KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922-6640
firmmail@kpmg.com.jm

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 46, which comprise the Group's and Company's statements of financial position as at December 31, 2017, 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, 2017, 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.

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:

- Using our own valuation specialists to assess the reasonableness of the valuation methodologies employed by management, including management experts, where applicable, 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 assess potential fair value changes that occurred within the period.

- Evaluating the independence and qualification of management's valuation experts, where applicable, to determine that the valuations were done with appropriate independence and free of management bias.

- 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.*

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 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.

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 Company'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 Company 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.

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.

KPMG

Chartered Accountants
Kingston, Jamaica

February 26, 2018

To the Members of
KINGSTON PROPERTIES LIMITED

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 Company'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 Company 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

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 matters 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, 2017

	Notes	2017	2016
Revenue - rental income	4	196,322,267	130,457,378
Operating expenses	5	(124,325,694)	(98,264,169)
Results of operating activities before other income		71,996,573	32,193,209
Other income:			
Fair value gain on investment properties	12(b)(i)	11,708,755	119,941,059
Termination fees	6	205,376	12,189,057
Management fees	7	7,957,901	-
Miscellaneous income		904,145	1,228,912
Operating profit		92,772,750	165,552,237
Finance income	8	691,734	7,590,686
Finance costs	8	(42,782,716)	(7,536,898)
Net finance (costs)/income	8	(42,090,982)	53,788
Impairment loss on land held for sale	16	-	(1,369,727)
Profit before income tax		50,681,768	164,236,298
Income tax credit/(charge)	9	28,477,048	(34,317,258)
Profit for the year	10	79,158,816	129,919,040
Other comprehensive income that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations, being total other comprehensive (loss)/income		(40,074,054)	60,949,209
Total comprehensive income for the year		$ 39,084,762	190,868,249
Earnings per stock unit (cents)	11	24.6¢	40.3¢

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

KINGSTON PROPERTIES LIMITED

Group Statement of Financial Position
December 31, 2017

	Notes	2017	2016
NON-CURRENT ASSETS			
Investment property	12(a)	2,471,466,048	1,930,922,213
Restricted cash	19	24,474,097	15,297,672
Furniture and equipment	13	3,071,788	2,693,620
Total non-current assets		2,499,011,933	1,948,913,505
CURRENT ASSETS			
Deposits on investment property	15	-	151,916,549
Land held for sale	16	-	17,712,450
Receivables	18	19,017,349	30,147,868
Income tax recoverable		-	136,947
Cash and cash equivalents	19	37,966,958	8,781,236
Total current assets		56,984,307	208,695,050
Total assets		$2,555,966,240	2,157,608,555
EQUITY			
Share capital	20	1,028,508,717	1,028,508,717
Treasury shares	21	(5,049,311)	(5,049,311)
Currency translation reserve		246,157,965	286,232,019
Retained earnings		469,830,745	416,493,116
Total equity		1,739,448,116	1,726,184,541
NON-CURRENT LIABILITIES			
Loans payable	22	676,122,908	268,479,831
Deferred tax liabilities	23	78,403,796	115,477,805
Total non-current liabilities		754,526,704	383,957,636
CURRENT LIABILITIES			
Current portion of loans payable	22	28,502,662	5,498,020
Accounts payable and accrued charges	24	33,389,267	38,974,826
Income tax payable		129,491	2,993,532
Total current liabilities		62,021,420	47,466,378
Total liabilities		816,548,124	431,424,014
Total equity and liabilities		$2,555,996,240	2,157,608,555

The financial statements on pages 8 to 46 were approved for issue by the Board of Directors on February 26, 2018 and signed on its behalf by:

Garfield Sinclair
Chairman

Meghon 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, 2017

	Share capital (note 20)	Treasury shares (note 21)	Cumulative translation reserve	Retained earnings	Total
Balances at December 31, 2015	1,028,508,717	(5,049,311)	225,282,810	336,296,559	1,585,038,775
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 declared (note 25), being total transactions with owners	-	-	-	(49,722,483)	(49,722,483)
Balances at December 31, 2016	1,028,508,717	(5,049,311)	286,232,019	416,493,116	1,726,184,541
Total comprehensive income:					
Profit for the year	-	-	-	79,158,816	79,158,816
Other comprehensive income:					
Exchange difference on translation of foreign subsidiaries, being total other comprehensive income for the year	-	-	(40,074,054)	-	(40,074,054)
Total comprehensive income for the year	-	-	(40,074,054)	79,158,816	39,084,762
Dividends declared (note 25), being total transactions with owners	-	-	-	(25,821,187)	(25,821,187)
Balances at December 31, 2017	$1,028,508,717	(5,049,311)	246,157,965	469,830,745	1,739,448,116

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

KINGSTON PROPERTIES LIMITED

Group Statement of Cash Flows
Year ended December 31, 2017

	Notes	2017	2016
Cash flows from operating activities			
Profit for the year		79,158,816	129,919,040
Adjustments for:			
Income tax (credit)/charge	9	(28,477,048)	34,317,258
Depreciation	13	527,378	487,075
Interest income	8	(444,521)	(2,550,537)
Impairment loss on land held for sale	16	-	1,369,727
Interest expense	8	42,144,115	7,536,898
Fair value gain on investment property	12(b)(i)	(11,708,755)	(119,941,059)
Loss on disposal of land	16	4,400	-
Unrealised foreign exchange gains		(6,626,418)	(2,770,275)
		74,577,967	48,368,127
Changes in:			
Other receivables		11,231,732	(7,812,331)
Proceeds from land sold		17,708,050	-
Deposit on property		-	(151,916,549)
Accounts payable and accrued charges		(7,043,340)	(27,360,694)
Income tax paid		(11,324,055)	(5,945,613)
Net cash provided by/(used in) operating activities		85,150,354	(144,667,060)
Cash flows from investing activities			
Interest received		343,308	2,550,537
Additions to office equipment	13	(911,591)	(225,235)
Additions to investment property		(417,686,468)	(183,194,548)
Net cash used in investing activities		(418,254,751)	(180,869,246)
Cash flows from financing activities			
Interest paid		(42,144,115)	(7,536,898)
Dividends paid		(24,363,406)	(49,722,483)
Loans received		465,115,994	273,977,851
Loan repaid		(27,141,929)	-
Restricted cash		(24,474,097)	(15,297,672)
Net cash provided by financing activities		346,992,447	201,420,798
Net increase/(decrease) in cash and cash equivalents		13,888,050	(124,115,508)
Cash and cash equivalents at beginning of year		24,078,908	132,896,744
Cash and cash equivalents at end of year	19	$ 37,966,958	8,781,236

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, 2017

	Notes	2017	2016
Revenue – rental income	4	67,354,955	53,088,997
Operating expenses	5	(41,016,129)	(39,604,016)
Results of operating activities before other income		26,338,826	13,484,981
Fair value gain on investment properties	12(b)(i)	126,652,920	-
Termination fees	6	-	12,189,057
Management fees	7	7,957,901	-
Miscellaneous income		507,629	994,149
Operating profit		161,457,276	26,668,187
Finance income	8	688,073	23,778,857
Finance costs	8	(37,603,993)	(219,774)
Net finance (costs)/income	8	(36,915,920)	23,559,083
Impairment loss on land held for sale	16	-	(1,369,727)
Profit before income tax		124,541,356	48,857,543
Income tax charge	9	(60,000)	(3,053,532)
Profit for the year, being total comprehensive income	10	$124,481,356	45,804,011

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

KINGSTON PROPERTIES LIMITED

Separate Statement of Financial Position
December 31, 2017

	Notes	2017	2016
NON-CURRENT ASSETS			
Investment property	12(a)	891,554,380	549,600,180
Restricted cash	19	301,603	-
Furniture and equipment	13	2,038,670	2,322,786
Investment in subsidiaries	14	308,730,729	308,730,729
Total non-current assets		1,202,625,382	860,653,695
CURRENT ASSETS			
Deposit on investment property	15	-	51,206,875
Land held for sale	16	-	17,712,450
Owed by subsidiaries	17	404,038,245	418,733,290
Receivables	18	1,381,969	8,120,183
Cash and cash equivalents	19	19,470,464	1,640,485
Total current assets		424,890,678	497,413,283
Total assets		$1,627,516,060	1,358,066,978
EQUITY			
Share capital	20	1,028,508,717	1,028,508,717
Treasury shares	21	(5,049,311)	(5,049,311)
Retained earnings		263,925,505	165,265,336
Total equity		1,287,384,911	1,188,724,742
NON-CURRENT LIABILITIES			
Loan payable	22	257,893,609	-
CURRENT LIABILITIES			
Current portion of loan payable	22	9,352,507	-
Owed to subsidiary	17	60,192,644	146,602,026
Accounts payable and accrued charges	24	12,572,898	19,746,678
Income tax payable		119,491	2,993,532
Total current liabilities		82,237,540	169,342,236
Total liabilities		340,131,149	169,342,236
Total equity and liabilities		$1,627,516,060	1,358,066,978

The financial statements on pages 8 to 46 were approved for issue by the Board of Directors on February 26, 2018 and signed on its behalf by:

Garfield Sinclair
Chairman

Meghon 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, 2017

	Share capital (note 20)	Treasury shares (note 21)	Retained earnings	Total
Balances at December 31, 2015	1,028,508,717	(5,049,311)	169,183,808	1,192,643,214
Profit for the year, being total comprehensive income	-	-	45,804,011	45,804,011
Dividends declared (note 25), being total transactions with owners	-	-	(49,722,483)	(49,722,483)
Balances at December 31, 2016	1,028,508,717	(5,049,311)	165,265,336	1,188,724,742
Profit for the year, being total comprehensive income	-	-	124,481,356	124,481,356
Dividends declared (note 25), being total transactions with owners	-	-	(25,821,187)	(25,821,187)
Balances at December 31, 2017	$1,028,508,717	(5,049,311)	263,925,505	1,287,384,911

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

KINGSTON PROPERTIES LIMITED

Separate Statement of Cash Flows
Year ended December 31, 2017

	Notes	2017	2016
Cash flows from operating activities			
Profit for the year		124,481,356	45,804,011
Adjustments for:			
Income tax charge	9	60,000	3,053,532
Depreciation	13	389,047	385,486
Interest income	8	(440,860)	(2,489,357)
Impairment loss on land held for sale	16	-	1,369,727
Interest expense	8	24,962,617	219,774
Loss on disposal of land held for sale		4,400	-
Increase in fair value of investment property	12(b)(i)	(126,652,920)	-
		22,803,640	48,343,173
Changes in:			
Other receivables		6,839,427	(5,526,397)
Procceds from sale of land		17,708,050	-
Accounts payable and accrued charges		(8,631,561)	(13,401,217)
Deposit on property		-	(51,206,875)
Income tax paid		(2,934,041)	(60,000)
Owed by subsidiaries		14,695,045	152,539,576
Owed to subsidiary		(86,409,382)	(87,379,808)
Net cash(used in)/ provided by operating activities		(35,928,822)	43,308,452
Cash flows from investing activities			
Interest received		339,647	2,489,357
Additions to property and equipment	13	(104,931)	(225,235)
Additions to investment property		(164,094,405)	-
Net cash (used in)/provided by investing activities		(163,859,689)	2,264,122
Cash flows from financing activities			
Interest paid		(24,962,617)	(219,774)
Dividends paid		(24,363,406)	(49,722,483)
Restricted cash		(301,603)	-
Loans received		278,300,000	-
Repayment of loan		(11,053,884)	-
Net cash provided by/(used in) financing activities		217,618,490	(49,942,257)
Net increase/(decrease) in cash and cash equivalents		17,829,979	(4,369,683)
Cash and cash equivalents at beginning of year		1,640,485	6,010,168
Cash and cash equivalents at end of year	19	$ 19,470,464	1,640,485

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

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:

- 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 new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

(a) Statement of compliance (continued)

- IFRS 9, *Financial Instruments, continued*

  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 category 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 this amendment will have on its 2018 financial statements.

- IFRS 15, *Revenue from Contracts with Customers*, is effective for annual reporting periods beginning on or after January 1, 2018. 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 entities 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 will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

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

- Amendments to IAS 40, *Transfers of Investment Property*, effective for annual reporting periods beginning on or after January 1, 2018, clarifies when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or cease to meet the definition of investment property and there is evidence of the change in use.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

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

(a) Statement of compliance (continued)

- Amendments to IAS 40, *Transfers of Investment Property, continued*

  The entity has a choice on transition to apply the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or apply the amendments retrospectively in accordance with IAS 8, but only if it does not involve the use of hindsight.

  The Group is assessing the impact that this amendment will have on its financial 2018 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.

  Entities 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.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

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

- IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

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

(a) Statement of compliance (continued)

- IFRIC 23, *Uncertainty Over Income Tax Treatments, continued*

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

  If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

  IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding:

  - judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - assumptions and other estimates used; and
  - potential impact of uncertainties that are not reflected in the financial statements.

  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).

(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.

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

(d) Use of estimates and judgements (continued)

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 measured 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 12(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 Deferment rules, under which the Group is allowed to sell investment property and reinvest the proceeds in ownership of like-kind property, and thereby 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.

(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.

3. Significant accounting policies (continued)

(a) Consolidation (continued)

(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 subsidiaries

Investments in subsidiaries (note 1) are 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).

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.

(ii) 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 measured at historical cost are translated at the foreign exchange rate ruling at the date of the transaction.

3. Significant accounting policies (continued)

(g) Foreign currencies (continued)

(ii) (continued)

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.

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 an 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.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(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.

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 expire.

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 at 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.

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 Deferment 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 relinguished 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 an 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 measured at fair value.

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 similar 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.

Maintenance income from investment property are accounted for in profit or loss on the straight-line basis over the term of the lease/agreement.

(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 LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

4. Rental income

	Group		Company	
	2017	2016	2017	2016
Tropic Centre	32,301,655	-	-	-
Spanish Town Road Complex	24,298,495	-	24,298,495	-
Red Hills Road Commercial Complex	43,056,460	53,088,997	43,056,460	53,088,997
Loft II, Miami condominiums	37,260,589	36,480,460	-	-
Midblock Miami condominiums	17,299,077	16,258,248	-	-
W. Ft Lauderdale condominiums	31,238,032	16,977,493	-	-
Opera Tower Condominiums	10,867,959	7,652,180	-	-
	$196,322,267	130,457,378	67,354,955	53,088,997

5. Expense by nature

	Group		Company	
	2017	2016	2017	2016
Accounting fees	2,572,800	2,608,894	1,346,500	1,400,550
Asset tax	200,000	200,000	200,000	200,000
Audit fees – current year	6,150,000	3,961,725	3,200,000	2,500,000
- prior year under-accrual	915,725	-	75,000	-
Bank charges	492,723	458,138	139,747	291,962
Commission	7,892,942	1,050,759	-	-
County and state taxes	1,208,761	1,511,156	-	-
Depreciation and amortisation	1,089,410	852,363	389,047	385,486
Directors' fees	3,792,565	3,878,553	1,899,255	1,893,883
Employers' taxes	1,827,104	1,831,200	1,827,104	1,831,200
Homeowners' Association fees	22,727,434	19,412,409	-	-
Insurance	9,742,240	5,041,231	3,732,445	3,085,393
Professional fees	4,597,655	7,754,175	3,476,038	4,486,876
Property taxes	24,244,767	21,703,006	804,107	521,000
Regulatory fees and charges	699,285	699,285	699,285	699,285
Management fees	2,966,177	-	-	-
Repairs	4,652,574	891,454	317,000	-
Salaries and related costs	18,332,341	18,270,064	18,332,341	18,270,064
Service fees	2,024,933	291,830	-	-
Utilities	409,212	490,938	199,620	199,620
Other operating expenses	7,787,046	7,356,989	4,378,640	3,838,697
	$124,325,694	98,264,169	41,016,129	39,604,016

6. Termination fees

This represents fees for early termination of lease agreements. Termination fees for 2017 and 2016 were in respect of Loft II Downtown Miami and Red Hills Road, Kingston, respectively.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

7. Management fees

This represents fees charged in respect of the Red Hills Road Commercial Complex. Fees are charged at seven and half percent (7.5%) on the total rental income collected from tenants.

8. Net finance costs

	Group		Company	
	2017	2016	2017	2016
Finance income:				
Interest income	444,521	2,550,537	440,860	2,489,357
Foreign exchange (losses)/gains arising from investing and financing activities:				
Net unrealised gains on translation of foreign currency investments and borrowings	-	5,971,400	-	22,220,751
Net realised gains/(losses) on conversion of foreign currency investments and borrowings	247,213	(931,251)	247,213	(931,251)
	247,213	5,040,149	247,213	21,289,500
	691,734	7,590,686	688,073	23,778,857
Finance costs:				
Unrealised exchange losses	(427,031)	-	(12,429,806)	-
Interest expense	(42,144,115)	(7,536,898)	(24,962,617)	(219,774)
Commitment fees	(211,570)	-	(211,570)	-
Total finance costs	(42,782,716)	(7,536,898)	(37,603,993)	(219,774)
Net finance (cost)/income	$(42,090,982)	53,788	(36,915,920)	23,559,083

9. Taxation charge

(a) Taxation comprises:

	Group		Company	
	2017	2016	2017	2016
(i) Current income tax expense:				
Income tax at 25%	-	3,053,532	-	3,053,532
Income tax at 1%	148,184	-	-	-
Under-provision of income tax	6,212,624	-	-	-
(ii) Income tax credit:				
Minimum business tax	60,000	-	60,000	-
(iii) Deferred income tax expense:				
Origination and reversal of temporary differences	(34,897,856)	31,263,726	-	-
Total income tax (credit)/charge	$(28,477,048)	34,317,258	60,000	3,053,532

9. Taxation charge (continued)

(b) Reconciliation of actual tax expense

The tax rate for the Company is 25% (2016: 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	
	2017	2016	2017	2016
Profit before income tax	$ 50,681,768	164,236,298	124,541,356	48,857,543
Computed "expected" tax expense at Jamaican tax rate of 25%	12,670,441	41,059,075	31,135,339	12,214,386
Minimum business tax	60,000		60,000	
Effect of different tax rates in foreign jurisdictions	(2,731,276)	12,838,190	-	-
Fair value gains disallowed	(2,927,189)	(35,982,317)	(31,663,230)	-
Depreciation and capital allowances	(44,515,537)	(11,532,381)	(1,080,847)	(1,113,228)
Prior year underaccrual	6,212,624	-	-	-
Disallowed income/expenses, net	729,339	33,417,551	729,339	(2,564,766)
Utilised tax losses	2,024,550	(5,482,860)	879,399	(5,482,860)
Actual tax (credit)/charge	$(28,477,048)	34,317,258	60,000	3,053,532
Effective rate of tax	(56.19%)	20.89%	0.05%	6.25%

(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 $28,870,365 for the Company and $35,215,071 for the Group (2016: $35,938,000 for the Company and the Group).

10. Profit for the year

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Auditors' remuneration	6,150,000	4,609,700	3,200,000	2,500,000
Key management personnel Compensation	17,743,763	17,901,063	17,743,763	17,901,063
Directors' remuneration:				
- fees	3,792,565	3,878,553	1,899,255	1,938,883

Key management personnel comprise the Board of Directors, Chief Executive Officer and the Property and Administration Manager.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

11. Earnings per stock unit

The earnings per stock unit is computed by dividing the profit for the year of $79,158,816 (2016: $129,919,040), attributable to the Company's stockholders, by a weighted average number of stock units in issue during the year, determined as follows:

	2017	2016 *(Restated)*
Ordinary stock units at January 1	160,996,334	160,996,334
Effect of stock split on May 24, 2017 (see note 20)	160,996,334	160,996,334
	321,992,668	321,992,668
Earnings per stock unit (cents)	24.6¢	40.3¢

12. Investment property

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

	Group		Company	
	2017	2016	2017	2016
Loft II, Miami condominiums (i)	438,094,597	503,420,889	-	-
Midblock Miami condominiums (ii)	248,361,073	298,304,605	-	-
W. Ft Lauderdale condominiums (iii)	410,852,302	388,750,432	-	-
Opera Tower condominiums (iv)	131,361,472	190,846,107	-	-
Red Hills Road Commercial Complex (v)	571,554,380	549,600,180	571,554,380	549,600,180
Spanish Road Commercial Complex (vi)	320,000,000	-	320,000,000	-
Tropic Centre (vii)	351,242,224	-	-	-
	$2,471,466,048	1,930,922,213	891,554,380	549,600,180

(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 5,231 square feet located at 3250 NE 1st Avenue in Miami Florida, 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, purchased in April 2016.

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

(vi) This represents a commercial property of 56,897 square feet purchased in January 2017, located at 591 Spanish Town Road, Kingston, Jamaica.

(vii) This represents a property of 8,819 square feet purchased in January 2017 for commercial and residential purposes. The property was acquired through Carlton Savannah REIT (St. Lucia) Limited and is located at Earth Close, West Bay Beach South, Cayman Islands.

12. Investment property (continued)

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

	Group		Company	
	2017	2016	2017	2016
Balance as at beginning of year	1,930,922,213	1,552,203,131	549,600,180	549,600,180
Additions during the year	569,603,017	183,194,548	215,301,280	-
Fair value gain [see (c)(ii)]	11,708,755	119,941,059	126,652,920	-
Foreign currency translation adjustments	(40,767,937)	75,583,475	-	-
Balance at end of year	$2,471,466,048	1,930,922,213	891,554,380	549,600,180

(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**
Investment approach: The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream.	• Expected market rental growth • Yields • Rental rates	The estimated fair value would increase/(decrease) if: • Expected market rental growth were higher (lower);The occupancy rate were higher (lower)
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.		• Rent-free periods were shorter (longer); or • Yields were lower (higher)

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

12. Investment properties (continued)

(ii) (Continued)

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Sales comparison approach: The approach relies heavily upon the principle of substitution. Recent sales of similar properties are gathered and a meaningful unit of comparison is developed. A comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics.	• Sales of similar properties	The estimated fair value would increase/(decrease) if: • Sales prices of similar properties were higher/(lower)
Income approach: 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.	• Annual net income	The estimated fair value would increase/(decrease) if: • Annual net income was higher/(lower) • Capitalisation multiple was higher/(lower)

12. Investment properties (continued)

(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.

(ii) The Spanish Town Road property was revalued during the year by independent valuators, Allison Pitter and Company,of Kingston, Jamaica.

The Red Hills Road property was revalued as at December 31, 2015, by independent valuators, NAI Jamaica: Langford and Brown, of Kingston, Jamaica.

(iii) During 2017, there was an internal valuation for condominiums located at Loft Downtown II, Midblock Miami, Opera Towers Miami and W. Fort Lauderdale.

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

(e) Property operating expenses are as follows:

	Group		Company	
	2017	2016	2017	2016
Homeowners' association fees	22,727,434	19,412,409	-	-
Insurance premiums	9,742,240	5,041,231	3,732,445	3,085,393
Property taxes	24,244,767	21,703,006	804,107	521,000
Professional fees	4,597,655	7,754,175	3,476,038	4,486,876
Maintenance	4,652,574	891,454	317,000	-
Management fees	2,696,177	-	-	-
	$68,660,847	54,802,275	8,329,590	8,093,269

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

13. Furniture, software and equipment

	Group			Company
	Office furniture & equipment	Computer software	Total	Office furniture& equipment
Cost:				
December 31, 2015	4,192,674	338,293	4,530,967	3,707,048
Foreign currency translation	31,817	-	31,817	-
Additions	225,235	-	225,235	225,235
December 31, 2016	4,449,726	338,293	4,788,019	3,932,283
Foreign currency translation	(10,499)	-	(10,499)	-
Additions	911,591	-	911,591	104,931
December 31, 2017	5,350,818	338,293	5,689,111	4,037,214
Depreciation:				
December 31, 2015	1,264,449	338,293	1,602,742	1,224,011
Foreign currency translation	4,582	-	4,582	-
Charge for year	487,075	-	487,075	385,486
December 31, 2016	1,756,106	338,293	2,094,399	1,609,497
Foreign currency translation	(4,454)	-	(4,454)	-
Charge for year	527,378	-	527,378	389,047
December 31, 2017	2,279,030	338,293	2,617,323	1,998,544
Net book value:				
December 31, 2017	$3,071,788	-	3,071,788	2,038,670
December 31, 2016	$2,693,620	-	2,693,620	2,322,786
December 31, 2015	$2,928,225	-	2,928,225	2,483,037

14. Investment in subsidiaries

	Company	
	2017	2016
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	235,150,752	235,150,752
	$308,730,729	308,730,729

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

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 prior 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.

(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. Land held for sale

This represented 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. 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. Sale was completed in 2017 which resulted in an additional recorded loss of $4,400.

17. Owed by/(to) subsidiaries

	Company	
	2017	2016
Owed by subsidiaries:		
Kingston Properties Miami LLC US$3,246,097 (2016: US$3,260,137) [see note (i)]	$404,038,245	418,733,290
Owed to subsidiaries:		
Calton Savannah REIT (St. Lucia) US$486,965 (2016: US$1,149,995)[see note (ii)]	$ 60,192,644	146,602,026

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

17. Owed by/(to) subsidiaries (continued)

(ii) During the prior year, Carlton Savannah REIT (St. Lucia) repaid a loan on behalf of Kingston Properties Limited. The advance has no fixed interest rate or repayment date. During the year, the Company repaid US$663,030 (2016:US$793,134).

18. Receivables

	Group		Company	
	2017	2016	2017	2016
Rent receivable	5,498,129	1,751,562	1,117,232	53,661
Withholding tax recoverable	2,289	2,872,972	2,289	2,872,972
Security deposits	2,793,898	2,691,062	74,650	74,650
Prepayments	4,618,067	17,298,681	86,585	5,081,900
Other receivables	6,104,966	5,533,591	101,213	37,000
	$19,017,349	30,147,868	1,381,969	8,120,183

19. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
Interest bearing accounts	-	14,120	-	14,120
Current accounts	50,080,275	23,142,815	7,411,287	704,392
Securities purchased under resale agreements	12,360,780	921,973	12,360,780	921,973
	62,441,055	24,078,908	19,772,067	1,640,485
Less: Restricted cash	(24,474,097)	(15,297,672)	(301,603)	-
	$37,966,958	8,781,236	19,470,464	1,640,485

As at December 31, 2017 the fair value of the underlying securities purchased under resale agreements approximated the carrying values.

Restricted cash represents funds being held in reserve under conditions of the loan agreements with National Commercial Bank, Terra Bank N.A and RBC Royal Bank (note 22).

20. Share capital

	2017	2016
Authorised capital:		
500,000,000 ordinary shares of no par value		
Issued and fully paid:		
321,992,668 (2016: 160,996,334) ordinary shares	$1,028,508,717	1,028,508,717

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

20. Share capital (continued)

On May 21, 2017, the company executed a 1:1 stock split by which an additional 160,996,334 stock units were issued to existing stockholders, which increased the Company's total issued ordinary stock units to 321,992,608. The additional shares were listed on the Jamaica Stock Exchange's Main Market on May 24, 2017.

21. 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 has been no repurchase of shares since 2015.

22. Loans payable

	Group		Company	
	2017	2016	2017	2016
Terrabank N.A. (i)	262,262,511	273,977,851	-	-
RBC Royal Bank (ii)	175,116,943	-	-	-
National Commercial Bank (iii)	267,246,116	-	267,246,116	-
Total bank loans at year end	704,625,570	273,977,851	267,206,116	-
Less current portion	(28,502,662)	(5,498,020)	(9,352,507)	-
Non-current portion	$676,122,908	268,479,831	257,893,609	-

(i) 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.

(ii) This represents a loan of US$1,500,000 from RBC Royal Bank in Cayman Islands, payable by Carlton Savannah REIT (St. Lucia) Limited. The loan is for a duration of twelve (12) years at an interest rate of 3.26%.

The loan is secured by a first charge debenture over the fixed and floating assets of Carlton Savannah REIT (St. Lucia) Limited and a first legal charge over the properties legally described as Block 12c, Parcel 198 HI –HI2 (inclusive) in the name of Carlton Savannah REIT (St. Lucia) Limited.

(iii) This represents loans of JMD118,265,600 and JMD160,034,400 payable by Kingston Properties Limited. The loans are for a duration of fifteen (15) years at an interest rate of 9.85%.

The loan is secured by a first legal mortgage over commercial property located at 36-38 Red Hills Road, Kingston.

Transaction costs of approximately USD43,785 and USD6,000 were incurred in obtaining loans (i) and (ii) respectively, while transaction costs of JMD3,462,063 were incurred in obtaining loan (iii). These costs were deducted from the loan balances and are being amortised over the lives of the loans.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

23. Deferred tax liability

The balances and movements on deferred tax are as follows:

	Group						
	Balance at December 31, 2015	Recognised in profit or loss	Recognised in equity	Balance at December 31, 2016	Recognised in profit or loss	Recognised in equity	Balance at December 31, 2017
Investment property	$(78,179,077)	(31,263,726)	(6,035,002)	(115,477,805)	34,897,856	2,176,153	(78,403,796)

24. Accounts payable and accrued charges

	Group		Company	
	2017	2016	2017	2016
Accounts payable	2,394,412	5,900,683	2,394,412	1,669,342
Accounting and audit fees	6,367,653	4,399,609	3,625,808	2,779,891
Dividends payable	1,847,085	389,304	1,847,085	389,304
Other payables and accrued charges	11,004,068	17,616,092	3,023,035	11,797,334
Security deposits held	11,776,049	10,669,138	1,682,558	3,110,807
	$33,389,267	38,974,826	12,572,898	19,746,678

25. Dividends

	Group and Company	
	2017	2016
US$0.00124 (2016: US$0.00248) per share	$25,821,187	49,722,483

The Company declared a dividend of US$0.00124 (2016: US$0.00124) per share unit payable on May 9, 2017 as interim dividend for 2017.

26. 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 as follows:

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

26. Segment reporting (continued)

	2017				
	Jamaica	United States of America	St. Lucia	Elimination	Group
	$	$	$	$	$
External revenue	67,354,955	96,665,657	32,301,655	-	196,322,267
Operating expenses	(41,016,129)	(71,395,726)	(11,913,839)	-	(124,325,694)
Results of operating activities before other income	26,338,826	25,269,931	20,387,816	-	71,996,573
Other income/gains:					
Fair value gain/(loss) on revaluation of investment property	126,652,920	(114,944,165)	-	-	11,708,755
Termination fee	-	205,376	-	-	205,376
Management fees	7,957,901	-	-	-	7,957,901
Miscellaneous income	507,629	381,241	15,275	-	904,145
Interest income	440,860	3,661	-	-	444,521
Interest expense and commitment fees	(25,174,187)	(11,223,557)	(5,957,941)	-	(42,355,685)
Net gains/(losses) on translation of foreign currency balances	(12,182,593)	-	-	12,002,775	(179,818)
Profit/(loss) before tax	124,541,356	(100,307,513)	14,445,150	12,002,775	50,681,768
Income tax expense	(60,000)	28,685,232	(148,184)	-	28,477,048
Profit/(loss) after tax	124,481,356	(71,622,281)	14,296,966	12,002,774	79,158,816
Segment assets	1,627,516,060	1,274,360,770	642,097,676	(987,978,266)	2,555,996,240
Segment liabilities	340,131,149	1,006,263,820	175,974,866	(705,821,711)	816,548,124
Other segment items:					
Capital expenditure	164,199,337	-	254,398,722	-	418,598,059
Depreciation	389,047	104,203	34,128	-	527,378

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

26. Segment reporting (continued)

	2016				
	Jamaica $	United States of America $	St. Lucia $	Elimination $	Group $
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/(loss) 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

During 2017, revenue from two (2016: one) customer of the Group represented approximately $33,730,642 or 17% (2016: $24,347,012 or 18%) of the Group's total revenue.

27. Financial instruments and financial risk management

The Group has exposure to credit, liquidity, and market risks, 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 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.

27. Financial instruments and financial risk management (continued)

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, 2017

27. 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				
	2017				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over 12 months
Loans payable	704,625,570	1,055,042,259	17,618,238	52,854,715	984,569,306
Accounts payable and accrued charges	33,389,267	33,389,267	19,012,019	14,377,248	-
	$738,014,837	1,088,431,526	36,630,257	67,231,963	984,569,306
	2016				
	Carrying value	Contractual cash flows	Within 3 month	3 to 12 months	Over12 months
Loans payable	273,977,851	370,821,639	4,759,983	10,864,743	355,296,913
Accounts payable and accrued charges	38,974,826	38,974,826	11,600,429	27,374,397	-
	$312,952,677	409,796,465	16,360,412	38,239,140	355,296,913

	Company				
	2017				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over 12 months
Loans payable	267,246,116	497,858,080	8,895,418	26,686,255	462,276,407
Owed to subsidiary	60,192,644	60,192,644	-	-	60,192,644
Accounts payable and accrued charges	12,572,898	12,572,898	8,361,985	4,210,913	-
	$340,011,658	570,623,622	17,257,403	30,897,168	522,469,051
	2016				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over12 months
Owed to subsidiary	146,602,026	146,602,026	-	-	146,602,026
Accounts payable and accrued charges	19,746,678	19,746,678	2,271,581	17,475,097	-
	$166,348,704	166,348,704	2,217,581	17,475,097	146,602,026

(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, 2017

27. 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 fair 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	
	2017	2016	2017	2016
	US$	US$	US$	US$
Foreign currency assets:				
Cash	355,309	175,006	10,112	22,537
Receivables	186,621	196,830	7,462	1,158
Securities purchased under resale agreements	100,000	9,396	100,000	7,232
	641,930	381,232	117,574	30,927
Foreign currency liabilities:				
Payables and accrued charges	(168,460)	(178,129)	(2,520)	(28,423)
Loans payable	(3,535,360)	(2,133,113)	-	-
	(3,703,820)	(2,311,242)	(2,520)	(28,423)
Net foreign currency assets/ (liabilities)	(3,061,890)	(1,930,010)	115,054	2,504

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)
December 31, 2017

27. Financial instruments and financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements

A 4% (2016: 6%) 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 $1,203,112 (2016: $14,491,275) and $568,377 (2016: $18,798), respectively. The analysis assumes that all other variables, in particular, interest rates, remain constant.

A 2% (2016: 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 $601,870 (2016: $2,415,213) and $284,183 (2016: $3,133) 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			
	2017	2016	2017		2016	
			Buying	Selling	Buying	Selling
United States Dollar (US$)	128.36	125.14	123.61	125.01	127.48	128.44

(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.

28. 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.

29. Capital management

The Company's capital consists of total equity and long term loans. 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 stockholders' 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.