

KINGSTON PROPERTIES LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2010



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INDEPENDENT AUDITORS' REPORT

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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

Report on the Financial Statements, (cont'd)

Opinion

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

Report on additional matters as required by the Jamaican Companies Act

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

A handwritten signature in black ink that reads 'KPMG', with a horizontal line drawn through it.

Chartered Accountants
Kingston, Jamaica

February 28, 2011

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

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

* Restated [see note 27(ii)].

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

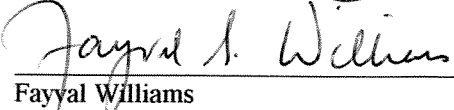
KINGSTON PROPERTIES LIMITEDGroup Statement of Financial Position
December 31, 2010

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

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



Garfield Sinclair Director



Fayyal Williams Director

* Restated [see note 27(ii)].

KINGSTON PROPERTIES LIMITED

Group Statement of Changes in Equity
Year ended December 31, 2010

	Share capital (note 18)	Other reserve	Cumulative translation adjustments	Retained earnings	Total
Balances at December 31, 2008:					
As previously reported	406,608,605	23,580,934	36,014,756	11,817,969	478,022,264
Prior period adjustments [note 27(i)]	<u>-</u>	<u>(23,580,934)</u>	<u>(3,844,067)</u>	<u>-</u>	<u>(27,425,001)</u>
As restated	<u>406,608,605</u>	<u>-</u>	<u>32,170,689</u>	<u>11,817,969</u>	<u>450,597,263</u>
Total comprehensive income:					
As previously reported					
Profit for the year	-	-	-	21,692,947	21,692,947
Prior period adjustments [note 27(ii)]	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,522,328</u>	<u>5,522,328</u>
As restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,215,275</u>	<u>27,215,275</u>
Other comprehensive income:					
Translation of foreign subsidiary's balances, being total other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>35,781,838</u>	<u>-</u>	<u>35,781,838</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>35,781,838</u>	<u>27,215,275</u>	<u>62,997,113</u>
Contributions by and distributions to owners					
Dividend paid (note 22), being total distributions to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,528,429)</u>	<u>(9,528,429)</u>
Balances at December 31, 2009	<u>406,608,605</u>	<u>-</u>	<u>67,952,527</u>	<u>29,504,815</u>	<u>504,065,947</u>
Balances at December 31, 2009					
As previously reported	406,608,605	-	67,952,527	23,982,487	498,543,619
Prior period adjustments [note 27(ii)]	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,522,328</u>	<u>5,522,328</u>
As restated	<u>406,608,605</u>	<u>-</u>	<u>67,952,527</u>	<u>29,504,815</u>	<u>504,065,947</u>
Total comprehensive income/(expense):					
Profit for the year	-	-	-	15,106,156	15,106,156
Other comprehensive income/(expense):					
Translation of foreign subsidiaries' balances, being total other comprehensive expense for the year	<u>-</u>	<u>-</u>	<u>(17,765,164)</u>	<u>-</u>	<u>(17,765,164)</u>
Total comprehensive income/(expense) for the year	<u>-</u>	<u>-</u>	<u>(17,765,164)</u>	<u>15,106,156</u>	<u>(2,659,008)</u>
Balances at December 31, 2010	<u>\$406,608,605</u>	<u>-</u>	<u>50,187,363</u>	<u>44,610,971</u>	<u>501,406,939</u>

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

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

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

* Restated [see note 27(ii)].

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

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

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

* Restated [see note 27(ii)].

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

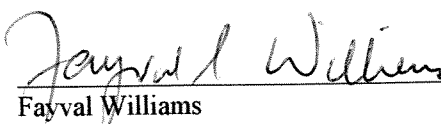
KINGSTON PROPERTIES LIMITED**Company Statement of Financial Position
December 31, 2010**

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

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



Garfield Sinclair Director



Fayval Williams Director

* Restated [see note 27(i)].

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

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

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

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

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

* Restated [see note 27(ii)].

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements
December 31, 2010

1. Identification and principal activities

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

The company has two wholly owned subsidiaries:

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

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

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

2. Statement of compliance and basis of preparation

- (a) Statement of compliance:

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

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

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

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements
December 31, 2010

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

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

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

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

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements
December 31, 2010

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

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

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

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements
December 31, 2010

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

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

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

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

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

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements
December 31, 2010

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

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

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

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

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

- Fair value of financial instruments

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

- Fair value of investment properties

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

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

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

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

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements
December 31, 2010

3. Significant accounting policies

(a) Consolidation:

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

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(b) Investment in subsidiary:

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

(c) Cash and cash equivalents:

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

(d) Accounts payable and accrued charges:

Accounts payable and accrued charges are stated at cost.

(e) Receivables:

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

KINGSTON PROPERTIES LIMITED

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

3. Significant accounting policies (cont'd)

(f) Related parties:

A party is related to the company, if:

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

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

(g) Foreign currencies:

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

KINGSTON PROPERTIES LIMITED

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

3. Significant accounting policies (cont'd)

(g) Foreign currencies (cont'd):

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

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

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

(h) Impairment:

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

(i) Calculation of recoverable amount:

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

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

(ii) Reversals of impairment:

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

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

KINGSTON PROPERTIES LIMITED

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

3. Significant accounting policies (cont'd)

(i) Reverse repurchase agreements:

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

(j) Financial assets and liabilities:

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

(i) Recognition:

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

(ii) Derecognition:

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

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

(k) Capital:

(i) Classification:

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

(ii) Share issue costs:

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

(iii) Dividends:

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

KINGSTON PROPERTIES LIMITED

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

3. Significant accounting policies (cont'd)

(l) Income tax:

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

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

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

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

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

(m) Furniture, software and equipment:

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

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

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

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

Software	33⅓
Computer and accessories	20%
Furniture and fixtures	10%

KINGSTON PROPERTIES LIMITED

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

3. Significant accounting policies (cont'd)

(n) Investment properties:

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

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

(o) Revenue recognition:

Rental income:

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

(p) Segment reporting:

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

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

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

4. Rental income

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

KINGSTON PROPERTIES LIMITED

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

5. Net finance income/(costs)

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

6. Disclosure of expenses

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

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

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

7. Income tax

(a) Income tax comprises:

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

* Restated [see note 27(ii)].

KINGSTON PROPERTIES LIMITED

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

7. Income tax (cont'd)

(b) Reconciliation of effective tax rate:

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

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

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

8. Earnings per stock unit

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

9. Investment properties

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

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

- (i) This represents 26,000 square feet of commercial property located on Hagley Park Road, Kingston, Jamaica, [see note 19(ii)].
- (ii) This represents 16,092 square feet of residential condominium space (19 units) in the Loft II building located at 133 NE 2nd Avenue in downtown Miami, Florida.

KINGSTON PROPERTIES LIMITED

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

9. Investment properties (cont'd)

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

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

(c) Gross lease rental income for investment properties:

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

(d) Property operating expenses are as follows:

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

10. Furniture, software and equipment

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

KINGSTON PROPERTIES LIMITED

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

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

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

11. Deferred tax asset

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

Deferred tax movement is attributable to the following:

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

12. Investment in subsidiaries

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

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

KINGSTON PROPERTIES LIMITED

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

12. Investment in subsidiaries (cont'd)

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

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

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

(ii) Kingston Properties Miami LLC:

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

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

13. Due from subsidiary

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

14. Receivables

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

15. Deposit on investment property

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

16. Reverse repurchase agreements

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

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

KINGSTON PROPERTIES LIMITED

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

17. Cash and cash equivalents

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

18. Share capital

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

19. Loans payable

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

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

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

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

20. Accounts payable and accrued charges

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

KINGSTON PROPERTIES LIMITED

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

21. Owed to subsidiary

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

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

22. Segment reporting

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

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

(a) Geographical information

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

KINGSTON PROPERTIES LIMITED

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

22. Segment reporting (cont'd)

(a) Geographical information (cont'd)

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

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

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

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

23. Dividends

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

24. Financial instruments and financial risk management

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

KINGSTON PROPERTIES LIMITED

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

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

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

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

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

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

(a) Credit risk:

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

Exposure to credit risk:

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

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

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

KINGSTON PROPERTIES LIMITED

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

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

(a) Credit risk (cont'd):

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

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

(b) Liquidity risk:

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

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

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

Group

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

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

Company

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

KINGSTON PROPERTIES LIMITED

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

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

(b) Liquidity risk (cont'd):

Company (cont'd)

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

(c) Market risk:

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

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

(i) Foreign currency risk

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

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

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

KINGSTON PROPERTIES LIMITED

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

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

(c) Market risk (cont'd):

(i) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements

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

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

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

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

(ii) Interest rate risk

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

Sensitivity to interest rate movements:

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

KINGSTON PROPERTIES LIMITED

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

25. Fair value

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

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

26. Capital management

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

27. Prior period adjustments

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

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

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

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

KINGSTON PROPERTIES LIMITED

SUPPLEMENTARY INFORMATION TO THE
FINANCIAL STATEMENTS

DECEMBER 31, 2010

KINGSTON PROPERTIES LIMITED

Other Operating Expenses
Year ended December 31, 2010

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