



A copy of this Rights Issue Circular Letter and the Letter of Provisional Allotment referred to herein have been delivered to the Companies Office of Jamaica for registration and was registered on July 15, 2015. **The Registrar of Companies has neither approved the offered securities nor has the Registrar of Companies expressed any opinion on the accuracy or adequacy of this Rights Issue Circular Letter.**

A copy of this Rights Issue Circular Letter and the Letter of Provisional Allotment referred to herein have been delivered to the Financial Services Commission for registration and was registered on July 16, 2015. **The Financial Services Commission ("FSC") has neither approved the offered securities nor has the FSC expressed any opinion on the accuracy or adequacy of this Rights Issue Circular Letter.**

Any representation to the contrary is a criminal offence.

**CIRCULAR LETTER RELATING
TO A RENOUNCEABLE RIGHTS
ISSUE
OF
136,271,694
ORDINARY SHARES
BY
KINGSTON PROPERTIES LIMITED**



Arranger:
JMMB Securities Limited
6 Haughton Terrace, Kingston 10

Registrar:
Jamaica Central Securities Depository Ltd
40 Harbour Street
Kingston

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CHAIRMAN'S MESSAGE

Dear Shareholders

Following our successful initial public offering in 2008, Kingston Properties Limited, (the “**Company**”, “**KPREIT**” or (“**Kingston Properties**”) became the first real estate investment trust (“**REIT**”) to be listed on the Jamaica Stock Exchange. The Company had a good year in 2014 and made significant progress in the execution of our strategy. We found new opportunities in which to invest capital. We executed on sale transactions that demonstrate the long term value creations achieved.

Specifically, we:

- increased net cash provided by operating activities from \$0.58 per share in 2013 to \$0.80 per share in 2014, an increase of 37.5%.
- declared and paid total dividends of US\$0.0029 per share (US\$200,000 in aggregate) for 2014 representing a 15% increase on the US\$0.0025 per share declared and paid for 2013 (Dividends are paid in USD).
- sold four residential condominium units in 2014 valued at approximately US\$980,000 representing roughly 13.7% premium over book value and realizing cumulative gains of 69.5% over the four years for which we owned the properties.
- executed a sale agreement for property located at 83 Hagley Park Road for \$230M representing a premium of approximately 13% above book value. The sale closed on January 6, 2015 providing a total return (net of transaction costs) of 13.2% annually.
- acquired a residential apartment building in Miami valued at approximately US\$1.9 million which provides a net cash lease yield of 5.7%.
- signed a MOU with Cemex Jamaica Limited to develop lands located in Westmoreland for residential purposes.
- made good on our promise of a share buyback programme by purchasing 428,500 shares in the Company valued at \$3,207,170. Total shareholder return in 2014 with respect to Kingston Properties stock was 71.5% comprising 67% stock price appreciation plus 4.5% dividend yield. This compares to negative 5.3% for the JSE's main index and negative 9.2% for the JSE Junior market index.

Garfield Sinclair
Chairman, Kingston Properties Ltd

SUMMARY OF TERMS:

Issuer:	Kingston Properties Limited (“KPREIT” or the “Company”)
Securities:	At least 136,271,694 New Ordinary Shares (to be converted after issue to stock units) (herein in this Circular Letter described as the “ New Ordinary Shares ”) .
Offer Price:	J\$7.00 per New Ordinary Share
How Payable	In full on application
New Ordinary Share Allotment:	2 : 1 (i.e. two (2) New Ordinary Share(s) for each Existing Ordinary Stock Unit currently held). The Company has reserved the right to upsize the Offer by offering additional New Ordinary Shares to each Existing Ordinary Stockholder.
Principal Amount:	At least J\$953,901,858
Use of Proceeds	The Company intends to use the proceeds of the Offer to acquire additional income-producing properties.
Dividend Payments:	The Company intends to continue paying dividends at least once per year with a targeted dividend yield in the range of 6% - 8%.
Record Date:	July 16, 2015
Offer Opens:	July 22, 2015
Last Date for Renunciation:	July 28, 2015
Offer Closes:	For acceptance by Existing Ordinary Stockholders and/or their Renouncees, July 30, 2015. For applications for Excess Shares , July 30, 2015
Provisional Allotment Expires:	July 28, 2015
Governing Law:	Jamaica
Intention to List on Jamaica Stock Exchange:	KPREIT intends, immediately following the closing of the offer, to make application to the Jamaica Stock Exchange for the listing of the stock units arising from the New Ordinary Shares issued pursuant to the Letter of Provisional Allotment.

LETTER TO STOCKHOLDERS

July 15, 2015

To the Existing Ordinary Stockholders (as herein described)

Dear Stockholder,

Re: Renounceable Rights Issue of at least 136,271,694 Ordinary Shares

As you know, Kingston Properties Limited is a company incorporated in Jamaica pursuant to the Companies Act. It carries on business as a real estate investment company 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 stockholders.

1. Interpretation

In this Circular Letter:-

- i. **“the Company”, “KPREIT” or “Kingston Properties”** means Kingston Properties Limited;
- ii. **“Excess Shares”** means the pool of New Ordinary Shares that are not taken up by Existing Ordinary Stockholders or by their Renounees by the date on which the Offer closes;
- iii. **“the Existing Ordinary Stockholders”** means the holders of the Existing Ordinary Stock Units;
- iv. **“the Existing Ordinary Stock Units”** means the 68,135,847 Ordinary Stock Units in the capital of the Company issued in August 2008 and listed on the Jamaica Stock Exchange in August 2008 and held by the Existing Ordinary Stockholders;
- v. **“New Ordinary Shares”** means the 136,271,694 ordinary shares in the capital of the Company to be offered (by way of provisional allotment under a Rights Issue) to Existing Ordinary Stockholders, the subject of this Circular Letter;

- vi. **“Offer”** means the offer made by the Company to sell New Ordinary Shares (by way of provisional allotment under a Rights Issue) on the terms and conditions set forth in this Circular Letter;
- vii. **“Renouncees”** means persons in whose favour Existing Ordinary Stockholders have renounced some or all of their rights to the New Ordinary Shares provisionally allotted;
- viii. **“the Rights Issue”** means the offer made by the Company to Existing Ordinary Stockholders to subscribe for the New Ordinary Shares; and
- ix. **“Record Date”** means July 16, 2015.

2. Introduction

- 2.1 Pursuant to the authority granted to the Directors of the Company, the Directors have resolved that the Company issue additional ordinary shares, part of the authorised capital of the Company, currently unissued, the same to be offered, by way of provisional allotment under a Rights Issue to the Existing Ordinary Stockholders on such terms (including the number of New Ordinary Shares, the price per New Ordinary Share, the proportion of New Ordinary Shares to be offered (by way of provisional allotment) in relation to the Existing Ordinary Stock Units held by Existing Ordinary Stockholders and the Record Date for determining the eligibility of Existing Ordinary Stockholders to subscribe for the New Ordinary Shares as determined by the Directors AND further that all such New Ordinary Shares not taken up by the Existing Ordinary Stockholders to whom the Offer (by way of provisional allotment) is made, may be allotted and/or issued on terms and conditions as the Directors may consider expedient.
- 2.2 An offer is now being made (by way of provisional allotment under a Rights Issue) with respect to at least 136,271,694 ordinary shares in the capital of the Company by way of a Rights Issue (**such shares are referred to in this Circular Letter as “New Ordinary Shares”**), the same being offered (by way of provisional allotment) to the Existing Ordinary Stockholders whose names appear on the Register of Members at the close of business on the Record Date at the price of **\$7.00** per share, in the proportion of two (2) New Ordinary Share(s) for every Existing Ordinary Stock Unit then held by an Existing Ordinary Stockholder. The Company retains the right to upsize the Offer by offering additional ordinary shares in the capital of the Company to each Existing Ordinary

Stockholder. In the event that the Offer is upsized, notification shall be made by way of advertisement in a daily newspaper.

2.3 The Offer is contained in a Letter of Provisional Allotment being sent to Existing Ordinary Stockholders whose names are on the Register of Members at the close of business on the Record Date. This Circular Letter provides information regarding the Company which may be relevant to Existing Ordinary Stockholders in deciding whether to accept the rights to New Ordinary Shares offered (by way of provisional allotment under a Rights Issue) in the enclosed Letter of Provisional Allotment. The Circular Letter and Letter of Provisional Allotment will be sent by registered mail to shareholders resident in Jamaica and by air mail to Shareholders who reside outside of Jamaica. The Circular Letter will also be posted on the website of the company at www.kpreit.com and on the website of the Jamaica Stock Exchange at www.jamstockex.com.

2.4 As at the date of this Circular Letter, the following represents the issued and authorized capital of KPREIT:-

Authorized:

500,000,000 of no par value

Issued and Fully Paid Up:

68,135,847

3. Overview of Real Estate Investment Trusts (REITs)

What is a REIT?

A REIT, or Real Estate Investment Trust, is a company that owns or finances income-producing real estate. Modelled after mutual funds, REITs provide investors of all types, regular income streams, diversification and long-term capital appreciation. REITs typically pay out all of their taxable income as dividends to shareholders. In turn, shareholders pay the income taxes on those dividends. REITs allow investors to invest in portfolios of large-scale properties the same way they invest in other industries – through the purchase of stock. In the same way shareholders benefit by owning stocks in other corporations, each stockholder of a REIT earns a share of the income produced through real estate investment – without actually having to go out and buy or finance property.

A REIT is a company that meets the following qualifying criteria

REIT CRITERIA	KINGSTON PROPERTIES ATTRIBUTES
Invest at least 75 percent of its total assets in real estate.	As at March 31, 2015, 67% of total assets of the Company are invested in properties (30% of total assets are invested in cash and cash equivalents of which US\$1.95M is pledged as collateral for a loan used to acquire property). Assuming we are successful in raising the funds, which are the subject of this Offer, and acquiring the properties targeted, properties as a percentage of total assets will be approximately 89%.
Derive at least 75 percent of its gross income from rents from real property, interest on mortgage financing real property or from sales of real estate.	100% of our revenues are derived from gross rental income.
Pay at least 90 percent of its taxable income in the form of shareholder dividends each year.	Our current dividend policy states that up to 90% of our after tax profits is declared as dividends.
Be an entity that is taxable as a corporation.	We are a taxable corporation.
Have a minimum of 100 shareholders	As at March 31, 2015 we have 192 shareholders.
Have no more than 50 percent of its shares held by five or fewer individuals.	We expect this to be the case post this Offer.
Be managed by a board of directors or trustees.	We have a board of directors of 5 persons.

REITs have a long established history which dates back to 1960 when REIT legislation was introduced in the United States. NAREIT (formerly The National Association of Real Estate Investment Funds) in the United States was incorporated on September 15, 1960 and, is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets. The first REIT was listed on the NYSE in 1965 and the first European REIT legislation was passed in the Netherlands in 1969.

Kingston Properties Limited is a real estate investment company, whose operations are similar in all respects to REITs established worldwide (Jamaica does not have, at this time, REIT legislation).

REITs are a significant and integral part of the economy of the USA and a mainstay of individual and institutional investing and retirement planning. Today more than 30 countries around the world have REITs including USA, United Kingdom, Japan, Canada, Australia, Germany, France, Singapore and Malaysia.

The following are some of the more attractive features of REITs:

- REITs operate with a longer-term investment horizon, bringing transparency to real estate investment markets, and acting as a stabilizing force within the real estate sector for financial intermediaries during times of economic turbulence.
- REITs own and operate more than 40,000 properties in the United States, including many of the malls, hotels, office buildings, apartments and medical facilities in use every day.
- REITs help support nearly 1 million jobs in the U.S. each year.
- More than 40 million Americans have REITs as part of their 401(k) (pension) plans. There are more than 200 mutual funds and Exchange Traded Funds dedicated to REITs. And according to one survey, REITs are in 75 percent of target date funds, the fastest-growing retail retirement investment.
- There are more than 200 stock exchange-listed REITs in the USA with an equity market capitalization of about \$800 billion, representing \$1.5 trillion of underlying real estate.
- A defining characteristic of the REIT is its capability to generate strong, consistent long term dividends based on the continuing flow of income from rents.
- REITs provides the opportunity for capital appreciation.

Investment Value of the Shares of REITs

To assess the investment value of REIT shares such as KPREIT, typical analysis involves one or more of the following criteria:

- Anticipated growth in earnings per share based on a demonstrated ability to increase earnings reliably usually from a strong portfolio of properties with stable and increasing rental income

- REIT management teams that are able to quickly and effectively reinvest available cash flow while also developing strategies to create new revenue opportunities
- Strong operating characteristics
- Effective corporate governance procedures
- Conservative leverage
- Accepted accounting practices
- Strong tenant relationships
- Anticipated total return from the stock, estimated from the expected price change and the prevailing dividend yield
- Current dividend yields relative to other yield-oriented investments (e.g., bonds, utility stocks and other high-income investments)
- Higher dividend payout ratios relative to ordinary stocks
- Underlying asset values of the real estate and/or mortgages and other assets.

4. **About Kingston Properties Limited**

Kingston Properties Limited., is a self-managed real estate investment trust (REIT). It has a presence in three markets: Miami, Florida, USA; Kingston and Westmoreland, Jamaica. The Company has been listed on the Jamaica Stock Exchange (“**JSE**”) since 2008 and maintains its head office at 36-38 Red Hills Road. It is traded on the JSE under the symbol “KPREIT.” Its property portfolio comprises office, residential and warehouse space and land for development. Kingston Properties is well-known for its responsiveness to tenants’ needs.

At March 31, 2015, Kingston Properties owned three (3) properties, totaling approximately 72,000 net rentable square feet. Kingston Properties also owns undeveloped land totaling approximately 20 acres in Westmoreland, Jamaica, on which the company intends to construct 105 2-bedroom housing units pursuant to a joint venture with Cemex.

Subsidiaries

Kingston Properties’ subsidiaries are:

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

Kingston Properties conducts all of its business in the US through its subsidiary, Kingston Properties Miami LLC. Kingston Properties web site is located at <http://www.kpreit.com>. Free copies of Kingston Properties' annual and quarterly reports can be obtained on our website.

Strategy

Kingston Properties remains committed to our strategy, which has served the Company and our shareholders well through our 8-year history as a public company. Our strategy is as follows:

- Maintain a keen focus on select markets that exhibit the strong economic growth and investment characteristics over time
- Invest in the highest quality buildings that are able to maintain high occupancy and achieve premium rental rates through economic cycles
- Maintain an ability to execute on all types of real estate opportunities (acquisitions, disposals, repositioning and development) throughout the real estate investment cycle
- Ensure a strong balance sheet to maintain consistent access to capital and resultant ability to make opportunistic investments
- Foster a culture and reputation of integrity
- Continue to seek acquisitions
- Remain disciplined and only pursue opportunities that present an attractive financial return to our shareholders

Dividend Policy

The Shares will entitle the holders to receive all ordinary dividends and capital distributions declared and paid by the Company after the close of the Offer. The amount of dividends paid on the Shares will be based on the Company's future profitability. The Directors anticipate that up to 90% of the Company's annual after tax profits will be distributed as dividends, subject to the requirement for re-investment of its profits to finance potential growth and to ensure sustained development, as well as compliance with liquidity and solvency criteria established by the Directors. It is anticipated that dividends will be paid annually. The dividend policy will be subject to review from time to time by the Directors of the Company. The Company expects to continue to pay dividends in United States Dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Economy and Operating Environment (USA and Jamaica)

The key drivers of real estate value are economic growth, translating into rent and occupancy growth and cost of capital translating into return expectations and valuation. In 2014, six years after the financial crisis, the U.S. economy had begun to exhibit reasonable strength, again. GDP growth was 2.4% and the unemployment rate dropped to under 6%. Commodity markets, most importantly oil prices, have weakened markedly. However the U.S. economy is diverging from the rest of the world, most of which is experiencing declining growth and inflation, as well as material fiscal intervention resulting in unprecedented lower interest rates outside the U.S. and the appreciation of the U.S. dollar.

For **Jamaica** in 2014, 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 quarters¹. 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%². The slow growth in the real estate market in Jamaica did not have a significant impact on our Jamaican property portfolio. Our property located on Red Hills Road continues to enjoy a 95% occupancy rate providing a net cash yield of 10.6%.

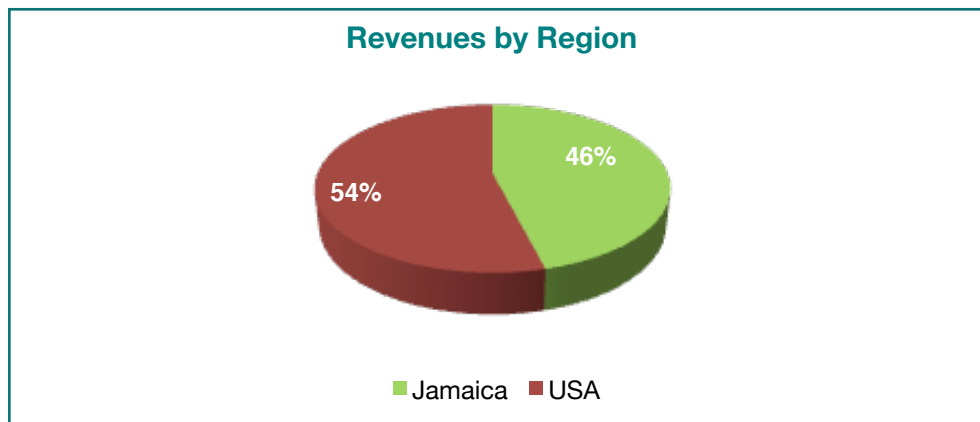
Revenues by Region for Kingston Properties

As of the quarter ended March 31, 2015, Kingston Properties derived approximately 54% of its revenues from Miami, Florida, USA and 46% from Jamaica. 100% of revenues are earned in USD. It is expected that after the Rights Offer approximately 96% of revenues will be from the USA, a developed economy with diverse primary and secondary real estate markets across its 50 states. We have targeted the downtown Miami real estate markets. According to Price Waterhouse's *Emerging Trends in Real Estate*, "Downtown (Miami) transformations have combined the key ingredients of housing, retail, dining, and walk-to-work offices to regenerate urban cores, spurring investment and development and raising the quality of life for a roster of cities. These re-emergent downtowns are referred to as "18-hour markets." Though they quiet down noticeably in the wee hours, deep into the evening the mix of shops,

1 <http://statinja.gov.jm/NationalAccounting/Quarterly/NewQuarterlyGDP.aspx>

2 <http://statinja.gov.jm/NationalAccounting/Quarterly/NewQuarterlyGDP.aspx>

restaurants, and entertainment truly generates excitement. This is catalyzed by walk-to-work housing that encourages employers in the knowledge and talent industries to keep their offices downtown.”

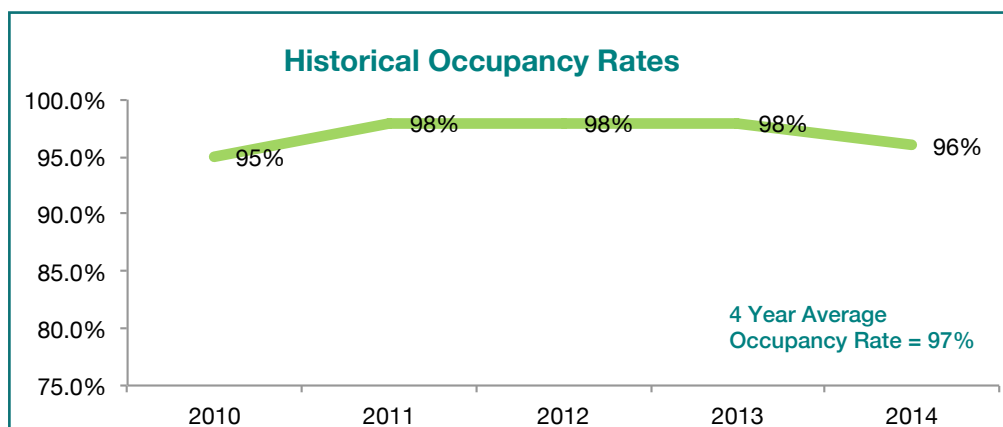


Kingston Properties Occupancy

Our average occupancy rate in our properties remained in the 97% range for 2014.

This is driven by the general healthy state of the residential real estate market and Kingston Properties own efforts to respond promptly to the needs of its tenants. Stable occupancy keeps tenant turnover expenses low.

Across the USA, according to CBRE Research survey, “multifamily vacancy rate dropped 30 bps over the year, to 4.8%—marking a fourth consecutive quarter with the vacancy rate below 5%. Across the major apartment markets, the average rent per unit increased by 5.9%, year-over-year—its strongest rate of growth since 2006.” In Jamaica, occupancy in our office/warehouse buildings remained at 95% during 2014. Warehouse buildings close to the urban center of Half-Way Tree remains in strong demand, thus allowing us to receive rents that are profitable.

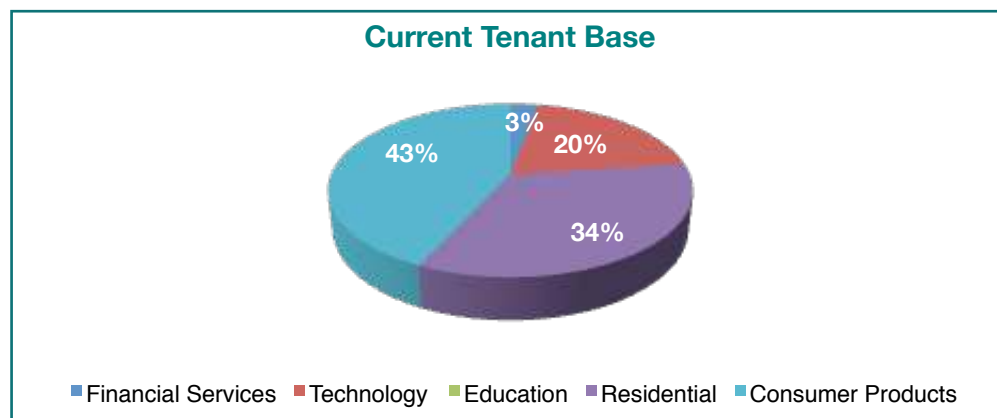


Existing Portfolio

Country	Locations	No. of Units	Sq Ft	Price Per SF	Year Built	Rent	Expenses	Net Operating Income	Total Investment	Current Cash Yield
USA	555 SW 4th Street, Miami (100% owned)	19 unit apt bldg				\$189,600	\$82,335	\$107,265	\$1,880,000	5.71%
USA	Loft II - residential condominiums - (3% owned - 15 units of 498 units)	15 units				\$300,468	\$165,257	\$135,211	\$3,036,459	4.45%
Jamaica	Red Hills Road - commercial bldg	100% owned				\$412,020	\$61,803	\$350,217	\$3,306,811	10.59%
Total Existing Portfolio						\$ 902,088	\$ 309,395	\$592,693	\$8,223,270	7.21%
Blended Portfolio								\$2,766,219	\$42,566,985	6.50%

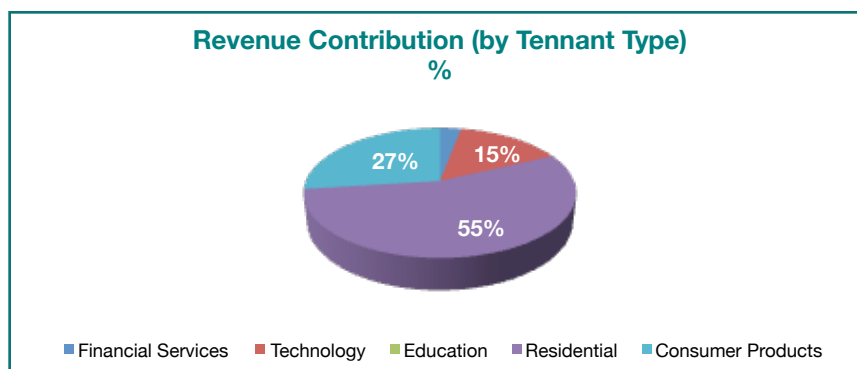
Kingston Properties Tenant Base

Our tenant base remains diversified and includes tenants involved in financial services, technology, education, and consumer products as well as our residential tenants. After the Rights Offer, our tenant base is expected to reflect an increase in residential real estate and will include some retail as part of mixed used properties.



Kingston Properties Revenue Contribution by Tenant type

Revenue contribution by tenant type was 55% residential, 27% consumer products, 15 % technology and 3% other. The revenue mix is expected to include diversified retail and corporate tenants in the service industry. The goal is to continue to have a broad diversified tenant base so that occupancy levels and rental increases can be maintained.



Kingston Properties Resources Pool

Real estate investing and management require a variety of skills and expertise. Real estate companies are arrayed along the spectrum based on their in-house capabilities. For Kingston Properties, the company's model is one of a combination of in-house and external resources. The table below identifies the major expertise required and its availability.

Expertise Required in Real Estate	Resources Availability
Acquisitions	In-house
Development	Combination in-house and external
Financing	Combination in-house and external
Capital markets	External
Construction management	External
Property management	Combination in-house and external
Marketing	In-house
Leasing	Combination in-house and external
Accounting	External
Risk management	In-house
Tax and legal services	External

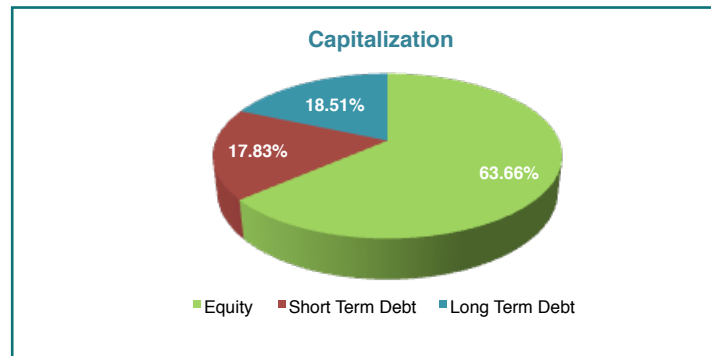
Kingston Properties Balance Sheet

As at 31 December 2014 our net debt to adjusted EBITDA³ ratio was 4.91 compared to 3.31 in 2013. The increase in the ratio was due to a mortgage loan taken out during 2014 to assist with the purchase of our residential property in Miami. As at 31 March 2015, our total debt to total market capitalization, was 35.9% compared to 36.3% as at 31 December 2014 and 30.3% as at 31 December 2013. Additionally, we have ready access to the equity and debt capital markets to fund additional investment opportunities as they become available.

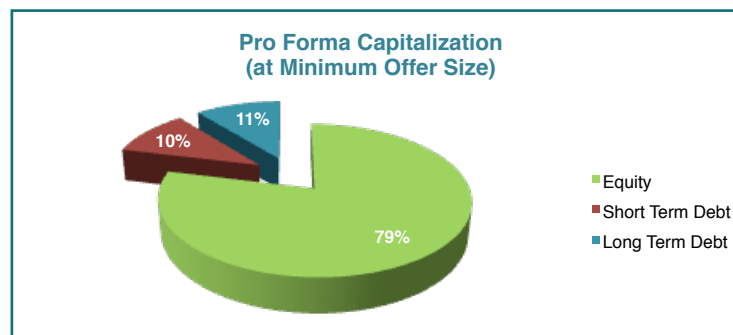
³. Adjusted EBITDA excludes fair value gains on properties and gain on disposal of sale of properties.

Kingston Properties Capitalization

Total capital at December 31, 2014 was \$1.3 billion, of which equity was approximately 63.6% (\$852M) and debt was 36.3% (\$486M). This remained largely unchanged at end of March 31, 2015.

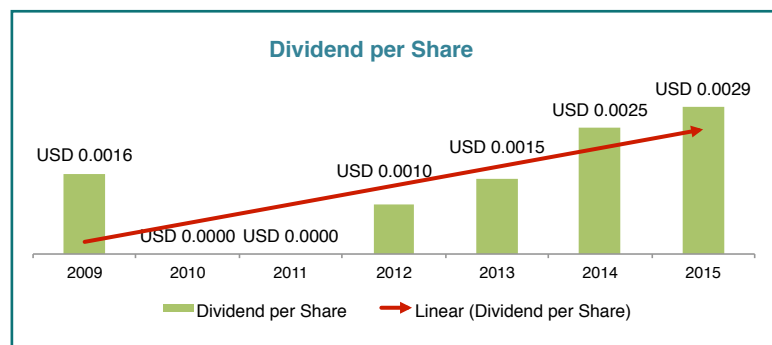


Assuming we are successful in raising the amount of the Rights Offer, our capitalization will be 79% equity and 21% debt.

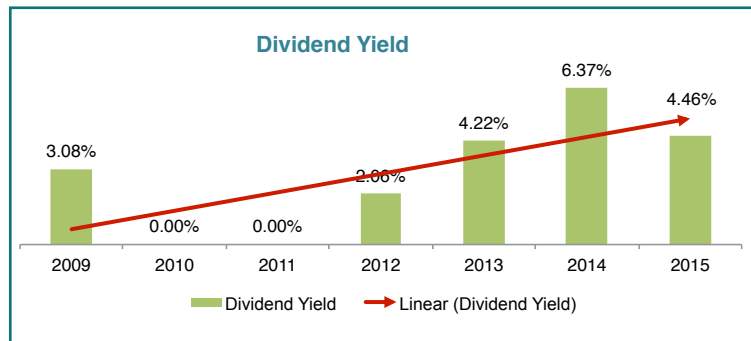


Kingston Properties Dividend History

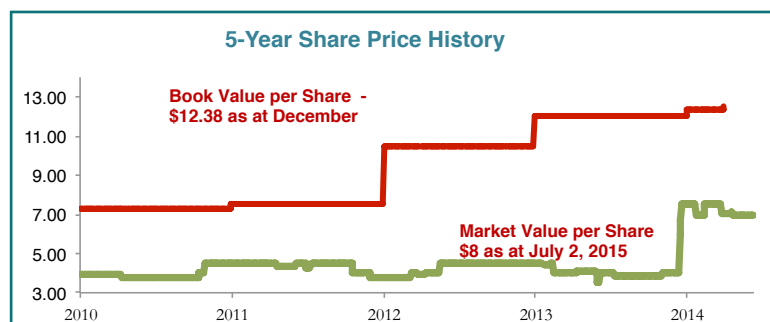
The chart below shows the dividend history over the seven years since our IPO in 2008. It demonstrates the capability of Kingston Properties to pay consistent and increasing dividends as we have increased our asset base of income producing properties.



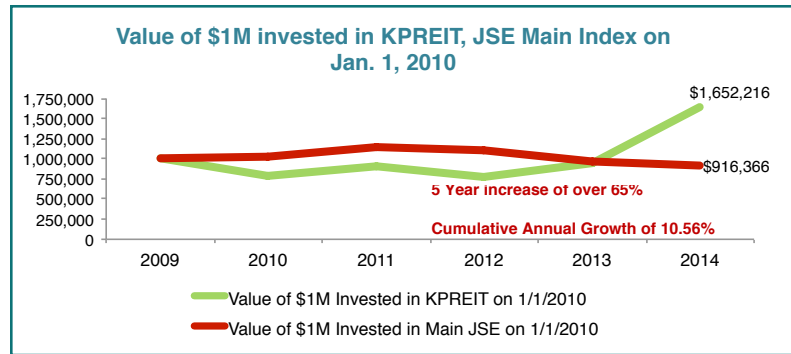
The chart below shows the dividend yield of Kingston Properties' stock. We are targeting a dividend yield in the range of 6% - 8% post the rights offer.



Despite the relatively consistent history of paying dividends at yields that compare well with the yields for other stocks listed on the JSE, Kingston Properties' share price remained flat for most of the 5-years. This reflected very little trading given the concentrated holding among institutional clients. A share repurchase program executed in the December quarter of 2014 positively impacted the share price, bringing the market price of the shares closer to the book value. Generally, the market value of REITs trade within 5-10% of the book value.



The chart below demonstrates that \$1 million invested in the shares of KP Reit starting January 1, 2010 would have yielded \$1.652 million as at 31 December 2014. This is a 5-year increase of over 65%, or 10.6% annually. This compares very favorably relative to the performance of the JSE's index in which \$1 million invested, starting also on January 1, 2010, would have only yielded \$916,366 as at 31 December 2014, a decline of 8.6%.



Kingston Properties Business and Growth Strategy

KPREIT's 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 cash-flow 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.

5. Rationale for the Rights Offer

KPREIT's strategy is to invest in properties that will allow it to grow its revenues through the receipt of a net cash yield that meets the stated hurdle rate and provides an opportunity for capital appreciation. In this way, KPREIT can continue to maximize total shareholder returns by way of stable and consistent dividends and appreciation in its stock price

To this end KPREIT has selected the below list of properties as potential acquisition opportunities for KPREIT and is seeking to raise from this Offer J\$953.9M in order to purchase some of these properties. We believe that by purchasing a combination of any of the below properties with the proceeds of the Offer, KPREIT will provide its shareholders access to above average net cash yields in United States dollars as well as geographic diversification outside of Jamaica. In the event that KPREIT raises the J\$953.9M and is not able to close on any of the below properties that it chooses to acquire, KPREIT intends to identify and to pursue other real estate acquisitions that will present attractive financial returns to our shareholders.

DETAILS OF PROPERTIES TARGETED FOR POSSIBLE ACQUISITION

POTENTIAL PORTFOLIO

Country	Locations	No. of Units/ Prop type	Sq Ft	Price Per SF	Year Built	Rent	Expenses	Net Operating Income	Total Investment	Current Cash Yield	
Cayman	Park place, 25 Earth Close (proposed 100% ownership)	12 condos/7 retail space	25,575	\$360	2009	\$745,006	\$94,573	\$650,433	\$9,200,000	7.07%	
USA	1790 Coral Way, Miami (proposed 100% ownership)	3 Offices	20,438	\$269		\$503,691	\$143,066	\$360,625	\$5,500,000	6.56%	
USA	6 Madison Ave, Cresskill, New Jersey (proposed 100% ownership)	28 residential; 8 commercial			2013	\$976,372	\$150,000	\$826,372	\$14,000,000	5.90%	
USA	The "W", Fort Lauderdale (proposed 3.4% ownership - 5 Units of 146 Units)	Residential condo/hotel - 5 units	5,658	\$681	2008			\$231,118	\$3,851,966	6.00%	
USA	Midblock, 3250 NE 1st Ave., Miami (proposed 4.6% ownership - 7 Units of 150 Units)	7 units	5,853	\$306	2009	\$150,948	\$45,969	\$104,979	\$1,791,750	5.86%	
TOTAL POTENTIAL PORTFOLIO									\$2,173,526	\$34,343,716	6.33%

Existing Portfolio

Country	Locations	No. of Units	Sq Ft	Price Per SF	Year Built	Rent	Expenses	Net Operating Income	Total Investment	Current Cash Yield	
USA	555 SW 4th Street Miami (100% owned)	19 unit apt bldg				\$189,600	\$82,335	\$107,265	\$1,880,000	5.71%	
USA	Loft II - residential condominiums - (3% owned - 15 units of 498 units)	15 units				\$300,468	\$165,257	\$135,211	\$3,036,459	4.45%	
Jamaica	Red Hills Road - commercial bldg	100% owned				\$412,020	\$61,803	\$350,217	\$3,306,811	10.59%	
Total Existing Portfolio									\$ 902,088 \$ 309,395 \$592,693	\$8,223,270	7.21%
Blended Portfolio									\$2,766,219	\$42,566,985	6.50%

GRAND CAYMAN, CAYMAN ISLANDS - MIXED USE PROPERTY

“PARK PLACE” WEST BAY, GRAND CAYMAN (256 YARDS SOUTH OF THE RITZ CARLTON CAYMAN)



- Property is 25,572 sq. ft., a 3 floor building dispersed over 1 acre with right of access to the Seven Mile Beach.
- The property features the following, with some economic elements described
- Ground Floor – 17 retail spaces
- First and Second Floors - 12 condos – 4 – 3 bed/2.5 bath and 8 – 2 bed/1.5 bath Condos
- Condos 1 year leases ranging from US\$2560 to US\$3,300
- Retail Space per month leases is approximately US\$42 per square foot plus common area maintenance (CAM)
- The property is fully leased with 5 retail tenants and 12 residential tenants;
- The property has a current cash yield of 8.3% and net operating income (NOI) of US\$708,000 per annum.

1790 CORAL WAY, MIAMI – OFFICE SPACE



1790 Coral Way consists of two adjoining corner properties (1790 SW 22 Street & 2225 SW 18 Avenue), stretching from 22nd Street to 22nd Terrace, and located on the busy Coral Way corridor, offering visibility to automobile and foot traffic. The property includes ample parking for each building. This building was recently, fully upgraded, and houses a national marketing firm as the main tenant. Large picture windows throughout offer natural light and area views.

Coral Way, is considered one of the most beautiful corridors in South Florida, with its early 20th Century architecture, and canopying Banyan-treed median, spanning from Brickell Avenue to Downtown Coral Gables, and is one of the main thoroughfares connecting the City of Miami to Coral Gables. 1790 Coral Way is centrally located with close proximity to I-95, SR-836, SR-826 and US-1, and lies minutes to Brickell, Downtown Coral Gables, The Village of Merrick Park, Cocowalk in Coconut Grove and Miami International Airport.

CRESKILL – NEW JERSEY – MIXED USE



Cresskill is a borough in Bergen County. Bergen County is the most populous county in the U.S. state of New Jersey. As of 2014, Bergen County's Census-estimated population was 933,572, an increase of 3.1% from the 2010 United States Census, when its population was enumerated at 905,116, which in turn represented an increase of 20,998 (2.4%) from the 884,118 counted in the 2000 Census. Located in the northeastern corner of New Jersey and its Gateway Region, Bergen County is part of the New York City Metropolitan Area and is situated directly across the George Washington Bridge from Manhattan. Bergen County's population resides among 70 municipalities, but no large cities – its most populous place, with 43,010 residents at the time of the 2010 Census, is Hackensack, also its county seat; while Mahwah covered 26.19 square miles (67.8 km²), the largest total area of any municipality. Bergen County is one of the wealthiest counties in the United States, with a median household income of \$81,708 per the 2010 Census, increasing to an estimated \$84,255 in 2012. The county hosts an extensive park system totaling nearly 9,000 acres (3,600 ha).

THE W FT. LAUDERDALE - CONDOS



The W Fort Lauderdale Hotel/Condominium Residences is the W's first property in Florida. The W Ft. Lauderdale Residences includes 171, one and two bedroom Condo-Hotel Residences and the W Ft. Lauderdale Hotel includes 346 hotel rooms. The building is 22 stories high and 6 floorplans are offered in the Residences. W Ft. Lauderdale Condos range in size from 804 – 1402 sq. ft. The W Ft. Lauderdale Oceanfront Condos is one of several Ft. Lauderdale oceanfront Condos and is located at 3101 Bayshore Drive (at the corner of Bayshore Drive and A1A).

A significant benefit for investors and 2nd home owners is that the Condos can be placed in W Ft. Lauderdale rental program. The building features interior design by Manhattan based Clodagh Designs, one of Design Magazine's top 100 interior designers in America. Landscape design is by Witkin Design Group and the Architect is Adache Group Architects. One of the W Ft. Lauderdale's amenities is a Stephen Starr gourmet oceanfront restaurant "Steak 954".

MIDBLOCK, MIAMI FLORIDA – CONDOS



“Midblock” is a low-rise condo development located at 3250 NE Avenue, Miami, FL 33137. It is part of the midtown Miami development which includes over 60 restaurants along with an array of shops and bars. The development includes over 60 floor plans and a variety of amenities including a rooftop pool and BBQ.

CAYMAN ISLANDS CONSTRUCTION SECTOR REVIEW

**(Extract from Cayman Property Review 2014 by Charterland Ltd,
Chartered Surveyors and Property Consultants)**

This improvement in the fortunes of the construction industry is echoed by the fortunes of the Cayman Islands economy as a whole. According to the Cayman Islands’ Semi-Annual Economic Report 2014, the economy of the Cayman Islands “...expanded in the second quarter at its strongest pace (3.3%) since the economy started to recover in 2011, accelerating from the first quarter performance of 1.5%.” KPREIT’s detailed analysis of the industry shows that although there is some variation at both the sector and regional levels on the whole, the industry has seen positive growth in the last 3 quarters of 2014

Typical average building costs per square foot in the Cayman Islands (excluding external works and fees) for the following building types are anticipated to be as follows:

TYPICAL BUILDING COSTS – GRAND CAYMAN (per sq. ft.)								
Family Dwelling			Office Building			Retail Building		
2013	2014	2015 (projected)	2013	2014	2015 (projected)	2013	2014	2015 (projected)
CI\$	CI\$	CI\$	CI\$	CI\$	CI\$	CI\$	CI\$	CI\$
150-220	150-230	160-245	180-400	190-420	200-420	150-195	150-205	160-220

MIAMI, USA

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

6. New Ordinary Shares/The Offer

- 6.1 The Directors of the Company intend that the additional capital required to effect the acquisitions described in this Circular Letter will be raised by equity financing provided on the issue of the New Ordinary Shares in the capital of the Company taken up in this Rights Issue.
- 6.2 The Directors of the Company have therefore decided that it is appropriate at this time to issue and allot unissued ordinary share capital of the Company - the New Ordinary Shares.
- 6.3 The New Ordinary Shares are being offered to the Existing Ordinary Stockholders in the proportion of two (2) New Ordinary Share(s) for every Existing Ordinary Stock Unit held as of the Record Date by such Existing Ordinary Stockholder. The Company retains the right to upsize the Offer by offering additional ordinary shares in the capital of the Company to each Existing Ordinary Stockholder. In the event that the Offer is upsized, notification shall be made by way of advertisement in a daily newspaper.
- 6.4 The New Ordinary Shares are being offered to Existing Ordinary Stockholders at a price of J\$7.00 per New Ordinary Share in the proportion of two (2) New Ordinary Shares for every 1 Existing Ordinary Stock Units held by Existing Ordinary Stockholders. Fractional New Ordinary Shares will be disregarded.

- 6.5 The New Ordinary Shares, when issued, will be converted to stock units and shall rank pari passu with the Existing Ordinary Stock Units. An application will be made to the Council of the Jamaica Stock Exchange for the listing of the stock units arising from the New Ordinary Shares issued pursuant to the Letter of Provisional Allotment.
- 6.6 The Letter of Provisional Allotment accompanying this Circular Letter states the number of New Ordinary Shares provisionally allotted to you, being also the maximum number of New Ordinary Shares for which you may subscribe pursuant to your rights (the “**Rights**”) under the Letter of Provisional Allotment. The Letter of Provisional Allotment also contains full instructions for the acceptance of the New Ordinary Shares provisionally allotted to you and sets out the procedure to be adopted in the event of renunciation of all or some of the Rights. You are permitted to renounce your Rights in the manner prescribed in the Letter of Provisional Allotment. If you are not accepting all of the New Ordinary Shares allotted to you and/or you are in doubt as to what action you should take in relation to the Letter of Provisional Allotment, you should consult a licensed investment advisor or licensed securities dealer without delay as **the Offer (by way of provisional allotment under a Rights Issue) expires at 4:00 p.m. on July 28, 2015.**
- 6.7 The Excess Shares, being the New Ordinary Shares the subject of the Letter of Provisional Allotment not accepted by the allottee or any Renouncee shall be placed in a pool of shares (the “**Excess Shares Pool**”) and New Ordinary Shares in the Excess Shares Pool may be disposed of within the discretion of KPREIT for the benefit of the Company. Persons wishing to acquire New Ordinary Shares in the Excess Shares Pool should follow the instructions in the Letter of Provisional Allotment with respect to the applications for Excess Shares.
- 6.8 The Offer, the subject of this Circular Letter, is more particularly set out in the Letter of Provisional Allotment being sent to Existing Ordinary Stockholders whose names are on the Register of Members at the close of business on the Record Date. The offer is renounceable and this means that persons other than Existing Ordinary Stockholders may come to apply for New Ordinary Shares to be issued in their favour.

7. Risk Factors

An investment in ordinary shares in any company (including KPREIT) involves risks commonly associated with any investment in shares and/or debt instruments. Potential investors should, therefore, consider all possible risks when purchasing New Ordinary Shares including but not limited to (i) the fact that Directors of the Company may hereafter authorise the issue of additional ordinary shares in the capital of the Company and when issued the same may rank pari passu with the existing New Ordinary Shares and may affect the market price of the New Ordinary Shares; (ii) neither the Company nor any of its advisors can predict the trading behaviour of the New Ordinary Shares (when converted to stock units and listed on the Jamaica Stock Exchange); and (iii) the payment of dividends on the New Ordinary Shares will be dependent on the Company's future profitability

Set forth below are the risks that we believe are material to our shareholders.

Our performance and value are subject to risks associated with our real estate assets and with the real estate industry.

Our economic performance and the value of our real estate assets, and consequently the value of our shares, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. The following factors, among others, may adversely affect the income generated by our properties:

- downturns in the economic conditions of Jamaica, USA and Grand Cayman (particularly increases in unemployment);
- competition from other office, retail and residential buildings;
- real estate market conditions, such as oversupply or reduction in demand for office, retail or residential space in the markets in which we operate or intend to operate;
- changes in interest rates and availability of financing;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;

- changes in space utilization by our tenants due to technology, economic conditions and business culture;
- increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;
- civil disturbances, earthquakes and other natural disasters or terrorist acts or acts of war which may result in uninsured or underinsured losses or decrease the desirability to our tenants in impacted locations;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
- declines in the financial condition of our tenants and our ability to collect rents from our tenants; and
- decreases in the underlying value of our real estate.

We face risks associated with the use of debt to fund acquisitions including refinancing risk.

We are subject to the customary risks associated with debt financing. For example, if a property is mortgaged to secure payment of indebtedness and we are unable to meet the debt service obligations, the lender may take enforcement steps. This could adversely affect our cash flow and, consequently, the amount available for dividends to shareholders.

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our results of operations, financial condition and ability to pay distributions to our shareholders.

Our business may be affected by market and economic challenges experienced by the economy or real estate industry as a whole in each of Jamaica, U.S.A and the Cayman Islands, by the local economic conditions in the markets in which our properties are located, including the impact of high unemployment, and by international economic conditions. These conditions, or similar conditions existing in the future, may adversely affect our results of operations, financial condition and ability to pay dividends as a result of the following, among other potential consequences:

- the financial condition of our tenants, may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or for other reasons;

- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities reduce our returns from our acquisition and development activities and increase our future interest expense; reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our ordinary shares.

On March 31, 2015, our total consolidated debt was approximately J\$ **483 million**. Consolidated debt to total capitalization ratio, defined as total consolidated debt as a percentage of the book value of our outstanding equity plus our total consolidated debt, is a measure of leverage commonly used by analysts in the REIT sector.

Our total consolidated debt, at March 31, 2015, represented approximately 35.9% of our total consolidated capitalization.

Our degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally.

We face risks associated with property acquisitions.

We have acquired in the past and intend to continue to pursue the acquisition of properties and portfolios of properties, including portfolios that could increase our size and result in alterations to our capital structure. Our acquisition activities and our successes are subject to the following risks:

- even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs;
- we may be unable to obtain or assume financing for acquisitions on favourable terms or at all;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning, redeveloping or maintaining acquired properties may be greater than estimated;

- the acquisition agreement will likely contain conditions to closing, including completion of due diligence investigations to our satisfaction or other conditions that are not within our control, which may not be satisfied;
- acquired properties may be located in new markets, either within or outside the Jamaica, where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures;
- we may acquire real estate through the acquisition of the ownership entity subjecting us to the risks of that entity; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and this could have an adverse effect on our results of operations and financial condition.

We may be subject to risks from potential fluctuations in exchange rates between the Jamaican dollar and the currencies of the other countries in which we invest.

If we invest in countries where the Jamaican dollar is not the national currency, we will be subject to international currency risks from the potential fluctuations in exchange rates between the U.S. dollar and the currencies of those other countries. A significant depreciation in the value of the currency of one or more countries where we have significant investments may materially affect our results of operations. We may attempt to mitigate any such effects by borrowing in the currency of the country in which we are investing. We cannot assure our stockholders, however, that our efforts will successfully neutralize all international currency risks.

Acquired properties may expose us to unknown liability.

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flow. Unknown liabilities with respect to acquired properties might include:

- liabilities for clean-up of undisclosed environmental contamination;

- claims by tenants, vendors or other persons against the former owners of the properties;
- liabilities incurred in the ordinary course of business; and

Competition for acquisitions may result in increased prices for properties.

We plan to continue to acquire properties as we are presented with attractive opportunities. We may face competition for acquisition opportunities with other investors, and this competition may adversely affect us by subjecting us to the following risks:

- we may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and private REITs, institutional investment funds and other real estate investors; and
- even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price.

We face potential difficulties or delays renewing leases or re-leasing space.

We derive all of our income from rent received from our tenants. If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Also, when our tenants decide not to renew their leases or terminate early, we may not be able to re-let the space on a timely basis, or at all. Even if tenants decide to renew or lease new space, the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, may be less favourable to us than current lease terms. As a result, our cash flow could decrease and our ability to make dividend payments to our shareholders could be adversely affected.

We face potential adverse effects from major tenants' bankruptcies or insolvencies.

The bankruptcy or insolvency of a major tenant may adversely affect the income produced by our properties. Some of our tenants may file for bankruptcy protection or become insolvent in the future. A bankrupt tenant may reject and terminate its lease with us. In such case, our claim against the bankrupt tenant for unpaid and future rent might be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and, even so, our claim for unpaid rent would likely not be paid in full. This shortfall could adversely affect our cash flow and results of operations.

We may have difficulty selling our properties, which may limit our flexibility.

Properties like the ones that we own may be difficult to sell. This may limit our ability to change our portfolio promptly in response to changes in economic or other conditions. In addition, applicable laws may limit our ability to sell properties and this may affect our ability to sell properties without adversely affecting returns to our shareholders. These restrictions reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results of operations. .

Insurance costs and policy deductibles expose us to unpredictable expenses which may be material.

The Company maintains general liability and property insurance policies with coverage considered prudent by the Company's management. Management also monitors on an ongoing basis the level of coverage in place according to standards of prudence and to guard against significant exposure to liability and loss. The potential exists that insurance cover in place for the benefit of the Company may be inadequate and/or claims may not be paid, and in either such event the Company may suffer loss and/or be exposed to third party claims, affecting the results of the Company's operations and profitability.

Changes in market conditions could adversely affect the market price of our stock units (converted from our ordinary shares).

As with other publicly traded equity securities, the value of the Company's ordinary shares depends on various market conditions that may change from time to time. Among the market conditions that may affect the value of our ordinary shares are the following:

- the extent of investor interest in our ordinary shares;
- the general reputation of "REIT" like entities and the attractiveness of our ordinary shares in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- national economic conditions;
- changes in tax laws;
- our financial performance;
- general stock and bond market conditions.

The market value of our ordinary shares is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Consequently, our ordinary shares may trade at prices that are greater or less than our net asset value per share of common stock. If our future earnings or cash dividends are less than expected, it is likely that the market price of our ordinary shares will decline.

Further issuances of equity securities may be dilutive to current security holders.

The interests of our existing ordinary shareholders could be diluted if additional equity securities are issued to finance future developments, acquisitions, or repay indebtedness. Our ability to execute our business strategy depends on our access to an appropriate blend of instruments.

We may change our policies without obtaining the approval of our stockholders.

Our operating and financial policies, including our policies with respect to acquisitions of real estate, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by our Board of Directors. Accordingly, our shareholders do not control these policies

8. Offer Not Underwritten

This Offer (by way of provisional allotment under a Rights Issue) will not be underwritten.

9. Largest Shareholders

As at the date of this Circular Letter the holders on the register with the ten largest holdings of Existing Ordinary Stock Units are as follows:-

Top Ten Shareholders	No. of Units	% shareholding
NCB Capital Markets A/C 2231	16,317,840.00	23.95%
Prime Asset Management	12,182,700.00	17.88%
Guardian Life Shelter Plus Fund	5,280,000.00	7.75%
NCB Insurance Co Ltd A/C WT109	4,200,000.00	6.16%
Guardian Life Ltd/Blue Chip	3,874,700.00	5.69%
Guardian Life Pooled Pension	3,250,000.00	4.77%
Platoon Ltd	2,495,160.00	3.66%
Guardian Life/CELGF	1,608,000.00	2.36%
Guardian Life Ltd-AC-Mutual Growth Fund	1,574,700.00	2.31%
NCB Insurance Co Ltd A/C WT157	1,300,000.00	1.91%
Total	52,083,100.00	76.44%
Total Shares in Issue	68,135,847.00	

10. Directors' Interests

Our Directors' interests in Existing Ordinary Stock Units of the Company as at the date of this Circular Letter are as follows:-

Directors Names	Shareholding	Connected Shareholders	% Shareholding
Garfield Sinclair	Nil		
	2,495,160	Platoon Ltd	3.66%
Peter Reid	1,100,000	Margaret Sylvester-Reid	1.61%
Fayval Williams	282,000		0.41%
			Total including connected (0.45%)
	20,000	Dorothy Vassel	
	11,000	Leo Williams	
Nicole Foga	50,865		0.07%

No service agreement exists between the Company and any of its Directors OTHER THAN an employment agreement between the company and the executive director

11. General

11.1 Save as mentioned herein, since October 5, 2014 no share or loan capital of the Company has been or is proposed to be issued and no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company (other than selling agents agreements to be entered into by the Company and stockbrokers as may be involved in the acquisition of the New Ordinary Shares under this Rights Issue. No capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

11.2 As at the date of this Circular Letter, the Company is not involved in any litigation. Save as mentioned in paragraph 11.5, the Company has not entered into any material contract.

11.3 An estimate of fees associated with this Rights Issue is provided below:

TOTAL FEES PAYABLES (EST)

\$35M

11.4 The Company's advisors in connection with this Rights Issue are as follows:-

Attorneys-at-Law for the Issuer

Patterson Mair Hamilton
Temple Court
85 Hope Road
Kingston 6

Auditors

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston

Attorneys-at-Law for the Arranger

Harrison and Harrison
Suite 1, 16 Hope Road
Kingston 10

Registrar and Transfer Agents

Jamaica Central Securities Depository Ltd
40 Harbour Street
Kingston

Arrangers

JMMB Securities Limited
6 Haughton Terrace,
Kingston 10

Listing of Stockbrokers

Barita Investments Ltd 15 St Lucia Way Kingston 5	NCB Capital Markets Ltd 32 Trafalgar Road, 3rd Floor Kingston 10
BCW Capital 82 Knutsford Boulevard Kingston 5	Proven Wealth Limited 26 Belmont Road Kingston 5
GK Capital Management Ltd 2 Duke Street Kingston	Sagicor Investments Jamaica Limited 85 Old Hope Road Kingston 6
JMMB Securities Ltd 6 Haughton Terrace Kingston 10	Scotia Investments Jamaica Limited 7 Holborn Road Kingston 10
M/VL Stockbrokers Ltd 2-6 Grenada Crescent (1st Floor) Kingston 5	Stocks and Securities Ltd (SSL) 33 1/2 Hope Road Kingston 10
Mayberry Investments Ltd 1 1/2 Oxford Road, Kingston 5 Jamaica	Victoria Mutual Wealth Management Limited 52 – 60 Grenada Crescent Kingston 5

11.5 Copies of the following documents may be inspected at the offices of the Company at 7 Stanton Terrace, Kingston 6 on any weekday (Monday to Friday) during the hours of 9:00 a.m. to 12:00 noon., until July 27, 2015:-

- (a) The constitutive documents of the Company;
- (b) Audited Financial Statements of the Company for each of the years ended 2009 - 2014 respectively.

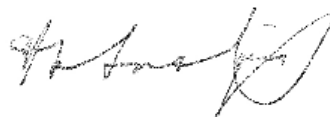
This Circular Letter has been executed by the Directors whose signatures appear below under and by virtue of authority given by the Directors of the Company.

Yours faithfully,

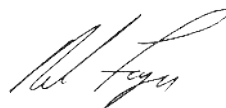
Name of Director:

Signature:

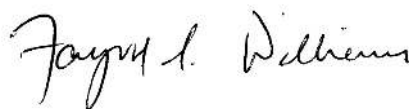
Garfield Sinclair, Chairman



Nicole Foga, Secretary



Fayval S. Williams



Lisa Gomes



Peter Reid



JMMB LOCATIONS WHERE APPLICATIONS MAY BE SUBMITTED

Knutsford Boulevard Branch

11 Knutsford Boulevard
New Kingston
Kingston 5
Tel: 876 960-3911

Personal Portfolio Management Centre

(PPM CENTRE)
23 Phoenix Avenue, Kingston 10

Haughton Avenue Branch

5 Haughton Avenue
Kingston 10
Tel: 876 920-5050

Junction Agency

Shop 2, Roye's Plaza
Main Street, Junction
St. Elizabeth
Tel: 876 965-8005

Ocho Rios Branch

Guardian Life Building
2 Graham Street
Ocho Rios, St. Ann
Tel: 876 795-3651

Portmore Branch

47-48 West Trade Way
Portmore Town Centre
Portmore, St. Catherine
Tel: 876 939-3205

Mandeville Branch

23 Ward Avenue
Mandeville, Manchester
Tel: 876 625-2351

Montego Bay Branch

Suite 1 Fairview Office Park
Alice Eldemire Drive
Montego Bay, St. James
Tel: 876 979-6052

May Pen Branch

Shop 28B, Bargain Village Plaza
35 Main Street
May Pen, Clarendon
Tel: 876 786-0101

Santa Cruz Branch

Shop # 2 Oasis Plaza, Coke Drive
Santa Cruz, St. Elizabeth
Tel: 876 966-2512

MERCHANT BANK LOCATIONS

Head Office

6-8 Grenada Way
Kingston 5
Tel: (876) 960-5320

Montego Bay Branch

25 Church Street
Montego Bay, St. James
Tel: (876) 979-1707

Ocho Rios Branch

2 Graham Street
Ocho Rios St. Ann
Tel: (876) 974-8507

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS



May 15, 2015

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2015

The Board of Directors is pleased to present, for the shareholders and the investing public at large, the unaudited consolidated financial statements for the quarter ended March 31, 2015.

Income Statement

For the three months ended March 31, 2015, **group rental income** was \$25.6 million versus \$25.0 million for the March 2014 quarter. This reflects a shift in the composition of the investment portfolio as a result of the sale of the Hagley Park building, the four (4) condo units in the Miami Loft II building and the purchase of the nineteen (19) unit apartment building.

Profit for the period was \$10.5 million compared with \$2.4 million for the similar period last year. This is primarily a result of the \$7.1 million decline in net unrealized losses on translation of foreign currency investments and borrowings and \$3.6 million increase in income tax credit.

Group operating expenses, which consist of direct property expenses and administrative costs, were \$16.1 million, versus \$13.3 million for the similar period a year ago. Direct property expenses include insurance, property taxes, homeowners' association (HOA) fees, broker fees and repairs & maintenance. These represented 55.6% of operating expenses for the March 2015 quarter versus 57.7% for the similar period last year.

Group net finance costs were \$6.1 million for the quarter ended March 31, 2015 compared with \$12.5 million for the similar period in 2014. These amounts include unrealized foreign currency translation losses of \$1.3 million and \$8.5 million respectively.

Total group comprehensive income for the period was \$12.25 million, versus the \$18.2 million reported for the quarter ended March 31, 2014. Group comprehensive income consists of foreign currency

translation differences for foreign operations.

Balance Sheet

Kingston Properties' significant balance sheet assets are **Investment Properties** of \$955.6 million at March 31, 2015 versus \$1.0 billion at March 31, 2014. The decrease is primarily as a result of portfolio shifts, which include sale of four (4) units in the Miami Loft II building, sale of the Hagley Park office/warehouse and purchase of a nineteen (19) unit apartment building.

Cash & cash equivalent plus reverse repurchase agreements totaled \$428.0 million compared with \$216.5 million for the similar period last year. Included in cash & cash equivalent are restricted amounts of \$208.2 million and sales proceeds from the disposal of the Hagley Park building.

Total group liabilities were \$559.7 million at March 31, 2015 versus \$443.1 million at March 31, 2014. The liabilities are primarily mortgage loans collateralized by the properties. The year-over-year increase is mostly as a result of additional mortgage loans for the newly acquired nineteen (19) unit apartment building.

Dividends

Dividends declared in the March 2015 quarter was US\$0.0029 per share for a total of US\$200,000. This represents approximately 15.7% increase versus the dividends declared in the March 2014 quarter of US\$0.0025 per share.

Earnings Per Stock Unit

Earnings Per Stock Unit (EPS) for the quarter was \$0.15 compared with negative \$0.03 for the similar quarter last year.

Summary

For the quarter, the operations and property management results reflect the investment property portfolio changes in terms of sales and purchases. Occupancy rates remained high. Rent collection was steady and we continue to respond promptly to tenant issues.

As always, thanks to our shareholders, employees and other stakeholders for your continued support

as '  d our corp 

Garfield Sinclair
Chairman

Fayval Williams
Executive Director

KINGSTON PROPERTIES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

**KINGSTON PROPERTIES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015**

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KINGSTON PROPERTIES LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

	<u>Notes</u>	Unaudited Three (3) months ended March 31, 2015 <u>\$'000</u>	Unaudited Three (3) months ended March 31, 2014 <u>\$'000</u>	Audited Year ended December 31, 2014 <u>\$'000</u>
Revenues:				
Rental income		25,593	24,995	108,049
Operating expenses		<u>(16,111)</u>	<u>(13,295)</u>	<u>(56,823)</u>
Results of operating activities before other income/gains		9,482	11,700	51,226
Other (expense), income/gains:				
(Loss)/gain on disposal of investment properties		(580)	-	497
Miscellaneous income		<u>81</u>	<u>84</u>	<u>348</u>
Profit before net finance costs and impairment costs		<u>8,983</u>	<u>11,784</u>	<u>52,071</u>
Finance income		2,658	1,831	7,557
Finance cost		<u>(8,724)</u>	<u>(14,295)</u>	<u>(53,258)</u>
Net finance costs	3	<u>(6,066)</u>	<u>(12,464)</u>	<u>(45,701)</u>
Impairment loss		-	-	(4,057)
Profit/(loss) before income tax		2,917	(680)	2,313
Income tax credit/(charge)		<u>7,629</u>	<u>3,051</u>	<u>(3,450)</u>
Profit / (loss) for the period/year		<u>10,546</u>	<u>2,371</u>	<u>(1,137)</u>
Other comprehensive income				
Foreign currency translation differences for foreign operations, being total comprehensive income		<u>1,704</u>	<u>15,801</u>	<u>45,058</u>
Total comprehensive income for the period / year		<u>12,250</u>	<u>18,172</u>	<u>43,921</u>
Earnings per share for profit attributable to the equity holders of the Company:				
Number of shares		68,232	68,800	68,372
Earnings per stock unit:		<u>15 cents</u>	<u>3 cents</u>	<u>(0.02) cents</u>

KINGSTON PROPERTIES LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS AT MARCH 31, 2015

		Unaudited as at March 31, 2015 \$'000	Unaudited as at March 31, 2014 \$'000	Audited as at December 31, 2014 \$'000
	<u>Notes</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
NON-CURRENT ASSETS				
Investment properties	4	955,633	1,016,131	953,789
Land held for development	5	19,082	18,730	18,497
Furniture, software and equipment		<u>2,752</u>	<u>3,008</u>	<u>2,850</u>
Total non-current assets		<u>977,467</u>	<u>1,037,869</u>	<u>975,136</u>
CURRENT ASSETS				
Investment property held for sale		-	-	196,676
Receivables and prepayments	6	17,062	18,301	13,518
Reverse repurchase agreements		198,334	3,627	488
Cash and cash equivalents		<u>229,703</u>	<u>212,781</u>	<u>232,660</u>
Total current assets		<u>445,099</u>	<u>234,709</u>	<u>443,342</u>
Total assets		<u>1,422,566</u>	<u>1,272,578</u>	<u>1,418,478</u>
EQUITY				
Share capital		406,609	406,609	406,609
Treasury shares		(4,586)	-	(3,293)
Cumulative translation reserve		196,809	165,848	195,105
Retained earnings		<u>264,058</u>	<u>257,020</u>	<u>253,512</u>
Total equity		<u>862,890</u>	<u>829,477</u>	<u>851,933</u>
NON-CURRENT LIABILITIES				
Loans payable	7	243,924	139,907	247,747
Deferred tax liabilities		<u>42,657</u>	<u>45,727</u>	<u>52,755</u>
		<u>286,581</u>	<u>185,634</u>	<u>300,502</u>
CURRENT LIABILITIES				
Loans payable	7	238,921	227,760	238,604
Accounts payable and accrued charges	8	25,175	26,829	25,078
Bank overdraft		6,152	2,757	-
Income tax payable		<u>2,847</u>	<u>121</u>	<u>2,361</u>
Total current liabilities		<u>273,095</u>	<u>257,467</u>	<u>266,043</u>
Total equity and liabilities		<u>1,422,566</u>	<u>1,272,578</u>	<u>1,418,478</u>

KINGSTON PROPERTIES LIMITED
GROUP STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

	Share capital \$'000	Treasury shares \$'000	Cumulative translation reserve \$'000	Retained earnings \$'000	Total \$'000
Audited, balances at December 31, 2013 as previously reported	406,609	-	150,047	273,182	829,838
Profit, being comprehensive income for the period	-	-	-	2,371	2,371
Translation of foreign subsidiaries' balances, being total other comprehensive income for the period	-	-	15,801	-	15,801
Contributions by and distributions to owners:					
Dividend declared , being total distributions to owners	-	-	-	(18,533)	(18,533)
Unaudited, balances at March 31, 2014	406,609	-	165,848	257,020	829,477
Audited, balances at December 31, 2014	406,609	(3,293)	195,105	253,512	851,933
Transaction with owners of the company					
Shares repurchased	-	(1,293)	-	-	(1,293)
Profit, being comprehensive income for the period	-	-	-	10,546	10,546
Translation of foreign subsidiaries' balances, being total other comprehensive income for the period	-	-	1,704	-	1,704
Unaudited, balances at March 31, 2015	406,609	(4,586)	196,809	264,058	862,890

KINGSTON PROPERTIES LIMITED
GROUP STATEMENT OF CASH FLOWS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

	Unaudited Three (3) months ended March 31, 2015 \$'000	Unaudited Three (3) months ended March 31, 2014 \$'000	Audited Year ended December 31, 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) for the period / year	10,546	2,371	(1,137)
Adjustments to reconcile profit for the period / year to net cash provided by / (used in) operating activities:			
Taxation credit	(7,629)	(3,051)	3,450
Depreciation	98	95	408
Interest income	(2,658)	(1,831)	(7,557)
Impairment loss	-	-	4,057
Interest expense and commitment fees	7,281	5,787	25,693
Loss /(gain) on disposal of investment property	580	-	(497)
Unrealized foreign exchange loss	1,420	12,607 *	30,733
Operating profit before changes in working capital	9,638	15,978	55,150
Changes in:			
Other receivables	(3,544)	(5,010)	(569)
Accounts payable and accrued charges	98	2,476	725
Income tax paid	(2,198)	-	(7)
Net cash provided by operations	3,994	13,444	55,299
Cash flows from investing activities			
Interest received	2,658	228	6,296
Securities purchased under agreements to resell	(197,846)	10,929	14,069
Additions to office equipment	-	(281)	(435)
Land held for development	(585)	(233)	-
Proceeds from disposal of investment property	196,096	-	101,488
Additions to investment property	-	(735)	(221,785)
Net cash provided by /(used in) investing activities	323	9,908	(100,367)
Cash flows from financing activities			
Interest paid	(7,281)	(5,787)	(25,693)
Dividend paid	-	(18,533)	(18,533)
Treasury shares	(1,293)	-	(3,293)
Loan received	-	-	107,672
Change in loans payable	(3,506)	7,381	5,510
Net cash (used in) / provided by financing activities	(12,080)	(16,939)	65,663
Net (decrease) / increase in cash and cash equivalents	(7,766)	6,413	20,595
Cash and cash equivalents at beginning of period:	232,662	212,064	212,064
Effect of exchange rate fluctuations on cash and cash equivalents	(1,345)	(8,453)	3
Cash and cash equivalents at end of period / year	223,551	210,024	232,662
Represented by:			
Bank overdraft	(6,152)	(2,757)	-
Cash and cash equivalents	229,703	212,781	232,660
	223,551	210,024	232,660

*- Restated

KINGSTON PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

The Company has two wholly owned subsidiaries:

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

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 real estate investment.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial statements have been prepared under the historical cost basis, as modified by the revaluation of certain fixed and financial assets and are expressed in Jamaican dollars.

These financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting.

The interim financial report is to be read in conjunction with the audited financial statements for the year ended December 31, 2014. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended December 31, 2014.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended December 31, 2014.

(b) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Actual results could differ from these estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known.

KINGSTON PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Consolidation:

(i) Subsidiaries

A subsidiary is an enterprise 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 control commences until the date the control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealized gain and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidating 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.

(d) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements, (referred to in IAS 24 *Related Party Disclosures* as the 'reporting entity', in this case the Group).

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

- (i)** has control or joint control over the Group;
- (ii)** has significant influence over the Group; or
- (iii)** is a member of the key management personnel of the Group or of a parent of the Group.

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

- (i)** 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).
- (ii)** 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).
- (iii)** Both entities are joint ventures of the same third party.
- (iv)** One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v)** The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi)** The entity is controlled, or jointly controlled by a person identified in (a).
- (vii)** A person identified in (a)(i) 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.

KINGSTON PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

(f) Investment properties

Investment properties, comprising, a commercial complex, 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 additions to an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the cost 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.

(g) Furniture, software and equipment

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

Cost includes expenditure that are 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 the statement of comprehensive income as incurred.

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

Computer and accessories	20%
Furniture and fixtures	10%

KINGSTON PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Receivables

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

(i) Reverse repurchase agreements

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

(j) Cash and cash equivalents

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

(k) Accounts payable and accrued charges

Accounts payable and accrued charges are stated at cost.

(l) Revenue recognition:

Rental income and maintenance expenses are recorded in these financial statements on the accrual basis using the straight line method.

(m) Income tax

The income tax charge for the year comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income 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 tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

A deferred tax asset is recognized only to the extent 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 CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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 expenses 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.

(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 CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

3. Finance costs

	Unaudited Quarter ended March 31, 2015 \$'000	Unaudited Quarter ended March 31, 2014 \$'000	Audited Year end December 31, 2014 \$'000
Finance income			
Interest income	<u>2,658</u>	<u>1,831</u>	<u>7,557</u>
Finance costs:			
Interest expense	(7,122)	(5,527)	(25,693)
Commitment fees-bank loan	(160)	(260)	-
Amortization cost	1	-	-
Foreign exchange gains and losses arising from investing and financing activities:			
Net unrealized losses on translation of foreign currency investments and borrowings	(1,345)	(8,453)	(27,748)
Net realized losses on conversion of foreign exchange investments and borrowings	<u>(98)</u>	<u>(55)</u>	<u>183</u>
Total finance cost	<u>(8,724)</u>	<u>(14,295)</u>	<u>(53,258)</u>
Net finance cost	<u>(6,066)</u>	<u>(12,464)</u>	<u>(45,701)</u>

4. Investment properties

Investment properties held by the group are as follows:

	Unaudited Quarter ended March 31, 2015 \$'000	Unaudited Quarter ended March 31, 2014 \$'000	Audited Year ended December 31, 2014 \$'000
(i) Hagley Park Road warehouse	-	200,747	-
(ii) Miami condominiums	353,368	434,887	352,229
(iii) Miami apartment complex	218,675	-	217,970
(iv) Red Hills Road commercial complex	<u>383,590</u>	<u>380,497</u>	<u>383,590</u>
	<u>955,633</u>	<u>1,016,131</u>	<u>953,789</u>
(i) This represents 26,000 square feet of commercial property located on Hagley Park Road, Kingston, Jamaica, which was disposed in January 2015.			
(ii) This represents 12,038 [(March 31, 2014: 16,092; December 31, 2014: 12,380)] square feet of residential condominium space comprising 15 [(March 31, 2014: 19; December 31, 2014: 15)] 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 in 2014, located at 555 NW 4th Street, Miami, Florida.			
(iv) This represents 47,865 square feet of commercial property located on Red Hills Road, Kingston, Jamaica.			

KINGSTON PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

5. Land held for development

Unaudited March 31, 2015 \$'000	Unaudited March 31, 2014 \$'000	Audited December 31, 2014 \$'000
<u>19,082</u>	<u>18,730</u>	<u>18,497</u>

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

6. Receivables and prepayments

	Unaudited March 31, 2015 \$'000	Unaudited March 31, 2014 \$'000	Audited December 31, 2014 \$'000
Rent receivables	997	656	541
Withholding tax recoverable	4,135	3,807	6,149
Security deposits	2,264	2,556	2,331
Prepayments	4,406	4,144	2,508
Interest receivables	3,200	-	1,261
Other prepayments	2,060	7,138	728
	<u>17,062</u>	<u>18,301</u>	<u>13,518</u>

7. Loans payable

	Unaudited March 31, 2015 \$'000	Unaudited March 31, 2014 \$'000	Audited December 31, 2014 \$'000
Bank loan - [see (i)]			
Face amount	218,583	208,191	217,855
Un-amortized transaction costs	(480)	(259)	-
Carrying value	<u>218,103</u>	<u>207,932</u>	<u>217,855</u>
Vendor's mortgage [see (ii)]	<u>34,500</u>	<u>50,149</u>	<u>39,010</u>
Total bank loans and vendor's mortgage	<u>252,603</u>	<u>258,081</u>	<u>256,865</u>
Other mortgage loan - No 1 [see (iii)]			
Face amount	122,866	117,026	122,457
Un-amortized transaction costs	(5,498)	(7,440)	(6,047)
	<u>117,368</u>	<u>109,586</u>	<u>116,410</u>
Other mortgage loan - No 2 [see (iv)]	<u>112,874</u>	<u>-</u>	<u>113,076</u>
Total loans payable	<u>482,845</u>	<u>367,667</u>	<u>486,351</u>

KINGSTON PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

7. Loans payable (cont'd):

	Unaudited March 31, 2015 \$'000	Unaudited March 31, 2014 \$'000	Audited December 31, 2014 \$'000
Classified as follows:			
Non-current			
Vendor's mortgage [see (ii)]	13,682	30,321	18,261
Other mortgage loan [see (iii)]	117,368	109,586	116,410
Other mortgage loan [see (iv)]	112,874	-	113,076
	<u>243,924</u>	<u>139,907</u>	<u>247,747</u>
Current			
Bank loan (i)	218,103	207,932	217,855
Vendor's mortgage (ii)	20,818	19,828	20,749
	<u>238,921</u>	<u>227,760</u>	<u>238,604</u>

(i) **Bank loans**

Sagicor Bank Jamaica Limited (formerly Pan Caribbean Bank Limited)

This represents a draw down under a credit facility of US\$1,899,988 (J\$218,582,650); [March 31, 2014: US\$1,899,988, (J\$208,191,360)]; December 31, 2014: US\$1,899,988 (J\$217,855,330)] evidenced by a promissory note. The loan currently attracts interest at a rate of 5% per annum. The loan was renewed on January 14, 2015 and is repayable twelve months from date of disbursement.

It is secured by hypothecation of a deposit of US\$1,952,000, [March 31, 2014: US\$1,952,000; December 31, 2014: US\$1,952,000] held by a subsidiary with the bank, and a corporate guarantee of that subsidiary limited to the extent of the facility.

(ii) **Vendor's mortgage**

This represents amounts owing under a mortgage of US\$780,000 from the vendor of the Red Hills Road property. It bears interest at a rate of 6% per annum and is repayable in sixty (60) monthly installments, which commenced on January 1, 2012. The balance at March 31, 2015 is US\$299,885 (J\$34,499,781); [March 31, 2014: US\$457,767, (J\$50,149,586); December 31, 2014: US\$340,222, (J\$39,010,132)].

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

This represents a promissory note of US\$1,068,000 (2014: US\$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 US\$5,785, which commenced on October 1, 2012. These monthly payments continue on the first day of each month thereafter until September 01, 2017, at which time the remaining unpaid principal balance and accrued interest will become due and payable. The note is secured by a mortgage over the condominiums, known as Loft II, located in Miami-Dade County, Florida, owned by the Group. The balance at March 31, 2015 is US\$1,068,000, (J\$122,868,458); [March 31, 2014: US\$1,068,000, (J\$117,025,459); December 31, 2014: US\$1,068,000, (J\$122,457,627)].

Transaction costs of approximately US\$99,000 were incurred in obtaining the loan. These costs were deducted from the loan balance and are being amortized over the life of the loan. The balance at March 31, 2015 is US\$48,024, (J\$5,498,232); [March 31, 2014: US\$67,896, (J\$7,439,671); December 31, 2014: US\$52,991, (J\$6,047,388)].

(iv) **Other mortgage loan - No 2 - Inter - American Bank**

This represents a loan of US\$990,000 payable by Kingston Properties Miami LLC to the Inter - american 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 to 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) thereon or with respect thereto, including a first priority interest in the assignment of rents, leases and profits. The balance at March 31, 2015 is US\$981,146, (J\$112,874,496); [December 31, 2014: US\$986,179, (J\$113,076,005)]

KINGSTON PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
THREE (3) MONTHS ENDED MARCH 31, 2015

8. Accounts payable and accrued charges

	Unaudited March 31, 2015 \$'000	Unaudited March 31, 2014 \$'000	Audited December 31, 2014 \$'000
Accounts payable	4,033	2,093	1,162
Interest payable	2,372	-	1,109
Accounting and audit fees	941	1,149	3,256
Dividend payable	217	1,904	217
Other payables and accrued charges	8,344	9,701	6,280
Security deposits held	9,268	11,982	13,054
	<u>25,175</u>	<u>26,829</u>	<u>25,078</u>

9. Segment reporting

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

Performance is measured on segment profit before income tax, as included in the internal management reports that are reviewed by the Board. Segment reporting is 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 operated within these industries.

	Unaudited Three (3) months ended March 31, 2015				
	Jamaica \$'000	United States of America \$'000	St. Lucia \$'000	Consolidated adjustments and eliminations \$'000	Total Group \$'000
Revenues	<u>11,821</u>	<u>13,772</u>	<u>-</u>	<u>-</u>	<u>25,593</u>
Profit for the period	<u>4,836</u>	<u>4,391</u>	<u>1,319</u>	<u>-</u>	<u>10,546</u>
	Unaudited as at March 31, 2015				
	Jamaica \$'000	United States of America \$'000	St. Lucia \$'000	Consolidated adjustments and eliminations \$'000	Total Group \$'000
Segment assets	<u>943,223</u>	<u>760,367</u>	<u>438,745</u>	<u>(719,769)</u>	<u>1,422,566</u>
Segment liabilities	<u>450,796</u>	<u>544,246</u>	<u>2,247</u>	<u>(437,613)</u>	<u>559,676</u>

KINGSTON PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

THREE (3) MONTHS ENDED MARCH 31, 2015

9. Segment reporting (cont'd):

	Unaudited Three (3) months ended March 31, 2014				Total Group \$'000
	Jamaica \$'000	United States of America \$'000	St. Lucia \$'000	Consolidated adjustments and eliminations \$'000	
Revenues	16,437	8,558	-	-	24,995
(Loss) / profit for the period	(1,371)	2,260	1,482	-	2,371
	Unaudited as at March 31, 2014				Total Group \$'000
	Jamaica \$'000	United States of America \$'000	St. Lucia \$'000	Consolidated adjustments and eliminations \$'000	
Segment assets	938,330	597,512	420,838	(684,102)	1,272,578
Segment liabilities	428,153	416,136	757	(401,945)	443,101
	Audited Year ended December 31, 2014				Total Group \$'000
	Jamaica \$'000	United States of America \$'000	St. Lucia \$'000	Consolidated adjustments and eliminations \$'000	
Revenues	68,685	39,364	-	-	108,049
(Loss) / profit for the year	(19,371)	9,027	5,853	(3,354)	(1,137)
	Audited as at December 31, 2014				Total Group \$'000
	Jamaica \$'000	United States of America \$'000	St. Lucia \$'000	Consolidated adjustments and eliminations \$'000	
Segment assets	930,169	751,777	436,082	(699,550)	1,418,478
Segment liabilities	441,284	541,035	1,619	(417,393)	566,545

(This form must be signed by the stockholder(s) or the person(s) applying for ordinary shares in the excess shares pool and must be delivered to his/her stockbroker, or to JMMB Securities limited, not later than 4:00 p.m. on July 30, 2015).

Re: Renounceable Rights Issue of Ordinary Shares being offered made pursuant to the Circular Letter dated and registered July 15, 2015. I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Circular Letter and constitutive documents of the Company, all of which are incorporated into this Application Form by reference. I/We hereby apply for , , shares in KPREIT on and subject to the terms and conditions of the Invitation set out in the Circular Letter at the price of J\$7.00 each. I/We make payment for the total price of my/our subscription and the JCSD processing fee of J\$134.00 via the method(s) selected below:

SUBSCRIPTION PAYMENT (J\$)	FEE PAYMENT (J\$)
<input type="checkbox"/> J\$ Bank Draft drawn on a Jamaican commercial bank payable to “KPREIT Renounceable Rights Issue – Ordinary Shares”	<input type="checkbox"/> J\$ payment of J\$134.00 which is included in the subscription cheque amount
<input type="checkbox"/> Debit my/our JMMB J\$ Account <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> Debit my/our JMMB J\$ Account <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<input type="checkbox"/> Transfer via RTGS/ACH as detailed below at Note 2 (c)	

<table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td> </tr> </table> <p style="text-align: center; margin-top: 5px;">JCSD ACCOUNT NUMBER</p>									<table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 33.3%;"></td><td style="width: 33.3%;"></td><td style="width: 33.3%;"></td> </tr> </table> <p style="text-align: center; margin-top: 5px;">BROKER #</p>				<table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td><td style="width: 12.5%;"></td> </tr> </table> <p style="text-align: center; margin-top: 5px;">BROKER ACCOUNT NUMBER</p>									<p>PLEASE INDICATE THE TYPE OF APPLICATION:</p> <p> <input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> COMPANY </p>

[illegible]

The diagram illustrates the structure of two data fields. On the left, the 'TAXPAYER REGISTRATION NUMBER' is shown as a 10-digit field. The 4th and 9th digits are highlighted with a grey background, indicating they are used for validation. On the right, the 'CITIZENSHIP' field is shown as a 15-digit field.

[illegible][illegible]

TELEPHONE NUMBER (HOME)	TELEPHONE NUMBER (WORK)	TELEPHONE NUMBER (CELL)

☐ I WISH TO RECEIVE COMMUNICATION VIA EMAIL EMAIL ADDRESS

SIGNED _____ DATE SIGNATURE AFFIXED: _____

COMPANIES (COMPANY SEAL OR STAMP REQUIRED):
 DIRECTOR: DIRECTOR/SECRETARY: DATE SIGNATURES AFFIXED:

This section for Registrar Use only

Batch #: Serial #:

JOINT HOLDER(S) DETAILS

TITLE	FIRST NAMED JOINT HOLDER
CITIZENSHIP	TAXPAYER REGISTRATION NUMBER
SIGNATURE	
TITLE	SECOND NAMED JOINT HOLDER
CITIZENSHIP	TAXPAYER REGISTRATION NUMBER
SIGNATURE	
TITLE	THIRD NAMED JOINT HOLDER
CITIZENSHIP	TAXPAYER REGISTRATION NUMBER
SIGNATURE	

REFUND OPTION (PLEASE TICK PREFERRED OPTION):

☐ CREDIT MY/OUR JMMB A/c # _____ ☐ PICK-UP CHEQUE AT BROKER OFFICE WHERE APPLICATION WAS SUBMITTED

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

- All applications must be accompanied by the JCSD processing fees of J\$134.00.
- All applicants must attach their payment for the specified amount of shares they have applied for, in the form of either:
 - A Manager's Cheque payable to "KPREIT Renounceable Rights Issue – Ordinary Shares"; or
 - Authorisation on the Application form from the Primary Applicant instructing JMMB to make payment from cleared funds held in an investment account in the Applicants' name at JMMB; or
 - Transfer in the Real Time Gross Settlement (RTGS) system to JMMB, in the case of payment of \$2 million or more or ACH Transfer for amounts under J\$2 million as follows:

RTGS – FOR TRANSACTIONS VALUED AT J\$2M OR MORE

RTGS - Retail Clients

Beneficiary Bank: Citibank Account Name: Jamaica Money Market Brokers
 Beneficiary Bank's BIC: CITIJKM1 BIC: JMMBJMK1
 Bank Routing Number: 00001026 RTGS Account Number: 151637
 RTGS Account Number: 1031
 Account Type: Chequing
 Account Name: Jamaica Money Market Brokers
 Account Number: 0019363678

RTGS – Corporate

Beneficiary Bank: Citibank Account Name: Jamaica Money Market Brokers
 Beneficiary Bank's BIC: CITIJKM1 BIC: JMMBJMK1
 Bank Routing Number: 00001026 RTGS Account Number: 151637
 RTGS Account Number: 1031
 Account Type: Chequing
 Account Name: Jamaica Money Market Brokers
 Account Number: 0019363678

ALL OTHER ELECTRONIC TRANSFERS:-

ACH/NCB Elink

Beneficiary Bank: National Commercial Bank, Duke Street
 Account Type: Chequing
 Account Name: Jamaica Money Market Brokers Limited
 Account Number: 062015659

***SPECIAL INSTRUCTIONS: FOR FURTHER CREDIT TO JMMB A/C 2957986 i.n.o. KPREIT Renounceable Rights Issue – Ordinary Shares.**

NOTE

SEND EMAIL TO JMMB AT CENTRALIZED_PROCESSING@JMMB.COM WITH RECORD OF THE TRANSFER IE DATE OF TRANSFER, AMOUNT TRANSFERRED, JMMB BANK ACCOUNT & TRANSACTION REFERENCE NO.

- This offer is opened to persons or companies residing or operating in Jamaica only.
- Primary applicants must be at least 18 years old.
- If you are applying jointly with any other person, you must complete the Joint Holder Information and each joint holder **must** sign the Application Form at the place indicated.
- All applicants must attach certified copies of their Government Issued ID.as well as their T.R.N. card (if ID provided is not a Jamaican Driver's Licence displaying their T.R.N.).
- Share Certificates will not be issued unless specifically requested through your Broker. Instead, the shares allotted to successful applicants will be credited to their account at the JCSD. If the applicant does not have a JCSD account, one will be created by your Broker and the allotted shares value credited to that account. Applicants may refer to the notice posted on the JSE website (www.jamstockex.com) for instructions confirming share Allotments.

THIS SECTION FOR BROKER USE ONLY

DATE APPLICATION RECEIVED:		TIME RECEIVED: _____		BATCH # _____	
RECEIVED BY:					
FIRST NAME		LAST NAME		PAYMENT METHOD	
PAYMENT REFERENCE No. 1 _____		PAYMENT REFERENCE No. 2 _____		PAYMENT REFERENCE No. 3 _____	
PAYMENT METHOD:		<input type="checkbox"/> CHEQUE <input type="checkbox"/> INTERNAL TRANSFER <input type="checkbox"/> RTGS/ACH TRANSFER			