



## Kingston Properties Limited

Address: 36-38 Red Hills Road  
Building B, 1st Floor  
Kingston 6, Jamaica  
Tel/Fax: (876) 754.7840  
Email: info@kpreit.com  
Website: www.kpreit.com

November 9, 2012

The Board of Directors of Kingston Properties Limited (“KPREIT”) is pleased to present the Group’s unaudited statements of comprehensive results for the Nine Months and the Third Quarter Ended September 30, 2012.

### **Nine Months Ended September 30, 2012**

For the nine months ended September 30, 2012, revenues comprising rental and maintenance income, increased 109.8% to J\$67.7 million. This reflects primarily the addition of the Red Hills Road property to the portfolio.

Operating expenses were \$40.0 million compared to \$23.1 million for the similar period a year ago. Operating expenses consist of corporate costs and property-related expenses such as condo association fees, property taxes, insurance, broker fees and repair and maintenance costs.

Corporate costs declined from 40.9% of total operating expenses in 2011 to 35.7% in 2012. Property-related expenses were 64.3% of total operating expenses compared with 59.1% for the similar nine months period in 2011. Property-related expenses reflect the additional recurring costs associated with the newly-acquired Red Hills Road property.

### **Operating Results**

Operating results rose from \$9.2 million to \$32.4 million, an increase of 253.2%. Excluding the fair value gain on investment property, operating results were \$27.7 million for the nine months ended Sept 30, 2012. This was primarily driven by the addition of the Red Hills Road property. Operating results consist of two components:

- 1) Net Operating Income (“NOI”) - the recurring property-related revenue received, less property operating expenses such as utilities, insurance, and real estate taxes, but before financing charges such as interest
- 2) Corporate expenses or overhead

For the nine months ended September 30, 2012, NOI, a figure that evaluates the profitability of the properties before financing and corporate expenses, was \$42.7 million or 63% of revenues compared with \$18.8 million or 58.2% for the similar period a year ago.

Corporate expenses declined from 29.2% of recurring revenues to 21.1% year-on-year.

# Kingston Properties Limited

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**Net finance cost** was \$21.6 million compared with \$2.3 million for the comparative nine months last year. Net finance cost is comprised of interest income, interest expense, realized and unrealized gains or losses on conversion of foreign exchange.

**Profits after-taxes** were \$10.7 million versus \$7.5 million for the comparative period.

**Total comprehensive income**, which includes foreign currency differences on translation of foreign operations, was \$26.4 million for the nine months in 2012 versus \$10.3 million in the comparative period in 2011. Of this, \$15.7 million was due to the impact of changes in the Jamaican dollar versus the USD year-on-year on the company's USD assets.

**Earnings Per Share ("EPS")** were \$0.16 compared with \$0.11 for the 9 months ended Sept 30, 2011.

## Balance Sheet

**Total assets** grew to \$948.711 million from \$695 million a year ago. Investment properties were \$653.2 million versus \$420.4 million at the end of the nine months ended September 30, 2011.

**Cash and cash equivalents** was \$183.5 million at the end of the nine months in 2012 versus \$172.6 million at the end of the comparable period in 2011. Of this, restricted cash was \$146.1 million and is being held for a cash-secured facility of similar amount.

**Total equity** at the end of the nine months in 2012 was \$538.6 million, an increase of \$26.9 million over that of the comparable period a year ago.

## Three Months Ended September 30, 2012

For the three months ended September 30, 2012, revenues were \$23.1 million, an increase of approximately 109% versus the comparable period in 2011. This reflects primarily the addition of the Red Hills Road property to the portfolio.

**Operating expenses** for the three months were \$14.4 million compared with \$7.5 million for the comparable period. This was driven primarily by the addition of the Red Hills Road property. Operating expenses declined to 62.3% of revenues compared with 67.5% for the prior comparable period.



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**Operating results** for the quarter rose to \$8.7 million from \$3.6 million, representing an increase of 142.4%.

**Net finance costs** of \$7.7 million include the impact of the depreciation in the Jamaican dollar as reflected in unrealized foreign exchange loss of \$4.4 million versus \$0.5 million for the quarter ended September 30, 2011.

**Profit for the period** was \$2.6 million versus \$2.4 million for the similar quarter a year ago.

**Total comprehensive income** for the quarter was \$8.5 million compared with \$4.3 million for the similar quarter a year ago.

**Earnings Per Share ("EPS")** were \$0.04, unchanged year-on-year.

### Summary and Outlook

Our property investments in the US and Jamaica continue to perform well on the key metric: valuation, occupancy and improving trend in rental rates. We continue to serve our tenants well, responding in a timely manner to property management issues as they arise. This has resulted in a fairly stable tenant base, high occupancy levels and on-time rent collection.

We continue to actively pursue a variety of deals. These are at various stages of negotiations. We remain committed to the continued growth of the company, our tenants, employees and you, our shareholders.

Once again, thanks to all our stakeholders for your continued support.

Respectfully,

Garfield Sinclair, Chairman of the Board of Directors

Fayval Williams, Executive Director

**KINGSTON PROPERTIES LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

**KINGSTON PROPERTIES LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

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**KINGSTON PROPERTIES LIMITED**  
**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

	<u>Notes</u>	<b>Unaudited Quarter ended September 30, 2012 JS'000</b>	Unaudited Quarter ended September 30, 2011 JS'000	<b>Unaudited Nine (9) months ended September 30, 2012 JS'000</b>	Unaudited Nine (9) months ended September 30, 2011 JS'000	Audited Year ended December 31, 2011 JS'000
<b>Revenues:</b>						
Rental and maintenance income		23,144	11,076	67,729	32,275	44,224
Fair value gain on investment property		-	-	4,761	-	4,562
<b>Total revenues</b>		<b>23,144</b>	11,076	<b>72,490</b>	32,275	48,786
Operating expenses		<b>(14,425)</b>	(7,479)	<b>(40,045)</b>	(23,090)	(31,907)
<b>Operating result before finance income</b>		<b>8,719</b>	3,597	<b>32,445</b>	9,185	16,879
Finance costs	3	<b>(7,693)</b>	(1,131)	<b>(21,639)</b>	(2,301)	(4,608)
<b>Profit before income tax</b>		<b>1,026</b>	2,466	<b>10,806</b>	6,884	12,271
<b>Taxation credit / (charge)</b>		<b>1,582</b>	(26)	<b>(101)</b>	629	865
<b>Profit, being comprehensive income for the period / year</b>		<b>2,608</b>	2,440	<b>10,705</b>	7,513	13,136
<b>Other comprehensive income</b>						
Foreign currency translation differences for foreign operations being total comprehensive income		<b>5,849</b>	1,867	<b>15,692</b>	2,789	3,613
<b>Total comprehensive income for the period / year</b>		<b>8,457</b>	4,307	<b>26,397</b>	10,302	16,749
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>						
Number of shares		<b>68,800</b>	68,800	<b>68,800</b>	68,800	68,800
Earnings per stock unit:		<b>4 cents</b>	4 cents	<b>16 cents</b>	11 cents	19 cents

**KINGSTON PROPERTIES LIMITED**  
**GROUP STATEMENT OF FINANCIAL POSITION**  
**(UNAUDITED)**  
**AS AT SEPTEMBER 30, 2012**

	<b>Unaudited</b>	Unaudited	Audited	
	as at	as at	as at	
	<b>September 30,</b>	September 30,	December 31,	
<b>Notes</b>	<b>2012</b>	2011	2011	
	<b><u>JS'000</u></b>	<b><u>JS'000</u></b>	<b><u>JS'000</u></b>	
<b>NON-CURRENT ASSETS</b>				
Investment properties	4	653,219	420,418	639,159
Furniture, software and equipment		1,273	504	475
Deferred tax asset		5,819	5,641	5,882
<b>Total non-current assets</b>		<b>660,311</b>	426,563	645,516
<b>CURRENT ASSETS</b>				
Receivables and prepayments	5	14,757	10,817	15,431
Deposit on property		-	24,447	-
Reverse repurchase agreements	6	90,134	61,348	3,169
Cash and cash equivalents		183,509	172,620	179,191
<b>Total current assets</b>		<b>288,400</b>	269,232	197,791
<b>Total assets</b>		<b>948,711</b>	695,795	843,307
<b>EQUITY</b>				
Share capital		406,609	406,609	406,609
Translation reserve		69,493	52,976	53,801
Retained earnings		62,470	52,124	57,746
<b>Total equity</b>		<b>538,572</b>	511,709	518,156
<b>NON-CURRENT LIABILITIES</b>				
Loans payable	7	219,165	-	142,361
<b>CURRENT LIABILITIES</b>				
Loans payable	7	173,055	171,892	165,357
Accounts payable and accrued charges	8	17,887	12,192	17,424
Income tax payable		32	2	9
<b>Total current liabilities</b>		<b>190,974</b>	184,086	182,790
<b>Total equity and liabilities</b>		<b>948,711</b>	695,795	843,307

**KINGSTON PROPERTIES LIMITED**  
**GROUP STATEMENT OF CHANGES IN EQUITY**  
**(UNAUDITED)**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

	<b>Share capital <u>JS'000</u></b>	<b>Cumulative translation adjustments <u>JS'000</u></b>	<b>Retained earnings <u>JS'000</u></b>	<b>Total <u>JS'000</u></b>
<b>Audited balances at</b>				
December 31, 2010 as previously reported	406,609	50,187	44,611	501,407
Translation of foreign subsidiaries' balances, being total other comprehensive income for the period	-	2,789	-	2,789
Total comprehensive income for the period ended September 3, 2011	<u>-</u>	<u>-</u>	<u>7,513</u>	<u>7,513</u>
<b>Unaudited, balances at September 30, 2011</b>	<b><u>406,609</u></b>	<b><u>52,976</u></b>	<b><u>52,124</u></b>	<b><u>511,709</u></b>
<b>Audited balances at December 31, 2011</b>				
Profit, being comprehensive income for the period	-	-	10,705	10,705
Translation of foreign subsidiary's' balances, being total other comprehensive income for the period	-	15,692	-	15,692
<b>Contributions by and distributions to owners:</b>				
Dividend declared , being total distributions to owners	<u>-</u>	<u>-</u>	<u>(5,981)</u>	<u>(5,981)</u>
<b>Unaudited, balances at September 30, 2012</b>	<b><u>406,609</u></b>	<b><u>69,493</u></b>	<b><u>62,470</u></b>	<b><u>538,572</u></b>



**KINGSTON PROPERTIES LIMITED**  
**GROUP STATEMENT OF CASH FLOWS**  
**UNAUDITED**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

	Unaudited Nine months ended September 30, 2012 <u>JS'000</u>	Unaudited Nine months ended September 30, 2011 <u>JS'000</u>	Audited Year ended December 31, 2011 <u>JS'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for the period / year</b>	<b>10,705</b>	7,513	13,136
<b>Adjustments to reconcile profit for the period / year to net cash provided by / (used in) operating activities:</b>			
Translation difference	15,692	2,789	3,613
Taxation	101	(669)	(865)
Depreciation	154	122	163
Interest income	(4,486)	(5,360)	(7,231)
Interest expense	14,362	6,592	9,099
Increase in investment property due to foreign currency translation	(9,299)	-	(2,190)
Decrease in office equipment due to foreign currency translation	3	-	3
Increase in fair value of investment property	(4,761)	-	(4,562)
Unrealized foreign exchange loss	11,790	1,076	2,695
Operating profit before changes in working capital	<b>34,261</b>	12,063	13,861
Changes in:			
Deposit on investment property	-	(24,447)	-
Other receivables	4,646	(4,126)	(8,680)
Accounts payable and accrued charges	463	2,623	7,856
Income tax paid	(15)	(242)	(283)
<b>Net cash provided by / (used in) operations</b>	<b>39,355</b>	(14,129)	12,754
<b>Cash flows from investing activities</b>			
Interest received	514	5,360	7,168
Reverse repurchase agreements	(86,965)	25,975	84,153
Additions to office equipment	(954)	(65)	(74)
Additions to investment property	-	(475)	(212,464)
<b>Net cash (used in) / provided by investing activities</b>	<b>(87,405)</b>	30,795	(121,217)
<b>Cash flows from financing activities</b>			
Interest paid	(14,362)	(6,592)	(9,099)
Dividend declared	(5,981)	-	-
Loan received	87,156	-	-
Loans payable	(2,655)	1,211	137,037
<b>Net cash provided by / (used in) financing activities</b>	<b>64,158</b>	(5,381)	127,938
<b>Net increase in cash and cash equivalents</b>	<b>16,108</b>	11,285	19,475
<b>Cash and cash equivalents at beginning of period:</b>	<b>179,191</b>	162,411	162,411
Effect of exchange rate fluctuations on cash and cash equivalents	(11,790)	(1,076)	(2,695)
<b>Cash and cash equivalents at end of period / year</b>	<b>183,509</b>	172,620	179,191

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**UNAUDITED**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

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**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.
- ( 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 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. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The interim financial statements have been prepared under the historical cost basis and are expressed in Jamaican Dollars.

The Company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS).

The interim financial report is to be read in conjunction with the audited financial statements for the year ended December 31, 2011. These 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, 2011.

The significant accounting policies adopted are consistent with those of the audited financial statement for the year ended December 31, 2011.

**(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**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(c) Consolidation:**

(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 presently are 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 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 consolidation 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 party is a person or entity that is related to the Company, also referred to as reporting entity.

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

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

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

- (i) The entity and the Company 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 Company or an entity related to the Company.
- (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**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

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**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, is 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 settlement 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, offices, warehouse building and residential apartments, are held for long-term rental yields and capital gain.

Investment properties are initially recognized at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the 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, if any, impairment losses.

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:

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**UNAUDITED**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(h) Receivables**

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

**(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 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 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 income are recorded in these financial statements on the accrual basis using the straight line method.

**(m) Income tax**

Income tax on the profit or loss 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. Deferred tax movement for the quarter ended September 30, 2012 is computed at 33 1/3%.

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**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

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**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.

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**UNAUDITED**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

**3. Finance costs**

	<b>Unaudited Quarter ended September 30, 2012 J\$'000</b>	<b>Unaudited Quarter ended September 30, 2011 J\$'000</b>	<b>Unaudited Nine (9) months ended September 30, 2012 J\$'000</b>	<b>Unaudited Nine (9) months ended September 30, 2011 J\$'000</b>	<b>Audited Year end December 31, 2011 J\$'000</b>
Interest income	1,446	1,657	4,486	5,360	7,231
Unrealized loss on conversion of foreign exchange	(4,420)	(501)	(11,790)	(1,076)	(2,695)
Realized gain / (loss) on conversion of foreign exchange	3	7	27	7	(45)
	<u>(2,971)</u>	1,163	<u>(7,277)</u>	4,291	4,491
Finance costs:					
Interest expense	<u>(4,722)</u>	(2,294)	<u>(14,362)</u>	(6,592)	(9,099)
	<u><b>(7,693)</b></u>	<u>(1,131)</u>	<u><b>(21,639)</b></u>	<u>(2,301)</u>	<u>(4,608)</u>

**4. Investment properties**

Investment properties held by the group are as follows:

	<b>Unaudited September 30, 2012 J\$'000</b>	<b>Unaudited September 30, 2011 J\$'000</b>	<b>Audited December 31, 2011 J\$'000</b>
( i ) Hagley Park Road warehouse	190,199	183,438	188,000
( ii ) Miami residential condominium	246,800	236,980	237,501
( iii ) Red Hills Road commercial complex	216,220	-	213,658
	<u><b>653,219</b></u>	<u>420,418</u>	<u>639,159</u>

( i ) This represents 26,000 square feet of commercial property located on Hagley Park Road, Kingston, Jamaica.

( 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.

( iii ) 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**  
**NINE (9) MONTHS ENDED SEPTEMBER 30, 2012**

**5. Receivables and prepayments**

	<b>Unaudited September 30, 2012 J\$'000</b>	<b>Unaudited September 30, 2011 J\$'000</b>	<b>Audited December 31, 2011 J\$'000</b>
Rent receivables	1,940	-	1,322
Withholding tax recoverable	3,719	3,341	3,698
Security deposits	2,108	2,444	4,907
Prepayments	2,943	1,107	5,033
Other receivables	4,047	3,925	471
	<u>14,757</u>	<u>10,817</u>	<u>15,431</u>

**6. Reverse repurchase agreements**

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

The fair value of the underlying securities used to collateralize the reverse repurchase agreements was \$94,875 (2011:\$122,939) at the reporting date.

**7. Loans payable**

	<b>Unaudited September 30, 2012 J\$'000</b>	<b>Unaudited September 30, 2011 J\$'000</b>	<b>Audited December 31, 2011 J\$'000</b>
Bank loan - First Global Bank [see (i)]			
Face amount	93,355	-	95,261
Un-amortized transaction costs	(2,095)	-	(2,312)
Carrying value	<u>91,260</u>	<u>-</u>	<u>92,949</u>
Bank loan - Pan Caribbean Bank [see (i)]	152,888	146,108	147,220
Vendors' mortgages	60,917	25,784	67,549
	<u>213,805</u>	<u>171,892</u>	<u>214,769</u>
Third party loan - Best Meridian Insurance Company			
Face amount	96,049	-	-
Un-amortized transaction costs	(8,894)	-	-
Carrying value	<u>87,155</u>	<u>-</u>	<u>-</u>
Total loans	<u>392,220</u>	<u>171,892</u>	<u>307,718</u>
Classified as follows:			
Non-current			
Bank loans [see (i)]	84,065	-	86,755
Vendors' mortgages [see (ii)]	47,944	-	55,606
Third party loan [see (iii)]	87,156	-	-
	<u>219,165</u>	<u>-</u>	<u>142,361</u>
<b>Current</b>			
Bank loan (i)	160,082	146,108	153,414
Vendor's mortgage (ii)	12,973	25,784	11,943
	<u>173,055</u>	<u>171,892</u>	<u>165,357</u>
Total loan payable	<u>392,220</u>	<u>171,892</u>	<u>307,718</u>



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**7. Loans payable (Cont'd):****(i) Bank loans**

Pan Caribbean Bank Limited

This represents a draw-down under a credit facility of US\$1,700,000 (J\$152,888) [2011: US\$1,699,988 (J\$146,108)], evidenced by a promissory note. The loan currently attracts interest at a rate of 4.8% per annum. The loan was renewed at maturity on December 23, 2011, and is now repayable December 2012.

It is secured by hypothecation of a deposit of US\$1,699,988 (2010: US\$1,699,988) held by a subsidiary with the bank.

First Global Bank Limited

This represents a credit facility of US\$1,100,000, equivalent to approximately J\$95 million. The loan attracts an interest rate of 8% in the first year; thereafter it becomes variable and is subject to change at the bank's discretion. It is repayable in ninety-six (96) consecutive blended monthly payments plus a final lump sum payment at maturity.

It is secured by a demand mortgage over commercial property registered in the Company's name, and the facility expires in October 2019.

Transaction costs of approximately JMD \$2.3 million were incurred in obtaining the credit facility. These costs were off set against the loan balance and are amortized over the useful life of the loan.

**(ii) Vendor's mortgages**

This represents a mortgage of US\$780,000 (2011: Nil) from the vendor of the Red Hills Road property. The loan attracts an interest rate of 6% per annum and is repayable in sixty (60) monthly installments. During the prior year ended December 31, 2011, mortgage of US\$300,000 from the vendor of the Hagley Park property was settled.

**(iii) Third party loan - Best Meridian Insurance Company**

This represents a promissory note of US\$1,068,000 (2011: Nil) negotiated by Kingston Properties Miami LLC with Best Meridian Insurance Company, a Florida corporation. This note attracts a fixed interest rate of 6.5% per annum and the principal is repayable September 01, 2017. This note is secured by a mortgage and security agreement over residential property located in Miami-Dade County, Florida known as the Loft downtown II (the "Condominium Project").

Transaction costs of approximately JM\$8.9 million were incurred in obtaining the promissory note. These costs were off set against the loan balance and are amortized over the useful life of the loan.

**8. Accounts payable and accrued charges**

	<b>Unaudited September 30, 2012 J\$'000</b>	Unaudited September 30, 2011 J\$'000	Audited December 31, 2011 J\$'000
Accounts payable	6,140	4,399	575
Short-term loans	15	15	15
Dividend payable	182	183	183
Other payables and accrued charges	1,942	1,134	7,402
Security deposits held	9,608	6,461	9,249
	<u>17,887</u>	<u>12,192</u>	<u>17,424</u>

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

(a) Geographical information

	<b>Unaudited</b>				
	<b>Nine (9) months ended September 30, 2012</b>				
	<b>Jamaica</b>	<b>United States</b>	<b>St. Lucia</b>	<b>Consolidated</b>	<b>Total Group</b>
	<b>JS'000</b>	<b>of America</b>	<b>JS'000</b>	<b>adjustments</b>	<b>JS'000</b>
		<b>JS'000</b>	<b>JS'000</b>	<b>and</b>	<b>JS'000</b>
				<b>eliminations</b>	<b>JS'000</b>
				<b>JS'000</b>	<b>JS'000</b>
Revenues	<u>52,379</u>	<u>20,111</u>	<u>-</u>	<u>-</u>	<u>72,490</u>
Profit for the period	<u>147</u>	<u>6,861</u>	<u>3,697</u>	<u>-</u>	<u>10,705</u>
	<b>Unaudited</b>				
	<b>as at September 30, 2012</b>				
	<b>Jamaica</b>	<b>United States</b>	<b>St. Lucia</b>	<b>Consolidated</b>	<b>Total Group</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>adjustments</b>	<b>\$</b>
				<b>and</b>	
				<b>eliminations</b>	
				<b>\$</b>	
Segment assets	<u>826,413</u>	<u>363,073</u>	<u>378,936</u>	<u>(619,711)</u>	<u>948,711</u>
Segment liabilities	<u>413,920</u>	<u>329,885</u>	<u>3,889</u>	<u>(337,555)</u>	<u>410,139</u>

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**9. Segment reporting (Cont'd):**

	Unaudited Nine (9) months ended September 30, 2011				
	Jamaica J\$'000	United States of America J\$'000	St. Lucia J\$'000	Consolidated adjustments and eliminations J\$'000	Total Group J\$'000
Revenues	13,689	18,586	-	-	32,275
(Loss) / profit for the period	(2,539)	5,848	4,204	-	7,513

	Unaudited as at September 30, 2011				
	Jamaica J\$'000	United States of America J\$'000	St. Lucia J\$'000	Consolidated adjustments and eliminations J\$'000	Total Group J\$'000
Segment assets	592,469	256,417	366,813	(519,904)	695,795
Segment liabilities	176,201	243,064	2,568	(237,747)	184,086

	Audited Year ended December 31, 2011				
	Jamaica J\$'000	United States of America J\$'000	St. Lucia J\$'000	Consolidated adjustments and eliminations J\$'000	Total Group J\$'000
Revenues	23,746	25,040	-	-	48,786
Net (loss) / profit for the period/year	(480)	8,816	4,800	-	13,136

	Audited as at December 31, 2011				
	Jamaica J\$'000	United States of America J\$'000	St. Lucia J\$'000	Consolidated adjustments and eliminations J\$'000	Total Group J\$'000
Segment assets	738,560	256,671	368,603	(520,527)	843,307
Segment liabilities	320,233	239,846	3,443	(238,371)	325,151