51,226,117	39,457,030
Other income/gains:			
Fair value gain on investment properties	9(b)(i)	-	130,316,200
Gain on disposal of investment properties		497,357	-
Miscellaneous income		347,945	910,051
Profit before net finance costs and impairment loss		52,071,419	170,683,281
Finance income	5	7,336,896	6,907,726
Finance costs	5	(53,257,758)	(70,533,346)
Net finance costs	5	(45,700,862)	(63,625,620)
Impairment loss	9(b)(ii)	(4,057,182)	-
(Loss)/profit before income tax		2,313,375	107,057,661
Income tax charge	6	(3,450,340)	(54,561,672)
(Loss)/profit for the year	7	(1,136,965)	52,495,989
Other comprehensive income:			
Foreign currency translation differences for foreign operations, being total other comprehensive income		45,057,651	68,168,732
Total comprehensive income for the year		\$ (13,920,686)	120,664,721
Earnings per stock unit	8	(30.02)	0.76

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

KINGSTON PROPERTIES LIMITED

Group Statement of Financial Position
December 31, 2014

	Notes	2014	2013
NON-CURRENT ASSETS			
Investment properties	9(a)	953,788,854	1,002,518,121
Land held for development	10	18,497,177	18,497,177
Furniture, software and equipment	11	2,850,197	2,822,896
Total non-current assets		<u>975,136,228</u>	<u>1,023,838,194</u>
CURRENT ASSETS			
Non-current asset held for sale	9(b)(ii)	196,676,076	-
Receivables	15	13,517,985	11,687,539
Security repurchased under agreements to resell	16	487,853	14,556,483
Cash and cash equivalents	17	232,660,434	212,064,416
Total current assets		<u>443,342,348</u>	<u>338,308,438</u>
Total assets		<u>\$1,418,478,576</u>	<u>1,261,946,632</u>
EQUITY			
Share capital	18	406,608,605	406,608,605
Treasury shares	19	(3,292,635)	-
Cumulative translation reserve		195,105,368	150,047,717
Retained earnings		253,511,735	273,181,832
Total equity		<u>851,933,073</u>	<u>829,838,154</u>
NON-CURRENT LIABILITIES			
Loans payable	21	347,747,377	142,048,086
Deferred tax liabilities	22	52,754,848	47,049,546
Total non-current liabilities		<u>300,502,225</u>	<u>189,097,632</u>
CURRENT LIABILITIES			
Loans payable	21	238,604,374	218,237,533
Accounts payable and accrued charges	22	25,077,775	24,352,860
Income tax payable		2,561,172	420,433
Total current liabilities		<u>266,243,278</u>	<u>243,010,826</u>
Total equity and liabilities		<u>\$1,418,478,576</u>	<u>1,261,946,632</u>

The financial statements on pages 3 to 43 were approved for issue by the Board of Directors on February 26, 2015 and signed on its behalf by:

 Chairman
Garfield Sinclair

 Director
Fayval Williams

KINGSTON PROPERTIES LIMITED

Group Statement of Changes in Equity Year ended December 31, 2014

	Share capital (note 18)	Treasury shares (note 19)	Cumulative translation adjustment	Retained earnings	Total
Balances at December 31, 2012	406,608,605	—	81,878,985	230,617,894	719,105,484
Total comprehensive income:					
Profit for the year	—	—	—	32,495,989	32,495,989
Other comprehensive income:					
Exchange difference on translation of foreign subsidiaries' balances, being total other comprehensive income for the year	—	—	58,168,732	—	58,168,732
Total comprehensive income for the year	—	—	58,168,732	32,495,989	130,664,741
Distribution to owners:					
Dividend paid (note 23), being total distribution to owners	—	—	—	(9,927,031)	(9,927,031)
Balances at December 31, 2013	406,608,605	—	139,047,717	273,186,852	828,838,174
Total comprehensive income:					
Loss for the year	—	—	—	(1,136,965)	(1,136,965)
Other comprehensive income:					
Exchange difference on translation of foreign subsidiaries' balances, being total other comprehensive income for the year	—	—	45,057,651	—	45,057,651
Total comprehensive income for the year	—	—	45,057,651	(1,136,965)	43,920,686
Transactions with owners of the company:					
Shares repurchased (note 19)	—	(3,292,635)	—	—	(3,292,635)
Distribution to owners:					
Dividend paid (note 23), being total distribution to owners	—	—	—	(18,533,152)	(18,533,152)
Total transactions with owners of the company	—	(3,292,635)	—	(18,533,152)	(21,825,787)
Balances at December 31, 2014	406,608,605	(3,292,635)	184,105,368	251,513,735	838,935,073

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

KINGSTON PROPERTIES LIMITED

Group Statement of Cash Flows Year ended December 31, 2014

	Notes	2014	2013
Cash flows from operating activities			
(Loss)/profit for the year		(1,136,965)	52,495,989
Adjustments to reconcile (loss)/profit for the year to net cash provided by operating activities:			
Income tax charge		3,450,340	54,361,672
Depreciation	11	408,039	401,595
Interest income		(7,556,896)	(6,907,726)
Impairment loss	9(b)(i)	4,057,182	-
Interest expense		25,693,415	19,436,945
Fair value gain on investment property		-	(130,316,200)
Gain on disposal of investment property		(497,357)	-
Unrealized foreign exchange losses on loans and cash and cash equivalents		30,732,727	47,671,827
Operating profit before changes in working capital		55,150,515	37,344,102
Changes in:			
Other receivables		(569,061)	345,135
Accounts payable and accrued charges		724,915	2,543,911
Income tax paid		(7,664)	(7,052)
Net cash provided by operating activities		55,298,705	40,226,096
Cash flows from investing activities			
Interest received		6,295,511	8,584,205
Securities purchased under agreements to resell		14,068,630	(11,670,047)
Additions to office equipment	11	(435,360)	(1,411,700)
Land held for development		-	(18,497,177)
Additions to investment property	9(b)	(221,784,586)	(509,258)
Proceeds of disposal of investment property		101,487,547	-
Net cash used in investing activities		(100,368,258)	(23,503,977)
Cash flows from financing activities			
Interest paid		(25,693,415)	(15,770,719)
Dividend paid		(18,533,152)	(9,927,031)
Loan received		107,671,651	-
Loans payable		5,509,800	34,482,653
Treasury shares		(3,292,635)	-
Net cash provided by financing activities		65,662,249	8,784,903
Net increase in cash and cash equivalents		20,592,696	25,507,022
Cash and cash equivalents at beginning of year		212,064,416	186,532,572
Effect of exchange rate fluctuations on cash and cash equivalents		3,322	24,823
Cash and cash equivalents at end of year	(1)	232,660,434	212,064,416

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

KINGSTON PROPERTIES LIMITED

Separate Statement of Profit or Loss and Other Comprehensive Income Year ended December 31, 2014

	Notes	2014 \$	2013 \$
Revenue - rental income	4, 9(d)	68,684,349	59,418,138
Operating expenses		(26,230,576)	(29,032,129)
Results of operating activities before other income/gains		42,453,773	30,386,009
Other income/gains:			
Miscellaneous income		253,337	240,000
Profit before net finance costs and impairment loss		42,707,110	30,626,009
Finance income	5	26,696	59,012
Finance costs	5	(56,310,016)	(72,026,671)
Net finance costs	5	(56,283,320)	(72,017,659)
Impairment loss		(4,057,182)	—
Loss before income tax		(17,633,392)	(41,391,650)
Income tax (change)/credit	6	(1,737,988)	3,896,756
Loss, being total comprehensive loss for the year	7	\$(19,371,380)	(37,494,864)

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

KINGSTON PROPERTIES LIMITED

Separate Statement of Financial Position
December 31, 2014

	Notes	2014	2013
NON-CURRENT ASSETS			
Investment properties	9(a)	383,590,000	340,309,258
Land held for development	10	18,497,177	18,497,177
Furniture, software and equipment	11	3,850,197	2,822,896
Deferred tax asset	12	11,493,179	11,073,296
Investment in subsidiaries	13	<u>208,730,720</u>	<u>208,730,720</u>
Total non-current assets		<u>726,161,373</u>	<u>681,433,356</u>
CURRENT ASSETS			
Non-current asset held for sale	9(c)(1)	158,878,076	-
Owed by subsidiaries	14	369,334	5,263,411
Receivables	15	1,844,512	5,433,908
Securities purchased under agreements to resell	16	487,833	14,556,483
Cash and cash equivalents	17	<u>2,069,319</u>	<u>147,754</u>
Total current assets		<u>204,647,184</u>	<u>25,401,556</u>
Total assets		<u>930,808,557</u>	<u>706,834,912</u>
EQUITY			
Share capital	18	406,698,605	406,698,605
Treasury shares	19	(3,292,635)	-
Retained earnings		<u>85,468,943</u>	<u>123,637,475</u>
Total equity		<u>488,874,913</u>	<u>530,336,080</u>
NON-CURRENT LIABILITIES			
Note payable	20	(14,660,700)	(10,377,700)
Loans payable	21	<u>(18,261,137)</u>	<u>(30,197,731)</u>
		<u>(32,921,837)</u>	<u>(40,575,431)</u>
CURRENT LIABILITIES			
Loans payable	21	238,604,330	216,237,533
Owed to subsidiary	14	52,323,348	39,605,679
Accounts payable and accrued charges	22	15,336,232	16,499,169
Income tax payable		<u>2,197,871</u>	<u>-</u>
Total current liabilities		<u>308,461,781</u>	<u>272,342,381</u>
Total equity and liabilities		<u>797,336,694</u>	<u>802,678,461</u>

The financial statements on pages 3 to 43 were approved for issue by the Board of Directors on February 26, 2015 and signed on its behalf by:


Garfield Sinclair Chairman


Fayval Williams Director

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

KINGSTON PROPERTIES LIMITED

Separate Statement of Changes in Equity Year ended December 31, 2014

	Share capital (note 18)	Treasury shares (note 19)	Retained earnings	Total
Balances at December 31, 2012	406,608,605	-	170,895,370	577,503,975
Loss, being total comprehensive loss for the year	-	-	(37,494,864)	(37,494,864)
Distribution to owners:				
Dividend paid (note 23), being total distributions to owners	-	-	(9,927,031)	(9,927,031)
Balances at December 31, 2013	406,608,605	-	123,473,475	530,082,080
Loss, being total comprehensive loss for the year	-	-	(19,371,380)	(19,371,380)
Transactions with owners of the company				
Shares repurchased	-	(3,292,635)	-	(3,292,635)
Distribution to owners:				
Dividend paid (note 23), being total distribution to owners	-	-	(18,533,152)	(18,533,152)
Total transactions with owners of the company	-	3,292,635	18,533,152	21,825,787
Balances at December 31, 2014	406,608,605	(3,292,635)	85,568,943	488,884,913

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

KINGSTON PROPERTIES LIMITED

Separate Statement of Cash Flows
Year ended December 31, 2014

	Notes	2014	2013
Cash flows from operating activities			
Loss for the year		(19,371,380)	(17,494,864)
Adjustments to reconcile loss for the year to net cash provided by/(used in) operating activities:			
Depreciation	11	408,059	303,143
Income tax credit/(charge)		1,737,988	(3,896,786)
Interest income		(36,696)	(59,013)
Impairment loss		4,057,182	-
Interest expense		23,176,514	20,975,665
Unrealized foreign exchange losses on note and loans payable		<u>21,098,401</u>	<u>47,669,602</u>
Operating profit before changes in working capital		41,080,068	27,497,748
Changes in:			
Other receivables		589,396	574,612
Accounts payable and accrued charges		(1,262,937)	725,694
Owed by subsidiaries		4,394,027	(1,753,780)
Owed to subsidiary		<u>12,717,668</u>	<u>27,663,352</u>
Net cash provided by operating activities		<u>57,518,223</u>	<u>54,707,626</u>
Cash flows from investing activities			
Interest received		26,696	54,252
Securities purchased under agreements to resell		14,068,630	(11,670,047)
Land held for development		-	(18,497,177)
Additions to office equipment	11	(435,360)	(1,411,700)
Additions to investment property	9(b)	(3,814,060)	(509,258)
Net cash provided by/(used in) investing activities		<u>9,845,906</u>	<u>(32,033,930)</u>
Cash flows from financing activities			
Interest paid		(23,176,514)	(17,386,959)
Dividend paid		(18,533,152)	(9,927,031)
Note payable		(1,047,516)	166,063
Loans payable		(19,396,028)	1,854,542
Treasury shares		(3,292,635)	-
Net cash (used in)/provided by financing activities		<u>(65,445,845)</u>	<u>(25,293,385)</u>
Net increase in cash and cash equivalents		1,918,284	(2,619,689)
Cash and cash equivalents at beginning of year		147,753	2,742,620
Effect of exchange rate fluctuations on cash and cash equivalents		<u>3,322</u>	<u>24,822</u>
Cash and cash equivalents at end of year	17	<u>\$ 2,069,359</u>	<u>147,753</u>

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements
December 31, 2014

1. Identification and principal activities

Kingston Properties Limited ("the Company") is incorporated in Jamaica under the Companies Act. The Company is domiciled in Jamaica, with its registered office at 7 Stanton Terrace, Kingston 6, and the principal place of business at Building B, first floor, 36-38 Red Hills Road, Kingston 10.

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; and its wholly owned subsidiary;
- (ii) Kingston Properties Miami LLC, incorporated in Florida under the Florida Limited Liability Company Act.

The Company and its subsidiaries are collectively referred to as "Group". In these financial statements 'parent' refers to the Company and 'intermediate parent' refers 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, revised and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations came into effect during the financial year under review. The Group has assessed them and has adopted those which are relevant to the financial statements. However, none of them had any effect on the amounts or disclosures in these financial statements.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

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

(A) Statement of compliance (cont'd)

New, revised and amended standards and interpretations that are not yet effective

At the date of approval of these financial statements, certain new, revised and amended standards and interpretations were in issue but had not yet come into effect. They were not adopted early and therefore have not been taken into account in preparing these financial statements. Those which are relevant to the company are set out below:

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.
- IFRS 15, *Revenue from Contracts with Customers*, is effective for annual reporting periods beginning on or after January 1, 2017. It replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

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

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

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

- *Improvements to IFRS, 2011-2013 cycles*, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after July 1, 2014. The main amendments applicable to the Group are as follows:
 - IFRS 13, *Fair Value Measurement*, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9, did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
 - IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*, have been amended to clarify that, at the date of revaluation:
 - (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses; or
 - (ii) the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.
 - IAS 24, *Related Party Disclosures*, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.
 - IAS 40, *Investment Property*, has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

2. Statement of compliance and basis of preparation (cont'd)**(a) Statement of compliance (cont'd)****New, revised and amended standards and interpretations that are not yet effective (cont'd)**

Improvements to IFRS, 2012-2014 cycle, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after January 1, 2016. The main amendments applicable to the Group are as follows:

- IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets*, were amended by the issue of "Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*", which is effective for annual reporting periods beginning on or after January 1, 2016, as follows:
 - The amendment to IAS 16 explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
 - The amendment to IAS 38 introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The Group is assessing the impact that these new and amended standards will, when they become effective, have on its 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 estimates, based on assumptions. It also requires management to make judgements. These estimates and judgements that affect the application of accounting 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 the assumptions underlying them, 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 estimating the carrying values of assets and liabilities that are not readily apparent from other sources.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

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

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

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

Items where estimates have a significant effect on amounts recognized in the financial statements, and/or where there is a significant risk of material adjustment in the next year because of a change in estimate, and significant judgements made in applying the Group accounting policies are as follows:

(i) Main source of estimation uncertainty

Investment property is carried at fair value. Given the infrequency of trades in comparable properties in some cases, and therefore the absence of a number of observable recent market prices, fair value is less objective and requires significant estimation, which is impacted by the uncertainty of market factors, pricing assumptions and general business and economic conditions (see note 9(c)).

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

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

3. Significant accounting policies

(a) Consolidation:

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

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

3. Significant accounting policies (cont'd)

(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 statement of cash flows, 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 amortized cost less, if any, impairment losses.

(f) Related parties

A related party is a person or entity that is related to the Group:

(i) A person or a close member of that person's family is related to the Group if that person:

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or
- (3) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (3) Both entities are joint ventures of the same third party.
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

4 Significant accounting policies (cont'd)**(f) Related parties (cont'd)**

(ii) An entity is related to the Group if any of the following conditions applies (cont'd):

- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (6) The entity is controlled, or jointly controlled by a person identified in (i).
- (7) A person identified in (i) (1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 the 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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized 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 recognized 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 recognized in profit or loss, except for differences arising on the translation of available-for-sale equity instruments.

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 recognized as income or expense.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

1. Significant accounting policies (cont'd)**(a) Foreign currencies (cont'd)**

(i) 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.

(b) Impairment:

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

(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 the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

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 recognized.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

3. Significant accounting policies (cont'd)

(i) Securities purchased under agreements to resell:

Securities purchased under agreements to resell are transactions in which the Group makes funds available to institutions by entering into short-term agreements with those institutions. They are accounted for as short-term collateralized lending. The difference between purchase and resale considerations is recognized 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 entity and a financial liability or equity instrument of another entity. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, resale agreements, receivables, and owed by subsidiaries. Financial liabilities comprise loans payable, note payable, owed to subsidiary, accounts payable and accrued charges. Financial liabilities are recognized initially at fair value less any directly attributable transactions costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(i) Recognition:

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

(ii) Derecognition:

The Group derecognizes 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 recognized as a separate asset or liability.

The Company derecognizes 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

1. Significant accounting policies (cont'd)

(k) Capital (cont'd)

(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) Repurchase and release of ordinary shares (treasury shares)

When the Company repurchases its own stock, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is shown as a deduction from equity. The repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

(iii) Dividends

Dividends are recorded in the financial statements in the period in which they are declared and become irrevocably payable.

(l) Income tax

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

Current income 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 income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets or liabilities. For this purpose the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the company has not rebutted this presumption.

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

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

3. Significant accounting policies (cont'd)**(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 recognized 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 recognized in profit or loss as incurred.

- (ii) Depreciation is recognized in profit or loss on the straight-line basis over the estimated useful life of the asset. The depreciation rates for the furniture, software and equipment are as follows:

Software	33%
Computer and accessories	20%
Furniture and fixtures	10%

(n) Investment properties

Investment properties, comprising a commercial complex, a warehouse building and residential condominiums, are held for long-term rental yields and capital gain.

Investment properties are initially recognized 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.

Fair value is determined every three years by an independent registered valuer, and in each of the two intervening years by the directors. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognized in profit or loss.

(o) Land held for development

Land held for development is carried at the lower of cost and net realizable value. Cost includes acquisition costs and transaction costs.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

3. Significant accounting policies (cont'd)

(p) Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(q) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(r) Revenue recognition

Rental income:

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

(s) 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

4. Rental income

	Group		Company	
	2014	2013	2014	2013
Hagley Park Road warehouse	24,656,750	21,077,679	24,656,750	21,077,679
Red Hills Road commercial complex	44,027,599	38,340,459	44,027,599	38,340,459
Miami apartment units	6,224,596	-	-	-
Miami condominiums	32,139,797	32,051,813	-	-
	<u>\$108,048,742</u>	<u>91,469,951</u>	<u>68,684,349</u>	<u>59,418,138</u>

5. Net finance costs

	Group		Company	
	2014	2013	2014	2013
Finance income:				
Interest income	<u>7,536,896</u>	<u>6,907,726</u>	<u>38,696</u>	<u>89,012</u>
Finance costs:				
Interest expense	<u>(25,693,415)</u>	<u>(19,436,945)</u>	<u>(23,176,515)</u>	<u>(20,975,665)</u>
Commitment fees	<u>-</u>	<u>(3,216,225)</u>	<u>(3,216,493)</u>	<u>(3,214,629)</u>
Foreign exchange gains and losses arising from investing and financing activities:				
Net unrealized losses on translation of foreign currency investments and borrowings	<u>(27,748,017)</u>	<u>(47,694,422)</u>	<u>(31,101,722)</u>	<u>(47,694,423)</u>
Net realized losses on conversion of foreign currency investments and borrowings	<u>183,674</u>	<u>(1,191,754)</u>	<u>183,674</u>	<u>(1,191,754)</u>
	<u>(27,564,343)</u>	<u>(48,886,176)</u>	<u>(30,918,048)</u>	<u>(48,886,177)</u>
Total finance costs	<u>(57,257,758)</u>	<u>(70,533,346)</u>	<u>(56,210,016)</u>	<u>(72,076,671)</u>
Net finance costs	<u>\$45,709,862</u>	<u>(63,625,620)</u>	<u>(56,283,320)</u>	<u>(72,017,659)</u>

6. Taxation charge/(credit)

(a) Taxation comprises:

	Group		Company	
	2014	2013	2014	2013
(i) Current income tax expense:				
Income tax at 1%	59,517	57,540	-	-
Income tax at 15%	-	318,076	-	-
Income tax @ 25%	<u>2,257,871</u>	-	<u>2,257,871</u>	-
Carried forward	<u>2,317,388</u>	<u>375,616</u>	<u>2,257,871</u>	-

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

6. Taxation charge/(credit) (cont'd)

	Group		Company	
	2014	2013	2014	2013
(i) Current income tax expense:				
Brought forward	2,317,388	175,816	1,157,871	-
(ii) Deferred income tax expense/(credit):				
Origination and reversal of temporary differences	(172,952)	24,186,056	(519,883)	(3,896,786)
Total income tax (charge)/credit	2,450,190	24,561,672	1,217,988	(3,896,786)

(b) Reconciliation of effective tax rate:

The tax rate for the Company is 25% (2013: 28.75%) of profit before income tax, adjusted for tax purposes, while the tax rate for the St. Lucia subsidiary is 1% of profits, and that for the Florida subsidiary is 15%. The actual tax charge for the year is as follows:

	Group		Company	
	2014	2013	2014	2013
Profit/(loss) before income tax	52,313,375	107,057,661	(17,633,392)	(41,391,650)
Computed "expected" tax expense/(credit) at Jamaican tax rate of 25%	578,343	26,764,415	(4,408,348)	(10,347,913)
Effect of different tax rates in foreign jurisdictions	(1,797,643)	14,406,427	-	-
Tax effect of treating certain items differently for financial statement purposes than for tax purposes:				
Untaxed credits:				
Accrued interest expense	1,997,546	270,576	1,997,546	270,576
Disallowed exchange losses, net of gains	5,927,048	11,415,798	5,927,048	11,415,798
Depreciation	(3,439,363)	4,674,795	(2,107,351)	(2,264,908)
Other disallowed expenses	6,404,571	4,443,761	6,432,687	4,443,761
Tax losses	(6,103,594)	(7,414,100)	(6,103,594)	(7,414,100)
Actual tax charge/(credit)	\$3,450,340	24,561,672	1,217,988	(3,896,786)
Effective rate of tax charge/(credit)	6.59%	22.94%	6.96%	(9.41)%

- (c) At December 31, 2014, subject to the agreement of the Commissioner General, Tax Administration Jamaica, income tax losses, available for set-off against future taxable profits, amounted to approximately \$20,600,000 (2013: \$29,700,000)

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

7. **(Loss)/profit for the year**

The following are among the items charged in arriving at the (loss)/profit for the year:

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
Auditors' remuneration	2,827,700	2,504,000	1,605,000	1,500,000
Key management personnel compensation				
Directors' remuneration:				
- salaries and incentives	5,313,910	4,802,017	5,313,910	4,802,017
- fees	1,453,089	807,961	726,543	590,168

Key management personnel comprise the Board of Directors, a member of which is the executive director.

8. **Earnings per stock unit**

The earnings per stock unit is computed by dividing the (loss)/profit for the year of (\$1,136,965) (2013: \$52,495,989) by the weighted average number of stock units in issue during the year, numbering 68,798,669 (2013: 68,800,102).

9. **Investment properties**

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

	Group		Company	
	2014	2013	2014	2013
Hagley Park Road warehouse (i)	-	200,509,258	-	200,509,258
Miami condominiums (ii)	352,229,219	421,808,863	-	-
Miami apartment complex (iii)	217,969,575	-	-	-
Red Hills Road commercial complex (iv)	383,590,060	380,000,000	383,590,060	380,000,000
	\$953,788,854	1,002,318,121	383,590,060	580,509,258

- (i) This represents 26,000 square feet of commercial property located on Hagley Park Road, Kingston, Jamaica which was disposed of in January 2015 see note 9(b)(i).
- (ii) This represents 12,380 (2013: 16,092) square feet of residential condominium space comprising 15 (2013: 19) units in the Loft II building located at 133 NE 2nd Avenue in downtown Miami, Florida.
- (iii) This represents a 19 unit apartment complex, purchased on August 26, 2014, located at 558 NW 4th Street, Miami, Florida.
- (iv) This represents a commercial property of 52,012 square feet on Red Hills Road, Kingston, Jamaica.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

9. Investment properties (cont'd)

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

	Gross		Claims	
	2014	2013	2014	2013
Balance as at January 1, 2014	1,002,318,121	834,085,129	590,509,258	180,000,000
Additions during the year	321,784,586	509,258	1,814,650	509,258
Disposals during the year	(160,990,189)	-	-	-
Increase in fair value:				
[see (c)(i)]	-	130,316,309	-	-
Impairment loss [see (b)(ii)]	(1,057,182)	-	(1,057,182)	-
Reclassified to asset held for sale [see (b)(i)]	(196,676,078)	-	(196,676,076)	-
Foreign currency translation adjustments	31,409,594	37,907,324	-	-
Balance at December 31, 2014	\$ 952,788,858	1,002,418,121	383,590,650	330,509,258

The fair value measurement for investment properties is classified as Level 3.

Valuation techniques and significant unobservable inputs:

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Investment approach:</i> The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream.</p> <p>The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.</p>	<ul style="list-style-type: none"> Expected market rental growth Yields Rental rates 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> Expected market rental growth were higher (lower), The occupancy rate were higher (lower) Rent-free periods were shorter (longer), or Yields were lower (higher)

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

9. Investment properties (cont'd)

- (b) (i) The carrying amounts of investment properties have been determined as follows (cont'd).

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Sales comparison approach:</i> The approach relies heavily upon the principle of substitution. Recent sales of similar properties are gathered and a meaningful unit of comparison is developed.</p> <p>Then a comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics.</p>	<ul style="list-style-type: none"> • Sales of similar properties 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Sales prices of similar properties were higher/(lower).
<p><i>Income approach:</i> This approach converts anticipated annual net income into an indication of value. This process is called capitalization, and involves multiplying the annual net income by a factor or dividing it by a rate that weighs such considerations such as risk, time, and return on investment.</p>	<ul style="list-style-type: none"> • Annual net income 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Annual net income was higher/(lower).

- (b) (ii) In July 2014, management committed to a plan to sell the Hagley Park Road warehouse. Accordingly, the property was reclassified to asset held for sale. The sale of the property was completed in January 2015.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

9. Investment properties (cont'd)

- (b) (i) On reclassification to asset held for sale, the property was remeasured to the lower of its carrying amount and fair value less costs to sell. As a result an impairment loss of \$4,057,182 was recognized in profit or loss, as follows:

	Net adjustment for impairment \$	Fair value less cost to sell \$
Carrying amount at beginning of year		200,733,258
Revaluation increase based on agreed selling price of US\$2,000,000	27,505,342	<u>27,505,342</u>
		228,238,600
Adjustment upon reclassification to reflect asset at fair value less cost to sell	<u>(31,567,524)</u>	<u>(31,567,524)</u>
	<u>(4,057,182)</u>	<u>196,676,076</u>

- (b) (ii) The fair value of investment properties as at the reporting date is based on estimates of 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.

- (ii) The Red Hills Road and Hagley Park Road properties were revalued as at December 31, 2012, by independent valuers, NAI Jamaica Langford and Brown, of Kingston, Jamaica, who have an appropriate recognized professional qualification and recent experience in the location and category of the properties being valued. The increase in the fair value of the investment property of approximately \$183 million was credited to income [note 3(n)] in the prior year.

- (d) Gross rental income from investment properties:

	Group		Company	
	2014	2013	2014	2013
Gross rental income (note 4)	<u>\$108,048,742</u>	<u>91,462,951</u>	<u>68,684,349</u>	<u>59,418,138</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

9. Investment properties (cont'd)

(e) Property operating expenses are as follows:

	Group		Company	
	2014	2013	2014	2013
Homeowners' association fee	11,082,818	10,944,831	-	-
Insurance premiums	7,816,084	6,560,952	6,221,520	5,814,851
Property taxes	9,196,317	7,120,531	1,147,532	737,495
Professional fees	2,994,028	4,393,517	2,319,164	909,000
Maintenance	3,783,038	4,558,594	77,013	3,551,297
	<u>\$34,272,285</u>	<u>\$33,578,425</u>	<u>9,715,229</u>	<u>11,012,643</u>

10. Land held for development

This represents land in Waterworks, Westmoreland, Jamaica, held for development.

11. Furniture, software and equipment

	Group		
	Office furniture & equipment	Computer software	Total
Cost:			
December 31, 2012	1,973,257	294,879	2,268,136
Foreign currency translation adjustment	-	43,414	43,414
Additions	1,411,700	-	1,411,700
December 31, 2013	3,384,957	338,293	3,723,250
Additions	435,160	-	435,160
December 31, 2014	<u>3,820,117</u>	<u>338,293</u>	<u>4,158,410</u>
Depreciation:			
December 31, 2012	258,918	204,780	463,698
Foreign currency translation adjustment	-	35,061	35,061
Charge for year	303,143	98,452	401,595
December 31, 2013	562,061	338,293	900,354
Charge for year	408,059	-	408,059
December 31, 2014	<u>970,120</u>	<u>338,293</u>	<u>1,308,413</u>
Net book value:			
December 31, 2014	<u>\$2,850,197</u>	<u>-</u>	<u>2,850,197</u>
December 31, 2013	<u>\$2,822,896</u>	<u>-</u>	<u>2,822,896</u>
December 31, 2012	<u>\$1,714,339</u>	<u>90,099</u>	<u>1,804,438</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

11. Furniture, software and equipment (cont'd)

	Company Office Furniture & equipment
Cost:	
December 31, 2012	1,973,257
Additions	1,411,700
December 31, 2013	3,384,957
Additions	435,360
December 31, 2014	3,820,317
Depreciation:	
December 31, 2012	258,918
Charge for year	303,143
December 31, 2013	562,061
Charge for year	408,059
December 31, 2014	970,120
Net book value:	
December 31, 2014	\$2,850,197
December 31, 2013	\$2,822,896
December 31, 2012	\$1,714,339

12. Deferred tax liability/asset

Deferred taxation is calculated on all temporary differences using a principal tax rate of 25% (2013: 25%) for the company and a range of tax rates for the Group. The balances and movements are as follows:

	Group					
	Balance at December 31, 2012	Recognised in profit or loss	Balance at December 31, 2013	Recognised in profit or loss	Recognised in equity	Balance at December 31, 2014
Investment properties	-	(58,175,180)	(58,175,180)	(1,728,802)	(4,572,350)	(64,476,332)
Warranty	-	92,338	92,338	73,967	-	168,305
Property: furniture, software and equipment	(4,229,714)	1,354,124)	(7,703,838)	(636,123)	-	(8,419,961)
Tax assets	8,864,378	(1,053,325)	7,811,053	(2,654,828)	-	1,156,225
Unrealized foreign exchange losses	2,501,046	1,503,433	(1,606,081)	3,810,830	-	14,818,911
	\$2,136,310	(24,180,056)	(47,049,240)	(1,132,953)	(4,572,350)	(52,735,849)

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

12. Deferred tax (liability)/asset (cont'd)

	Company				
	Balance at December 31, 2013	Recognized in profit or loss	Balance at December 31, 2013	Recognized in profit or loss	Balance at December 31, 2014
Property, furniture, equipment and equipment	(4,219,714)	(1,354,124)	(7,783,838)	(636,123)	(8,419,961)
Receivables	8,864,378	(1,053,525)	7,811,053	(2,654,824)	5,156,229
Tax losses	2,101,646	8,384,433	(1,886,081)	3,310,810	(4,816,911)
Unrealized foreign exchange losses					
	\$7,136,310	\$3,828,786	\$4,033,296	\$519,863	\$4,553,159

13. Investment in subsidiaries

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

	Company	
	2014	2013
Carlton Savannah REIT (St. Lucia) Limited		
Amount paid for shares	282,156,561	282,156,561
Funds borrowed (see (i) below)	(208,576,584)	(208,576,584)
	73,579,977	73,579,977
Kingston Properties Miami LLC (see (ii) below)		
Loan	235,150,752	235,150,752
	\$308,730,729	\$308,730,729

(i) The sum of \$208,576,584 is the portion of an amount that the Company borrowed from Carlton Savannah REIT (St. Lucia) Limited which it on-lent to Kingston Properties Miami LLC for the purpose of acquiring condominiums in Miami in the year 2010.

(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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

14. Owed by/(to) subsidiaries

	<u>Company</u>	
	<u>2014</u>	<u>2013</u>
Owed by subsidiaries:		
Carlton Savannah REIT (St. Lucia) Limited US\$7,382 (2013: US\$49,478) [see (i) below]	\$ <u>869,383</u>	<u>5,263,411</u>
Owed to subsidiary:		
Kingston Properties Miami LLC US\$458,497 (2013: US\$374,640) [see (ii) below]	\$(<u>52,323,348</u>)	(<u>39,605,679</u>)

(i) This represents advances and charges paid by the Company on behalf of its subsidiary, Carlton Savannah REIT (St. Lucia) Limited. The amount is interest free, unsecured and has no fixed repayment date.

(ii) Owed to subsidiary comprises (1) interest at 8.5% accrued on loan (note 20) plus (2) related loan transaction costs, totaling US\$99,361, paid by the subsidiary, Kingston Properties Miami LLC, and recoverable from the Company. The balance is interest free, unsecured and, with respect to the accrued interest, has no fixed repayment date, while the portion owing for the transaction costs is payable over five years, the final payment being due on September 28, 2017.

15. Receivables

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Rent receivable	1,376,923	835,541	835,541	835,541
Less: provision for bad debt	(835,541)	(835,541)	(835,541)	(835,541)
	541,382	-	-	-
Withholding tax recoverable	6,148,769	3,803,501	3,810,465	3,803,501
Security deposits	2,331,245	2,553,702	74,650	74,650
Prepayments	2,507,668	1,311,642	959,397	1,010,197
Interest receivable	1,261,386	3,486,895	-	4,760
Other prepayments	727,535	-	-	-
Other receivables	-	331,799	-	331,800
	<u>11,517,982</u>	<u>11,687,539</u>	<u>4,844,512</u>	<u>5,433,908</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

16. Securities purchased under agreements to resell

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

The fair value of the securities used to collateralize the reverse repurchase agreements was \$487,853 (2013: \$14,356,483) at the reporting date.

17. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
Interest bearing accounts (see note 21 (f))	123,488,863	206,502,711	80,326	30,218
Current accounts	9,171,571	3,561,705	1,989,033	117,536
	<u>\$132,660,434</u>	<u>\$210,064,416</u>	<u>2,069,359</u>	<u>147,754</u>

18. Share capital

	2014	2013
Authorized capital:		
500,000,000 ordinary shares of no par value		
Issued and fully paid:		
2014: 68,371,602 (2013: 68,800,102) ordinary shares	<u>\$406,608,605</u>	<u>406,608,605</u>

19. Treasury shares

The decision was made by the Board of Directors during the financial year for the Company to reacquire some of its own shares. The repurchase of these shares was conducted on the open market through the Company's stockbrokers. As of December 31, 2014, the Company had repurchased 428,500 shares at a cost of \$3,292,635 (2013: Nil).

20. Note payable

	Company	
	2014	2013
Kingston Properties Miami LLC	<u>\$114,660,700</u>	<u>106,327,700</u>

In September 2012, the company borrowed approximately US\$1 million from a subsidiary, Kingston Properties Miami LLC. The note is for a period of twenty five (25) years and attracts interest at a rate of 8.5% per annum, payable on a quarterly basis. The note is unsecured and repayment is neither required nor expected to occur in the foreseeable future.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

21. Loans payable:

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
Bank loan [see (i)]		
Face amount	217,855,330	202,117,629
Unamortized transaction costs	—	(415,658)
Carrying value	217,855,330	201,701,971
Vendor's mortgage [see (ii)]	39,010,132	52,728,313
Total bank loan and vendor's mortgage	256,865,462	254,430,284
Other mortgage loan – No 1 [see (iii)]		
Face amount	122,457,627	113,611,384
Unamortized transaction costs	(6,047,388)	(7,756,049)
	116,410,239	105,855,335
Other mortgage loan – No 2 [see (iv)]	113,076,007	—
Total loans payable	\$486,351,708	360,285,619
Classified as follows:		
Non-current		
Vendor's mortgage [see (ii)]	18,261,132	36,192,751
Other mortgage loan – No 1 [see (iii)]	116,410,239	105,855,335
Other mortgage loan – No 2 [see (iv)]	113,076,006	—
	247,747,377	142,048,086
Current		
Bank loan [see (i)]	217,855,331	201,701,971
Vendor's mortgage [see (ii)]	20,749,000	16,535,562
	238,604,331	218,237,533
Total loans payable	\$486,351,708	360,285,619

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

21. Loans payable (cont'd)

	<u>Company</u>	
	2014	2013
Bank loan [see (i)]		
Face amount	217,855,330	202,117,629
Unamortized transaction costs	-	(15,658)
Carrying value	217,855,330	201,701,971
Vendor's mortgage [see (ii)]	39,010,132	52,728,313
Total bank loans and vendor's mortgage	<u>\$256,865,462</u>	<u>254,430,284</u>
Classified as follows:		
Non-current		
Vendor's mortgage [see (ii)]	<u>18,261,132</u>	<u>36,192,751</u>
Current		
Bank loans [see (i)]	217,855,330	201,701,971
Vendor's mortgage [see (ii)]	<u>20,749,000</u>	<u>16,535,562</u>
	<u>238,604,330</u>	<u>218,237,533</u>
Total loans payable	<u>\$256,865,462</u>	<u>254,430,284</u>

(i) Bank loan

This represents a draw-down under a credit facility of US\$1,899,988 (J\$217,855,329) (2013: US\$1,899,988, (J\$202,117,692) evidenced by a promissory note. The loan currently attracts interest at a rate of 5% per annum. The loan was renewed on August 15, 2013, and is repayable twelve months from date of disbursement.

It is secured by hypothecation of a deposit of US\$1,952,000 (2013: US\$1,952,000) held by a subsidiary with the bank [see note 17], and a corporate guarantee by that subsidiary limited to the extent of the facility.

(ii) Vendor's mortgage

These amounts represent balances owing under a mortgage of US\$780,000 from the vendor of the Red Hills Road property [see note 9(a)]. It bears interest at a rate of 6% per annum and is repayable in sixty (60) monthly installments, which commenced on January 1, 2012.

(iii) Other mortgage loan - No 1 - Best Meridian Insurance Company

This is a loan of US\$1,068,000 (2013: \$1,068,000) payable by Kingston Properties Miami LLC to Best Meridian Insurance Company, a Florida corporation. The note attracts interest at a rate of 6.5% per annum, with monthly interest payments of \$5,785, which commenced on October 1, 2012. These monthly payments continue on the first day of each month thereafter until September 1, 2017, at which time the entire remaining unpaid principal balance and accrued interest will become due and payable. The loan is secured by a mortgage over the condominiums, known as Loft II, located in Miami-Dade County, Florida, owned by the Group [see note 9(a)].

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

21. Loans payable (cont'd)

(iii) Other mortgage loan No 1 – Best Meridian Insurance Company (cont'd)

Transaction costs of approximately US\$99,000 were incurred in obtaining the loan. These costs were deducted from the loan amount and are being amortized over the life of the loan.

(iv) Other mortgage loan No 2 – InterAmerican Bank

This represents a loan of US\$990,000 payable by Kingston Properties Miami LLC to the InterAmerican Bank, a financial institution in Florida. Interest is charged at 5.25% with effect from October 5, 2014 during the first five years; thereafter, the interest rate shall be adjusted at a fixed rate per annum calculated by adding 1.00% to the then New York Prime rate as published in the Wall Street Journal.

The loan is repayable on September 5, 2024. It is secured by a first mortgage lien and a first lien security interest on the property at 555 SW 4th Street, and on all improvements, furniture, fixtures and personal property (tangible and intangible) therein or with respect thereto, including a first priority interest in the assignment of rents, leases and profits.

22. Accounts payable and accrued charges

	Group		Company	
	2014	2013	2014	2013
Accounts payable	1,162,100	455,292	920,073	455,292
Interest payable	1,108,544	4,204,101	-	3,888,706
Accounting and audit fees	3,256,449	2,909,306	1,819,989	1,640,963
Dividend payable	217,156	260,379	217,156	260,379
Other payables and accrued charges	6,279,816	4,635,020	5,983,750	4,483,500
Security deposits held	13,053,710	11,888,762	6,295,264	6,070,327
	<u>\$25,077,725</u>	<u>24,352,860</u>	<u>15,236,212</u>	<u>16,499,169</u>

23. Dividends

	Group and Company	
	2014	2013
Paid in respect of 2014: US\$80.0025 (2013: in respect of 2013: US\$0.0015) per share	<u>\$18,533,152</u>	<u>9,927,031</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

24. Segment reporting

The Group has three operating segments. Internal management reports are reviewed monthly by the Board. Information regarding the reportable segments is included below.

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

	2014				Group \$
	Jamaica \$	United States of America \$	St. Lucia \$	Trinidad \$	
External revenue	68,684,349	39,364,393	-	-	108,048,742
Operating expenses	(26,730,576)	(28,975,686)	(1,616,363)	-	(57,322,625)
Results of operating activities before other income/gains	42,453,773	10,388,707	(1,616,364)	-	51,226,117
Other income/gains:					
Gain on disposal of investment property	-	497,337	-	-	497,337
Miscellaneous income	253,117	2,316,063	-	(2,215,453)	347,945
Interest income	36,656	9,454,534	7,428,149	(9,433,483)	7,556,856
Interest expense	(23,176,519)	(11,970,384)	-	9,433,483	(25,693,413)
Commitment fees	(2,215,433)	-	-	2,215,453	-
Impairment loss	(4,057,182)	-	-	-	(4,057,182)
Net losses on translation of foreign currency balances	(30,918,049)	-	-	2,158,706	(27,564,343)
(Loss)/profit before tax income tax expense	(17,693,392)	10,680,277	5,912,785	3,353,706	2,313,575
	(1,737,988)	(1,632,839)	(59,513)	-	(3,450,340)
(Loss)/profit after tax	(19,471,380)	9,027,438	5,853,272	(3,353,706)	(1,136,965)
Segment assets	928,168,326	753,777,487	636,082,119	1,669,449,436	4,418,478,579
Segment liabilities	841,284,613	541,035,241	1,619,523	(812,792,924)	566,545,303
Other segment items:					
Capital expenditure	4,249,420	213,989,575	-	-	218,238,995
Depreciation	408,059	-	-	-	408,059

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

24. Segment Reporting (cont'd)

	2014				Group \$
	Jamaica \$	United States of America \$	St. Lucia \$	Elimination \$	
External revenue	59,418,138	32,051,813	-	-	91,469,951
Operating expenses	(29,032,129)	(21,926,537)	(1,054,255)	-	(52,012,921)
Results of operating activities before other income/gains	30,386,009	10,125,276	(1,054,255)	-	39,457,030
Other income/gains:					
Fair value gain on investment properties	-	130,316,200	-	-	130,316,200
Miscellaneous income	240,000	2,077,157	-	(2,007,106)	910,051
Interest income	59,012	8,694,045	6,809,123	(8,344,454)	6,907,736
Interest expense	(20,975,662)	(7,023,734)	-	8,344,454	(19,436,942)
Commitment fees	(2,214,829)	(2,002,902)	-	2,007,106	(2,210,625)
Net losses on translation of foreign currency balances	(48,886,176)	-	-	-	(48,886,176)
Profit before tax	(41,391,649)	142,094,442	5,754,868	-	107,057,661
Income tax credits/ (expense)	3,826,786	(38,400,918)	(57,540)	-	(34,561,672)
(Loss)/ profit after tax	(37,494,863)	84,293,524	5,697,328	-	52,495,989
Segment assets	946,594,312	573,713,652	468,469,828	(729,253,810)	1,261,916,632
Segment liabilities	516,913,837	405,269,414	6,453,722	(444,895,132)	432,108,458
Other segment items:					
Capital expenditures	1,411,200	-	-	-	1,411,200
Depreciation	203,143	58,452	-	-	401,525

During 2014, revenue from one customer of the Group represented approximately \$24,656,750 or 23% (2013: \$21,077,678 or 23%) of the Group's total revenue.

25. 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.

The Board of Directors of the company 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 analyze 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

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

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 and reverse repurchase agreements.

Exposure to credit risk:

The maximum credit exposure, the total amount of loss that the Group would suffer if every counterparty to the Group's financial assets were to default at once, is represented by the carrying amount of the financial assets shown on the statement of financial position as at the reporting date, as there is no off-balance-sheet exposure to credit risk.

- (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, other than those for withholding tax and prepayments, set out in note 15. Management considers that the credit risk related to the relevant 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 fulfill 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.

There was no change in the nature of the Group's approach to its credit risk management during the year.

(b) Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

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

(b) Liquidity risk (cont'd)

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

	Carrying value	Contractual cash flows	2014		
			Within 3 months	3 to 12 months	Over 12 months
Loans payable	486,351,700	601,980,109	15,805,460	249,571,452	336,603,197
Accounts payable and accrued charges	25,077,775	25,077,775	14,178,895	10,900,880	-
	<u>511,429,475</u>	<u>627,057,884</u>	<u>29,984,355</u>	<u>260,472,332</u>	<u>336,603,197</u>
	Carrying value	Contractual cash flows	2013		
			Within 3 months	3 to 12 months	Over 12 months
Loans payable	360,285,619	372,301,769	54,765,055	176,295,164	137,241,551
Accounts payable and accrued charges	24,332,860	24,332,860	12,203,750	260,380	11,858,730
	<u>384,618,479</u>	<u>396,634,629</u>	<u>66,968,805</u>	<u>176,555,544</u>	<u>149,100,281</u>

Company

	Carrying value	Contractual cash flows	2014		
			Within 3 months	3 to 12 months	Over 12 months
Loans payable	246,863,462	266,520,692	6,979,970	238,795,240	20,745,681
Accounts payable and accrued charges	11,336,232	13,216,232	7,034,285	8,311,947	-
Notes payable	114,668,700	124,114,233	-	-	124,114,233
	<u>372,868,394</u>	<u>403,851,157</u>	<u>14,014,255</u>	<u>247,107,187</u>	<u>124,859,914</u>
	Carrying value	Contractual cash flows	2013		
			Within 3 months	3 to 12 months	Over 12 months
Loans payable	234,430,284	266,175,695	56,918,870	170,756,609	38,500,217
Accounts payable and accrued charges	16,999,169	16,499,169	10,168,463	260,380	8,070,326
Notes payable	105,372,780	114,986,612	-	-	114,986,612
	<u>356,802,233</u>	<u>397,661,476</u>	<u>67,087,333</u>	<u>171,016,989</u>	<u>161,557,155</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

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

(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 currency 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	
	2014 US\$	2013 US\$	2014 US\$	2013 US\$
Foreign currency assets:				
Cash	2,050,366	2,006,590	29,914	2,018
Receivables	76,103	59,135	100	13
Revenue repurchase agreements	<u>4,441</u>	<u>137,694</u>	<u>4,277</u>	<u>137,693</u>
	<u>2,130,910</u>	<u>2,203,419</u>	<u>34,291</u>	<u>139,724</u>
Foreign currency liabilities:				
Payables and accrued charges	(165,255)	(109,055)	(77,209)	(35,226)
Loans payable	(4,241,397)	(3,386,852)	(2,240,210)	(2,391,763)
Notes payable	<u> </u>	<u> </u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u>(4,406,652)</u>	<u>(3,495,907)</u>	<u>(3,317,419)</u>	<u>(3,426,989)</u>
Net foreign currency liabilities	<u>(2,275,742)</u>	<u>(1,292,488)</u>	<u>(3,283,128)</u>	<u>(3,287,265)</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (cont'd)
December 31, 2014

25 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% (2013: 15%) weakening of the Jamaica dollar against the United States dollar at December 31, 2014 would have increased the loss (2013: decreased the profit) of the Group and the Company by \$25,310,805 (2013: \$20,579,274) and \$34,797,513 (2013: \$52,341,477), respectively. The analysis assumes that all other variables, in particular, interest rates, remain constant.

A 1% (2013: 1%) strengthening of the Jamaica dollar against the United States dollar at December 31, 2014 would have decreased the loss (2013: increased the profit) of the Group and the Company by \$2,531,801 (2013: \$1,371,952) and \$3,479,751 (2013: \$83,489,432), respectively, on the basis that all other variables remain constant.

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

	Average rate		Reporting date				
			SPOT RATE				
	2014	2013	2014		2013		
				Buying	Selling	Buying	Selling
United States Dollar (US\$)	111.22	100.77	114.17	114.66	101.77	106.38	

(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 (cont'd)
December 31, 2014

26. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

27. 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.



**KINGSTON
PROPERTIES
LIMITED**

Supplementary Information
to the
FINANCIAL STATEMENTS
December 31, 2014

KINGSTON PROPERTIES LIMITED

Operating Expenses Year ended December 31, 2014

	Group		Company	
	2014	2013	2014	2013
Accounting fees	2,010,718	1,371,334	1,355,415	813,600
Advertising and promotion	235,111	438,228	235,111	438,228
Annual report and return	16,035	15,115	-	5,000
Asset tax	100,000	135,000	100,000	135,000
Audit fees	2,827,000	2,504,000	1,605,000	1,500,000
Bank charges	866,486	350,083	725,026	264,410
Broker fees	1,512,000	1,510,945	-	86,600
Computer and internet expenses	671,851	350,005	651,638	324,913
Courier	522,740	431,691	522,740	431,691
Depreciation and amortization	408,059	401,595	408,059	303,143
Development	91,132	113,470	91,131	113,470
Directors' fees	1,453,089	807,961	726,543	390,168
Dues and subscription	136,542	116,975	104,561	104,883
Employers' taxes	789,818	847,948	789,817	847,948
Equipment rental	66,712	60,462	-	-
General expense	72,882	21,162	-	-
Homeowners' Association fees	11,082,819	10,944,851	-	-
Insurance	7,816,084	6,560,952	6,221,520	5,814,851
Meals and entertainment	210,000	136,546	198,307	132,817
Meeting expenses	63,751	63,500	63,750	63,500
Office supplies	391,691	237,270	391,691	208,550
Penalties	153,007	28,599	153,006	28,599
Postage and delivery	28,581	17,520	28,580	17,520
Printing and reproduction	243,729	210,400	243,728	210,400
Professional fees	2,968,753	2,882,572	2,319,164	2,882,572
Property taxes	9,196,317	7,120,531	1,147,532	737,495
Regulatory fees and charges	469,006	390,840	469,006	390,840
Repairs	5,782,793	4,558,594	27,013	3,553,797
Salaries and related costs	7,349,621	8,463,227	7,349,620	8,463,227
Telephone & answering services	115,098	276,105	77,524	266,330
Travel	424,180	445,844	26,475	343,060
Utilities	748,300	199,617	202,612	199,617
	<u>\$56,822,625</u>	<u>\$2,012,921</u>	<u>\$6,730,526</u>	<u>\$9,032,129</u>



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 the Courtleigh Hotel and Suites, 85 Knutsford Boulevard, Kingston 5 on Thursday, May 14, 2015 at 10:30am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
Resolution 1: To receive the Audited Accounts for the year ended December 31, 2014 and the Reports of the Directors and Auditors thereon		
Resolution 2: To Ratify Interim Dividend		
Resolution 3: To Re-Elect the Retiring Director		
Resolution 4: To Fix the Remuneration of the Auditors		
Resolution 5: To Transact any other Ordinary Business of the Company		

Dated this _____ day of _____ 2015

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**

Fayval Williams
Executive Director

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Kingston 10, Jamaica W.I.
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