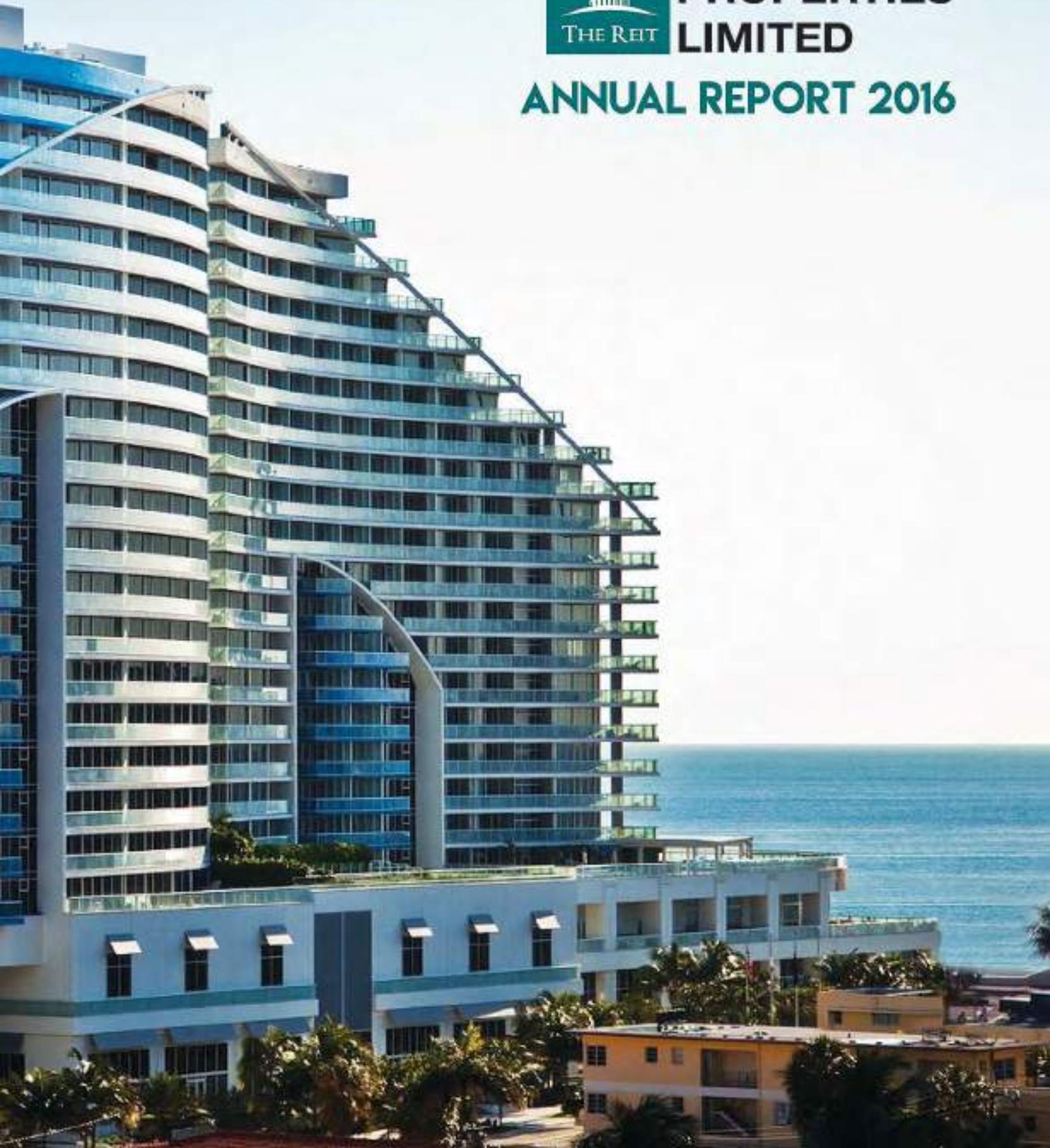




**KINGSTON
PROPERTIES
LIMITED**

ANNUAL REPORT 2016





**KINGSTON
PROPERTIES
LIMITED**

VISION

To be the leading, **REIT** known for creating shareholder value by its consistent and stable dividends.

MISSION STATEMENT

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

CORE VALUES

- To make our shareholders interests paramount.
- To pursue excellence in everything we do.
- To stretch beyond our perceived abilities to attain success.

CORPORATE CULTURE

To **Think** and **Act** like a **Shareholder**:

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



**KINGSTON
PROPERTIES
LIMITED**

CORPORATE STRUCTURE



**KINGSTON
PROPERTIES
LIMITED**



**CARLTON SAVANNAH REIT
(ST. LUCIA) LIMITED**
100% OWNED



**KINGSTON PROPERTIES
MIAMI, LLC**
100% OWNED



OUR COMPANY

Kingston Properties Limited (the Group) is a real estate investment company listed on the Jamaica Stock Exchange (JSE symbol: KPREIT) and incorporated in Jamaica with subsidiaries in St. Lucia and the US.

The Group primarily invests in and actively manages real estate properties to generate stable, sustained cash flows and appreciation in its properties' value for the benefit of its shareholders. Ownership of shares in the Group allows investors to participate in a diversified real estate portfolio with limited funds. Shareholders benefit from both the increase in the value of the underlying assets as well as the stream of income generated from these assets.

Investors of varying sizes can access excellent real estate deals without the hassle of directly purchasing a real property. In addition, given the diversification of the Group's portfolio, individuals may be able to access investments in different geographic locations without leaving Jamaica.



From left standing: Shannice Barrett, Tatesha Robinson and Tanya Williams and **Seated:** Kevin Richards, (CEO)



CORPORATE OBJECTIVE

The primary corporate objective of Kingston Properties continues to be to increase shareholder value through the ownership and management of real estate properties that will generate sustainable long-term dividends. We have adopted a total return strategy that ensures stable and consistent dividends and appreciation in the value of the properties held.

OUR STRATEGIC FOCUS

To achieve our objective, the Group has adopted key parameters to govern investment decisions:

- BUSINESS STRATEGY**
- INVESTMENT MANAGEMENT**
- PROPERTY MANAGEMENT**

BUSINESS STRATEGY

- Pursue a focused acquisition strategy geared at acquiring discounted properties with above average yields. This is complemented by detailed research and analysis of valuation comparables and cash flow modeling.
- Engaging in periodic review of the Group's corporate strategy to ensure optimal efficiency of operations. This is achieved by increasing the amount of revenue generated for each dollar of cost.
- Adopting a nimble strategy and make portfolio shifts to take advantage of market strengths and opportunities. This is a key component to our value creation strategy.
- Employing prudent capital and risk management strategies for optimal risk adjusted returns.
- Developing a network of real estate professionals not just in sourcing properties but in the management of them.





- Make optimal use of the capital markets to raise debt and equity financing to grow the portfolio. This would include but not limited to common and preferred stock, convertible bonds and bank financing.
- Explore Joint-Venture Opportunities to facilitate participation in larger sized deals and shared risk to maximize shareholder returns.

INVESTMENT MANAGEMENT

The Group employs various **Investment management** strategies in order to meet target returns. It starts with identifying properties with auditable cash flows



in markets with sound fundamentals and tenants with strong credit histories. The fundamentals of the real estate market are analysed. The factors considered include but are not limited

to: property and market conditions, neighbouring vacancies, the surrounding tenant mix and demographic patterns in recognition that local market fundamentals drive property selection.

Geographical dispersion of the portfolio of assets to diversify away country risk and to boost returns and tax efficiency is an important strategy that is employed. This is coupled with asset class diversification as part of an overall risk management strategy.

Property Valuation Analysis involves detailed modeling of cash flows of the individual properties with attention on the important assumptions such as rent growth, the level of vacancy that could be experienced, operating expenses for items such as insurance, taxes, repair and maintenance, as well as property management fees.

Property Selection incorporates rent comparisons among various properties, trends in capitalization

rates for the market and the asset sub-class, as well as the potential for net operating income growth and historical sales comparisons. The Group makes use of various data sources that provide updated trends and forecasts for factors such as market rents and rents p.s.f., vacancies, closed sales and prices p.s.f. as well as inventory for different property types including apartments, office, retail and industrial properties.

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

Return Analysis - This process takes into consideration the likely capital appreciation prospects for the property and is influenced by the macro economic trends of the location of the property. For example, for an apartment building, the important variables include macro trends in the job market.

Deal review and final approval is an important component of the investment management process. The Investment Committee recommends and Board of Directors makes the final approval. They review the impact on the Group's financials and prudential ratios.

PROPERTY MANAGEMENT

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

Post Deal Management focuses on the active management of the properties, tenant relations, market surveillance, return analysis and consistent reporting. Property management ensures that the physical asset is adequately maintained and that property data is collected and analyzed for trends. The Group uses a combination of internal and external professionals to ensure properties remain competitive in terms of rental rates and physical condition.

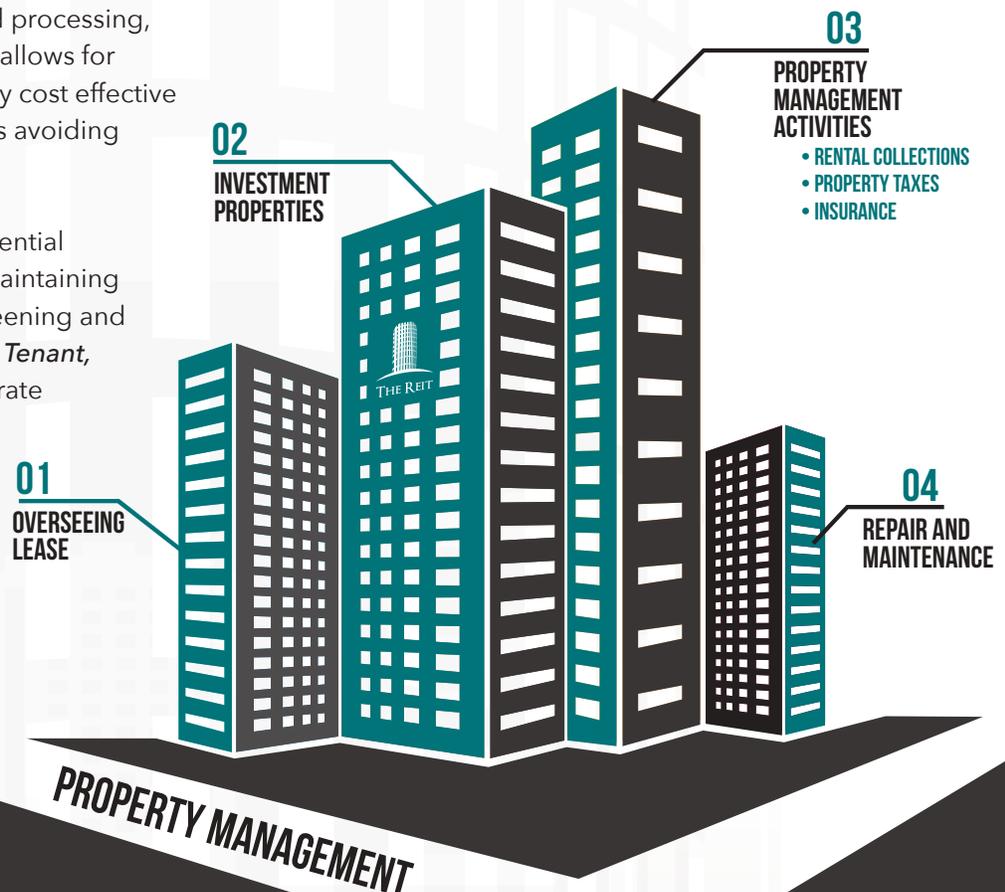
For data collection and analysis, the Group uses industry software **Rent Manager** - a residential and commercial property management solution designed specifically to help real estate professionals work more efficiently and effectively. **Rent Manager** includes a completely integrated accounting system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

For our multi-tenant residential properties in Florida, efficient rent collection and processing, is a priority. The **PayLease** software allows for electronic rent collection and is very cost effective way to ensure timely collection thus avoiding delays in rent payments.

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

Property Management also involves control of repair and maintenance

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





STRATEGIC FOCUS





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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 9th Annual General Meeting of KINGSTON PROPERTIES LIMITED will be held at the Courtleigh Hotel and Suites, 85 Knutsford Boulevard, Kingston 5 in the parish of St Andrew on Tuesday, May 16, 2017 at 2:00 p.m. for the following purposes:

1. To Receive the Audited Accounts for the year Ended December 31, 2016 and the Reports of the Directors and Auditors.

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

Resolution 1: "THAT the Audited Accounts for the Year Ended December 31, 2016 along with the reports of Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted."

2. Ratify Interim Dividends

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

Resolution 2: "THAT the interim dividends of US\$0.00124 per share paid on March 29, 2016 and US\$0.00124 paid on October 7, 2016, and totaling USD\$0.00248 be and hereby declared as final for the year ended December 31, 2016".

3. To Re-Election Retiring Directors

The Directors retiring by rotation in accordance with Article 107 of the Company's Article of Incorporation are Mr. Peter Reid and Mrs. Lisa Gomes who being eligible for re-election offer themselves for re-election.

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

Resolution 3: "THAT Peter Reid, retiring by rotation, be and is hereby re-elected."

Resolution 4: "THAT Lisa Gomes, retiring by rotation, be and is hereby re-elected."

4. To Fix the Remuneration of the Auditors

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

Resolution 5: "THAT KPMG having signified their willingness to continue in office as Auditors, the Directors be and are hereby authorized to agree to their remuneration in respect of the period ending with the next Annual General Meeting."

5. To sub-divide the authorized ordinary shares of the Company

To consider and (if thought fit) pass the following Resolution:

Resolution 6: "THAT each of the 500,000,000 authorized ordinary shares (160,996,334 issued shares) in the capital of the Company be subdivided in 2 ordinary shares each thereby making a total share capital of 1,000,000,000 authorized ordinary shares (321,992,668 issued shares) of no par value at the existing total stated capital of \$1,028,508,717 with effect from the close of business on the 24 May 2017."

6. To transact any other ordinary business of the Company.

By Order of the Board of Directors

Nicole Foga
Company Secretary

Registered Office:
7 Stanton Terrace,
Kingston 6, Jamaica
April 18, 2017

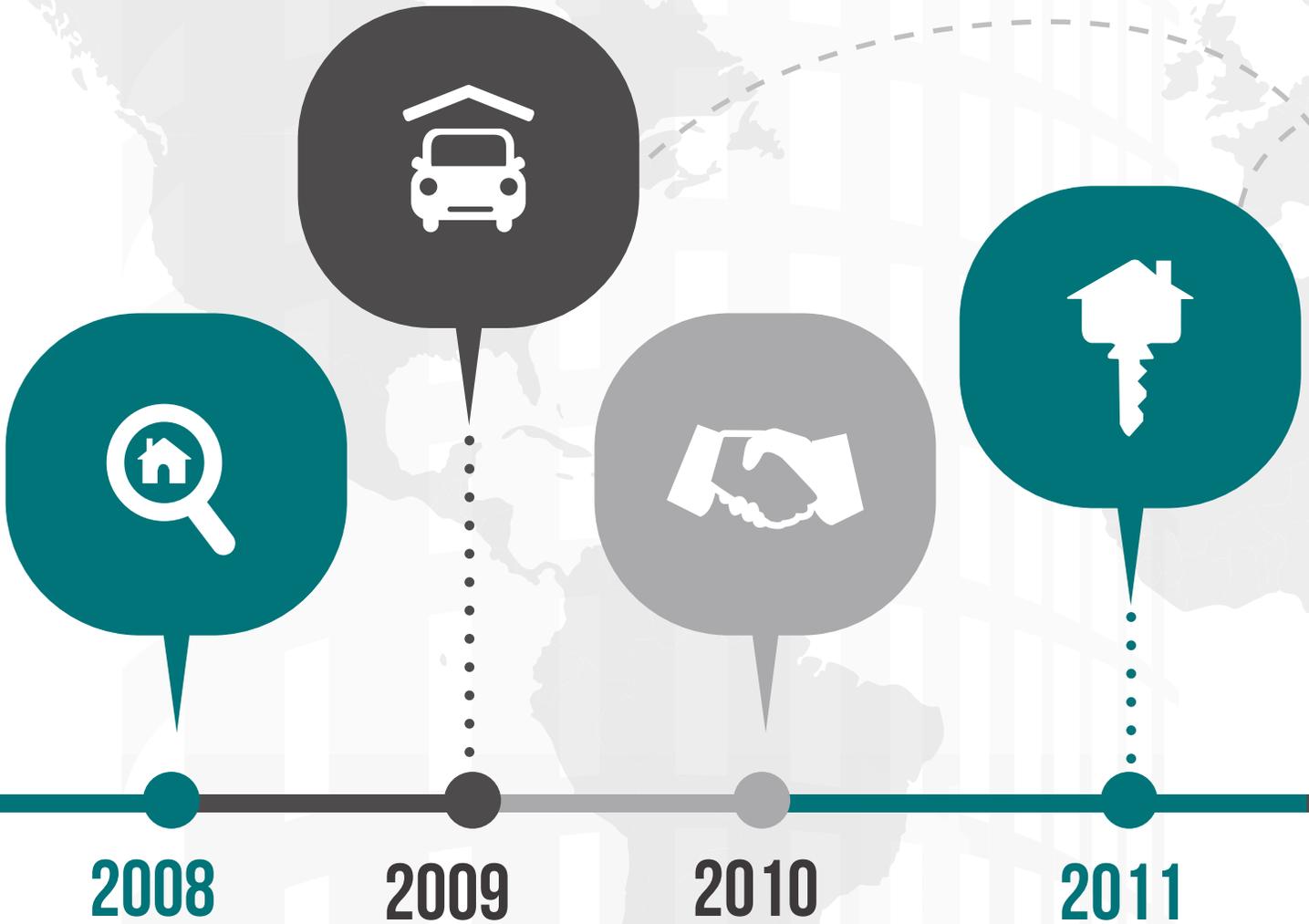
Note:

A shareholder is entitled to vote by Proxy and a Proxy need not be a shareholder. If you are unable to attend the Meeting a suitable Form of Proxy is enclosed for your convenience. Forms of Proxy must be lodged at the Company's registered office at least forty-eight hours before the time appointed for holding the meeting.



**KINGSTON
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KEY HISTORICAL HIGHLIGHTS



2008

- **Carlton Savannah REIT** formed and purchased 7 condo units in the Carlton Savannah project in Port of Spain, Trinidad

2009

- Disposed of its first investment, which was the under-construction Carlton Savannah Hotel located in Port of Spain, Trinidad, for a profit and successfully completed the name change of the company to Kingston Properties Limited.

2010

- Acquired a fully tenanted office/warehouse building of approximately 26,000 square feet located on Hagley Park Road in Kingston, Jamaica and 19 condominium apartments in the Loft II building in downtown Miami.

2011

- Added a fully tenanted 47,875 square feet office and warehouse complex on Red Hills Road, Kingston to its portfolio bringing the total square footage under management to 89,957.



2014

- Acquisition of a 19-unit apartment building in Miami and the sale of 4 units at the Loft II also in Miami.
- Board authorized a buy-back of up to 1% or 688,000 of Kingston Properties' common shares.

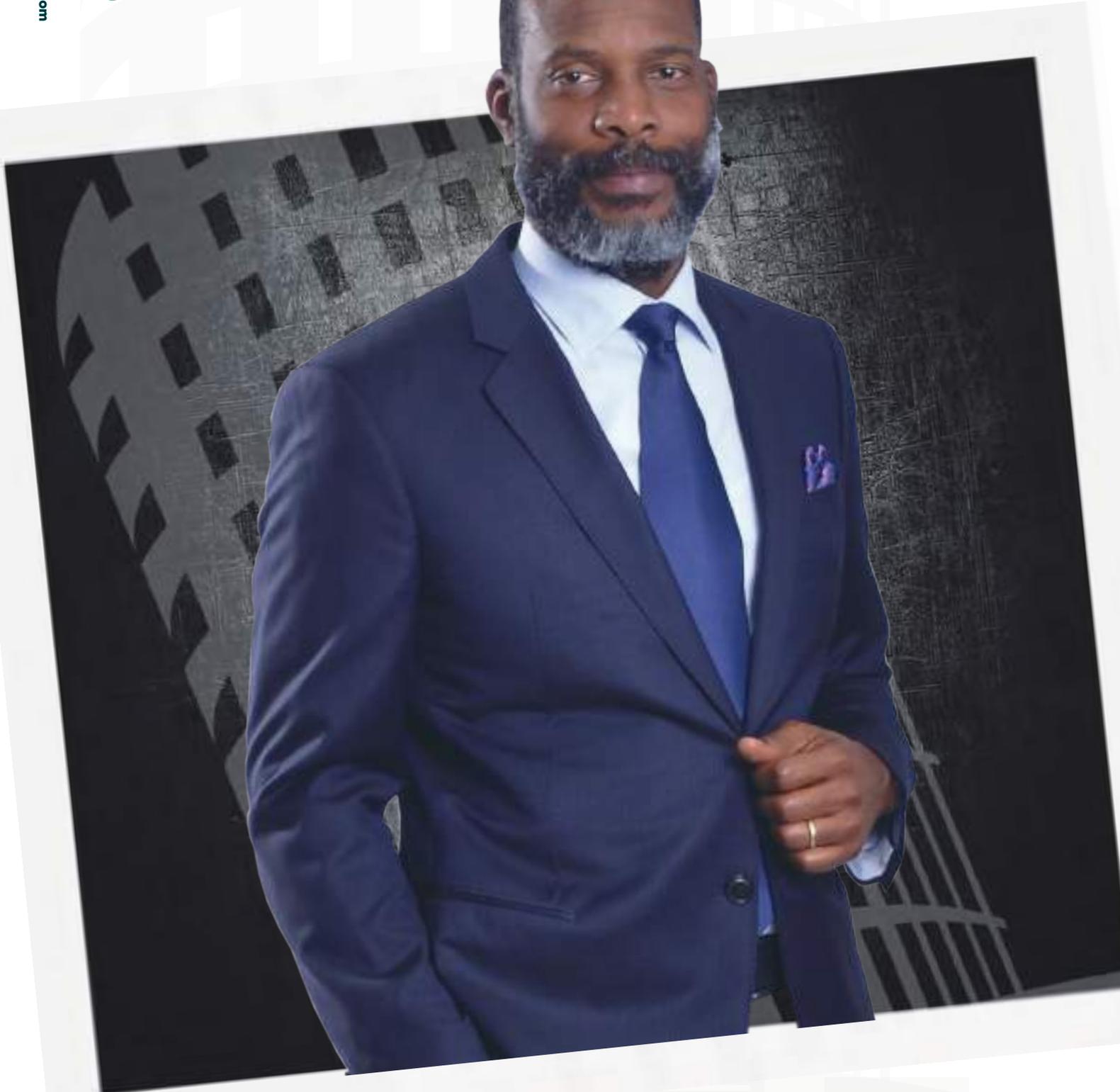
2015

- Completion of the sale of the Hagley Park Road property in Jamaica.
- Raised \$650M in a renounceable rights issue and purchased units at Midblock and the W Fort Lauderdale.
- Sold the nineteen (19) unit apartment building in Miami.
- Executive Director, Fayval Williams resigned and a new CEO, Kevin Richards was appointed.

2016

- Acquired condo units at Opera Tower in Miami
- Negotiated USD5.8M in loans to acquire additional properties
- Paid out USD400,000 in dividends to shareholders
- **KPREIT's** stock reached a record high of \$10.00 per share.

GROUP CHAIRMAN'S STATEMENT





TO OUR SHAREHOLDERS:

The Board of Directors is pleased to present Kingston Properties' annual report for the financial year ended December 31, 2016.

Net profit for the Group increased by 23% year on year as we continued to invest in expanding the Group's property portfolio during 2016. Accordingly, there was a 24% increase in the value of our investment properties and Group rental revenue increased by 20%. Our property acquisition strategy continues to focus on establishing acceptable yield parameters, finding suitable locations, with high quality tenants and the ability to increase rental revenues. We also continue to tightly manage our operational expenses evidenced by a year over year decline in this figure when compared with 2015.

Whereas the composition of the portfolio as at the end of December 2016 was heavily skewed to the US market, during the year we negotiated the acquisition of two properties, one in Jamaica and the other in the Cayman Islands as part of our overall diversification initiative. The acquisitions were however completed in January 2017 and are not reflected in the results for 2016. We continue to seek out properties that require very limited management involvement and lower operating expenses as part of our strategy to boost returns to our shareholders.

As we indicated in our report for 2015, we believe that the Group is underleveraged and have accordingly incurred additional, cost effective debt financing to support our property acquisition programme. We negotiated a total of US\$5.8 million worth of bank financing with our partners in the US, Cayman and Jamaica in both United States and Jamaican Dollars. The rates on our USD debt ranged between 3.25% and 4% p.a., which represent a significant reduction on the 5.25% - 6.5% p.a. rates at which we borrowed in the past.

We continue to enjoy fairly high occupancy levels in our properties, achieving approximately 94% in 2016. We achieved this result despite a six-month renovation project at the W Fort Lauderdale Condo-tel during the second half of the year.

The Group continues to create value for our shareholders as evidenced by the year on year growth in shareholders' equity and dividends. In keeping with the philosophy of a REIT and consistent with our Mission and Vision, we increased the payment of dividends to our shareholders by 100% in 2016. Not only were we able to pay out more dividends but also the stock market rewarded shareholders with a 42% appreciation in the stock price to \$10.00 at year end. The Group's stock has traditionally traded at a steep discount to book value,

which we believe is due to a lack of liquidity characteristic of a very closely held stock. However, through more frequent market disclosures coupled with the improved financial performance of 2016, trading activity was significantly boosted and the stock's market value converged with book value.

While there was active trading in our stock, the concentration of ownership by institutional investors remains high and we hope to encourage a broader ownership of the Group's shares in the near to medium term. For this reason the Board is recommending to shareholders that they approve a 1:1 stock split of KPREIT shares at our annual general meeting. This we believe will greatly improve the liquidity and consequently the value of the stock going forward.

As part of our efforts to be guided by best practices in Corporate Governance, not only did we increase the frequency of disclosures to the public but we also:

- (i) created an Investment Committee to support the work of the board of directors in monitoring current investments and evaluating prospective ones; and
- (ii) appointed two new directors, bringing our total to six (6) members, all of whom meet our criteria for independence. We also maintained our Board's equal gender balance, which is a feat no other listed company has managed to achieve and of which we are truly proud.

LOOKING AHEAD

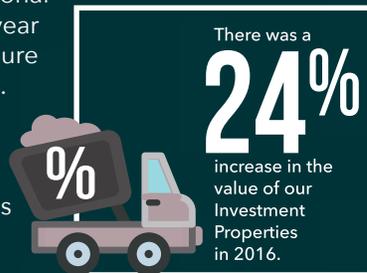
The Group will continue to pay consistently high dividends in keeping with the best practices of REITs worldwide. We will also continue our lobby of the GOJ for the introduction of comprehensive REIT legislation. Our preliminary discussions with the government have been favorable so far and we believe that this piece of legislation would be a welcome catalyst to its growth agenda.

The Group will continue to seek out opportunistic acquisitions to further grow our property portfolio and increasingly diversify the portfolio mix. Our continued emphasis on the return of capital first, is a result of our focused and traditionally disciplined approach to applying best practices in portfolio analysis and risk management.

IN APPRECIATION

On behalf of the Board, we would like to thank and commend our management and staff, whose professionalism and dedication are critical to Kingston Properties' success. I also extend my deepest appreciation to my fellow board members. We remain grateful to our partners and shareholders for your commitment, guidance and loyalty throughout the years.


Garfield Sinclair, Chairman
10 April 2017



NINE YEAR FINANCIAL SUMMARY

2008

2009

2010

CONSOLIDATED INCOME STATEMENT

Rental Income	-	-	33,119,567
Other Income/gains	-	-	-
Operating Expenses	2,670,941	9,467,667	28,741,596
Results of operating activities before other income	(2,670,941)	(9,467,667)	4,377,971
Net Finance Cost/Income	17,052,632	35,549,921	7,133,949
Pre-Tax profit or Loss	14,011,316	26,082,254	11,511,920
Income tax charge/credit	-	1,133,021	3,594,236
Net Profit	14,011,316	27,215,275	15,106,156
Foreign currency translation differences	32,170,689	35,781,838	(17,765,164)
Total Comprehensive Income	46,182,005	62,997,113	(2,659,008)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Investment Properties	314,363,000	-	414,942,891
Cash and Cash Equivalents	137,992,276	35,454,464	162,411,388
Total Assets	452,434,062	534,043,149	681,897,900
Total Equity	450,597,263	504,065,947	501,406,939
Loans Payable	-	26,767,689	170,680,576
Total Liabilities	1,836,799	29,977,202	180,490,961

KEY RATIOS

Operating Expenses as % of Rental Income	N/A	N/A	86.78%
Pre-Tax Profit Margin %			
Rental Income % of total Investment property	N/A	N/A	7.98%
Net Profit per share	\$ 0.20	\$ 0.40	\$ 0.22
Total Comprehensive Income % of Average Equity	10.78%	13.20%	-0.53%
Loans as % of Total Equity	0.00%	5.31%	34.04%
Total shares outstanding	68,800,102	68,800,102	68,800,102
Gross Dividends Paid (USD)	-	110,080	-
Dividend per share (USD)	N/A	\$ 0.00160	N/A
Dividend yield	N/A	2.87%	N/A
Dividend Payout Ratio	N/A	35.79%	N/A
Year end closing stock price	\$ 4.65	\$ 5.00	\$ 3.90
Book Value per share	\$ 6.55	\$ 7.33	\$ 7.29
Effective Tax Rate	N/A	N/A	N/A
Price Earnings Ratio	22.83	12.64	17.76
Market Capitalization	319,920,474	344,000,510	268,320,398
JSE Index at Year End	80,152.03	83,321.96	85,220.82
Annual Inflation Rate % - Jamaica	16.80%	10.20%	11.70%
Annual Inflation Rate % - US	0.10%	2.70%	1.50%
Year End Exchange rate USD:JMD	\$ 80.47	\$ 89.60	\$ 85.86
Average annual exchange rate	72.92	88.49	87.38

2011	2012	2013	2014	2015	2016
44,223,820	78,030,312	91,469,951	108,048,742	108,368,868	130,457,378
4,562,241	182,913,220	131,226,251	845,302	169,171,834	133,359,028
31,907,164	46,003,222	52,012,921	56,822,625	100,902,850	98,264,169
12,316,656	32,027,090	39,457,030	51,226,117	7,466,018	32,193,209
(4,608,187)	(37,301,971)	(63,625,620)	(45,700,862)	(16,500,658)	53,788
12,270,710	177,638,339	107,057,661	2,313,375	127,287,194	164,236,298
864,567	1,209,214	(54,561,672)	(3,450,340)	(21,865,656)	(34,317,258)
13,135,277	178,847,553	52,495,989	(1,136,965)	105,421,538	129,919,040
3,613,495	28,078,127	68,168,732	45,057,651	30,177,442	60,949,209
16,748,772	206,925,680	120,664,721	43,920,686	135,598,980	190,868,249
639,159,119	834,085,129	1,002,318,121	953,788,854	1,552,203,131	1,930,922,213
179,191,140	186,532,572	212,064,416	232,660,434	132,896,744	24,078,908
843,307,433	1,046,154,238	1,261,946,632	1,430,031,755	1,729,553,372	2,157,608,555
518,155,711	719,100,484	829,838,174	851,933,073	1,585,038,775	1,726,184,541
307,718,044	308,869,742	360,285,619	486,351,708	-	273,977,851
325,151,722	327,053,754	432,108,458	578,098,682	144,514,597	431,424,014
72.15%	58.96%	56.86%	52.59%	93.11%	75.32%
25.15%	68.08%	48.07%	2.12%	45.86%	62.25%
6.92%	9.36%	9.13%	11.33%	6.98%	6.76%
\$ 0.19	\$ 2.60	\$ 0.76	\$ (0.02)	\$ 1.00	\$ 0.81
3.29%	33.45%	15.58%	5.22%	11.13%	11.53%
59.39%	42.95%	43.42%	57.09%	0.00%	15.87%
68,800,102	68,800,102	68,800,102	68,798,669	160,996,334	160,996,334
-	68,800	103,200	172,000	200,000	400,000
N/A	\$ 0.00100	\$ 0.00150	\$ 0.00250	\$ 0.00124	\$ 0.00248
N/A	2.46%	3.55%	3.82%	2.12%	3.19%
N/A	3.42%	19.81%	-1682.54%	22.26%	38.53%
\$ 4.52	\$ 3.78	\$ 4.50	\$ 7.50	\$ 7.05	\$ 10.00
\$ 7.53	\$ 10.45	\$ 12.06	\$ 12.38	\$ 9.85	\$ 10.72
N/A	N/A	50.96%	149.15%	17.18%	20.90%
23.67	1.45	5.90	N/A	7.06	12.39
310,976,461	260,064,386	309,600,459	515,990,018	1,135,024,155	1,609,963,340
95,297.20	92,101.22	80,633.55	76,353.39	130,692.13	192,276.64
6%	8%	9.70%	6.40%	3.70%	1.70%
3.00%	1.70%	1.50%	0.80%	0.70%	2.10%
\$ 86.60	\$ 92.98	\$ 106.38	\$ 114.66	\$ 120.42	\$ 128.44
86.08	88.99	100.77	111.22	117.31	125.14

BOARD OF DIRECTORS & PROFILES

Our board is comprised of a well accomplished and highly diverse group of individuals that continue to give extraordinary service in fulfilling the mandate of Kingston Properties Limited. The Board along with the various sub committees is responsible for directing and providing oversight of the management of the Group in carrying out its responsibilities. The Board reviews the Group's strategy, approves and implements governance and investment policies, and provides oversight of financial reporting, regulatory and legal compliance.



GARFIELD SINCLAIR
CHAIRMAN

Garfield "Garry" Sinclair was appointed President of the Caribbean, Cable & Wireless Communications in January 2017. He continues to hold the position of Managing Director of FLOW Jamaica, to which he was appointed in October 2010, when the Company was known as LIME. He brings to this position over 20 years of experience in business management.

Prior to his appointment at LIME, where he is also known as 'Team Captain', Garry was one of the pioneering members of the team that established Dehring Bunting & Golding Limited (DB&G), one of the country's first investment banks. Garry worked with DB&G for more than 13 years and was eventually appointed President and Chief Operating Officer. Licensed as a CPA in 1993, Garry holds a B.Sc. in Business Administration from San Diego State University and an Executive Certificate in Strategy and Innovation from the Sloan School of Management at the Massachusetts Institute of Technology (MIT). Garry serves as Director of FLOW's subsidiaries and Dekal Wireless Jamaica Limited, and several other local organizations including Proven Investments Limited and Proven Wealth Limited. He is Chairman of the Jamaica Stock Exchange Pension Fund and Kingston Properties.



LISA GOMES
DIRECTOR

Founder and Managing Director of CapSol Advisory Limited, Ms. Gomes has over 30 years of experience in Finance, Investment Banking and Pension Fund Management with one of the Caribbean's largest integrated financial conglomerates Guardian Holdings Limited, where she served for 9 years as President of Guardian Asset Management Jamaica Limited (GAMJA). Of note, Lisa was responsible for driving GAMJA's growth in shareholders equity from J\$100M to J\$1Billion and piloted the successful and profitable sale of the company in 2010 when the Parent Company decided to exit the business.

More recently, Ms. Gomes worked in the Hospitality Sector for over 5 years with Sandals Resorts International as Director of Finance and Planning where she served as an integral member of the team that negotiated and accomplished the expansion of the group into the Eastern Caribbean.



PETER REID
DIRECTOR

Peter is a career Banker with over 30 years' experience in the financial services sector with expertise in sales and management, credit, financial analysis, financial advisory and deal structuring.

Peter joined the Victoria Mutual Family as a Senior Vice President & Chief Operating Officer with direct responsibility for the Building Society Operations. Prior to joining Victoria Mutual, he was a District Vice President providing sales and service, and strategic leadership for the Bank of Nova Scotia Jamaica Limited. Peter, who holds a Bachelor of Arts Degree with Honours in International Studies from York University (Toronto), has held a number of directorships on Boards of several enterprises including Grace Kennedy Currency Trading Services Limited, Guardian Life Limited, Guardian Asset Management Jamaica Limited, the National Water Commission and West Indies Alliance Insurance Company Limited.



MICHAEL PARKER
DIRECTOR

Michael is currently Vice President – Investments & Portfolio Management at Guardian Life Limited. He joined the executive management team of Guardian Life in September 2010, having been previously employed to Guardian Asset Management Jamaica Limited (GAMJA) since August 2003.

Michael is currently responsible for the prudent management of the investment portfolios of Guardian Life, Guardian General Insurance Jamaica, as well as third party pension clients of Guardian Life. He has a wealth of experience in asset management, having worked for over 15 years in the financial services sector in different capacities. He has experience in the areas of insurance, pensions, portfolio management, fixed income & equity analysis as well as risk management. His current responsibilities at Guardian Life Limited include Investment Strategy, Portfolio Management, as well as Equity and Fixed Income Trading.

A graduate of the University of the West Indies, he holds a Bachelor of Sciences (BSc.) degree in Mathematics and Computer Sciences, as well as a Masters in Business Administration (MBA) from the University of the West Indies (Mona). He is also a Chartered Financial Analyst (CFA) charter holder.

In addition to his responsibilities at Guardian Life, Mr. Parker serves as a Director for Guardian Resorts Jamaica Limited, Ocho Rios Beach Limited, The Wesley Parker Foundation and is a former director of First Heritage Credit Union and Credit Union Fund Management Company.



MEGHON MILLER-BROWN
DIRECTOR

Meghon is the Vice President of Finance at Guardian Life Limited. Since joining Guardian Life in 2000, she has also held responsibilities for Investments, Individual Life Operations and Property Management. In 2010 she was designated as the Chief Financial Officer for the Life, Health and Pensions business segment of Guardian Holdings Limited.

Meghon has over twenty-three years of experience in the financial services industry covering strategic planning, financial analysis, investment and treasury management, risk management, property and operations management, management information system implementation and tax planning. Prior to joining Guardian Life Limited, she gained invaluable experience in the insurance industry at Jamaica Mutual Life Assurance Society and in auditing and tax consultancy at PricewaterhouseCoopers.

A chartered accountant by profession, she is a Fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Institute of Chartered Accountants of Jamaica (ICAJ). She also holds a Masters in Business Administration from the University of Manchester, Manchester Business School and a BSc (Honours) in Management Studies from the University of West Indies.

She is currently a director of Guardian Resorts Jamaica Limited and is a member of the Investment and Asset Liability Management Committees of Guardian Life Limited and the Professional Accountants in Business (PAIB) Committee of the ICAJ.



NICOLE FOGA
COMPANY SECRETARY

Nicole is the Managing Partner of Foga Daley and heads the firm's Telecommunications, Media & Technology Department. Her practice areas include Cyber Law, Intellectual Property and Commercial Law. Ms. Foga holds a LLM in Commercial Law (Aberdeen University), LLB (UWI) and a BA (1st Class Hons.) (UWI).

Ms. Foga chairs the Telecommunications, Broadcasting and Technology Committee of the Jamaican Bar Association, is Chairman of the University of Technology Pension Fund, a Vice Chairman of Jamaica's Copyright Tribunal and a member of the Mona ICT Policy Centre Advisory Committee. She is also a member of the International Trademark Association (INTA), the INTA Internet SubCommittee, ITechLaw Association, Society for Computers and the Law and an Associate member of the American Bar Association and the Institute of Electrical and Electronics Engineers. Ms. Foga has been a featured speaker on various Cyber Law issues including data privacy and protection.

Previous appointments include General Counsel in the Office of Utilities Regulation, Legal Advisor to the Broadcasting Commission, Crown Counsel in the Attorney General's Department, member of the International Committee of the Council on Foundations and Chairman of the World Intellectual Property Organization (WIPO) Caribbean Regional Committee on Electronic Commerce and Intellectual Property.

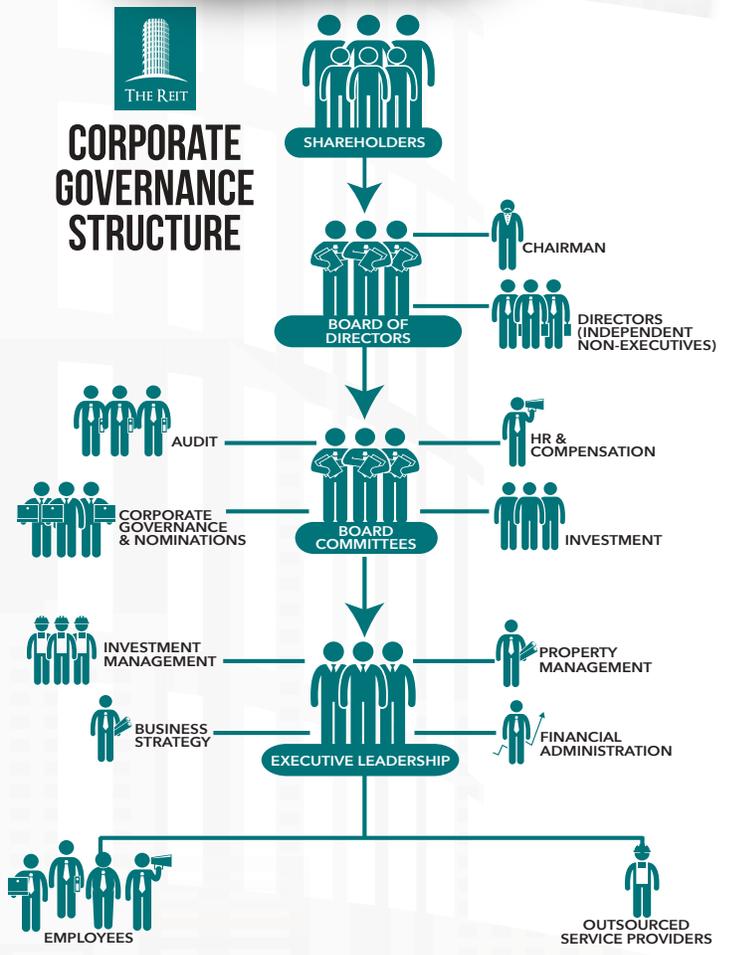


CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES

Kingston Properties Limited is committed to good corporate governance policies and practices. This is based on rules, processes and laws under which Kingston Properties is operated, regulated and controlled.

The Board has established a framework for the management of the operations, including a system of internal controls, business continuity and a business risk management process. We continue to focus on best practice standards guided by the PSOJ Corporate Governance Code, the legal environments within which the Group operates and regulations of the Jamaica Stock Exchange. Given the dynamic nature of the legal, regulatory and investment climate in Jamaica and the need to be cognizant of the impact of the Group's actions on our various stakeholders, the Group engages in an annual review of its policies and code of conduct to remain compliant with our core values and for greater transparency of our operations.





BOARD OF DIRECTORS

The board of directors has overall responsibility for guiding the direction of the Group in achieving its core objectives. In order to achieve this, the Group has a robust process for the selection of directors based on expertise, judgment and character. The board has broadly defined three categories of directors as follows:

1. Executive Director (E) :-

A member of the board who is currently employed as part of the executive management of the Group

2. Non-Executive Director (NE) :-

A member of the board who (i) receives no remuneration from the Group save and except for board attendance fees or dividends from their personal shareholdings of the Group's stock.

3. Independent Director (I) :-

A member of the board who is (i) not employed by the Group or has not been a staff member for at least five years prior to their appointment to the board. (ii) not related to any employee of the Group.

There are six (6) directors on the Group's board, all of whom are non-executive directors and independent directors. The board is equally comprised of males (3) and females (3).

BOARD RESPONSIBILITIES

The Board is responsible for the overall corporate governance of the Group and closely monitors the related areas of business operations, risk and financial performance.

This involves:

- Adhering to good governance principles and practices to the benefit of all stakeholders
- Reviewing the Group's strategic plans as presented by the executive management
- Periodic review and monitoring of policies of the Group
- Maintaining compliance with regulatory requirements.

- Conducting risk management assessments on the Group's operations.
- Review and approval of new acquisitions in line with established guidelines
- Review of internal control mechanisms established to ensure accuracy and transparency in the Group's operations.
- Monitoring all related party transactions to ensure that they are undertaken on normal commercial terms and are not prejudicial to the interests of the shareholders.

BOARD OPERATIONS

The Board of directors meets once per month given the level of oversight required of the Group due to the diverse markets within which the Group operates and the small full time staff complement and the degree of outsourced services. Each director is provided with comprehensive reports detailing the operations of the Group and the portfolio of assets along with management accounts. At times the board may be required to meet more frequently if there is a need to address critical issues.

BOARD COMPOSITION

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

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

The composition is reviewed annually to ensure that the Board of Directors has the appropriate mix of expertise and experience.

BOARD INDEPENDENCE AND EXPERTISE

	REAL ESTATE	ASSET MANAGEMENT	LAW	FINANCIAL MANAGEMENT	GENERAL MANAGEMENT	STRATEGY	RISK MANAGEMENT	HR
GARFIELD SINCLAIR ⁽¹⁾ - CHAIRMAN								
NICOLE FOGA ⁽¹⁾ - COMPANY SECRETARY								
LISA GOMES ⁽¹⁾								
PETER REID ⁽¹⁾								
MEGHON MILLER-BROWN ⁽¹⁾								
MICHAEL PARKER ⁽¹⁾								

COMMITTEES OF THE BOARD

The Board has appointed individuals to sit on various committees to assist in the governance of the Group.

These committees are:

- Corporate Governance and Nominations
- Audit
- Human Resources and Compensation
- Investment

THE CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE

Kingston Properties maintains a high standard for its corporate governance to protect shareholders' interests and to enhance long-term shareholder value. Its Corporate Governance guidelines reflect those of the PSQJ's Code of Corporate Governance model and we are committed to the "comply or explain" approach. The Board also approved the terms of reference for the committee, which dictates the Committee's conduct and practices. Our Corporate Governance document can be accessed at our website at www.kpreit.com. The committee is comprised of three members all of whom are independent directors. The committee typically meets once per year or as may be needed.

COMMITTEE REPORT

During the year the committee:

1. Reviewed the Group's Corporate Governance terms of reference.
2. Made recommendations to the Board of directors for the formation of an investment committee.
3. Reviewed the Group's policy on insider dealing
4. Reviewed a new self-evaluation questionnaire to be approved by the board.

AUDIT COMMITTEE

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

The members are:

1. **Mr. Garfield Sinclair** - Chairman
2. **Mrs. Meghon Miller-Brown** - Member
3. **Mr. John "Mitchie" Bell** - Member

Other responsibilities include:

1. Review of the nature and extent of non-audit services performed by external auditors;
2. Monitor of the procedures in place to ensure compliance with applicable legislation



3. Monitor and review of the procedures established to regulate related party transactions.

The Committee is comprised of two directors and an external member. The committee typically meets quarterly.

COMMITTEE REPORT

The Committee undertook several activities during the year including:

1. Review of the audited financial statements of the Group and subsidiary companies presented by the external auditors.
2. Reviewed the engagement letter and approved the remuneration of the external auditors.
3. Ensured consistent reporting standards for financial statements presented by both the external auditors and outsourced accounting consultants.
4. Reviewed the MD&A statement published at reporting intervals.
5. Reviewed the Group's tax structure

HUMAN RESOURCES AND COMPENSATION

The Group has traditionally been managed by a small professional staff. The compensation plan of the Group's executive management and staff is administered by the HR and Compensation Committee which is currently comprised of the Group Chairman and a Director. The committee typically meets once per year or as may be needed.

During the year the Committee reviewed the Group's staff incentive and health insurance schemes.

INVESTMENT COMMITTEE

In February 2016 the board of directors established the Investment Committee. The committee provides oversight on the investment and financing strategy for the Group's assets and ensures compliance with agreed policy and targets. The Committee is comprised of three directors.

COMMITTEE REPORT

During the year, the committee engaged in the

following activities:

1. Developed and reviewed the terms of reference for the committee
2. Reviewed six (6) prospective acquisitions and recommended three for approval by the Board.
3. Reviewed financing terms for three loan facilities.

BOARD REMUNERATION

The Board maintains a transparent and equitable remuneration policy for its members. For the financial year a total of \$3,878,553 was paid to members as board fees.

BOARD & COMMITTEE COMPOSITION AND MEETING ATTENDANCE						
	BOARD	AUDIT COMMITTEE	INVESTMENT COMMITTEE	CORPORATE GOVERNANCE	HR & COMPENSATION	ANNUAL GENERAL MEETING
GARFIELD SINCLAIR	CHAIR 12/12	CHAIR 4/4			CHAIR 1/1	CHAIR
NICOLE FOGA	MEMBER 12/12			MEMBER 1/1	MEMBER 1/1	COMPANY SECRETARY
LISA GOMES	MEMBER 10/12		MEMBER 3/3	CHAIR 1/1		
PETER REID	MEMBER 9/12		MEMBER 2/3	MEMBER 1/1		
MEGHON MILLER-BROWN	MEMBER 9/12	MEMBER 4/4				
MICHAEL PARKER	MEMBER 10/12		CHAIR 3/3			
MITCHIE BELL		MEMBER 4/4				

DIRECTOR TRAINING

During the year, two new directors were appointed. The board held an orientation session with the new directors prior to their first board meeting. Two directors received training on Transfer Pricing during the year.

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTION

The Board recognizes that every Director is under a statutory obligation in exercising his/her powers and discharging his/her duties to act honestly and in good faith with a view to the best interest of the Group. There can be no doubt that private, personal interests may cloud a Director's ability to make sound, objective decisions in the best interests of the Group.

Directors must therefore avoid conflicts of interest and even the appearance of such conflicts. The Group's Conflict of Interest Policy was developed to provide

a transparent framework to guide individual Directors. Each year directors are required to sign a Conflict of Interest Statement. A copy of the Group's Conflict of Interest policy is available on our website at www.kpreit.com.

DIVIDEND POLICY

Given the Group's Mission and Vision to operate using accepted best practices of real estate investment trusts globally, while taking into account other imperatives, the board engaged in a robust discussion on the Group's dividend policy. While the board continues to lobby the authorities to advance the legislative agenda to include REIT legislation, the Group made the decision to increase the level and frequency of payout of dividends to shareholders. During 2016 approximately 38% of profits was paid out to shareholders as dividends. The board will review the level of payout of dividends on an annual basis with the intention of increasing the level of payout in a bid to move closer to the standard for REITs globally.

COMMUNICATIONS WITH SHAREHOLDERS

The Group maintains a focused policy of communicating with our key stakeholders such as, shareholders, the Stock Exchange, our financiers and prospective investors. It is important to maintain channels of communication on a regular basis to ensure that they are well informed about the activities and performance of the Group.

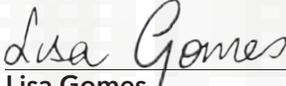
The main communication channels are via **(i)** the Group's website, **(ii)** our annual reports and quarterly financial reports, **(iii)** the various disclosures and announcements to the Jamaica Stock Exchange that are also sent electronically via e-mail to shareholders and the media. During the year there were nine (9) newspaper articles on KPREIT and extensive coverage of our AGM in the electronic media in May 2016. We remain very responsive to shareholders' questions and comments and these are easily facilitated via e-mail, telephone and social media. During 2016, Kingston Properties continued to provide real estate news to our shareholders and the general

public. We brought current market conditions and trends from real estate markets around the world. Our flagship product is our weekly newsletter launched in October 2010 with its insightful articles from expert publications and video clips from various news media. These activities support our tagline "... gateway to global real estate investing."

CORPORATE SOCIAL RESPONSIBILITY

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

In addition, as part of its responsibility to the financial market place, the Group's business transactions, deals and relationships with all our customers, suppliers and partners are executed with the highest concern for transparency and ethical conduct, guided by accepted corporate governance standards. Our mandate is to ensure that our employees operate with decency, honesty and respect towards every individual who they interact with regardless of class, race, gender, and socio economic background. We monitor and ensure that our business activities comply with the spirit of the law, ethical standards and international norms. We are firm believers in education and development and continue to foster programmes that are geared towards educating our young people to ensure career and professional growth. We also contribute to the growth and development of our local communities through volunteerism, making donations to charitable agencies and engaging with other stakeholders. Additionally, it is important that we protect the environment in which we operate therefore, we partner with agencies which seek to ensure that the environment is clean and conducive to good health and overall well being through sustainable practices.


 Lisa Gomes,
 Chair, Corporate Governance
 & Nominations Committee



MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

Kingston Properties Limited is a real estate investment company that has been in operation since 2008.

It began with the acquisition of a number of condominium units in the Carlton Savannah property in Port of Spain Trinidad and Tobago. KPREIT exited that investment in 2010 and entered the South Florida market with the acquisition of 19 condominium units at the Loft II in downtown Miami. This began our foray into the US market, from which we have derived significant value. KPL is the parent of an international business company (IBC) called Carlton Savannah REIT (St. Lucia) Limited which is the parent company of Kingston Properties Miami LLC, the subsidiary company that owns and manages all of our US assets.

Over the years, the portfolio of assets held in the Group has varied in concentration from one market to another, moving to a split of 70% in the US market in 2016 up from 64% the year before. This increase resulted from KP Miami's acquisition of three (3) units at the Opera Tower condominiums in downtown Miami, in April 2016 following the sale of the 19-unit apartment building we owned in Little Havana in December 2015. The sale of the apartment building and subsequent acquisition of the units at Opera were done partly under the 1031 Exchange programme in the US that allows for the deferral of capital gains taxes on the disposed property by satisfying specific requirements.

Following our successful rights issue in July 2015, the proceeds derived were used to acquire five (5) units at the **Midblock Condominiums** in Midtown, Miami as well as four (4) units at the W Hotel condominiums in Fort Lauderdale. The full year performance of these acquisitions are now reflected in the financial results of the Group in 2016 and have all contributed to the shift to holding more US assets as at the end of December 2016.

In Jamaica, our portfolio consists of commercial real estate situated on Red Hills Road in Kingston, where our main office is located, as well as a 20-acre lot that was being held for residential development in Westmoreland.

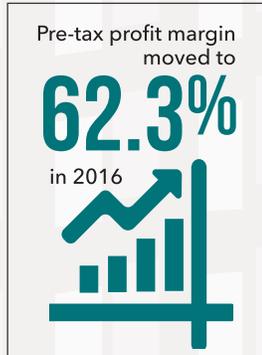
FINANCIAL HIGHLIGHTS

We are pleased to report that the Group achieved Net Profits of \$129.9M and Total Comprehensive Income of \$190.9M, for the financial year ended December 31, 2016, surpassing the results of the previous financial year ended December 31, 2015 by 23% and 41%, respectively.

	2015	2016	% CHANGE
GROUP RENTAL INCOME	\$108.3M	\$130.5M	↑20%
OPERATING INCOME	\$7.5M	\$32.2M	↑331%
PRE-TAX PROFIT	\$127.3M	\$164.2M	↑29%
NET PROFIT	\$105.4M	\$129.9M	↑23%
TOTAL COMPREHENSIVE INCOME	\$135.6M	\$190.9M	↑41%
TOTAL EQUITY	\$1,585.0M	\$1,726.2M	↑9%
INVESTMENT PROPERTIES	\$1,552.2M	\$1,930.9M	↑24%
OPERATING PROFIT MARGIN %	51.8	62.8	↑11%PTS
RETURN ON CAPITAL EMPLOYED	0.08	0.08	-
DIVIDENDS PAID (USD)	\$200,000	\$400,000	↑100%
DIVIDEND YIELD %	2.1	3.2	↑ 50%
CLOSING STOCK PRICE	\$7.05	\$10.00	↑ 42%

OUR KEY PERFORMANCE RATIOS

The Group achieved some measure of success in increasing operational efficiency in 2016. **Pre-tax profit margin** moved from 45.9% in 2015 to 62.3% in 2016, as each dollar of operating expense and finance cost contributed more revenue in 2016 versus 2015. This is evident with the decline in the ratio of operating expenses as a percentage of rental revenue year over year, moving from 93.1% in 2015 to 75.3% in 2016. Higher operating expenses were primarily for HOA fees, professional fees, property taxes, broker fees and commissions.



Return on average equity for 2016 improved marginally to 11.5%, up from 11.1%. Debt represented just 16% of total equity at the end of 2016, significantly less than prior years when the average was 47%.

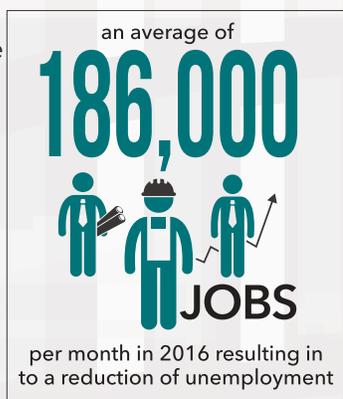
DIVIDENDS

In keeping with our mission to provide shareholder value we paid out dividends representing 38.5% of profits or US\$400,000 to shareholders in 2016. This compares to 22.3% or US\$200,000 in 2015. Dividend yield moved from 2.12% in 2015 to 3.19% in 2016.

MARKET OVERVIEW

US ECONOMY

The US economy continued to see improvements in 2016 with increases in both Gross Domestic Product and employment numbers. GDP grew by an annual rate of 2.0% in 2016 compared with 1.7% the previous year. The US economy continued to show expansion in the areas of Construction, Transport and Utilities as well as Services. Non-farm payrolls also saw expansion, with the economy adding an average of 186,000 jobs per month resulting in the reduction of the unemployment rate to 4.7% in 2016. The continued expansion in the US economy has prompted the US Federal Reserve to incrementally adjust benchmark Fed Funds rate, signalling to the market the need for some measure of cooling as inflation rose to a two-year high of 2.1% for the year.



SOUTH FLORIDA REAL ESTATE MARKET

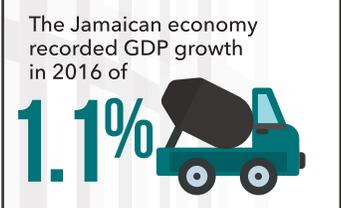
The construction boom continued in South Florida in 2016 but saw the reduction in the number of new buildings developed as some developers opted to delay projects until the build up of inventory eases. Despite that, median sale price for Condos in the Miami-Dade area increased by 6.3% according to the Miami Realtors Association, moving from USD200,000 per unit to USD212,500. Notwithstanding this increase, the number of closed sales declined by 14.4% and inventory increased by 16.3% when compared with 2015. Average sales price decreased marginally by 1.8% to USD359,100.

Broward County fared much better with median sales price for a condo increasing by 7.7% to \$140,000 and average sales price inched up by 1.8% to USD188,136. Closed sales and inventory both declined by 1.0% when compared with 2015. The dynamics between the two markets vary as Broward tends to attract a more price sensitive buyer and usually fewer international buyers than Miami.

The unemployment rate in the Miami-Dade area fell from 5.6% in 2015 to 5.4% in 2016. This compares with a high of 12.7% during 2009. An improving economy augurs well for continued housing demand, however the expansion in inventory from the construction boom of the previous years is likely to moderate rent increases and price appreciation in the coming years.

JAMAICAN ECONOMY

The Jamaican economy recorded GDP growth in 2016 of 1.1%. This was largely driven by increased output in the agriculture, mining and construction sectors. Inflation recorded the lowest rate in 40 years at 1.7% even with a 6.7% depreciation in the value of the JMD vis-a-vis the USD. The unemployment rate continued its downward trajectory to 12.9% in October 2016 according to data provided by STATIN compared with 13.5% in October 2015. Interest rates remained low and benchmark interest rates marked six consecutive years in single digit territory. The Government continued its engagement with the International Monetary Fund (IMF) and have successfully concluded the Extended Fund Facility and have negotiated new terms of engagement with the multilateral lending agency. Further, business and consumer confidence indices hit record highs in 2016 according to the Jamaica Conference Board survey. These all point to continued stability in the Jamaican economy and the establishment of a platform for increased growth.





JAMAICAN REAL ESTATE MARKET

Jamaica's real estate market saw a slight uptick in 2016. The Real Estate Renting & Business Activities sector registered year over year growth rate of 0.3%. The Construction sector, which includes both residential and non-residential projects, continues to register positive year-over-year growth with a 0.6% growth.

KPREIT PORTFOLIOS

US PORTFOLIO

Kingston Properties Miami LLC owns a total of twenty (27) condo units in between the Miami-Dade and Broward counties in South East Florida. The condo market has seen an explosion in values and inventory since the downturn in the market

following the US financial crisis of 2008. Condos in Miami-Dade sold at 93.9% of list price in 2016 according to the Miami Realtors Association and took 71 days to go to contract, down from 76 days in 2015.

In Broward County we own four (4) condo-tel units. Condo-tels have a different characteristic from regular condos, despite this, the market saw 93.8% of list price achieved in sales and 60 days to get to contract.



owns a total of

27 CONDO UNITS



MIAMI LOFT II BUILDING

The fifteen (15) units at the **Loft II** continue to attract stable tenancy with average occupancy for the year of approximately 91%. Turnover is low in the building given the building's premium downtown location, access to public transportation and is in walking distance of key attractions such as the American Airlines Centre, Bayside Marketplace and Bayfront Park. The 36-floor building was built in 2007 by The Related Group and comes with a heated swimming pool, a fitness centre valet service and 24-hr concierge. Due to the location of the building and the amenities offered, we are able to make market adjustments to rents on lease end dates with no impact on occupancy. On the cost side, homeowners' association fees remained flat in 2016, while property taxes increased by 4% in 2016 over 2015, consistent with the improvement in property values over that period.





MIDBLOCK CONDOMINIUMS

Midblock is an 11-floor boutique mid-rise building offering live-work lofts and townhome villas. It is located in Midtown, Miami which is an area that adjoins Wynwood and the Design Districts. The property was built in 2007 and is located in walking distance of restaurants, parks and boutiques and attracts owners and tenants who are mid to senior level professionals as well as business owners. Kingston Properties Miami, LLC acquired five (5) units in the building in September 2015 and maintained strong occupancy throughout 2016 of approximately 96%. On the expenses side, although property taxes increased on average by 8%, HOA dues were flat for the year.



W FORT LAUDERDALE

The property was built in 2009 and comprises two buildings, a 517-room hotel and 171-unit hotel condo. Kingston Properties Miami LLC acquired four (4) units in the October 2015. The **W Fort Lauderdale** is a part of the Starwood Hotel Group and offers luxurious amenities to residents and guests. Our entrance into this segment of the market allows the Company to participate in a higher end product to diversify away from its other holdings in Florida. As a Condo-tel, we are able to benefit from both short-term and longer stay tenants and a more attractive rental rate than what obtains in our other properties. The property is located in Las Olas and is a stone's throw from the beach attracting a pool of holiday makers year round because of the warm Florida climate.

For a total of six months in 2016, the property underwent a USD55M renovation to both hotel rooms and residences as well as guest services areas. While this had an impact on our revenue from the property in 2016, the improvements to our units and the property in general is expected to increase the value of our investment. The improved values are evident with a 40% increase in year over year property taxes. As part of our acquisition, KP Miami negotiated a waiver of HOA fees for a period of two years.

In July 2016, management recommended and the board approved the inclusion of two of our four units in the Hotel's management programme. This allows us to benefit from the Starwood Group's worldwide marketing network and the ability to attract premium rates through Starwood channels





OPERA TOWER

This is a 55-floor highrise building that was constructed in 2007 and located in the Media and Entertainment district in Miami. The property is in close vicinity to the American Airlines Centre and the Miami Arts Museum as well as the Margaret Pace Park. Three units were acquired in this building in April 2016 with a three year guaranteed lease and a waiver of HOAs over the life of the leases. Property taxes during the year increased by 4% year over year, in line with downtown Miami increases.



RED HILLS ROAD OFFICE/WAREHOUSE COMPLEX

The Office and Warehouse complex on Red Hills Road in Jamaica continues to be the flagship property in our portfolio in terms of yield and share of rental income. We have longstanding tenants who form a diverse base of businesses and sizes. Occupancy was solid at 98% for the year with the signing of a new lease in February 2016. We received an early termination notice from one of our tenants in June 2016 as they were terminating operations in Jamaica; they vacated at the end of December 2016. The building's proximity to Half Way Tree Road in Kingston remains one of the main drivers for the strong occupancy of the office and warehouse space.



WATERWORKS, WESTMORELAND

During the year the Joint Venture agreement with Cemex, S.A. was terminated and the board agreed to offer the property up for sale. We have received an offer for the property and expect to close in the second quarter of 2017.

GROUP RESULTS FROM OPERATIONS

RENTAL INCOME BY PROPERTY

	2015	2016
Red Hills Road Commercial Complex, Kingston, Jamaica	46,954,077	53,088,997
The Loft II Condominiums, Downtown Miami, Florida, USA	34,696,401	36,480,460
Apartment Building, 555 SW 4 th Ave, Miami, Florida, USA	20,404,707	-
Midblock, Condominiums, MidTown Miami, Florida, USA	4,795,562	16,258,248
The W Fort Lauderdale Hotel Condominiums, Florida, USA	1,518,121	16,977,493
Opera Tower Condominiums	-	7,652,180
TOTAL	108,368,868	130,457,378

Rental Income for the year amounted to \$130.5M when compared with \$108.3M in 2015. This represents an increase of 20%. The increase resulted from rents for the full year on the properties acquired in the fourth quarter of 2015 as well as from **Opera Tower**, which was acquired in April 2016. Additionally, several leases were renewed at higher rates, in both Jamaica and the US. Given that our leases are based in United States dollars, the 6.7% depreciation of the Jamaican dollar vis-a-vis the US dollar also contributed to the increase. Rental income at the W Fort Lauderdale was stymied due to a six-month long renovation that ended in December 2016. **Rental income** for the Group has had a compounded annual growth rate of 10.8% for the last 5 years.

GROUP RENTAL INCOME

	2014	2015	2016
RENTAL INCOME	108,048,742	108,368,868 0.3%	130,457,378 20.4%
OPERATING EXPENSES	(56,822,625)	(100,902,850) 77.6%	(98,264,169) -2.6%
RESULTS OF OPERATING ACTIVITES BEFORE OTHER INCOME GAINS	51,226,117	7,466,018 -85.4%	32,193,209 331.2%

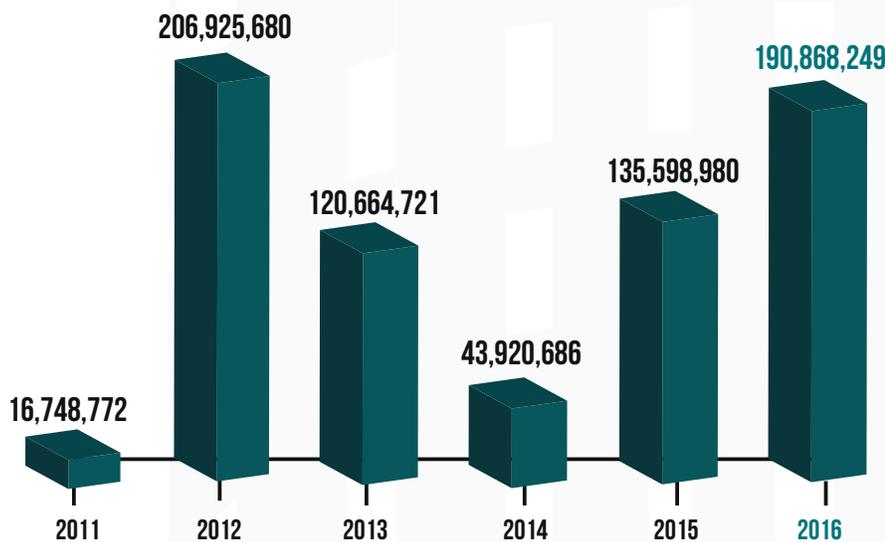


Operating expenses of the Group in 2016 when compared with 2015 declined by nearly 3%. Expenses in 2015 included extraordinary events such as repairs and maintenance related to a property that was sold at the end of 2015. Direct Property Expenses declined YOY by 2.4% while Administrative expenses declined YOY by 2.9%. Direct property expenses include insurance, property taxes, homeowners' association dues, broker fees, repairs and maintenance. Direct expenses as a percentage of total operating expenses was 53.8% for 2016 (53.6%: 2015).

Results of operating activities before other income or gains for 2016 quadrupled to \$32.2M from \$7.5M in 2015. Fair value gain on investment property amounted to \$165.7M in 2015 vs \$119.9M in 2016 reflecting the revaluation gains on two of our Miami properties. In addition, the Group received a sum of \$12.1M representing a termination fee paid by one of our tenants who exited their lease prematurely.

Pre-tax profit moved from \$127.3M in 2015 to \$164.2M in 2016, an increase of 29% year over year. This is after taking into consideration net finance income of \$53,788 and an impairment loss of \$1.4M, representing the reclassification of land held for development to held for sale.

TOTAL COMPREHENSIVE INCOME (\$)

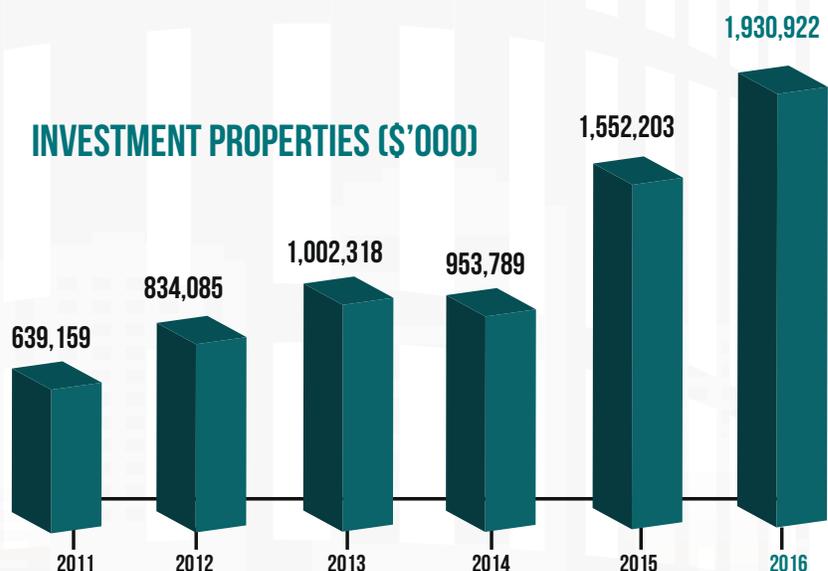


Net profit for the review period increased by 23% over the previous year moving from \$105.4M in 2015 to \$129.9M in 2016. Higher income tax charge in 2016 vis-a-vis 2015 was due to higher deferred tax charges on the capital gains on the two Miami properties that were revalued during the year. There was a 41% increase in year over year **total comprehensive income** from \$135.6M in 2015 to \$190.9M in 2016. **Earnings per share** for 2016 stood at \$0.81 (2015: \$0.99).

GROUP BALANCE SHEET

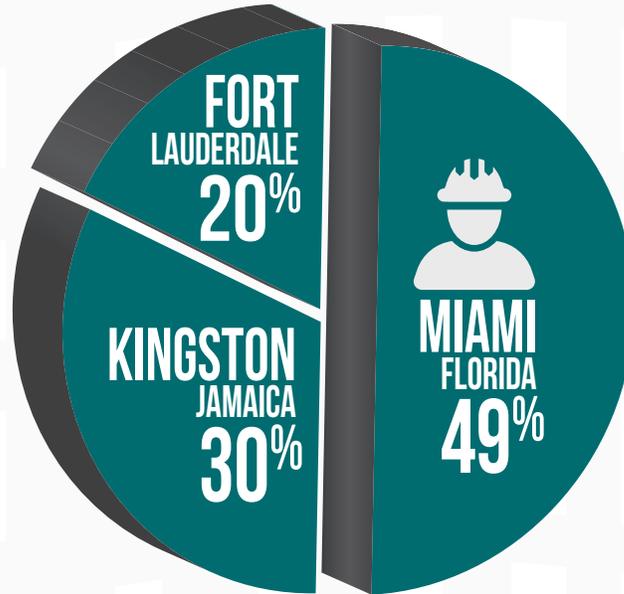
Investment Properties totalled \$1,930.9 million as at December 31, 2016 versus \$1,552.2 million as at the end of 2015, an increase of 24%. The increase reflects the addition of three condominium units at **Opera Tower** to the portfolio during the year along with the revaluation gains on the **Loft II** and **Midblock Condominiums**.

INVESTMENT PROPERTIES (\$'000)



The **investment property** portfolio was approximately 70:30 split between the US and Jamaica as well as residential versus commercial properties as at December 31, 2016. The geographic dispersion of the portfolio was as follows:

INVESTMENT PROPERTIES

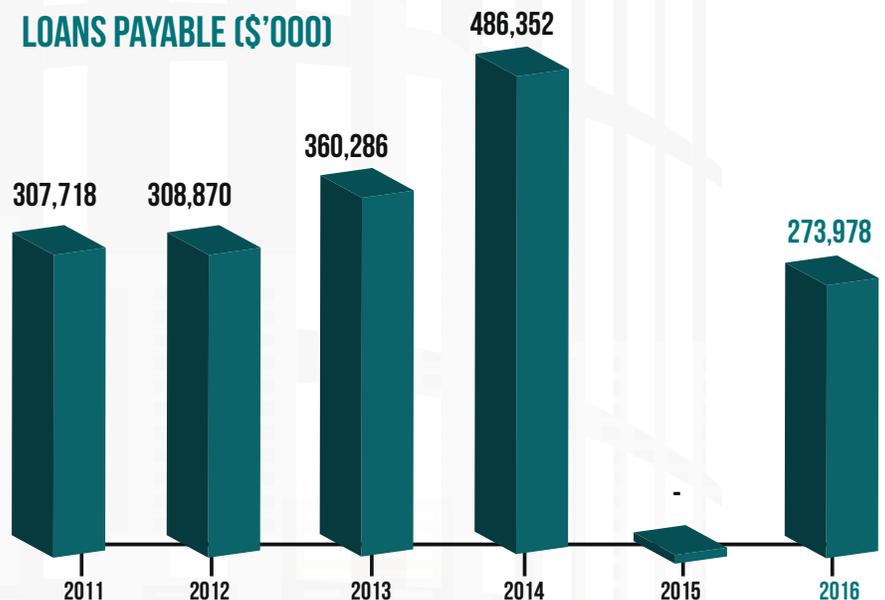


Investment properties held by the Group were as follows:

	2015	2016
Red Hills Road Commercial Complex	549,600,180	549,600,180
15 units at The Loft II Condominiums, Downtown Miami	369,274,724	503,420,889
3 units at Opera Tower, Downtown Miami	-	190,846,107
5 units at the Midblock, Condominiums, MidTown Miami	268,481,808	298,304,605
4 units at The W Fort Lauderdale Hotel Condominiums	364,846,419	388,750,432

Cash & cash equivalents totalled \$24.1 million in 2016 compared with \$132.9 million at the same point in 2015. The cash figure in 2015 represented part proceeds from the sale of the 19-unit apartment building we owned in Little Havana, Miami. These funds were used as part of the acquisition of the three units at **Opera Tower**. Other assets included deposits on investment property totalling \$151.9M. The acquisition of these properties was completed in January 2017. **Total assets** stood at \$2,157.6 million as at December 31, 2016 compared to \$1,729.6 million the previous year, an increase of 25%.

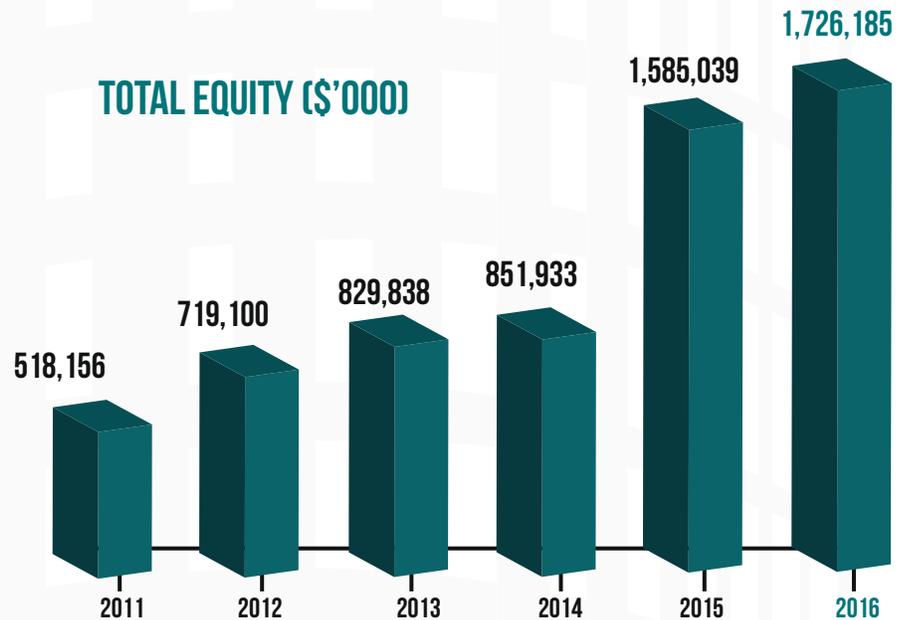
LOANS PAYABLE (\$'000)



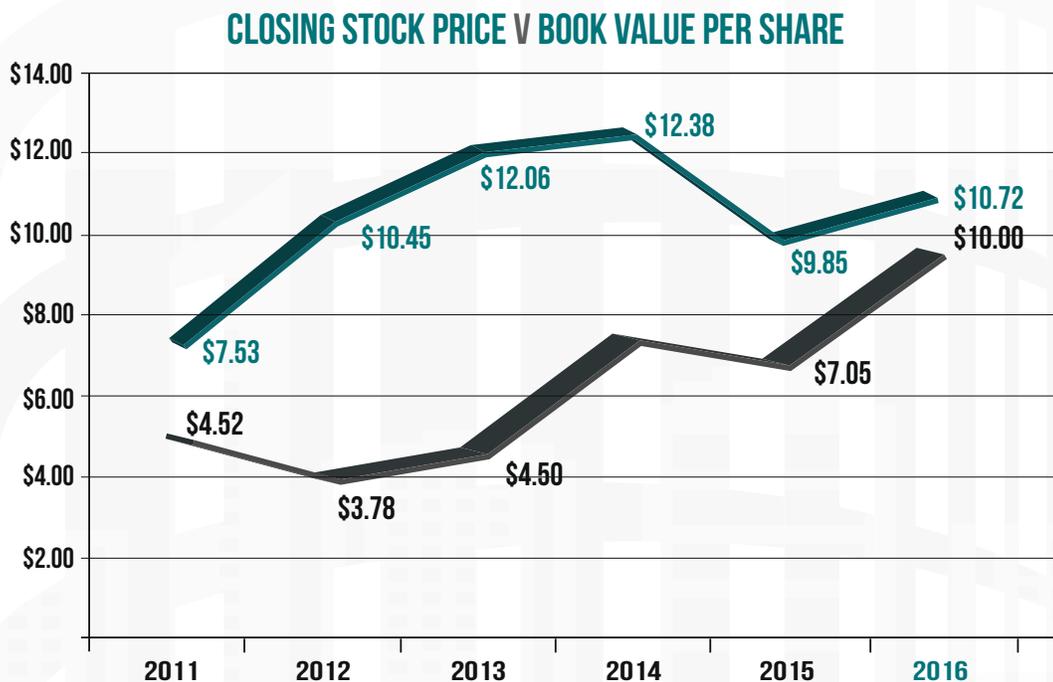


Total loans payable were \$274.0 million at December 31, 2016 and are primarily mortgage loans collateralized by properties. The loans were used to acquire some of the units at **Opera Tower** as well as to finance deposits on the two properties that were eventually acquired by the Group in Jamaica and the Cayman Islands in January 2017. The Group had liquidated its loan portfolio as at the end of the financial year in 2015.

Shareholders' Equity increased to \$1,726.2M as at December 31, 2016 compared with \$1,585.0M at December 31, 2015. The increase was primarily a result of (i) a 27% rise in cumulative translation reserves to \$286.2M; and (ii) a 24% rise in retained earnings to \$416.5M.



Book value per share stood at \$10.72 as at December 31, 2016 versus \$9.85 as at December 31, 2015. The Group's stock price has consistently lagged behind its book value per share as shown below.



RISK MANAGEMENT

Like most real estate investment operations, the Group is subject to a number of risks. There are some risks that we believe are material to our shareholders; however, there may be other risks not considered by the directors to be material but may have an impact on the Group or the stock's performance.

Risks associated with the specific property as well as sector and geographic risks have an impact on the performance of the Group and the Group's shares. Diversification by property type and geography is the appropriate approach that Kingston Properties uses to manage real estate risk. Our real estate investments are in different geographic locations, include different types of properties (i.e. office buildings, warehouses, residential) and comprise a diversified mix of tenants. Additionally, we focus on ensuring proper due diligence when making acquisitions, focusing on the local market, characteristics of the properties, strength of the underlying tenant base and the capital structure of the transaction.

ECONOMIC RISKS

Adverse economic conditions and dislocations in the credit markets could have a material effect on our results of operations, financial condition and ability to pay distributions to our shareholders. Our business may be affected by market and economic challenges experienced by the economy or real estate industry, including the impact of high unemployment and by international economic

conditions. These conditions, or similar conditions existing in the future, may adversely affect our results of operations, these include, but are not limited to:

- the financial condition of our tenants, may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or for other reasons;
- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities, reducing our returns from our acquisition and development activities and increase our future interest expense;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans.

ASSET AND INDUSTRY RISKS

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

- downturns in the economic conditions of the markets in which we own properties, such as declines in GDP and employment levels;



- changes in interest rates and availability of financing;
 - competition from other office, retail and residential buildings;
 - real estate market conditions, such as oversupply or reduction in demand for office, retail or residential space in the markets in which we operate or intend to operate;
 - vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
 - changes in space utilization by our tenants due to technology, economic conditions and business culture;
 - increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;
 - significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
 - civil disturbances, earthquakes and other natural disasters or terrorist acts or acts of war which may result in uninsured or underinsured losses or decrease the desirability to our tenants in impacted locations;
 - declines in the financial condition of our tenants and our ability to collect rents from our tenants; and,
 - decreases in the underlying value of our real estate.
- making a non-refundable deposit and incurring certain other acquisition-related costs;
 - we may be unable to obtain or assume financing for acquisitions on favourable terms, or at all;
 - acquired properties may fail to perform as expected;
 - the actual costs of repositioning, redeveloping or maintaining acquired properties may be greater than estimated;
 - the acquisition agreement will likely contain conditions to closing, including completion of due diligence investigations to our satisfaction or other conditions that are not within our control, which may not be satisfied;
 - acquired properties may be located in new markets, either within or outside the Jamaica, where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures;
 - we may acquire real estate through the acquisition of the ownership entity subjecting us to the risks of that entity; and
 - we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and this could have an adverse effect on our results of operations and financial condition.
 - we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flow. Unknown liabilities with respect to acquired properties might include:
 - liabilities for clean-up of undisclosed environmental contamination;
 - claims by tenants, vendors or other persons against the former owners of the properties;
 - liabilities incurred in the ordinary course of business; and,

ACQUISITION RISKS

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

- even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition after

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

RE-LETTING AND TENANT RISK

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

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

RESALE RISK

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

CONTINGENT OR COUNTERPARTY RISKS

The action or actions of property owners or tenants of adjoining properties, who through their actions may have an impact on the viability of our assets and limit our ability to earn and ultimately make distributions to shareholders. These actions could lead to a decline in the value of the real estate limiting our ability for re-sale or result in reduced market prices.

DEBT AND RE-FINANCING RISK

There are some typical risks associated with debt financing, such as mortgaging a property to secure payment of indebtedness and not being able to meet the debt service obligations. A lender may take enforcement steps which could adversely affect our cash flow and, consequently, the amount available for dividends to shareholders.

LEVERAGE RISK

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

INSURANCE RISK

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

MARKET RISK

Changes in market conditions could adversely affect the market price of our stock units. As with other publicly traded equity securities, the value of the Group's ordinary shares depends on various market conditions that may change from time to time. Among the market conditions that may affect the value of our ordinary shares are the following:

- the extent of investor interest in our ordinary shares;



- the general reputation of “REIT” like entities and the attractiveness of our ordinary shares in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- national economic conditions;
- changes in tax laws and government policies;
- our financial performance;
- Given the low level of liquidity of the local stock market in part due to the low level stock ownership penetration, trading in shares may occur less frequently than desired. Additionally, given that the principal owners of shares tend to be institutional investors, the level of trading activity may be diminished.
- general stock and bond market conditions.

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



CORPORATE SOCIAL RESPONSIBILITY

The Group continued its give back to the community. Our primary focus remains on education and the youth and supported a number of initiatives throughout the year.



1

Sponsorship of Half Way Tree CDC Benevolent Society's Summer Programme in August 2016.

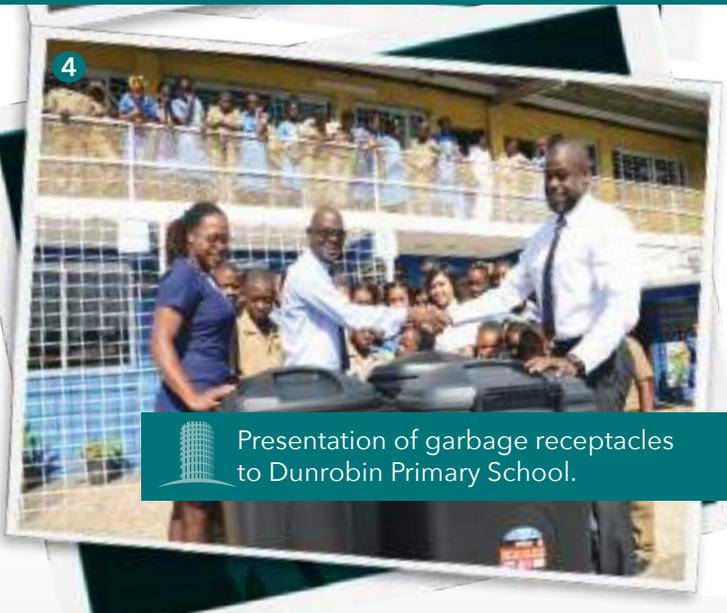


2

Teaching students enrolled in the Summer Programme.



3



4

Presentation of garbage receptacles to Dunrobin Primary School.



Presentation of certificates to students graduating from the Summer Programme.



Lockeisha Wright and Xavier Wint were students from Orange Hill Primary School, St James who were awarded bursaries as the top performing female and male in the 2016 GSAT Examinations.



Lockeisha Wright shows off her medals for being placed 1st in 400m and 4*100 m relays as well as 2nd place in sack race at Herbert Morrison Technical High School.



Kingston Properties Limited CEO, Kevin Richards, addressed the 50th Anniversary of the Realtors Association of Jamaica's Symposium 2016. The symposium had in attendance real estate practitioners, persons from the legal fraternity and Government, amongst others. Mr Richards spoke on the state of the local real estate investment climate.

SUBSEQUENT EVENTS

During 2016, the Group commenced negotiations to acquire two properties. The acquisitions were completed in January 2017 and were financed primarily using debt.

The first was a fully tenanted, mixed-use building located in the West Bay Beach South area in the Cayman Islands. The building comprises offices, retail outlets and residences along the famous Seven Mile Beach corridor, an area that has seen significant infrastructure improvements, as well as new luxury resort and condo developments over the last three years.

This acquisition represents KPREIT's first foray into the Cayman Islands, which is a country with a per capita GDP of USD58,856 and one of the leading financial centres of the world, offering a tax free environment with no property, income, corporation or capital gains taxes. GDP growth for the first half of 2016 was 3% on an annualized basis while unemployment stood at 3.9%.

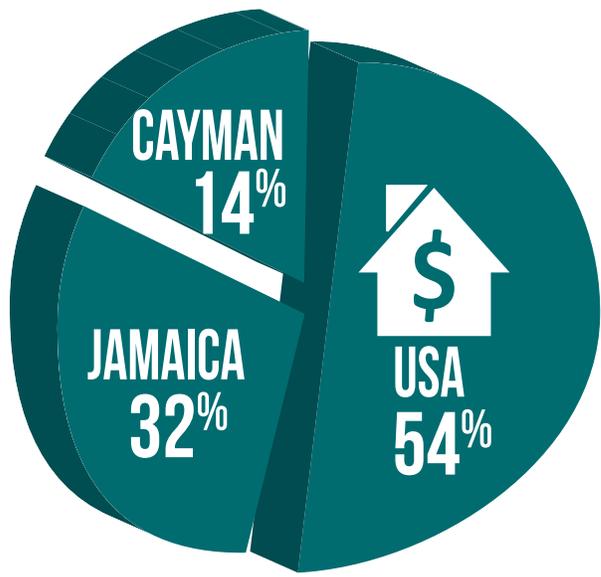
The fundamentals in Cayman are expected to continue to improve based on the growth in the Special Economic Zone near the South Sound; the planned expansion of the Owen Roberts International Airport; construction of a new cruise ship pier in Georgetown; expansion of the highway in the general West Bay Road area, along with continued resort and condo developments along the Seven Mile Beach corridor.

The other acquisition was of a property located on Spanish Town Road in Kingston, Jamaica. The property is a warehouse and office complex that is leased to operators of manufacturing, distribution and logistics businesses. This represents the third Jamaican property currently held in the portfolio. The property is located along a corridor slated for

continued infrastructure development which we believe will greatly improve the property's value in the medium term.

These acquisitions have shifted the portfolio mix as follow:

CURRENT PORTFOLIO MIX



These acquisitions are part of our strategy to continue to broaden our geographic reach as well as diversify the mix of property types in our portfolio. In addition, this continues KPREIT's philosophy of multi-tenant rental properties as a means to mitigate vacancy risk, as well as hard currency rentals as a hedge against devaluation.





SUMMARY & A LOOK FORWARD

The Group remains focused on a strategy of acquiring properties with long term value based on the underlying trends in the market, the quality of the tenants and the ability to grow rental revenues.

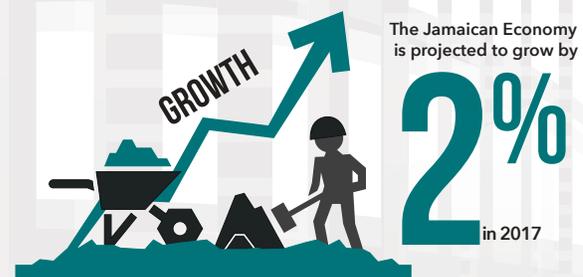
In order to achieve this, the Group makes use of various funding sources and chooses the most efficient source for completing acquisitions. Prudent risk management principles such as security of cash flow while achieving the target rate of return on the investment continue to be adhered to. Despite the shift to a more focused US portfolio since 2015, we continue to monitor the geographic mix as part of our risk management strategy and have adjusted so far since the start of 2017. The US is expected to face strong economic headwinds in 2017 triggered by a more aggressive approach to raising the Fed Funds rate by the US Federal Reserve Board ultimately cooling the economy. The new administration in the US has promised increase spending on infrastructure which could spur further job growth and continue to stimulate the real estate market. In addition, the new administration campaigned on a promise of tax reform and a plan to reduce taxes.

The market in South Florida, should see another year of flat growth as inventory builds up from new projects that come to market. Thankfully, good sense has prevailed on some developers to delay projects for another two to three years even though the demand for housing remains fairly strong. Further, greater reliance on the international buyer pool will help to keep the market buoyant in the coming years. There have been amendments that have taken place with respect to lending rules,

whereby more financial institutions have become more amenable to lending to first time homebuyers living in condominiums. There are however, stricter requirements on loan ceilings and deposits required to ensure that homeowners have more equity vested in these properties. This is in stark contrast to what was obtained in former years resulting in the crash in the market nearly 10 years ago. We anticipate that our units at the W Fort Lauderdale will outperform the other South Florida properties primarily because it engages in more in the short-term rental market and being marketed through the global Starwood Hotels network.

The Jamaican economy is projected to grow by 2% in 2017 and increase to rates of 2.3% to 2.5% thereafter according to the World Bank. The administration is also focused on infrastructure and housing as key catalysts in its growth agenda and we believe that augurs well for the Group's prospects in Jamaica. We have developed a level of expertise and comfort in the office and warehouse space and will continue to seek out opportunities in this sub-class.

We hope to continue our diversification in the Caribbean region and will seek out opportunities in those markets that provide economic stability and have good growth prospects.





THE TEAM & PROFILES



TATESHA ROBINSON
PROPERTY & ADMINISTRATION MANAGER

Tatesha is in charge of both the local and international property portfolios at Kingston Properties and supervises a team of contracted service providers to the organization. As head of the property and administration team, she is responsible for ensuring timely rent collection and a high level of tenant relations such as lease renewals for existing tenants, interacting with the management companies and leasing agents, screening new applicants and liaising with our accounting firm to ensure that information is consistent and up-to-date.

In addition, she also provides the Group with research support regarding the real estate sector locally and internationally and produces the Group's flagship weekly newsletter, gleaming articles about real estate markets.



KEVIN G. RICHARDS
CHIEF EXECUTIVE OFFICER

Kevin joined the Kingston Properties team in November 2015 as Chief Executive Officer. Kevin is charged with developing and driving the strategic objectives of the Group and maximizing shareholder value. He provides oversight to the entire team and is in charge of the Group's acquisition and financing strategy. He brings to the team over 20 years experience in the financial services industry including being a former Senior Director - Investments of the National Insurance Fund (NIF) in Jamaica managing a diverse portfolio of assets valued at over USD600m.

Kevin holds a B.A. in Spanish and Economics from the University of the West Indies, Mona; an M.A. in Economics from Dalhousie University, Nova Scotia, Canada; a certificate from the Canadian Securities Institute and successfully completed the Real Estate Salesman Course from the University of Technology in Jamaica. He is currently a member of the Real Estate Board of Jamaica and the Commission of Strata Corporations and chairs the audit committee of both institutions.

OUR PARTNERS



DISCLOSURE OF SHAREHOLDINGS

As of December 31, 2016, the top 10 shareholders were as follows:

TOP 10 SHAREHOLDERS AS AT DECEMBER 31, 2016

TOP 10 SHAREHOLDERS AS AT DECEMBER 31, 2016		
P.A.M. LTD - JPS EMPLOYEES SUPERANN.FUND	24,585,000	15.27%
NCB CAPITAL MARKETS LTD. A/C 2231	16,317,840	10.14%
GUARDIAN LIFE SHELTER PLUS FUND	13,840,000	8.60%
NATIONAL INSURANCE FUND	13,571,428	8.43%
GUARDIAN LIFE LIMITED-GUARDIAN EQUITY FUND	12,513,000	7.77%
PRIME ASSET MANAGEMENT LTD. - JPS	12,182,700	7.57%
GUARDIAN LIFE POOLED PENSION FUND	9,250,000	5.75%
GUARDIAN LIFE LIMITED/ BLUE CHIP	6,874,700	4.27%
NCB INSURANCE CO. LTD A/C WT109	4,200,000	2.61%
PLATOON LIMITED	4,164,407	2.59%
	117,499,075	72.98%

DIRECTORS AND MANAGEMENT OWNERSHIP OF SHARES

PROFILE OF SHAREHOLDERS		
INSTITUTIONALLY MANAGED FUNDS	146,627,900	91.08%
INDIVIDUAL INVESTORS	7,250,864	4.50%
DIRECTORS AND STAFF	5,688,570	3.53%
PRIVATE COMPANIES	1,429,000	0.89%

DIRECTORS	SHAREHOLDINGS	CONNECTED SHAREHOLDINGS
Garfield Sinclair	Nil	
Nicole Foga	4,164,407	Platoon Limited
Peter J Reid	122,865	Nil
Lisa Gomes	1,100,000	Margaret Sylvester-Reid
Meghon Miller-Brown	229,730	Nil
Michael Parker	Nil	51,570,900
	46,695	51,570,900
SENIOR MANAGERS	SHAREHOLDINGS	CONNECTED SHAREHOLDINGS
Kevin G. Richards	10,500	
Tatesha Robinson	14,373	



CORPORATE DATA

BOARD OF DIRECTORS

- Garfield Sinclair (Chairman)
- Nicole Foga (Company Secretary)
- Lisa Gomes
- Peter Reid
- Meghon Miller-Brown
- Michael Parker

REGISTERED OFFICE

- 7 Stanton Terrace, Kingston 6

CORPORATE OFFICE

- 36-38 Red Hills Road, Kingston 10
- Tel/Fax: (876) 620-4920
- Website: www.kpreit.com
- Email: info@kpreit.com

REGISTRAR & TRANSFER AGENT

- Jamaica Central Securities Depository

AUDITORS

- KPMG

ATTORNEYS-AT-LAW

- Patterson Mair Hamilton
- Francis Grey Law
- Foga Daley
- Gordon McGrath

BANKERS

- National Commercial Bank Limited
- First Caribbean International Bank (St. Lucia)
- Sagicor Bank Limited
- TerraBank, NA
- Bank of America Incorporated (USA)

BROKERS

- JMMB Limited
- Sterling Asset Management Limited

ACCOUNTANTS

- CrichtonMullings Strategies - Jamaica
- CrichtonMullings & Associates PA - USA

SUBSIDIARY COMPANIES

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

STOCK SYMBOL

- KPREIT

EXCHANGE

- Jamaica Stock Exchange

DIRECTOR'S REPORT

The Directors of **Kingston Properties Limited** are pleased to submit herewith their Annual Report and the Audited Financial Statements for the Year ended **December 31, 2016**.



FINANCIAL RESULTS

Results of Operating Activities	\$32,193,209
Profit before Income Tax	\$164,236,298
Income Tax Charge	\$(34,317,258)
Profit/(losses) for the year	\$129,919,040
Dividends on ordinary shares (US\$)	\$400,000

DIVIDENDS

The Directors recommended dividend payments of US\$0.00124 each paid on March 29, 2016 and on October 7, 2016. No Further dividend was recommended during the year under consideration.

THE BOARD

The Directors of the Board as at December 31, 2016 comprised:

- Mr. Garfield Sinclair** (Chairman)
- Ms. Nicole Foga** (Company Secretary)
- Mrs. Lisa Gomes** (Director)
- Mr. Peter Reid** (Director)
- Mrs. Meghon Miller-Brown** (Director)
- Mr. Michael Parker** (Director)

Pursuant to Article 107 of the Kingston Properties Limited's Articles of Incorporation, the Directors retiring by rotation are Mrs. Lisa Gomes and

Mr Peter Reid, both being eligible for re-election offer themselves for re-election to the Board.

AUDITORS

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

THANK YOU

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

By Order of the Board

Nicole Foga
Company Secretary
April 13, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Kingston Properties Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 8 to 45, which comprise the Group's and Company's statements of financial position as at December 31, 2016, the Group's and Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2016, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

R. Tarun Haide
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers

W. Gihan C. De Milt
Nyssa A. Johnson
Wilbert A. Spence
Rochelle N. Stephenson



Page 2

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters and how they were addressed in our audit

1 Valuation of investment property

The valuation of the Group's investment property requires significant estimation, which is impacted by uncertainty of market factors, pricing assumptions and general business and economic conditions.

Our audit procedures in this area included the following:

- Evaluating the independence and qualification of management's valuation expert to determine that the valuation was done with appropriate independence and free of management bias.
- Using our own valuation specialists to assess the reasonableness of the valuation methodologies employed by the management expert and the fair value conclusions for a sample of properties at the valuation date. We considered the provisions of IFRS 13 *Fair Value Measurement*; reviewed the sources of data and underlying assumptions utilised to value the properties; performed a search for similar transactions and listings; and performed market participant interviews to determine potential value changes that occurred within the period.
- Inspecting a sample of investment property to evaluate their physical condition and consider evidence of damage or impairment that might affect the fair value measurements.

Assessing the adequacy and appropriateness of the Group's investment property disclosures, including the valuation techniques and significant unobservable inputs in accordance with IFRS 13, *Fair Value Measurement*.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements (continued)

Key audit matters and how they were addressed in our audit (continued)

2 Taxation

Recognition of current and deferred tax involves judgement and estimates, given that the Group is subject to special tax rules in respect of its investment property operations, particularly in the United States of America.

Our audit procedures in this area included the following:

- Using our own tax specialists and our knowledge of the application of relevant tax legislation to assess the Group's current and deferred tax position.
- Analysing and challenging the assumptions used to determine tax provisions and temporary differences for the purposes of computing deferred tax.
- Testing the mathematical accuracy of the computations of current and deferred tax provisions.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to The Board of Directors.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements (continued)

Responsibility of Management and the Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6-7, forms part of our auditors' report.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

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

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Nigel Chambers.

A handwritten signature of the KPMG firm, written in a cursive style.

Chartered Accountants
Kingston, Jamaica

February 27, 2017



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Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



KINGSTON PROPERTIES LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income Year ended December 31, 2016

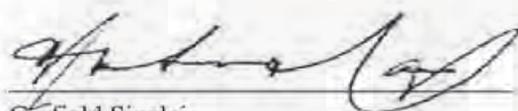
	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Revenue - rental income	4	130,457,378	108,368,868
Operating expenses	7	(98,264,169)	(100,902,850)
Results of operating activities before other income		32,193,209	7,466,018
Other income:			
Fair value gain on investment properties	10(b)(i)	119,941,059	165,674,495
Gain on disposal of investment properties		-	3,212,757
Termination fee	11	12,189,057	-
Miscellaneous income		<u>1,228,912</u>	<u>284,582</u>
Operating profit		165,552,237	176,637,852
Executive settlement	8(b)	-	(32,850,000)
Profit before net finance costs and impairment loss		<u>165,552,237</u>	<u>143,787,852</u>
Finance income	5	7,590,686	12,483,953
Finance costs	5	(7,536,898)	(28,984,611)
Net finance income/(costs)	5	<u>53,788</u>	<u>(16,500,658)</u>
Impairment loss on land held for development	12(b)	(1,369,727)	-
Profit before income tax		164,236,298	127,287,194
Income tax charge	6	(34,317,258)	(21,865,656)
Profit for the year	8(a)	129,919,040	105,421,538
Other comprehensive income that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations, being total other comprehensive income		<u>60,949,209</u>	<u>30,177,442</u>
Total comprehensive income for the year		<u>\$190,868,249</u>	<u>135,598,980</u>
Earnings per stock unit (cents)	9	<u>81¢</u>	<u>99¢</u>

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

KINGSTON PROPERTIES LIMITEDGroup Statement of Financial Position
December 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
NON-CURRENT ASSETS			
Investment property	10(a)	1,930,922,213	1,552,203,131
Land held for development	12(a)	-	19,082,177
Furniture and equipment	13	<u>2,693,620</u>	<u>2,928,225</u>
Total non-current assets		<u>1,933,615,833</u>	<u>1,574,213,533</u>
CURRENT ASSETS			
Deposits on investment property	15	151,916,549	-
Land held for sale	12(b)	17,712,450	-
Receivables	17	30,147,868	22,335,537
Income tax recoverable		136,947	107,558
Cash and cash equivalents	18	<u>24,078,908</u>	<u>132,896,744</u>
Total current assets		<u>223,992,722</u>	<u>155,339,839</u>
Total assets		<u>\$2,157,608,555</u>	<u>1,729,553,372</u>
EQUITY			
Share capital	19	1,028,508,717	1,028,508,717
Treasury shares	20	(5,049,311)	(5,049,311)
Currency translation reserve		286,232,019	225,282,810
Retained earnings		<u>416,493,116</u>	<u>336,296,559</u>
Total equity		<u>1,726,184,541</u>	<u>1,585,038,775</u>
NON-CURRENT LIABILITIES			
Loans payable	21	268,479,831	-
Deferred tax liabilities	22	<u>115,477,805</u>	<u>78,179,077</u>
Total non-current liabilities		<u>383,957,636</u>	<u>78,179,077</u>
CURRENT LIABILITIES			
Loans payable	21	5,498,020	-
Accounts payable and accrued charges	23	38,974,826	66,335,520
Income tax payable		<u>2,993,532</u>	<u>-</u>
Total current liabilities		<u>47,466,378</u>	<u>66,335,520</u>
Total equity and liabilities		<u>\$2,157,608,555</u>	<u>1,729,553,372</u>

The financial statements on pages 8 to 45 were approved for issue by the Board of Directors on February 27, 2017 and signed on its behalf by:


 Garfield Sinclair
 Chairman


 Meghan Miller-Brown
 Director

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



KINGSTON PROPERTIES LIMITED

Group Statement of Changes in Equity Year ended December 31, 2016

	Share capital (note 19)	Treasury shares (note 20)	Cumulative translation reserve	Retained earnings	Total
Balances at December 31, 2014	<u>406,608,605</u>	<u>(3,292,635)</u>	<u>195,105,368</u>	<u>253,511,735</u>	<u>851,933,073</u>
Total comprehensive income:					
Profit for the year	-	-	-	105,421,538	105,421,538
Other comprehensive income:					
Exchange difference on translation of foreign subsidiaries, being total other comprehensive income for the year	-	-	30,177,442	-	30,177,442
Total comprehensive income for the year	-	-	30,177,442	105,421,538	135,598,980
Transactions with owners of the company					
Shares repurchased	-	(1,756,676)	-	-	(1,756,676)
Issuance of share capital	621,900,112	-	-	-	621,900,112
Dividends paid (note 24)	-	-	-	(22,636,714)	(22,636,714)
Total transactions with owners of the company	<u>621,900,112</u>	<u>(1,756,676)</u>	<u>-</u>	<u>(22,636,714)</u>	<u>597,506,722</u>
Balances at December 31, 2015	<u>1,028,508,717</u>	<u>(5,049,311)</u>	<u>225,282,810</u>	<u>336,296,559</u>	<u>1,585,038,775</u>
Total comprehensive income:					
Profit for the year	-	-	-	129,919,040	129,919,040
Other comprehensive income:					
Exchange difference on translation of foreign subsidiaries, being total other comprehensive income for the year	-	-	60,949,209	-	60,949,209
Total comprehensive income for the year	-	-	60,949,209	129,919,040	190,868,249
Dividends paid (note 24), being total transactions with owners	-	-	-	(49,722,483)	(49,722,483)
Balances at December 31, 2016	<u>\$1,028,508,717</u>	<u>(5,049,311)</u>	<u>286,232,019</u>	<u>416,493,116</u>	<u>1,726,184,541</u>

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

KINGSTON PROPERTIES LIMITEDGroup Statement of Cash Flows
Year ended December 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities			
Profit for the year		129,919,040	105,421,538
Adjustments for:			
Income tax charge	6	34,317,258	21,865,656
Depreciation	13	487,075	409,079
Interest income	5	(2,550,537)	(10,352,306)
Impairment loss on land held for development	12(b)	1,369,727	-
Interest expense	5	7,536,898	22,127,339
Fair value gain on investment property	10(b)(i)	(119,941,059)	(165,674,495)
Gain on disposal of investment property		-	(3,095,437)
Gain on disposal of office furniture		-	(3,729)
Unrealised foreign exchange gains on loans		(2,770,275)	(1,365,732)
		48,368,127	(30,668,087)
Changes in:			
Other receivables		(7,812,331)	(8,817,552)
Deposit on property		(151,916,549)	-
Accounts payable and accrued charges		(27,360,694)	41,020,909
Income tax paid		(5,945,613)	(560,603)
Net cash (used)/ provided by operating activities		<u>(144,667,060)</u>	<u>974,667</u>
Cash flows from investing activities			
Interest received		2,550,537	10,352,306
Securities purchased under agreements to resell		-	487,853
Additions to office equipment	13	(225,235)	(808,029)
Disposal of equipment		-	335,625
Land held for development		-	(585,000)
Additions to investment property	10(b)(i)	(183,194,548)	(623,233,019)
Proceeds of disposal of investment property		-	417,741,088
Net cash used in investing activities		<u>(180,869,246)</u>	<u>(195,709,176)</u>
Cash flows from financing activities			
Interest paid		(7,536,898)	(22,127,339)
Dividends paid		(49,722,483)	(22,519,878)
Loan received		273,977,851	-
Repayment of vendor's mortgage		-	(39,010,132)
Repayment of bank loan		-	(441,582,699)
Issuance of share capital	19	-	621,900,112
Stock units repurchased	20	-	(1,756,676)
Net cash provided by financing activities		<u>216,718,470</u>	<u>94,903,388</u>
Net decrease in cash and cash equivalents		(108,817,836)	(99,831,121)
Cash and cash equivalents at beginning of year		132,896,744	232,660,434
Effect of exchange rate fluctuations on cash and cash equivalents		-	67,431
Cash and cash equivalents at end of year	18	<u>\$ 24,078,908</u>	<u>132,896,744</u>

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



KINGSTON PROPERTIES LIMITED

Separate Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2016

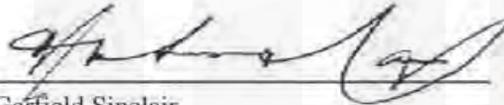
	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Revenue – rental income	4	53,088,997	46,954,077
Operating expenses	7	(39,604,016)	(46,232,080)
Results of operating activities before other income		13,484,981	721,997
Fair value gain on investment properties	10(b)(i)	-	165,674,495
Loss on disposal of investment properties		-	(580,081)
Termination fees	11	12,189,057	-
Miscellaneous income		<u>994,149</u>	<u>93,189</u>
Operating profit		26,668,187	165,909,600
Executive settlement	8(b)	<u>-</u>	(29,465,342)
Profit before net finance costs and impairment loss		<u>26,668,187</u>	<u>136,444,258</u>
Finance income	5	23,778,857	4,730,325
Finance costs	5	(219,774)	(23,309,825)
Net finance income/(costs)	5	<u>23,559,083</u>	(18,579,500)
Impairment loss on land held for development	12(b)	(1,369,727)	-
Profit before income tax		48,857,543	117,864,758
Income tax charge	6	(3,053,532)	(11,613,179)
Profit for the year, being total comprehensive income	8(a)	<u>\$45,804,011</u>	<u>\$106,251,579</u>

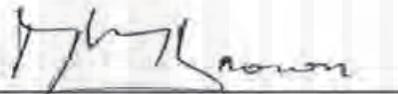
The accompanying notes form an integral part of the financial statements.

KINGSTON PROPERTIES LIMITEDSeparate Statement of Financial Position
December 31, 2016

	Notes	2016	2015
NON-CURRENT ASSETS			
Investment property	10(a)	549,600,180	549,600,180
Land held for development	12(a)	-	19,082,177
Furniture and equipment	13	2,322,786	2,483,037
Investment in subsidiaries	14	<u>308,730,729</u>	<u>308,730,729</u>
Total non-current assets		<u>860,653,695</u>	<u>879,896,123</u>
CURRENT ASSETS			
Deposit on investment property	15(i)	51,206,875	-
Land held for sale	12(b)	17,712,450	-
Owed by subsidiaries	16	418,733,290	571,272,866
Receivables	17	8,120,183	2,593,786
Cash and cash equivalents	18	<u>1,640,485</u>	<u>6,010,168</u>
Total current assets		<u>497,413,283</u>	<u>579,876,820</u>
Total assets		<u>\$1,358,066,978</u>	<u>1,459,772,943</u>
EQUITY			
Share capital	19	1,028,508,717	1,028,508,717
Treasury shares	20	(5,049,311)	(5,049,311)
Retained earnings		<u>165,265,336</u>	<u>169,183,808</u>
Total equity		<u>1,188,724,742</u>	<u>1,192,643,214</u>
CURRENT LIABILITIES			
Owed to subsidiary	16	146,602,026	233,981,834
Accounts payable and accrued charges	23	19,746,678	33,147,895
Income tax payable		<u>2,993,532</u>	<u>-</u>
Total current liabilities		<u>169,342,236</u>	<u>267,129,729</u>
Total equity and liabilities		<u>\$1,358,066,978</u>	<u>1,459,772,943</u>

The financial statements on pages 8 to 45 were approved for issue by the Board of Directors on February 27, 2017 and signed on its behalf by:


 Garfield Sinclair
 Chairman


 Meghan Miller-Brown
 Director

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



KINGSTON PROPERTIES LIMITED

Separate Statement of Changes in Equity
Year ended December 31, 2016

	Share capital (note 19)	Treasury shares (note 20)	Retained earnings	Total
Balances at December 31, 2014	<u>406,608,605</u>	<u>(3,292,635)</u>	<u>85,568,943</u>	<u>488,884,913</u>
Profit for the year, being total comprehensive income	<u>-</u>	<u>-</u>	<u>106,251,579</u>	<u>106,251,579</u>
Transactions with owners of the company				
Stock units repurchased	-	(1,756,676)	-	(1,756,676)
Issuance of share capital	621,900,112	-	-	621,900,112
Dividends paid (note 24)	<u>-</u>	<u>-</u>	<u>(22,636,714)</u>	<u>(22,636,714)</u>
Total transactions with owners of the company	<u>621,900,112</u>	<u>(1,756,676)</u>	<u>(22,636,714)</u>	<u>597,506,722</u>
Balances at December 31, 2015	<u>1,028,508,717</u>	<u>(5,049,311)</u>	<u>169,183,808</u>	<u>1,192,643,214</u>
Profit for the year, being total comprehensive income	<u>-</u>	<u>-</u>	<u>45,804,011</u>	<u>45,804,011</u>
Dividends paid (note 24), being total transactions with owners	<u>-</u>	<u>-</u>	<u>(49,722,483)</u>	<u>(49,722,483)</u>
Balances at December 31, 2016	<u>\$1,028,508,717</u>	<u>(5,049,311)</u>	<u>165,265,336</u>	<u>1,188,724,742</u>

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

KINGSTON PROPERTIES LIMITEDSeparate Statement of Cash Flows
Year ended December 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Profit for the year		45,804,011	106,251,579
Adjustments for:			
Income tax charge	6	3,053,532	11,613,179
Depreciation	13	385,486	369,395
Interest income	5	(2,489,357)	(2,552,899)
Impairment loss on land held for development	12(b)	1,369,727	-
Interest expense	5	219,774	16,488,497
Loss on disposal of investment property		-	580,081
Gain on disposal of office furniture		-	(3,729)
Increase in fair value of investment property	10(b)(i)	-	(165,674,495)
		<u>48,343,173</u>	<u>(32,928,392)</u>
Changes in:			
Other receivables		(5,526,397)	2,250,726
Accounts payable and accrued charges		(13,401,217)	17,674,827
Deposit on property		(51,206,875)	-
Income tax paid		(60,000)	(2,137,871)
Owed by subsidiaries		152,539,576	(570,403,482)
Owed to subsidiary		(87,379,808)	181,658,486
Net cash provided by / (used in) operating activities		<u>43,308,452</u>	<u>(403,885,706)</u>
Cash flows from investing activities:			
Interest received		2,489,357	2,552,899
Securities purchased under agreements to resell		-	487,853
Land held for development		-	(585,000)
Additions to property and equipment	13	(225,235)	(334,131)
Additions to investment property		-	(335,625)
Proceeds from disposal of office furniture		-	335,625
Proceeds from disposal of investment property		-	196,095,995
Net cash provided by investing activities		<u>2,264,122</u>	<u>198,217,616</u>
Cash flows from financing activities:			
Interest paid		(219,774)	(16,488,497)
Dividends paid		(49,722,483)	(22,519,878)
Repayment of parent company loan		-	(114,660,700)
Repayment of vendor's mortgage		-	(39,010,132)
Issuance of share capital	19	-	621,900,112
Repayment of loan payable		-	(217,922,761)
Stock units repurchased	20	-	(1,756,676)
Net cash (used in)/provided by financing activities		<u>(49,942,257)</u>	<u>209,541,468</u>
Net (decrease)/increase in cash and cash equivalents		(4,369,683)	3,873,378
Cash and cash equivalents at beginning of year		6,010,168	2,069,359
Effect of exchange rate fluctuations on cash and cash equivalents		-	67,431
Cash and cash equivalents at end of year	18	<u>\$ 1,640,485</u>	<u>6,010,168</u>

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements
December 31, 2016

1. Identification and principal activities

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

The Company has two wholly-owned subsidiaries:

- (i) Carlton Savannah REIT (St. Lucia) Limited, incorporated in St. Lucia under the International Business Companies Act; and its wholly owned subsidiary;
- (ii) Kingston Properties Miami LLC, incorporated in Florida under the Florida Limited Liability Company Act.

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

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance

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

Certain amended standards came into effect during the financial year under review. The Group has assessed them and has adopted those which are relevant to the financial statements but these had no material effect.

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

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. The Group is assessing the impact that this amendment will have on its 2017 financial statements.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the reporting date, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
 - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.
- IFRS 15, *Revenue from Contracts with Customers*, is effective for annual reporting periods beginning on or after January 1, 2017. It replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

The Group is assessing the impact that this amendments will have on its 2017 financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements.



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

- IFRS 9, *Financial Instruments* (continued)

It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement categories are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Group is assessing the impact that these amendments will have on its 2018 financial statements.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

Lessees will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

The Group is assessing the impact that the standard will have on its 2019 financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment property and available-for-sale investments which are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Jamaica dollars (\$), the Company’s functional currency, unless otherwise indicated. 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).

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS and the Act requires management to make estimates, based on assumptions. It also requires management to make judgements. These estimates and judgements affect the application of accounting policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from these estimates. The estimates, and the assumptions underlying them, are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances.

The estimates, including the assumptions underlying them, 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.

There is significant risk of material adjustment in the next year because of changes in estimate, or significant judgements made in applying the Group accounting policies.

Main sources of estimation uncertainty

Valuation of investment property

Investment property is carried at fair value. Given the infrequency of trades in comparable properties in some cases, and therefore the absence of a number of observable recent market prices, fair value is less objective and requires significant estimation, which is impacted by the uncertainty of market factors, pricing assumptions and general business and economic conditions [see note 10(c)].

Taxation

Recognition of current and deferred tax involves judgement and estimates, given that the Group is subject to special tax rules in respect of its investment property operations, particularly in the United States of America.

This includes the application of the Internal Revenue Service (IRS) 1031 Exchange Capital Gains Real Estate Tax Deferral rules, under which the company is allowed to sell investment property and reinvest the proceeds in ownership of like-kind property, thereby and defer the capital gains taxes.

3. Significant accounting policies

(a) Consolidation

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

3. Significant accounting policies (continued)

(a) Consolidation (continued)

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

Intra-group balances and any 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, impairment losses, if any, in the separate financial statements.

(c) Cash and cash equivalents

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

(d) Accounts payable and accrued charges

Accounts payable and accrued charges are measured at amortised cost.

(e) Receivables

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

(f) Related parties

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

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

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

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

- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

3. Significant accounting policies (continued)

(f) Related parties (continued)

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

- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (3) Both entities are joint ventures of the same third party.
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (6) The entity is controlled, or jointly controlled by a person identified in (i).
- (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (8) The entity, or any member of a group of which it is a part provides key management services to the Group.

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 functional currencies at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date. The foreign currency gain or loss on monetary items is the difference between 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 LIMITEDNotes to the Financial Statements (Continued)
December 31, 20163. Significant accounting policies (continued)

(g) Foreign currencies (continued)

(ii) (continued)

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.

(iii) 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) Assets and liabilities are translated at the closing rate at the reporting date;
- (2) Share capital and retained earnings are converted at historical rates;
- (3) Income and expenses are translated at average exchange rates; and
- (4) All resulting exchange differences are recognised through other comprehensive income and reflected in the currency translation reserve, a component of shareholders' equity.

(h) Impairment

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

(i) Calculation of recoverable amount

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

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

(ii) Reversals of impairment

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued) December 31, 2016

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Reversals of impairment (continued)

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.

(i) Securities purchased under agreements to resell

Securities purchased under agreements to resell are transactions in which the Group makes funds available to institutions by entering into short-term secured agreements with those institutions. They are accounted for as short-term collateralised lending. The difference between purchase and resale considerations is recognised as interest income on the effective interest basis over the term of the agreement.

(j) Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, resale agreements, receivables, and owed by subsidiaries. Financial liabilities comprise loans payable, owed to subsidiary, accounts payable and accrued charges. Financial liabilities are recognised initially at fair value less any directly attributable transactions costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(i) Recognition

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

(ii) Derecognition

The Group 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.



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

3. Significant accounting policies (continued)

(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 are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Repurchase and reissue of ordinary shares (treasury shares)

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

(iv) Dividends

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

(l) Income tax

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

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

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets or liabilities. For this purpose the carrying amount of investment property measured at fair value is presumed to be recovered through sale.

A deferred tax asset is recognised only to the extent that management can demonstrate that it is probable that future taxable profits will be available against which the asset can be 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

3. Significant accounting policies (continued)

(l) Income tax (continued)

Recognition of current and deferred tax involves judgement and estimates given that the Company's subsidiary, Kingston Properties Miami LLC, is subject to special tax rules in respect of its investment property operations in the United States.

The subsidiary participates in the Internal Revenue Service (IRS) 1031 Exchange Capital Gains Real Estate Tax Deferral on the disposal of investment property, which requires that the subsidiary:

- (i) Identify a replacement property within 45 days.
- (ii) Exchange the property the earliest of:
 - (a) 180 days after it sells the relinquished property
 - (b) The due date of the income tax return that would include the property sale.
- (iii) Not receive cash from the sale prior to the exchange. It may use a qualified intermediary to hold such cash prior to the exchange.

(m) Furniture and equipment

- (i) Items of office equipment and furniture are measured at cost less accumulated depreciation and, 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, software and furniture are recognised in profit or loss as incurred.

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

Computer and accessories	20%
Furniture and fixtures	10%

(n) Investment property

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

Investment property is 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 property is carried at fair value.



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

3. Significant accounting policies (continued)

(n) Investment property (continued)

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 recognised in profit or loss.

(o) Land held for development

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

(p) Assets held for sale

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

Such assets, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

(q) Borrowings

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

(r) Revenue recognition

Rental income

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

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expense that relate to transactions with any of the Group's other components. All operating segments for which discrete information is available are reviewed regularly by the Group's Board of Directors to make decisions about resource allocation and to assess 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 LIMITEDNotes to the Financial Statements (Continued)
December 31, 20164. Rental income

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Red Hills Road commercial complex	53,088,997	46,954,077	53,088,997	46,954,077
555 Miami apartment units	-	20,404,707	-	-
Miami condominiums, Loft II	36,480,460	34,696,401	-	-
Midblock Miami condominiums	16,258,248	4,795,562	-	-
W.Ft Lauderdale condominiums	16,977,493	1,518,121	-	-
Opera Tower Condominiums	7,652,180	-	-	-
	<u>\$130,457,378</u>	<u>108,368,868</u>	<u>53,088,997</u>	<u>46,954,077</u>

5. Net finance costs

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Finance income:				
Interest income	<u>2,550,537</u>	<u>10,352,306</u>	<u>2,489,357</u>	<u>2,552,899</u>
Foreign exchange gains/(losses) arising from investing and financing activities:				
Net unrealised gains on translation of foreign currency investments and borrowings	5,971,400	2,023,311	22,220,751	2,069,090
Net realised (losses)/gains on conversion of foreign currency investments and borrowings	(931,251)	108,336	(931,251)	108,336
	<u>5,040,149</u>	<u>2,131,647</u>	<u>21,289,500</u>	<u>2,177,426</u>
Total finance income	<u>7,590,686</u>	<u>12,483,953</u>	<u>23,778,857</u>	<u>4,730,325</u>
Finance costs:				
Interest expense	(7,536,898)	(22,127,339)	(219,774)	(16,488,497)
Commitment fees	-	(6,857,272)	-	(6,821,328)
Total finance costs	(7,536,898)	(28,984,611)	(219,774)	(23,309,825)
Net finance income/ (cost)	<u>\$ 53,788</u>	<u>(16,500,658)</u>	<u>23,559,083</u>	<u>(18,579,500)</u>



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued) December 31, 2016

6. Taxation charge

(a) Taxation comprises:

	Group		Company	
	2016	2015	2016	2015
(i) Current income tax expense:				
Income tax at 25%	3,053,532	60,000	3,053,532	60,000
Income tax credit	-	117,672	-	-
(ii) Deferred income tax expense:				
Origination and reversal of temporary differences	31,263,726	21,687,984	-	11,553,179
Total income tax charge	\$34,317,258	21,865,656	3,053,532	11,613,179

(b) Reconciliation of actual tax expense

The tax rate for the Company is 25% (2015: 25%) of profit before income tax, adjusted for tax purposes, while the tax rate for the St. Lucia subsidiary is 1% of profits, and that for the Florida subsidiary ranges from 15% - 35%. The actual tax charge for the year is as follows:

	Group		Company	
	2016	2015	2016	2015
Profit before income tax	\$164,236,298	127,287,194	48,857,543	117,864,758
Computed "expected" tax expense at Jamaican tax rate of 25%	41,059,075	31,821,799	12,214,386	29,466,190
Effect of different tax rates in foreign jurisdictions	12,838,190	(2,300,271)	-	-
Tax effect of treating certain items differently for financial statement purposes than for tax purposes :				
Revaluation gain on investment property	-	(41,450,678)	-	(41,450,678)
Disallowed exchange losses, net of gains	(3,963,638)	29,194,664	(3,963,638)	29,194,664
Depreciation	(11,532,381)	12,286,293	(1,113,228)	2,089,154
Other disallowed expenses	1,398,872	-	1,398,872	-
Utilised tax losses	(5,482,860)	(7,686,151)	(5,482,860)	(7,686,151)
Actual tax charge	\$ 34,317,258	21,865,656	3,053,532	11,613,179
Effective rate of tax	20.89%	17.18%	6.25%	9.90%

- (c) Although tax losses may be carried forward indefinitely in Jamaica, the amount that can be utilised in any one year is restricted to 50% of chargeable income for that year. Income tax losses, available for set-off against future taxable profits, amounted to approximately \$35,938,000 (2015: \$74,994,433) for the Company and the Group.

KINGSTON PROPERTIES LIMITEDNotes to the Financial Statements (Continued)
December 31, 20167. Expense by nature

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting fees	2,608,894	2,323,688	1,400,550	1,408,450
Asset tax	200,000	200,000	200,000	200,000
Bank charges	458,138	1,038,213	291,962	647,040
Employers' taxes	1,831,200	2,490,963	1,831,200	2,490,963
Homeowners' Association fees	19,412,409	13,052,716	-	-
Insurance	5,041,231	7,565,811	3,085,393	4,436,274
Professional fees	7,754,175	3,951,704	4,486,876	3,394,943
Property taxes	21,703,006	14,250,298	521,000	615,750
Regulatory fees and charges	699,285	512,718	699,285	512,718
Maintenance	891,454	13,687,336	-	13,150
Salaries and related costs	18,270,064	24,408,753	18,270,064	24,408,753
Tenants accommodations	-	1,542,087	-	-
Utilities	490,938	2,576,587	199,620	199,620
Other operating expenses	<u>18,903,375</u>	<u>13,301,976</u>	<u>8,618,066</u>	<u>7,904,419</u>
	<u>\$98,264,169</u>	<u>100,902,850</u>	<u>39,604,016</u>	<u>46,232,080</u>

8. Profit for the year

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

	Group		Company	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$
Auditors' remuneration	4,609,700	3,787,000	2,500,000	2,500,000
Key management personnel Compensation	15,766,364	18,333,333	15,766,364	18,333,333
Directors' remuneration:				
- salaries and incentives	-	32,850,000	-	29,465,342
- fees	<u>3,878,553</u>	<u>3,226,795</u>	<u>1,938,883</u>	<u>1,613,645</u>

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

(b) Executive settlement

The company designed a Long Term Incentive Plan (LTIP) in 2010 by which the Executive Director was entitled to an allocation of shares based on the achievement of certain profit performance targets. However, the plan was not formally approved and effected until 2015. The Board of Directors agreed that an amount of \$Nil (2015: \$30,000,000) be paid to the former Executive Director in lieu of the amount determined in accordance with the terms of the plan. The amount of \$32,850,000, which includes employer's statutory contributions was recognised in the 2015 financial statements,



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued) December 31, 2016

9. Earnings per stock unit

The earnings per stock unit is computed by dividing the profit for the year of \$129,919,040 (2015: \$105,421,538), attributable to the company's stockholders, by a weighted average number of stock units in issue during the year, computed as follows:

	<u>2016</u>	<u>2015</u>
Ordinary stock units at January 1	160,996,334	68,371,602
Effect of repurchasing stock units	-	(220,899)
Effect of rights issue on August 7, 2015	<u>-</u>	<u>37,398,607</u>
Weighted average number of ordinary stock units held during the year	<u>160,996,334</u>	<u>105,549,310</u>
Earning per share (cents)	<u>81¢</u>	<u>99¢</u>

10. Investment property

(a) Investment property held by the Group is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Miami condominiums, Loft II (i)	503,420,889	369,274,724	-	-
Midblock Miami condominiums (ii)	298,304,605	268,481,808	-	-
W. Ft Lauderdale condominiums (iii)	388,750,432	364,846,419	-	-
Opera Tower Condominiums (iv)	190,846,107	-	-	-
Red Hills Road commercial complex (v)	<u>549,600,180</u>	<u>549,600,180</u>	<u>549,600,180</u>	<u>549,600,180</u>
	<u>\$1,930,922,213</u>	<u>1,552,203,131</u>	<u>549,600,180</u>	<u>549,600,180</u>

- (i) This represents 15 residential condominiums comprising 12,380 square feet in the Loft II building located at 133 NE 2nd Avenue in downtown Miami, Florida.
- (ii) This represents 5 residential condominiums comprising 5,213 square feet located at 3250 NE 1st Avenue in Miami Florida. The property was purchased in September 2015.
- (iii) This represents 4 residential condominiums comprising of 4,174 square feet purchased in October 2015, located at 3101 Bayshore, Fort Lauderdale.
- (iv) This represents 3 residential condominiums comprising 2,660 square feet located at 1750 North Bayshore Drive, Miami, Florida. The property was purchased in April 2016.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

10. Investment property (continued)

(a) Investment property held by the Group is as follows (continued):

(v) This represents a commercial property of 52,012 square feet on Red Hills Road, Kingston, Jamaica.

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Balance as at beginning of year	1,552,203,131	953,788,854	549,600,180	383,590,060
Additions during the year	183,194,548	623,233,019	-	335,625
Disposals during the year	-	(217,969,575)	-	-
Fair value gain [see (c)(ii)]	(119,941,059)	165,674,495	-	165,674,495
Foreign currency translation adjustments	<u>75,583,475</u>	<u>27,476,338</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$1,930,922,213</u>	<u>1,552,203,131</u>	<u>549,600,180</u>	<u>549,600,180</u>

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

Valuation techniques and significant unobservable inputs:

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

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Investment approach:</i> The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream.	<ul style="list-style-type: none"> • Expected market rental growth • Yields • Rental rates 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> • Expected market rental growth were higher (lower); The occupancy rate were higher (lower)

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

10. Investment properties (continued)

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

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p>The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.</p>		<ul style="list-style-type: none"> • Rent-free periods were shorter (longer); or • Yields were lower (higher)
<p><i>Sales comparison approach:</i> The approach relies heavily upon the principle of substitution. Recent sales of similar properties are gathered and a meaningful unit of comparison is developed.</p> <p>Then a comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics.</p>	<ul style="list-style-type: none"> • Sales of similar properties 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Sales prices of similar properties were higher/(lower)

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

10. Investment properties (continued)

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

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Income approach:</i> This approach converts anticipated annual net income into an indication of value. This process is called capitalisation, and involves multiplying the annual net income by a factor or dividing it by a rate that weighs such considerations such as risk, time, and return on investment</p>	<ul style="list-style-type: none"> Annual net income 	<p>The estimated fair value would increase/(decrease) if:</p> <p>Annual net income was higher/(lower)</p>

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

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



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

10. Investment property (continued)

(c) (Continued)

(ii) During the year, the condominiums located within Loft Downtown II and Midblock Miami were revalued by independent valuers, Access Appraisals of Miami, Florida. The Red Hills Road property was revalued as at December 31, 2015, by independent valuers, NAI Jamaica Langford and Brown, of Kingston, Jamaica.

(d) Gross rental income from investment property is as disclosed in note 4.

(e) Property operating expenses are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Homeowners' association fees	19,412,409	13,052,716	-	-
Insurance premium	5,041,231	7,565,811	3,085,393	4,436,274
Property taxes	21,703,006	14,250,298	521,000	615,750
Professional fees	7,754,175	3,951,704	4,486,876	3,394,943
Maintenance	891,454	13,687,336	-	13,150
Management fees	-	330,203	-	-
	<u>\$54,802,275</u>	<u>52,838,068</u>	<u>8,093,269</u>	<u>8,460,117</u>

11. Termination fee

This represents fees for early termination of a lease agreement by one tenant based on the termination provisions of the lease.

12. Land held for development

(a) This represents land in Waterworks, Westmoreland, Jamaica, that was held for development. In August 23, 2016, management committed to a plan to sell the land. Accordingly, the land was reclassified to asset held for sale. The sale is expected to be completed by May 2017.

(b) On reclassification to asset held for sale, the land was remeasured at fair value less cost to sell, resulting in an impairment loss of \$1,369,727 recognised in profit for the year.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

13. Furniture, software and equipment

	<u>Group</u>			<u>Company</u>
	<u>Office furniture & equipment</u>	<u>Computer software</u>	<u>Total</u>	<u>Office furniture & equipment</u>
Cost:				
December 31, 2014	3,820,317	338,293	4,158,610	3,820,317
Foreign currency translation	11,728	-	11,728	-
Additions	808,029	-	808,029	334,131
Disposals	(447,400)	-	(447,400)	(447,400)
December 31, 2015	4,192,674	338,293	4,530,967	3,707,048
Foreign currency translation	31,817	-	31,817	-
Additions	<u>225,235</u>	-	<u>225,235</u>	<u>225,235</u>
December 31, 2016	<u>4,449,726</u>	<u>338,293</u>	<u>4,788,019</u>	<u>3,932,283</u>
Depreciation:				
December 31, 2014	970,120	338,293	1,308,413	970,120
Foreign currency translation	754	-	754	-
Charge for year	409,079	-	409,079	369,395
Disposals	(115,504)	-	(115,504)	(115,504)
December 31, 2015	1,264,449	338,293	1,602,742	1,224,011
Foreign currency translation	4,582	-	4,582	-
Charge for year	<u>487,075</u>	-	<u>487,075</u>	<u>385,486</u>
December 31, 2016	<u>1,756,106</u>	<u>338,293</u>	<u>2,094,399</u>	<u>1,609,497</u>
Net book value:				
December 31, 2016	<u>\$2,693,620</u>	<u>-</u>	<u>2,693,620</u>	<u>2,322,786</u>
December 31, 2015	<u>\$2,928,225</u>	<u>-</u>	<u>2,928,225</u>	<u>2,483,037</u>
December 31, 2014	<u>\$2,850,197</u>	<u>-</u>	<u>2,850,197</u>	<u>2,850,197</u>

14. Investment in subsidiaries

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

	<u>Company</u>	
	<u>2016</u>	<u>2015</u>
Carlton Savannah REIT (St. Lucia) Limited		
Amount paid for shares	282,156,561	282,156,561
Funds borrowed [see (i) below]	(208,576,584)	(208,576,584)
	73,579,977	73,579,977
Kingston Properties Miami LLC [see (ii) below]		
Loan	<u>235,150,752</u>	<u>235,150,752</u>
	<u>\$308,730,729</u>	<u>308,730,729</u>



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

14. Investment in subsidiaries (continued)

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

(ii) Kingston Properties Miami LLC

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

15. Deposit on investment property

During the year, the Group made deposits on one property in Jamaica [see (i) below] and one in the Cayman Islands [see (ii) below] for which the acquisitions were finalised in January 2017.

(i) The Company completed the acquisition of a warehouse and office complex on January 18, 2017. The property was subsequently leased to the operators of manufacturing, distribution and logistics businesses.

(ii) Carlton Savannah REIT (St. Lucia) Limited completed the acquisition of a fully tenanted mixed use building on January 10, 2017. The property is located in the West Bay Beach area of the Cayman Islands, and comprises offices, retail outlets and residential units.

16. Owed by/(to) subsidiaries

	<u>Company</u>	
	<u>2016</u>	<u>2015</u>
Owed by subsidiaries:		
Kingston Properties Miami LLC US\$3,260,137 (2015: \$4,744,200) [see note (i)]	\$418,733,290	571,272,866
Owed to subsidiaries:		
Carlton Savannah REIT (St. Lucia) US\$1,149,995 (2015: \$1,943,129)[see note (ii)]	\$146,602,026	233,981,834

(i) This represents an amount of US\$5,283,565 advanced by the Company to Kingston Properties Miami LLC for the purpose of purchasing two investment properties in 2015. The loan amount is interest free and has no fixed repayment date. In April 2016, US\$2,023,428 was repaid.

(ii) During the prior year, Carlton Savannah REIT (St. Lucia) repaid a loan on behalf of Kingston Properties Limited. The advance is interest free and has no fixed repayment date. During the year, Kingston Properties Limited repaid US\$793,134.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

17. Receivables

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Rent receivable	1,751,562	92,900	53,661	92,900
Withholding tax recoverable	2,872,972	2,250,227	2,872,972	2,250,227
Security deposits	2,691,062	2,530,182	74,650	74,650
Prepayments	17,298,681	16,943,305	5,081,900	73,293
Other receivables	<u>5,533,591</u>	<u>518,923</u>	<u>37,000</u>	<u>102,716</u>
	<u>\$30,147,868</u>	<u>22,335,537</u>	<u>8,120,183</u>	<u>2,593,786</u>

18. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest bearing accounts	14,120	3,992,509	14,120	13,074
Current accounts	23,142,815	128,904,235	704,392	5,997,094
Securities purchased under resale agreement	<u>921,973</u>	<u>-</u>	<u>921,973</u>	<u>-</u>
	<u>\$24,078,908</u>	<u>132,896,744</u>	<u>1,640,485</u>	<u>6,010,168</u>

As at December 31, 2016 the fair value of the underlying securities purchased under resale agreements was \$921,973 (2015: \$Nil).

19. Share capital

	<u>2016</u>	<u>2015</u>
Authorised capital:		
500,000,000 ordinary shares of no par value		
Issued and fully paid:		
160,996,334 (2015: 160,996,334) ordinary shares	<u>\$1,028,508,717</u>	<u>1,028,508,717</u>

On July 2015, the company issued and offered a subscription to stock holders of 92,860,487 additional ordinary shares of \$7 each, by way of a rights issue to holders of ordinary stock units. This was concluded on August 7th, 2015 and an amount of \$621,900,112, was raised, net of transaction cost of \$28,123,296.

20. Treasury shares

The repurchase of the Company's stock units is conducted on the open market through the Company's stockbrokers, consequent on a decision of the Board of Directors. There was no repurchase of shares in 2016.



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

21. Loans payable

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
Bank loan classified as follows:		
Non-current portion	268,479,831	-
Current portion	<u>5,498,020</u>	<u>-</u>
Total loans payable	<u>\$273,977,851</u>	<u>-</u>

This represents a loan of US\$2,200,000 from Terrabank N.A., a financial institution in Florida, payable by Kingston Properties Miami LLC. The loan is for a duration of ten (10) years at an interest rate of 4%.

The loan is secured by a first mortgage on twenty (20) condominium units, being five (5) residential units located at 3250 NE 1st Avenue in Miami, Florida and fifteen (15) residential condominiums at The Loft located at 135 NE 2nd Avenue, Downtown Miami.

Transaction costs of approximately US\$43,785 were incurred in obtaining the loan. These costs were deducted from the loan balance and are being amortised over the life of the loan.

22. Deferred tax liability

Deferred taxation is calculated on temporary differences using a tax rate of 25% (2015: 25%) for the Company and a range of rates for Kingston Properties Miami, LLC. The balances and movements are as follows:

	<u>Group</u>						
	<u>Balance at December 31, 2014</u>	<u>Recognised in profit or loss</u>	<u>Recognised in equity</u>	<u>Balance at December 31, 2015</u>	<u>Recognised in profit or loss</u>	<u>Recognised in equity</u>	<u>Balance at December 31, 2016</u>
Investment property	(64,476,332)	(9,966,500)	(3,736,245)	(78,179,077)	(32,583,996)	(4,714,732)	(115,477,805)
Accounts payable	<u>168,305</u>	<u>(168,305)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$(64,308,027)</u>	<u>(10,134,805)</u>	<u>(3,736,245)</u>	<u>(78,179,077)</u>	<u>(32,583,996)</u>	<u>(4,714,732)</u>	<u>(115,477,805)</u>

23. Accounts payable and accrued charges

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounts payable	5,900,683	8,420,263	1,669,342	471,581
Accounting and audit fees	4,399,609	3,880,174	2,779,891	2,500,000
Dividends payable	389,304	333,992	389,304	333,992
Other payables and accrued charges	17,616,092	43,679,663	11,797,334	27,316,487
Security deposits held	<u>10,669,138</u>	<u>10,021,428</u>	<u>3,110,807</u>	<u>2,525,835</u>
	<u>\$38,974,826</u>	<u>66,335,520</u>	<u>19,746,678</u>	<u>33,147,895</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

24. Dividends

	<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>
US\$0.00248 (2015: US\$0.0029) per share	\$49,722,483	22,636,714

The Company declared a dividend of US\$0.00124 (2015: US\$0.0029) per share unit payable on March 29, 2016 and interim dividend for 2016 in the amount of US\$0.00124 (2015: Nil) per unit payable on October 7, 2016.

25. Segment reporting

The Group has three operating segments. Internal management reports are reviewed monthly by the Board.

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

	<u>2016</u>				
	<u>Jamaica</u>	<u>United States of America</u>	<u>St. Lucia</u>	<u>Elimination</u>	<u>Group</u>
	\$	\$	\$	\$	\$
External revenue	53,088,997	77,368,381	-	-	130,457,378
Operating expenses	(39,604,016)	(54,013,503)	(4,646,650)	-	(98,264,169)
Results of operating activities before other income	13,484,981	23,354,878	(4,646,650)	-	32,193,209
Other income gains:					
Fair value gain on revaluation of investment property	-	119,941,059	-	-	119,941,059
Termination fee	12,189,057	-	-	-	12,189,057
Miscellaneous income	994,149	234,763	-	-	1,228,912
Interest income	2,489,357	3,693	57,487	-	2,550,537
Interest expense and commitment fees	(219,774)	(7,317,124)	-	-	(7,536,898)
Net gains/(losses) on translation of foreign currency balances	21,289,500	-	-	(16,249,351)	5,040,149
Impairment loss	(1,369,727)	-	-	-	(1,369,727)
Profit/(loss) before tax	48,857,543	136,217,269	(4,589,163)	(16,249,351)	164,236,298
Income tax expense	(3,053,532)	(31,263,726)	-	-	(34,317,258)
Profit after tax	45,804,011	104,953,543	(4,589,163)	(16,249,351)	129,919,040
Segment assets	1,358,066,978	1,426,157,903	462,668,143	(1,089,284,469)	2,157,608,555
Segment liabilities	169,342,236	1,068,559,423	650,263	(807,127,908)	431,424,014
Other segment items:					
Capital expenditure	225,235	183,194,548	-	-	183,419,783
Depreciation	385,486	101,589	-	-	487,075



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued) December 31, 2016

25. Segment reporting (continued)

	2015				
	Jamaica \$	United States of America \$	St. Lucia \$	Elimination \$	Group \$
External revenue	46,954,077	61,414,791	-	-	108,368,868
Operating expenses	(46,232,080)	(52,150,734)	(2,520,036)	-	(100,902,850)
Results of operating activities before other income/gains	721,997	9,264,057	(2,520,036)	-	7,466,018
Executive settlement	(29,465,342)	(3,384,658)	-	-	(32,850,000)
Other income gains:					
Fair value gain on revaluation of investment property	165,674,495	-	-	-	165,674,495
(Loss)/gain on disposal of investment property	(580,081)	3,792,838	-	-	3,212,757
Miscellaneous income	93,189	6,372,470	-	(6,181,077)	284,582
Interest income	2,552,899	4,155,122	7,734,908	(4,090,623)	10,352,306
Interest expense and commitment fees	(23,309,825)	(15,946,486)	-	10,271,700	(28,984,611)
Net gain/(losses) on translation of foreign currency balances	2,177,426	(45,779)	-	-	2,131,647
Profit before tax	117,864,758	4,207,564	5,214,872	-	127,287,194
Income tax expense	(11,613,179)	(10,370,149)	117,672	-	(21,865,656)
Profit after tax	106,251,579	(6,162,585)	5,332,544	-	105,421,538
Segment assets	1,459,772,943	1,145,696,143	452,950,114	(1,328,865,828)	1,729,553,372
Segment liabilities	267,129,729	610,179,170	585,217	(811,558,596)	66,335,520
Other segment items:					
Capital expenditure	669,756	633,813,906	-	-	634,483,662
Depreciation	369,395	39,684	-	-	409,079

During 2016, revenue from one customer of the Group represented approximately \$24,347,012 or 18% (2015: \$22,213,033 or 20%) of the Group's total revenue.

26. Financial instruments and financial risk management

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

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

The risk management policies are established and implemented by the directors to identify and 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial instruments and financial risk management (continued)

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

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

(a) Credit risk

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

Exposure to credit risks

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

- (i) Cash and cash equivalents are held with financial institutions and collateral is not required for such accounts, as management regards the institutions as strong.
- (ii) The Group manages credit risk related to receivables by limiting exposure to specific counterparties and by monitoring settlements.
- (iii) Reverse repurchase agreements expose the Group to credit losses as there is a risk that the counterparty will fail to fulfill its contractual obligations. The Group manages this risk by contracting only with counterparties that management considers to be financially sound.

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

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

(b) Liquidity risk

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

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.



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial instruments and financial risk management (continued)

(b) Liquidity risk (continued)

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

	Group				
	2016				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over 12 months
Loans payable	273,977,851	370,821,639	4,759,983	10,864,743	355,296,913
Accounts payable and accrued charges	<u>38,974,826</u>	<u>38,974,826</u>	<u>11,600,429</u>	<u>27,374,397</u>	<u>-</u>
	<u>\$312,952,677</u>	<u>409,796,465</u>	<u>16,360,412</u>	<u>38,239,140</u>	<u>355,296,913</u>
	2015				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over 12 months
Accounts payable and accrued charges	<u>\$66,335,520</u>	<u>66,335,520</u>	<u>12,300,437</u>	<u>54,035,083</u>	<u>-</u>
	Company				
	2016				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over 12 months
Owed to subsidiary	146,602,026	146,602,026	-	-	146,602,026
Accounts payable and accrued charges	<u>19,746,678</u>	<u>19,746,678</u>	<u>2,271,581</u>	<u>17,475,097</u>	<u>-</u>
	<u>166,348,704</u>	<u>166,348,704</u>	<u>2,271,581</u>	<u>17,475,097</u>	<u>146,602,026</u>
	2015				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over 12 months
Owed to subsidiary	233,981,834	233,981,834	-	-	233,981,834
Accounts payable and accrued charges	<u>33,147,895</u>	<u>33,147,895</u>	<u>2,971,581</u>	<u>30,176,314</u>	<u>-</u>
	<u>\$267,129,729</u>	<u>267,129,729</u>	<u>2,971,581</u>	<u>30,176,314</u>	<u>233,981,834</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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial instruments and financial risk management (continued)

(c) Market risk (continued)

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

(i) Foreign currency risk

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

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

	Group		Company	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Foreign currency assets:				
Cash	175,006	1,098,620	22,537	40,229
Receivables	196,830	203,872	1,158	38,865
Securities purchased under resale agreements	<u>9,396</u>	<u>2,163</u>	<u>7,232</u>	<u>-</u>
	<u>381,232</u>	<u>1,304,655</u>	<u>30,927</u>	<u>79,094</u>
Foreign currency liabilities:				
Payables and accrued charges	(178,129)	(486,774)	(28,423)	211,164
Loans payable	<u>(2,133,113)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(2,311,242)</u>	<u>(486,774)</u>	<u>(28,423)</u>	<u>(211,164)</u>
Net foreign currency assets/ (liabilities)	<u>(1,930,010)</u>	<u>817,881</u>	<u>2,504</u>	<u>(132,070)</u>



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

26. Financial instruments and financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements

An 6% (2015: 8%) weakening of the Jamaica dollar against the United States dollar at December 31, 2016 would have increased the profit of the Group and the Company by \$14,491,275 (2015: \$2,724,249) and \$18,798 (2015: \$2,724,249), respectively. The analysis assumes that all other variables, in particular, interest rates, remain constant.

A 1% (2015: 1%) strengthening of the Jamaica dollar against the United States dollar at December 31, 2016 would have decreased the profit of the Group and the Company by \$2,415,213 (2015: \$959,359) and \$3,133 (2015: \$340,531), respectively, on the basis that all other variables remain constant.

The following rates of exchange of one J\$ for one US\$ applied for the year:

	Average rate		Reporting date spot rate			
	2016	2015	2016		2015	
			Buying	Selling	Buying	Selling
United States Dollar (US\$)	<u>125.14</u>	<u>117.32</u>	<u>127.48</u>	<u>128.44</u>	<u>119.64</u>	<u>120.42</u>

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate or that cashflows will vary 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 market interest rates. Even though there is no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the Group's 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. The Group was not subject to significant interest rate risk, at the reporting date.

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 equity.



KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

27. Fair value

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

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

The carrying value of non-current loan is assumed to approximate fair value, as the terms of the loan effect normal commercial considerations.

28. 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 other than the Jamaica Stock Exchange requirement to maintain positive equity.



**KINGSTON
PROPERTIES
LIMITED**

Supplementary Information to the
FINANCIAL STATEMENTS
December 31, 2016

KINGSTON PROPERTIES LIMITEDOperating Expenses
Year ended December 31, 2016

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting fees	2,608,894	2,323,688	1,400,550	1,408,450
Advertising and promotion	837,466	597,083	837,466	597,083
Annual report and return	17,363	16,278	-	-
Asset tax	200,000	200,000	200,000	200,000
Audit fees - Current year	3,961,725	3,786,754	2,500,000	2,500,000
- Prior year over accrual	-	(262,818)	-	-
Bad debt	-	497,906	-	-
Bank charges	458,138	1,038,213	291,962	647,040
Broker fees	2,202,016	966,130	312,402	-
Business licences and permits	581,732	39,420	-	-
Computer and internet expenses	871,794	646,767	604,244	599,654
Commission	1,050,759	-	-	-
Courier	558,961	563,281	558,961	563,281
County and state taxes	1,511,156	59,692	-	-
Depreciation and amortization	852,363	409,079	385,486	369,395
Development	-	182,539	-	18,995
Directors' fees	3,878,553	3,226,795	1,938,883	1,613,645
Donations	197,450	99,000	197,450	99,000
Dues and subscription	218,945	149,553	114,841	133,129
Employers' taxes	1,831,200	2,490,963	1,831,200	2,490,963
Equipment rental	75,084	70,392	-	-
General expense	221,103	40,061	75,000	35,955
Homeowners' Association fees	19,412,409	13,052,716	-	-
Hosting fees	163,258	20,883	-	-
Hotel fees	14,175	-	-	-
Insurance	5,041,231	7,565,811	3,085,393	4,436,274
Management fees	-	330,203	-	-
Meals and entertainment	306,824	331,253	301,369	299,025
Meeting expenses	73,950	70,550	73,950	70,550
Office supplies	144,176	297,529	144,176	279,262
Penalties	216,112	70,228	209,769	63,189
Postage and delivery	39,879	50,238	31,740	40,648
Printing and reproduction	79,014	328,870	79,014	328,870
Professional fees	7,754,175	3,951,704	4,486,876	3,394,943
Property taxes	21,703,006	14,250,298	521,000	615,750
Regulatory fees and charges	699,285	512,718	699,285	512,718
Repairs	891,454	13,687,336	-	13,150
Salaries and related costs	18,270,064	24,408,753	18,270,064	24,408,753
Service fees	291,830	-	-	-
Telephone & answering services	90,055	179,060	83,538	134,478
Tenants accomodations	-	1,542,087	-	-
Travel accomodations	447,632	535,250	169,777	158,261
Utilities	490,938	2,576,587	199,620	199,619
	<u>\$98,264,169</u>	<u>100,902,850</u>	<u>39,604,016</u>	<u>46,232,080</u>



FORM OF PROXY



I/We _____

of _____

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

_____ or failing him or her _____

of _____

as my/our proxy to vote on my/our behalf at the Annual General Meeting of Kingston Properties Limited to be held in the Leeward Suite at the Courtleigh Hotel and Suites, 85 Knutsford Boulevard, Kingston 5 on Tuesday, May 16, 2017 at 2:00 p.m and at any adjournment thereof.

RESOLUTIONS

FOR

AGAINST

Resolution 1: To receive the Audited Accounts for the year ended December 31, 2016 and the Reports of the Directors and Auditors thereon

Resolution 2: To Ratify Interim Dividend

Resolution 3&4: To Re-Elect the Retiring Directors

Resolution 5: To authorize the Directors to fix the remuneration of the Auditors

Resolution 6: To authorize the Sub-Division of Shares

Dated this _____ day of _____ 2017

Signature _____ [J\$100 Stamp]

Signature _____

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

To be valid, this proxy must be signed, duly stamped and deposited with the Corporate Secretary of the Company at 7 Stanton Terrace, Kingston 6, not less than 48 hours before the time appointed for holding the meeting. A proxy need not be a member of the Company.



**KINGSTON
PROPERTIES
LIMITED**

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info@kpreit.com • www.kriet.com