

**UNAUDITED GROUP FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2017**

---



**Highlights**

- **Group rental income up 59% to \$101.1 million for the first six months**
- **Group total revenue up 41% to \$107.1 million for the first six months**
- **Group net operating income for the half year up 67% to \$45.0 million**
- **Total Assets have increased from \$2.2 billion in 2016 to \$2.6 billion in 2017, up 20%**
- **Operating profit margin improved year on year from 36.1% to 42.0%**

The Board of Directors presents the unaudited group financial statements for the six months ended June 30, 2017.

**Income Statement**

For the six months ended June 30, 2017, **group rental income** was \$101.1 million versus \$63.7 million for the six months ended June 30, 2016, an overall increase of 58.6%. This performance continues to be driven by steady growth in income from our property portfolio in the US, Jamaica, and the Cayman Islands. Group rental income for the second quarter amounted to \$51.0 million compared with \$33.0 million for the second quarter of 2016. This represents an increase of 54.4% year over year. During the first quarter of 2017, two new properties were added to the portfolio, contributing to higher year over year rental revenue. Approximately 51% of the Group's rental revenue up to June 30, 2017 was generated in the US, down from 60% last year due largely to our shift in focus to property markets outside of the US.

**Group total revenue** for the first half of the year in 2017 amounted to \$107.1 million compared with \$75.9 million for the half year to June 30, 2016. This represents a year over year increase of 41.2%. In the 2016 review period, one of our tenants opted to terminate their lease prematurely and was subjected to an early termination fee of approximately \$12.2 million pursuant to the terms of the lease. **Group operating expenses**, which include direct property and administrative expenses, increased from \$48.6 million for the six months ended June 30, 2016 to \$62.1 million for the review period in 2017, an increase of 27.9%. Operating expenses for the three months to June 30, 2017 amounted to \$30.7 million versus \$24.2 million in 2016, an increase of 26.6% year over year. Higher operating expenses relate in part to higher direct property expenses such as homeowners' association fees, property insurance on the two new acquisitions as well as higher property taxes in the US.

**UNAUDITED GROUP FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2017**

---

**Results of Operating Activities before other income/gains** for the six months were \$45.0 million compared with \$27.4 million for the same period last year; this includes the early termination fee of \$12.2 million resulting in a 64.3% year over year increase. For the second quarter, there was a movement from \$21.0 million in 2016 to \$21.3 million this year or an increase of 1.5%. Excluding the early termination fee of \$12.2 million, the normalized gain was of \$8.8 million for the quarter in 2016 which would make the year over year increase equivalent to 141.9%. The Group continues to be strategic in its property acquisitions resulting in the operational efficiency of the Group improving year over year moving from 36.1% in 2016 to 42.0% in 2017.

**Group Profit before net finance charges** amounted to \$45.1 million for the six months ended June 30, 2017 compared with \$145.3 million for the corresponding period in 2016. The figure in 2016 included revaluation gains on some of our properties. Group profit before net finance charges and excluding fair value gains increased by 58.9% year over year. For the quarter, group profit before net finance charges amounted to \$21.3 million in 2017 versus \$21.0 million in 2016.

**Group net finance cost** was \$19.4 million for the six months ended June 30, 2017 compared with net finance income of \$15.6 million for the same period in 2016. These amounts include interest expense of \$19.7 million in 2017 versus \$1.9 million in 2016 as well as net unrealized foreign currency translation losses and net realized gain on conversion of foreign exchange investments and borrowings of (\$17,932) and \$77,568 in 2017 respectively. This compares with gains of \$16.6 million and \$7,888 in 2016 respectively. Net finance costs in 2017 are mainly due to (1) higher borrowings this year to acquire additional properties, and (2) and lower foreign exchange translation and conversion gains due to a less aggressive pace of devaluation of the Jamaican dollar versus the United States dollar in the first half of 2017 compared with 2016. For the quarter, net finance cost amounted to \$11.0 million in 2017 versus income of \$9.4 million in 2016.

**Profit before-tax** amounted to \$25.7 million for the half year ended June 30, 2017. This compares with \$160.8 million for the same period in 2016. **Total comprehensive income** and **profit for the period** in 2017 amounted to \$17.3 million and \$20.8 million, respectively compared with \$154.6 million and \$117.0 million, respectively, reported for the first half of 2016. Devaluation for the first half of 2017 was modest at 0.1% compared to 4.9% for the same period in 2016 which had an impact on the Group's bottom-line overall. In addition, foreign currency translation losses of \$3.5 million were recorded in the first half of 2017 versus gains of \$37.5 million in same period in 2016. Profit for the second quarter in 2017 amounted to \$19.7 million compared with \$26.7 million in 2016.

**Income tax charge** of \$4.9 million in the first half of 2017 was primarily deferred tax recorded in the Group's subsidiary in the US. Group income tax charge however was lower in 2017 than in 2016 which was \$43.8 million. The figure in 2017 includes a prior year under-provision.

**Earnings Per Stock Unit (EPS)** for the first six months of 2017 was \$0.06 compared with \$0.36 for the same period last year.

## UNAUDITED GROUP FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2017

---

### Balance Sheet

**Investment Properties** remain the largest component of Kingston Properties' balance sheet assets. As at June 30, 2017, investment properties amounted to \$2,507.7 million versus \$1,912.5 million at the end of the second half of 2016. The increase is primarily as a result of additions to the portfolio during January 2017 and this represents a year over year increase of 31.1%. In 2017, the portfolio composition by geography is as follows: US (53%), Jamaica (34%) and Cayman (13%). This compares with US (70%) and Jamaica (30%) in 2016.

**Total assets** stood at \$2,597.8 million as at June 30, 2017 compared to \$2,164.1 million the previous year, an increase of 20.0%.

**Total loans payable** were \$730.3 million at June 30, 2017 compared with \$271.8 million at June 30, 2016. The loans are part of the Group's strategy to increase leverage within prudent limits secured by properties to bolster the expansion of the property portfolio. These are all bank financed loans in both United States Dollars and Jamaican dollars from financial institutions in the US, Jamaica and the Cayman Islands. Total loans payable represent 28.1% of total assets and 42.5% of total equity, which compares favourably with our peers.

**Total Equity** remained relatively flat year over year moving from \$1,715.4 million at the end of the first half of 2016 to \$1,717.7 million at the end of the first half of 2017.

### Summary

Kingston Properties maintained an average occupancy of 88% on all its properties in the three jurisdictions in which it operates - the US, Jamaica and the Cayman Islands. Tenant turnover remains low with solid long term tenants with US dollar leases. We continue to focus on higher net leases through our diversification strategy which continues to reap benefits for the Group in improving our operating profit margins and efficiency. The 31% year over year increase in the investment property portfolio has resulted in a 59% increase in total rental revenue and a 64% increase in net operating income. While we focus on higher yielding assets, we continue to maintain our usual prudent management of overall risk to the portfolio, with debt representing less than 50% of the Group's equity.

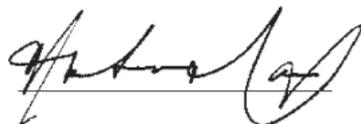
According to the Miami Realtors Association, the Miami-Dade condo and townhouse market continues to record solid growth in value with the median sale price of units increasing by 6.8% year over year as at June 2017 to a record median price of US\$235,000. Average sale price of units increased year over year by 2.9% to US\$384,319. The increase in inventory has leveled off due to the cancellation and postponement of several condo development projects despite the strong population and job growth prospects for the Southeast Florida market. We remain bullish on the growth prospects for both Jamaica and the Cayman Islands, the latter projected to grow in 2017 by 2.5%, while Jamaica is projected to grow between 1.5% and 2%.

**UNAUDITED GROUP FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2017**

---

In May 2017, shareholders approved a resolution to sub-divide KP shares in two and doubled the number of issued shares. This has increased the level of liquidity of the stock evidenced by the increased frequency of trading and a 25% increase in the number of persons owning the stock since the start of the year.

As always, thanks to our shareholders, employees and other stakeholders for your continued support as we seek to meet or exceed our corporate objectives.



Garfield Sinclair  
Chairman



Meghon Miller-Brown  
Director

*August 10, 2017*

**KINGSTON PROPERTIES LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

**KINGSTON PROPERTIES LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

---

**TABLE OF CONTENTS**

<b>CONTENTS</b>	<b>PAGE (S)</b>
GROUP STATEMENT OF COMPREHENSIVE INCOME	1
GROUP STATEMENT OF FINANCIAL POSITION	2
GROUP STATEMENT OF CHANGES IN EQUITY	3
GROUP STATEMENT OF CASH FLOWS	4
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	5 - 17

**KINGSTON PROPERTIES LIMITED**  
**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

	<u>Notes</u>	<b>Unaudited Quarter ended June 30, 2017 \$'000</b>	Unaudited Quarter ended June 30, 2016 \$'000	<b>Unaudited Six (6) months ended June 30, 2017 \$'000</b>	Unaudited Six (6) months ended June 30, 2016 \$'000	Audited Year ended December 31, 2016 \$'000
<b>Revenues:</b>						
Rental income		50,981	33,029	101,086	63,727	130,457
Property management fees		995	-	5,968	-	-
Termination fee		-	12,191	-	12,191	12,189
Total revenues		<u>51,976</u>	45,220	<u>107,054</u>	75,918	142,646
Operating expenses		<u>(30,667)</u>	(24,221)	<u>(62,102)</u>	(48,552)	(98,264)
Results of operating activities before other income/gains		<u>21,309</u>	20,999	<u>44,952</u>	27,366	44,382
Other income/gains:						
Fair value gain on investment properties		-	-	-	116,893	119,941
Miscellaneous income		<u>46</u>	32	<u>146</u>	1,021	1,229
Profit before net finance costs		<u>21,355</u>	21,031	<u>45,098</u>	145,280	165,552
Finance income		346	11,241	397	17,493	7,591
Finance cost		<u>(11,375)</u>	(1,895)	<u>(19,837)</u>	(1,933)	(7,537)
Net finance (costs) / income	3	<u>(11,029)</u>	9,346	<u>(19,440)</u>	15,560	54
Impairment loss on land held for development		-	-	-	-	(1,370)
<b>Profit before income tax</b>		<u>10,326</u>	30,377	<u>25,658</u>	160,840	164,236
<b>Income tax charge</b>		<u>9,411</u>	(3,632)	<u>(4,870)</u>	(43,794)	(34,317)
<b>Profit for the period / year</b>		<u>19,437</u>	26,745	<u>20,788</u>	117,046	129,919
<b>Other comprehensive income that may be reclassified to profit or loss:</b>						
Foreign currency translation differences for foreign operations, being total comprehensive (expense) / income		<u>(3,964)</u>	28,902	<u>(3,492)</u>	37,539	60,949
<b>Total comprehensive income for the period / year</b>		<u>15,773</u>	55,647	<u>17,296</u>	154,585	190,868
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>						
Earnings per stock unit:	4	<u>6.13 cents</u>	8.31 cents	<u>6.46 cents</u>	36.35 cents	40 cents

**KINGSTON PROPERTIES LIMITED**  
**GROUP STATEMENT OF FINANCIAL POSITION**  
**(UNAUDITED)**  
**AS AT JUNE 30, 2017**

	<u>Notes</u>	<b>Unaudited as at June 30, 2017 \$'000</b>	<b>Unaudited as at June 30, 2016 \$'000</b>	<b>Audited as at December 31, 2016 \$'000</b>
<b>NON-CURRENT ASSETS</b>				
Investment properties	5	2,507,670	1,912,484	1,930,922
Restricted asset		9,945	-	-
Land held for development	6	-	19,082	-
Furniture, software and equipment		2,880	2,763	2,694
<b>Total non-current assets</b>		<b>2,520,495</b>	<b>1,934,329</b>	<b>1,933,616</b>
<b>CURRENT ASSETS</b>				
Deposit on investment property		-	-	151,917
Land held for sale		17,712	-	17,712
Receivables and prepayments	7	34,435	47,046	30,148
Securities repurchased under agreements to resell		-	151,550	-
Income tax recoverable		68	-	137
Cash and cash equivalents		25,122	31,168	24,079
<b>Total current assets</b>		<b>77,337</b>	<b>229,764</b>	<b>223,993</b>
<b>Total assets</b>		<b>2,597,832</b>	<b>2,164,093</b>	<b>2,157,609</b>
<b>EQUITY</b>				
Share capital		1,028,509	1,028,509	1,028,509
Treasury shares		(5,049)	(5,049)	(5,049)
Cumulative translation reserve		282,740	262,822	286,232
Retained earnings		411,460	429,137	416,493
<b>Total equity</b>		<b>1,717,660</b>	<b>1,715,419</b>	<b>1,726,185</b>
<b>NON-CURRENT LIABILITIES</b>				
Loans payable	8	702,503	255,709	268,480
Deferred tax liabilities		115,026	124,854	115,478
<b>Total non-current liabilities</b>		<b>817,529</b>	<b>380,562</b>	<b>383,958</b>
<b>CURRENT LIABILITIES</b>				
Loans payable	8	27,759	16,036	5,498
Accounts payable and accrued charges	9	34,071	49,800	38,974
Income tax payable		813	2,276	2,994
<b>Total current liabilities</b>		<b>62,643</b>	<b>68,112</b>	<b>47,466</b>
<b>Total equity and liabilities</b>		<b>2,597,832</b>	<b>2,164,093</b>	<b>2,157,609</b>

**KINGSTON PROPERTIES LIMITED**  
**GROUP STATEMENT OF CHANGES IN EQUITY**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

	<b>Share capital \$'000</b>	<b>Treasury shares \$'000</b>	<b>Cumulative translation reserve \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total \$'000</b>
<b>Audited, balances at</b>					
<b>December 31, 2015 as previously reported</b>	1,028,509	(5,049)	225,283	336,297	1,585,040
Profit, being comprehensive income for the period	-	-	-	117,046	117,046
Translation of foreign subsidiaries' balances, being total other comprehensive income for the period	-	-	37,539	-	37,539
Dividends paid, being total distribution to owners	-	-	-	(24,206)	(24,206)
<b>Unaudited, balances at June 30, 2016</b>	<b><u>1,028,509</u></b>	<b><u>(5,049)</u></b>	<b><u>262,822</u></b>	<b><u>429,137</u></b>	<b><u>1,715,419</u></b>
<b>Audited, balances at December 31, 2016</b>	<b>1,028,509</b>	<b>(5,049)</b>	<b>286,232</b>	<b>416,493</b>	<b>1,726,185</b>
Profit, being comprehensive income for the period	-	-	-	20,788	20,788
Translation of foreign subsidiaries' balances, being total other comprehensive income for the period	-	-	(3,492)	-	(3,492)
Dividends paid, being total distribution to owners	-	-	-	(25,821)	(25,821)
<b>Unaudited, balances at June 30, 2017</b>	<b><u>1,028,509</u></b>	<b><u>(5,049)</u></b>	<b><u>282,740</u></b>	<b><u>411,460</u></b>	<b><u>1,717,660</u></b>

**KINGSTON PROPERTIES LIMITED**  
**GROUP STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

	<b>Unaudited Six (6) months ended June 30, 2017 <u>\$'000</u></b>	<b>Unaudited Six (6) months ended June 30, 2016 <u>\$'000</u></b>	<b>Audited Year ended December 31, 2016 <u>\$'000</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for the period / year</b>	<b>20,788</b>	117,046	129,919
<b>Adjustments for:</b>			
Income tax charge	<b>4,870</b>	43,794	34,317
Depreciation	<b>253</b>	217	487
Interest income	<b>(337)</b>	(910)	(2,551)
Impairment loss on land held for development	-	-	1,370
Interest expense	<b>19,837</b>	1,934	7,537
Fair value gain on investment property	-	(116,893)	(119,941)
Unrealized foreign exchange losses	<b>(17,230)</b>	(16,576)	(2,770)
Operating profit before changes in working capital	<b>28,181</b>	28,612	48,368
Changes in:			
Other receivables	<b>(4,287)</b>	(24,654)	(7,812)
Deposit on property	<b>151,917</b>	-	(151,917)
Restricted asset	<b>(9,945)</b>	-	-
Accounts payable and accrued charges	<b>(4,903)</b>	(16,535)	(27,361)
Income tax paid	<b>(2,075)</b>	(52)	(5,946)
<b>Net cash provided by / (used in) operations</b>	<b>158,888</b>	(12,629)	(144,667)
<b>Cash flows from investing activities</b>			
Interest received	<b>337</b>	910	2,551
Securities purchased under agreements to resell	-	(151,550)	-
Additions to office equipment	<b>(438)</b>	(52)	(225)
Additions to investment property	<b>(575,589)</b>	(183,315)	(183,195)
<b>Net cash used in investing activities</b>	<b>(575,690)</b>	(334,007)	(180,869)
<b>Cash flows from financing activities</b>			
Interest paid	<b>(19,837)</b>	(1,934)	(7,537)
Dividends paid	<b>(25,821)</b>	(24,206)	(49,722)
Loan received	<b>463,504</b>	271,745	273,978
<b>Net cash provided by financing activities</b>	<b>417,846</b>	245,605	216,718
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,043</b>	(101,032)	(108,818)
<b>Cash and cash equivalents at beginning of period</b>	<b>24,079</b>	132,897	132,897
Effect of exchange rate fluctuations on cash and cash equivalents	-	(697)	-
<b>Cash and cash equivalents at end of period / year</b>	<b>25,122</b>	31,168	24,079

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

---

**1. IDENTIFICATION AND PRINCIPAL ACTIVITIES**

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

The Company has two wholly owned subsidiaries:

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

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

The principal activity of the Group is real estate investment.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

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

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

The interim financial report is to be read in conjunction with the audited financial statements for the year ended December 31, 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended December 31, 2016.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended December 31, 2016.

**(b) Use of estimates**

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

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

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

---

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

**(c) Consolidation:**

**(i) Subsidiaries**

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

**(ii) Transactions eliminated on consolidation**

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

**(d) Related parties**

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

- (1) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (2) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

---

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

**(e) Foreign currencies**

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

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

**(f) Investment properties**

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

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

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

**(g) Furniture, software and equipment**

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

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

The costs of day-to-day servicing of office equipment are recognized in the statement of comprehensive income as incurred.

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

Computer and accessories	20%
Furniture and fixtures	10%

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

---

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

**(h) Receivables**

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

**(i) Reverse repurchase agreements**

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

**(j) Cash and cash equivalents**

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

**(k) Accounts payable and accrued charges**

Accounts payable and accrued charges are stated at cost.

**(l) Revenue recognition:**

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

**(m) Income tax**

The income tax charge for the year comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

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

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

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

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

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

---

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

**(n) Segment reporting**

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

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

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

**(o) Land held for development**

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

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

**3. Finance costs**

	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited	Audited
	<b>Quarter ended</b>	Quarter	<b>Six (6) months</b>	Six (6) months	Year end
	<b>June 30,</b>	ended	<b>ended June 30,</b>	ended June 30,	December 31,
	<b>2017</b>	June 30,	<b>2017</b>	2016	2016
	<b><u>\$'000</u></b>	<u>\$'000</u>	<b><u>\$'000</u></b>	<u>\$'000</u>	<u>\$'000</u>
Finance income					
Interest income	<u>84</u>	851	<u>337</u>	910	2,551
Foreign exchange gains and losses arising from investing and financing activities:					
Net unrealized gains / (losses) on translation of foreign currency investments and borrowings	<b>203</b>	10,377	<b>(18)</b>	16,576	5,971
Net realized gain / (losses) on conversion of foreign exchange investments and borrowings	<u>59</u>	13	<u>78</u>	8	(931)
Total finance income	<u>346</u>	11,241	<u>397</u>	17,494	7,591
Finance costs:					
Interest expense	<b>(11,301)</b>	(1,895)	<b>(19,714)</b>	(1,934)	(7,537)
Commitment fees	<b>(74)</b>	-	<b>(123)</b>	-	-
Total finance costs	<u>(11,375)</u>	(1,895)	<u>(19,837)</u>	(1,934)	(7,537)
Net finance (cost) / income	<u>(11,029)</u>	9,346	<u>(19,440)</u>	15,560	54

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

---

**4. Earnings per stock unit**

The Company's shareholders unanimously approved the subdivision of shares in the Company at its annual general meeting held on May 16, 2017. The X-date of the split was on May 19, 2017 and the record date was May 24, 2017. Each of the Company's authorised ordinary shares in the capital of the Company was sub-divided into two (2) ordinary shares each, thereby making a total share capital of 1,000,000 authorised ordinary shares of no par value.

The earnings per stock unit is computed by dividing the profit for the period / year, attributable to the company's stockholders, by weighted average number of stock units in issue during the year, computed as follows:

	<b>Unaudited</b> <b>Three months</b> <b>ended</b> <b>June 30, 2017</b>	Unaudited Three months ended June 30, 2016	<b>Unaudited</b> <b>Six months</b> <b>ended</b> <b>June 30, 2017</b>	Unaudited Six months ended June 30, 2016	Audited Year ended December 31, 2016
Ordinary stock units at January 1	<u>160,996</u>	<u>160,996</u>	<u>160,996</u>	<u>160,996</u>	<u>160,996</u>
Weighted average number of ordinary stock units held during the year	<b>321,993</b>	321,993	<b>321,993</b>	321,993	321,993
Earnings per share (cents)	<u><u>6.13</u></u>	<u><u>8.31</u></u>	<u><u>6.46</u></u>	<u><u>36.35</u></u>	<u><u>40</u></u>

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

**5. Investment properties**

Investment properties held by the Group are as follows:

	<b>Unaudited Quarter ended June 30 2017 \$'000</b>	<b>Unaudited Quarter ended June 30 2016 \$'000</b>	<b>Audited Year ended December 31, 2016 \$'000</b>
(i) Miami condominiums, Loft II	<b>504,044</b>	496,701	503,421
(ii) Midblock Miami condominiums	<b>298,674</b>	294,323	298,305
(iii) W. Ft Lauderdale condominiums	<b>389,232</b>	383,561	388,750
(iv) Opera Tower condominiums	<b>191,082</b>	188,299	190,846
(v) Tropic Centre	<b>362,696</b>	-	-
(vi) Spanish Town Road office and warehouse complex	<b>212,342</b>	-	-
(vii) Red Hills Road commercial complex	<b>549,600</b>	549,600	549,600
	<b><u>2,507,670</u></b>	<b><u>1,912,484</u></b>	<b><u>1,930,922</u></b>

(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.

(v) This represents 10,886 square feet of residential and commercial property, located at Seven Mile Beach, Grand Cayman. The property was purchased January 2017.

(vi) This represents 87,389 square feet of commercial property, located at Spanish Town Road, Kingston, Jamaica. The property was purchased January 2017.

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

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

**6. Land held for development**

<b>Unaudited</b> <b>June 30, 2017</b> <b><u>\$'000</u></b>	<b>Unaudited</b> <b>June 30, 2016</b> <b><u>\$'000</u></b>	<b>Audited</b> <b>December 31, 2016</b> <b><u>\$'000</u></b>
<u>-</u>	<u>19,082</u>	<u>-</u>

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 during 2017.

**7. Receivables and prepayments**

	<b>Unaudited</b> <b>June 30, 2017</b> <b><u>\$'000</u></b>	<b>Unaudited</b> <b>June 30, 2016</b> <b><u>\$'000</u></b>	<b>Audited</b> <b>December 31, 2016</b> <b><u>\$'000</u></b>
Rent receivables	5,288	5,094	1,751
Withholding tax recoverable	1	2,463	2,873
Security deposits	2,808	2,581	2,691
Prepayments	12,389	15,120	17,299
Other receivables	13,949	11,788	5,534
	<u>34,435</u>	<u>37,046</u>	<u>30,148</u>

**8. Loans payable**

	<b>Unaudited</b> <b>June 30, 2017</b> <b><u>\$'000</u></b>	<b>Unaudited</b> <b>June 30, 2016</b> <b><u>\$'000</u></b>	<b>Audited</b> <b>December 31, 2016</b> <b><u>\$'000</u></b>
Bank loan - No 1 [see (i)]			
Face amount	277,094	277,160	279,227
Un-amortized transaction costs	(4,937)	(5,416)	(5,249)
Carrying value	<u>272,157</u>	<u>271,744</u>	<u>273,978</u>
Bank loan - No 2 [see (ii)]			
Face amount	274,840	-	-
Un-amortized transaction costs	(3,366)	-	-
Carrying value	<u>271,474</u>	<u>-</u>	<u>-</u>
Bank loan - No 3 [see (ii)]			
Face amount	187,370	-	-
Un-amortized transaction costs	(739)	-	-
Carrying value	<u>186,631</u>	<u>-</u>	<u>-</u>
Total loans payable	<u>730,262</u>	<u>271,744</u>	<u>273,978</u>

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

**8. Loans payable (cont'd):**

	Unaudited June 30, 2017 \$'000	Unaudited June 30, 2016 \$'000	Audited December 31, 2016 \$'000
Classified as follows:			
<b>Non-current</b>			
Bank loan [ see (i)]	266,948	255,708	268,480
Bank loan [see (ii)]	262,569	-	-
Bank loan [see (iii)]	172,986	-	-
	<b>702,503</b>	<b>255,708</b>	<b>268,480</b>
<b>Current</b>			
Bank loan [ see (i)]	5,209	16,036	5,498
Bank loan [see (ii)]	8,905	-	-
Bank loan [see (iii)]	13,645	-	-
	<b>27,759</b>	<b>16,036</b>	<b>5,498</b>

**(i) Bank loan - No 1 Terrabank**

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.

The balance at [June 30, 2017: US\$2,154,314 (J\$277,093,908); June 30, 2016: US\$2,193,010 (J\$277,160,279); December 31, 2016: US\$2,173,979, (J\$279,226,737)].

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.

The balance at [June 30, 2017: US\$38,677, (J\$4,936,630); June 30, 2016: US\$43,055, J\$5,415,445; December 31, 2016: US\$40,866, (J\$5,248,886)].

**(ii) Bank Loan - No 2 National Commercial Bank**

This represents two loans from the National Commercial Bank, a financial institution in Jamaica, payable by Kingston Properties Limited.

Both loans are for 15 years at interest rate of 9.85% per annum, the loan amounts are J\$160,034,400 and J\$118,265,600 respectively.

One loan was to assist with the purchase of a commercial property at 591 Spanish Town Road, Kingston and the other was used to assist with the purchase of a commercial property in the Cayman Islands.

The loans are secured by promissory notes and loan agreements for senior secured amortising loan for \$160,034,400 and 118,265,600, first legal mortgage over commercial property located at 36-38 Red Hills Road, Kingston in the name of Kingston Properties Limited and letter of subordination.

The balance at June 30, 2017 is J\$274,839,859.

Transaction costs of approximately J\$3,462,063 were incurred in obtaining the loan. These costs were deducted from the loan balance and are being amortised over the life of the loan.

The balance at June 30, 2017 is J\$3,365,894

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

**SIX (6) MONTHS ENDED JUNE 30, 2017**

---

**8. Loans payable (cont'd):**

**(iii) Bank Loan - No 3 RBC Royal Bank (Cayman) Limited**

This is a credit facility from RBC Royal Bank (Cayman) Limited of US\$1,500,000 demand term loan to finance the acquisition of a commercial real estate in Grand Cayman.

The loan is for a duration of 12 years at 90-day Libor plus 2.25% per annum interest rate.

The loan is secured by the legal first charge debenture over the fixed and floating assets located in the Cayman Islands of the Borrower Stamped to secure US\$1,500,000, collateral first legal charge stamped to secure US\$1,500,000 over the properties legally described as Block 12C, Parcel 198 H1-H12 (inclusive) in the name of Carlton Savannah REIT (St. Lucia) Limited, assignment of comprehensive insurance for the properties, namely Block 12C, Parcel 198 H1-H12 (inclusive), assignment of rental income for the properties, namely Block 12C, Parcel 198 H1-H12 (inclusive) and a term deposit in the amount of US\$75,558 shall be held and secured by RBC under this agreement in the event of default.

The balance at June 30, 2017 is US\$1,456,743 (J\$187,370,313).

Transaction costs of approximately US\$6,000 were incurred in obtaining the loan. These costs were deducted from the loan balance and are being amortized over the life of the loan. The balance at June 30, 2017 is US\$5,792, (J\$739,237).

**KINGSTON PROPERTIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**SIX (6) MONTHS ENDED JUNE 30, 2017**

**9. Accounts payable and accrued charges**

	<b>Unaudited June 30, 2017 \$'000</b>	<b>Unaudited June 30, 2016 \$'000</b>	<b>Audited December 31, 2016 \$'000</b>
Accounts payable	22	11,545	5,901
Accounting and audit fees	2,314	2,719	4,399
Dividend payable	280	330	389
Other payables and accrued charges	21,768	25,906	17,616
Security deposits held	9,687	9,300	10,669
	<u>34,071</u>	<u>49,800</u>	<u>38,974</u>

**10. Segment reporting**

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

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

	<b>Unaudited</b>				
	<b>Six (6) months ended June 30, 2017</b>				
	<b>Jamaica</b>	<b>United States of America</b>	<b>St. Lucia</b>	<b>Consolidated adjustments and eliminations</b>	<b>Total Group</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues	<u>32,613</u>	<u>51,611</u>	<u>16,862</u>	<u>-</u>	<u>101,086</u>
Profit / (loss) for the period	<u>4,469</u>	<u>6,807</u>	<u>6,786</u>	<u>2,726</u>	<u>20,788</u>
	<b>Unaudited</b>				
	<b>as at June 30, 2017</b>				
	<b>Jamaica</b>	<b>United States of America</b>	<b>St. Lucia</b>	<b>Consolidated adjustments and eliminations</b>	<b>Total Group</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Segment assets	<u>1,514,412</u>	<u>1,431,207</u>	<u>654,668</u>	<u>(1,002,455)</u>	<u>2,597,832</u>
Segment liabilities	<u>347,040</u>	<u>1,066,390</u>	<u>187,041</u>	<u>(720,299)</u>	<u>880,172</u>

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

**SIX (6) MONTHS ENDED JUNE 30, 2017**

**10. Segment reporting (cont'd):**

	Unaudited Six (6) months ended June 30, 2016				
	Jamaica	United States of America	St. Lucia	Consolidated adjustments and eliminations	Total Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues	25,598	38,129	-	-	63,727
Profit / (loss) for the period	33,004	85,705	(1,663)	-	117,046
	Unaudited as at June 30, 2016				
	Jamaica	United States of America	St. Lucia	Consolidated adjustments and eliminations	Total Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	1,474,961	1,417,432	461,883	(1,190,183)	2,164,093
Segment liabilities	273,520	1,082,849	331	(908,026)	448,674
	Audited Year ended December 31, 2016				
	Jamaica	United States of America	St. Lucia	Consolidated adjustments and eliminations	Total Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues	53,089	77,368	-	-	130,457
Profit / (loss) for the year	45,804	104,953	(4,589)	(16,249)	129,919
	Audited as at December 31, 2016				
	Jamaica	United States of America	St. Lucia	Consolidated adjustments and eliminations	Total Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	1,358,067	1,426,158	462,668	(1,089,284)	2,157,609
Segment liabilities	169,342	1,068,559	650	(807,127)	431,424