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INDEPENDENT AUDITORS' REPORT

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Kingston Properties Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 8 to 48, which comprise the Group's and Company's statements of financial position as at December 31, 2019, 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, 2019, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

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

Nyssa Johnson
W. Gihan C. De Mel
Wilbert A. Spence
Rochelle N. Stephenson
Sandra A. Edwards



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 response to this matter 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. *Change in functional currency*

The Company changed its functional currency with effect from January 1, 2019, based on management's assessment that the underlying factors for determining the functional currency had changed and that it was appropriate to reflect this change prospectively. The assessment of the nature and timing of the relevant transactions, events and circumstances that would give rise to change in functional currency involves significant management judgement, as the Company has mixed indicators of functional currency and this assessment determines whether the prior years' financial statements are restated or simply translated to the new currency.

Our audit procedures in response to this matter included the following:

- Evaluating management's assessment of the circumstances that led to the change in the Company's functional currency and whether the change should be reflected as a restatement of the prior years' financial statements or prospectively in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*;
- Testing the mathematical accuracy of the conversion calculations for the comparative financial information;
- Assessing the adequacy of the financial statement disclosures for the change in functional currency.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements (continued)

Other information (continued)

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.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on additional matters as required by the Jamaican Companies Act

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

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

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

A handwritten signature in blue ink that reads 'KPMG'.

Chartered Accountants
Kingston, Jamaica

February 28, 2020



INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.



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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**Statements of Profit or Loss and Other Comprehensive Income****Year ended December 31, 2019***(Expressed in United States Dollars unless otherwise stated)*

	Notes	Group		Company	
		2019	2018	2019	2018
Revenue - rental income	5	1,690,138	1,573,865	608,007	594,973
Operating expenses	6	(1,016,341)	(1,016,865)	(452,383)	(376,334)
Results of operating activities before other income		673,797	557,000	155,624	218,639
Other income/(expenses):					
Increase/(decrease) in fair value of investment property	12(b)(i)	1,605,192	(32,536)	644,512	591,595
Loss on disposal of investment property		(107,565)	(361,798)	-	-
Management fees	7	62,994	38,714	62,994	38,714
Impairment losses on financial assets		(9,481)	(11,194)	(86,072)	(604)
Miscellaneous income		<u>12,478</u>	<u>3,806</u>	<u>883</u>	<u>1,441</u>
Operating profit		<u>2,237,415</u>	<u>193,992</u>	<u>777,941</u>	<u>849,785</u>
Finance income	8	176,867	143,164	179,874	261,890
Finance costs	8	(415,729)	(404,314)	(266,751)	(237,888)
Net finance income/(costs)	8	(238,862)	(261,150)	(86,877)	<u>24,002</u>
Profit/(loss) before income tax		1,998,553	(67,158)	691,064	873,787
Income tax credit/(loss)	9	<u>200,821</u>	<u>329,546</u>	<u>-</u>	(41,152)
Profit for the year	10	<u>2,199,374</u>	<u>262,388</u>	<u>691,064</u>	<u>832,635</u>
Other comprehensive income comprising items that may be reclassified to profit or loss:					
Foreign currency translation differences on foreign operations		-	344,046	-	-
Translation differences due to change in functional currency		<u>-</u>	(349,175)	<u>-</u>	(4,153,262)
Other comprehensive loss for the year		<u>-</u>	(5,129)	<u>-</u>	(4,153,262)
Total comprehensive income/(loss) for the year		<u>\$2,199,374</u>	<u>257,259</u>	<u>691,064</u>	<u>(3,320,627)</u>
Earnings per stock unit (USD)	11	<u>0.0062</u>		<u>0.0008</u>	
Earnings per stock unit (JMD)	11	<u>0.8310</u>		<u>0.1026</u>	

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

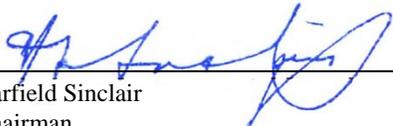
KINGSTON PROPERTIES LIMITED

Statements of Financial Position

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*

	Notes	Group		Company	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
NON-CURRENT ASSETS					
Investment property	12(a)	23,939,643	20,620,680	8,404,077	7,661,345
Restricted cash	17	122,296	197,931	2,296	2,373
Furniture and equipment	13	53,922	48,996	43,601	34,922
Investment in subsidiaries	14	-	-	<u>5,222,543</u>	<u>5,222,543</u>
Total non-current assets		<u>24,115,861</u>	<u>20,867,607</u>	<u>13,672,517</u>	<u>12,921,183</u>
CURRENT ASSETS					
Owed by subsidiaries	15	-	-	1,296,121	1,567,449
Investment property held-for-sale		-	797,000	-	-
Receivables	16	642,894	373,435	139,900	35,103
Income tax recoverable		-	-	1,728	-
Cash and cash equivalents	17	<u>15,169,168</u>	<u>1,020,954</u>	<u>14,393,240</u>	<u>945,411</u>
Total current assets		<u>15,812,062</u>	<u>2,191,389</u>	<u>15,830,989</u>	<u>2,547,963</u>
Total assets		<u>\$39,927,923</u>	<u>23,058,996</u>	<u>29,503,506</u>	<u>15,469,146</u>
EQUITY					
Share capital	18	25,319,010	10,939,563	25,319,010	10,939,563
Treasury shares	19	-	(4,172)	-	(4,172)
Currency translation reserve		(1,488,861)	(1,488,861)	(4,153,262)	(4,153,262)
Retained earnings		<u>6,475,764</u>	<u>4,726,999</u>	<u>3,327,658</u>	<u>3,087,203</u>
Total equity		<u>30,305,913</u>	<u>14,173,529</u>	<u>24,493,406</u>	<u>9,869,332</u>
NON-CURRENT LIABILITIES					
Loans payable	20	8,615,999	7,790,415	4,262,282	4,600,234
Deferred tax liabilities	21	<u>35,976</u>	<u>251,936</u>	-	-
Total non-current liabilities		<u>8,651,975</u>	<u>8,042,351</u>	<u>4,262,282</u>	<u>4,600,234</u>
CURRENT LIABILITIES					
Current portion of loans payable	20	660,019	543,121	373,332	373,332
Owed to subsidiaries	15	-	-	241,449	460,742
Accounts payable and accrued charges	22	300,253	254,855	133,037	124,216
Income tax payable		<u>9,763</u>	<u>45,140</u>	-	<u>41,290</u>
Total current liabilities		<u>970,035</u>	<u>843,116</u>	<u>747,818</u>	<u>999,580</u>
Total liabilities		<u>9,622,010</u>	<u>8,885,467</u>	<u>5,010,100</u>	<u>5,599,814</u>
Total equity and liabilities		<u>\$39,927,923</u>	<u>23,058,996</u>	<u>29,503,506</u>	<u>15,469,146</u>

The financial statements on pages 8 to 48 were approved for issue by the Board of Directors on February 28, 2020 and signed on its behalf by:



 Garfield Sinclair
 Chairman



 Meghan Miller-Brown
 Director

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

KINGSTON PROPERTIES LIMITED**Group Statement of Changes in Equity
Year ended December 31, 2019***(Expressed in United States Dollars unless otherwise stated)*

	Share <u>capital</u> (note 18)	Treasury <u>shares</u> (note 19)	Cumulative translation <u>reserve</u>	Retained <u>earnings</u>	<u>Total</u>
Balances at December 31, 2017	10,983,481	(43,918)	(1,444,350)	4,612,128	14,107,341
Adjustment on the initial application of IFRS 9	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,295</u>	<u>6,295</u>
Adjusted balances as at January 1, 2018	<u>10,983,481</u>	<u>(43,918)</u>	<u>(1,444,350)</u>	<u>4,618,423</u>	<u>14,113,636</u>
Total comprehensive income 2018:					
Profit for the year	-	-	-	262,388	262,388
Other comprehensive loss	<u>-</u>	<u>-</u>	<u>(44,511)</u>	<u>39,382</u>	<u>(5,129)</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(44,511)</u>	<u>301,770</u>	<u>257,259</u>
Transactions with owners of the Company:					
Stock units repurchased	-	(4,172)	-	-	(4,172)
Stock units cancelled	(43,918)	43,918	-	-	-
Dividends declared (note 23)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(193,194)</u>	<u>(193,194)</u>
Total transactions with owners of the Company	<u>(43,918)</u>	<u>39,746</u>	<u>-</u>	<u>(193,194)</u>	<u>(197,366)</u>
Balances at December 31, 2018	<u>10,939,563</u>	<u>(4,172)</u>	<u>(1,488,861)</u>	<u>4,726,999</u>	<u>14,173,529</u>
Total comprehensive income 2019:					
Profit for the year, being total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,199,374</u>	<u>2,199,374</u>
Transactions with owners of the Company:					
Stock units repurchased	-	(1,988)	-	-	(1,988)
Stock units cancelled	(6,160)	6,160	-	-	-
Issue of ordinary shares	14,385,607	-	-	-	14,385,607
Dividends declared (note 23)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,609)</u>	<u>(450,609)</u>
Total transactions with owners of the Company	<u>14,379,447</u>	<u>4,172</u>	<u>-</u>	<u>(450,609)</u>	<u>13,933,010</u>
Balances at December 31, 2019	<u>\$25,319,010</u>	<u>-</u>	<u>(1,488,861)</u>	<u>6,475,764</u>	<u>30,305,913</u>

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

KINGSTON PROPERTIES LIMITED**Separate Statement of Changes in Equity
Year ended December 31, 2019***(Expressed in United States Dollars unless otherwise stated)*

	Share capital (note 18)	Treasury shares (note 19)	Retained earnings	Cumulative translation reserve	Total
Balances at December 31, 2017	10,983,481	(43,918)	2,321,415	-	13,260,978
Adjustment on the initial application of IFRS 9	<u>-</u>	<u>-</u>	<u>126,347</u>	<u>-</u>	<u>126,347</u>
Adjusted balances at January 1, 2018	<u>10,983,481</u>	<u>(43,918)</u>	<u>2,447,762</u>	<u>-</u>	<u>13,387,325</u>
Total comprehensive income 2018:					
Profit for the year	-	-	832,635	-	832,635
Other comprehensive income					
Exchange differences arising on translation to presentation currency	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,153,262)</u>	<u>(4,153,262)</u>
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>832,635</u>	<u>(4,153,262)</u>	<u>(3,320,627)</u>
Transactions with owners of the Company					
Stock units repurchased	-	(4,172)	-	-	(4,172)
Stock units cancelled	(43,918)	43,918	-	-	-
Dividends declared (note 23)	<u>-</u>	<u>-</u>	<u>(193,194)</u>	<u>-</u>	<u>(193,194)</u>
Total transactions with owners of the Company	<u>(43,918)</u>	<u>39,746</u>	<u>(193,194)</u>	<u>-</u>	<u>(197,366)</u>
Balances at December 31, 2018	<u>10,939,563</u>	<u>(4,172)</u>	<u>3,087,203</u>	<u>(4,153,262)</u>	<u>9,869,332</u>
Profit for the year 2019, being total comprehensive income	<u>-</u>	<u>-</u>	<u>691,064</u>	<u>-</u>	<u>691,064</u>
Transactions with owners of the Company					
Stock units repurchased	-	(1,988)	-	-	(1,988)
Stock units cancelled	(6,160)	6,160	-	-	-
Dividends declared (note 23)	-	-	(450,609)	-	(450,609)
Issue of ordinary shares	<u>14,385,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,385,607</u>
Total transactions with owners of the Company	<u>14,379,447</u>	<u>4,172</u>	<u>(450,609)</u>	<u>-</u>	<u>13,933,010</u>
Balances at December 31, 2019	<u>\$25,319,010</u>	<u>-</u>	<u>3,327,658</u>	<u>(4,153,262)</u>	<u>24,493,406</u>

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

KINGSTON PROPERTIES LIMITED

Statements of Cash Flows

Year ended December 31, 2019

(Expressed in United States Dollars unless otherwise stated)

	Notes	Group		Company	
		2019	2018	2019	2018
Cash flows from operating activities					
Profit for the year		2,199,374	262,388	691,064	832,635
Adjustments for:					
Income tax credit/(charge)	9	(200,821)	(329,546)	-	41,152
Depreciation	13	8,452	6,924	6,875	4,573
Interest income	8	(23,265)	(16,095)	(23,265)	(16,095)
Interest expense	8	400,305	370,055	262,207	212,010
(Increase)/decrease in fair value of investment property	12(b)(i)	(1,605,192)	32,536	(644,512)	(591,595)
Loss on disposal of investment property		107,565	362,161	-	-
Impairment loss on financial assets	15,16	9,481	11,194	86,071	604
Unrealised foreign exchange gains		-	(47,283)	-	-
		895,899	652,334	378,440	483,284
Changes in:					
Receivables		(276,278)	(232,306)	(104,554)	(24,718)
Accounts payable and accrued charges		33,781	3,189	(4,942)	34,347
Income tax paid		(50,516)	(2,232)	(43,018)	(1,385)
Owed by subsidiaries		-	-	187,676	1,471,860
Owed to subsidiaries		-	-	(219,293)	(16,847)
Net cash provided by operating activities		<u>602,886</u>	<u>420,985</u>	<u>194,309</u>	<u>1,946,541</u>
Cash flows from investing activities					
Interest received		20,603	14,307	20,603	16,095
Additions to property and equipment	13	(16,643)	(31,093)	(15,554)	(23,259)
Additions to investment property	12(b)(i)	(2,188,694)	(3,614,791)	(98,220)	(9,456)
Investment in subsidiary	14	-	-	-	(3,616,142)
Proceeds of disposal of furniture and equipment		3,265	-	-	-
Proceeds of disposal of investment property		<u>1,164,359</u>	<u>1,578,412</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities		<u>(1,017,110)</u>	<u>(2,053,165)</u>	<u>(93,171)</u>	<u>(3,632,762)</u>
Cash flows from financing activities					
Interest paid		(402,451)	(370,214)	(262,207)	(212,010)
Dividends paid		(436,848)	(193,194)	(436,848)	(193,194)
Loans received		3,161,126	6,052,881	-	4,984,303
Loans repaid		(2,218,643)	(3,127,213)	(337,950)	(2,097,701)
Restricted cash		75,635	(12)	77	(12)
Treasury shares		(1,988)	(4,172)	(1,988)	(4,172)
Issuance of share capital		<u>14,385,607</u>	<u>-</u>	<u>14,385,607</u>	<u>-</u>
Net cash provided by financing activities		<u>14,562,438</u>	<u>2,358,076</u>	<u>13,346,691</u>	<u>2,477,214</u>
Net increase in cash and cash equivalents		14,148,214	725,896	13,447,829	790,993
Cash and cash equivalents at beginning of year		1,020,954	297,276	945,411	156,636
Translation difference		-	(2,218)	-	(2,218)
Cash and cash equivalents at end of year	17	<u>\$15,169,168</u>	<u>1,020,954</u>	<u>14,393,240</u>	<u>945,411</u>

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements

December 31, 2018

(Expressed in United States Dollars unless otherwise stated)

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 three wholly-owned subsidiaries:

- (i) Carlton Savannah Reit (St. Lucia) Limited, incorporated in St. Lucia under the International Business Companies Act;
- (ii) Kingston Properties Miami LLC, a wholly-owned subsidiary of Carlton Savannah Reit (St. Lucia) Limited, incorporated in Florida under the Florida Limited Liability Company Act; and
- (iii) KP (Reit) Jamaica Limited, incorporated in Jamaica under the Companies 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 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 in Jamaica and selected international markets.

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the relevant provisions of the Jamaican Companies Act ("the Act"). This is the first set of the Group's annual financial statements in which IFRS 16 *Leases* been applied. Changes to significant accounting policies are described in note 3.

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

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

- Amendments to *References to Conceptual Framework in IFRS Standards* (continued)

- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; as the focus will no longer be on the transfer of risks and rewards.

The Group is assessing the impact that the amendments will have on its 2020 financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment property measured at fair value.

(c) Functional and presentation currency

The financial statements previously presented in Jamaica dollars (\$) are now presented in United States dollars effective January 1, 2019. Management decided to change the functional currency and present the financial statements in United States dollar (US\$) due to the changing circumstances of the Company's exposure to the United States dollar, having regard to the denomination of rental income [with over 90% of its revenue being earned in (US\$)], significant expenses, property valuations and loans payable. Differences arising on the conversion are reflected in the translation reserve. The comparative figures are translated in the manner described in note 4(g)(iii).

(d) Use of judgements and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the selection of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income, expenses, gains and losses for the period then ended. Actual amounts could differ from those estimates. The estimates and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*2. Statement of compliance and basis of preparation (continued)

(d) Use of judgements and estimates (continued):

(i) Judgements (continued):

The key relevant judgements are as follows:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit losses (ECL) and the selection and approval of models used to measure ECL requires significant judgement.

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

(1) 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)].

(2) In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default.

(3) Taxation

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

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*3. Changes in significant accounting policies

The Group initially adopted IFRS 16, *Leases* from January 1, 2019.

A number of other new standards were also effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated- i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease contained in IFRS 16.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

B. As a lessee

Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Company applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*3. Changes in significant accounting policies (continued)

C. Impact on financial statements

The Group has determined that application of IFRS 16 as at January 1, 2019 has not given rise to any material change in the group's assets and liabilities.

4. Significant accounting policies

Except for the changes described in note 3, the Group has consistently applied the accounting policies set out below to all periods presented in these financial statements.

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

(ii) Transactions eliminated on consolidation

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

(b) Investment in 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 amortised 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(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).
- (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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(g) Foreign currencies (continued)

(i) (continued)

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.

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 investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

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) Due to the change in functional currency, financial information for the comparative year was translated into United States dollar for the purpose of inclusion in these financial statements are as follows.

- (1) Assets and liabilities are translated at the closing rate at December 31, 2018;
- (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 equity.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(h) Impairment of financial assets:

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. A significant increase in credit risk is assumed to have occurred if there has been deterioration in the counterparty's performance and ability to pay.

The Group uses judgement when considering the following factors that affect the determination of impairment:

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The Group applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECL at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the Group applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision matrix.

The lifetime ECL are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

(i) Financial instruments:

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. In these financial statements, financial assets comprise receivables, cash and cash equivalents, restricted cash and owed by subsidiaries. Financial liabilities comprise accounts payable, loan payable and owed to subsidiaries.

Financial assets

- Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(i) Financial instruments (continued):

Financial assets (continued)

- Recognition and initial measurement (continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

- Classification and subsequent measurement

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as “Held to collect” and measured at amortised cost.

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Receivables
- Related party receivables

Due to their short-term nature, the Group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in their individual policy notes.

Impairment of financial assets

For trade receivables, the Group applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(i) Financial instruments (continued):

Financial assets (continued)

- Classification and subsequent measurement (continued)

Impairment of financial assets (continued)

The Group recognises a loss allowance for expected credit losses on other financial assets that are measured at amortised cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses [see note 3(a)].

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial liabilities**Initial recognition and measurement*

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include accounts payable, loans payable and owed to subsidiaries, which are recognised initially at fair value.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in their individual policy notes.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(i) Financial instruments (continued):

*Financial liabilities (continued)**Derecognition (continued)*

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(j) 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 of issue.

(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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(k) 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.

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 relinquished property
 - (b) The due date of the income tax return that would include the property sale.
- (iii) Not receive cash from the sale prior to the exchange. It may use a qualified intermediary to hold such cash prior to the exchange.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(l) 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%

(m) Investment property

Investment property comprises commercial complexes of offices and warehouses, residential condominiums and a commercial manufacturing building 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 investment property. Subsequent to initial recognition, investment property is measured at fair value.

Fair value is determined every two years by an independent registered valuer, and in each intervening year by management. 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.

(n) 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(o) Revenue recognition

Rental and maintenance income are recognised as the related services are consumed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Types of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15.
Rental income	The Group rents property. Rentals are charged on a monthly basis and are based on fixed rates agreed.	Revenue from rental is recognised over time as the services are provided.
Management fees	The Group provides maintenance service for its commercial office spaces. Fees are calculated based on a fixed percentage of the rental income and is charged monthly.	Recognised over time as the service is provided.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expense that relate to transactions with any of the Group's other components. All operating segments for which discrete information is available are reviewed regularly by the Group's Board of Directors to make decisions about 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, 2019*(Expressed in United States Dollars unless otherwise stated)*4. Significant accounting policies (continued)

(q) 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.

(r) 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.

5. Rental income

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Rosedale Warehouses	6,844	-	-	-
Tropic Centre	274,601	258,791	-	-
Spanish Town Road Complex	207,288	199,217	207,288	199,217
Red Hills Road Commercial Complex	400,719	395,756	400,719	395,756
Grenada Crescent	267,634	58,304	-	-
Loft II, Miami condominiums	207,065	262,234	-	-
Midblock Miami condominiums	33,975	105,802	-	-
W. Ft. Lauderdale condominiums	212,980	209,092	-	-
Opera Tower condominiums	<u>79,032</u>	<u>84,669</u>	<u>-</u>	<u>-</u>
	<u>\$1,690,138</u>	<u>1,573,865</u>	<u>608,007</u>	<u>594,973</u>

6. Expense by nature

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Accounting fees	4,350	13,281	-	4,693
Asset tax	-	1,543	-	1,543
Audit fees – current year	67,350	55,928	35,868	32,636
– prior year accrual	-	5,286	-	5,286
Bank charges	2,371	2,562	872	679
Commission	<u>-</u>	<u>42,602</u>	<u>-</u>	<u>-</u>
Carried forward to page 28	<u>74,071</u>	<u>121,202</u>	<u>36,740</u>	<u>44,837</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*6. Expense by nature (continued)

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Brought forward from page 27	<u>74,071</u>	<u>121,202</u>	<u>36,740</u>	<u>44,837</u>
County and state taxes	1,820	9,871	-	-
Depreciation	8,451	6,922	6,875	4,573
Directors' fees	35,850	25,399	17,925	12,649
Employers' taxes	20,142	16,687	20,142	16,687
Homeowners' Association fees	200,210	208,460	-	-
Insurance	73,466	81,288	33,184	33,638
Professional fees	99,719	66,770	40,281	29,104
Property taxes	122,343	144,685	6,343	7,045
Regulatory fees and charges	20,531	17,638	20,531	17,638
Management fees	20,871	20,428	-	-
Repairs and maintenance	22,928	39,873	143	-
Salaries and related costs	210,511	179,485	210,511	179,485
Service fees	-	11,556	-	-
Utilities	3,817	3,904	1,489	1,540
Other operating expenses	<u>101,611</u>	<u>62,697</u>	<u>58,219</u>	<u>29,138</u>
	<u>\$1,016,341</u>	<u>1,016,865</u>	<u>452,383</u>	<u>376,334</u>

7. Management fees

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

8. Net finance costs

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Finance income:				
Interest income	23,265	16,095	23,265	16,095
Foreign exchange gains arising from investing and financing activities:				
Net gains on conversion of foreign currency investments	<u>153,602</u>	<u>127,069</u>	<u>156,609</u>	<u>245,795</u>
Total finance income	<u>176,867</u>	<u>143,164</u>	<u>179,874</u>	<u>261,890</u>
Finance costs:				
Interest expense	(400,305)	(370,055)	(262,207)	(212,010)
Commitment fees	(15,424)	(34,259)	(4,544)	(25,878)
Total finance costs	(415,729)	(404,314)	(266,751)	(237,888)
Net finance (costs)/income	<u>\$(238,862)</u>	<u>(261,150)</u>	<u>(86,877)</u>	<u>24,002</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*9. Income tax (credit)/charge

(a) Taxation comprises:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
(i) Current income tax expense:				
Income tax at 25%	14,099	5,042	-	1,359
Income tax at 1%	1,040	882	-	-
Under-provision of income tax	-	<u>39,793</u>	-	<u>39,793</u>
	<u>15,139</u>	<u>45,717</u>	-	<u>41,152</u>
(ii) Deferred income tax expense:				
Origination and reversal of temporary differences (note 21)	<u>(215,960)</u>	<u>(375,263)</u>	-	-
Total income tax (credit)/charge	<u>\$(200,821)</u>	<u>(329,546)</u>	<u>-</u>	<u>41,152</u>

(b) Reconciliation of actual tax expense

The tax rate for the Company is 25% (2018: 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 is 21% (2018: 21%).

The actual tax charge for the year is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit/(loss) before income tax	<u>\$1,998,553</u>	<u>(67,158)</u>	<u>691,064</u>	<u>873,787</u>
Computed "expected" tax expense at Jamaican tax rate of 25%	499,638	(16,790)	172,766	218,447
Effect of different tax rates in foreign jurisdictions	199	(45,245)	-	-
Fair value (gains)/losses disallowed (	434,510)	45,445	(161,128)	(147,898)
Depreciation and capital allowances (	281,395)	(384,104)	(27,965)	(41,160)
Prior year underaccrual	-	39,793	-	39,793
Disallowed (income)/expenses, net (	25,186)	3,904	(22,276)	(26,746)
Utilised tax losses	<u>40,433</u>	<u>27,450</u>	<u>38,603</u>	<u>(1,284)</u>
Actual tax (credit)/charge	<u>\$(200,821)</u>	<u>(329,547)</u>	<u>-</u>	<u>41,152</u>
Effective rate of tax	<u>10.05%</u>	<u>490.1%</u>	<u>0%</u>	<u>4.7%</u>

(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 \$240,741 for the Company and \$728,408 for the Group (2018: \$217,651 for the Company and \$573,920 for the Group).

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*10. Profit for the year

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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	\$	\$	\$	\$
Auditors' remuneration	67,350	55,928	35,868	32,636
Key management personnel Compensation	147,066	153,284	147,066	153,284
Directors' remuneration: fees	<u>35,850</u>	<u>25,399</u>	<u>17,925</u>	<u>12,649</u>

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

11. Earnings per stock unit

The earnings per stock unit is computed by dividing the profit for the year of \$2,199,374 (2018: \$262,388), attributable to the Company's stockholders, by a weighted average number of stock units issue during the year, determined as follows:

	<u>2019</u>	<u>2018</u>
Ordinary stock units at January 1	321,992,668	321,992,668
Effect of repurchasing stock units	(125,057)	(24,946)
Effect of rights issue – bonus element	9,654,349	9,654,349
Effect of rights issue – effect without bonus element	<u>23,713,427</u>	<u>-</u>
	<u>355,235,387</u>	<u>331,622,071</u>
Weighted average number of ordinary stock units held during the year	<u>355,235,387</u>	<u>331,622,071</u>
Earnings per stock unit (USD)	<u>0.0062</u>	<u>0.0008</u>
Earnings per stock unit (JMD)	<u>0.8310</u>	<u>0.1026</u>

12. Investment property

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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Loft II, Miami condominiums (i)	1,829,803	2,507,000	-	-
Midblock Miami condominiums (ii)	368,000	445,000	-	-
W. Ft. Lauderdale condominiums (iii)	1,876,500	2,270,000	-	-
Opera Tower condominiums (iv)	822,377	980,000	-	-
Red Hills Road Commercial Complex (v)	<u>5,104,077</u>	<u>5,100,000</u>	<u>5,104,077</u>	<u>5,100,000</u>
Balance carried forward to page 31	<u>10,000,757</u>	<u>11,302,000</u>	<u>5,104,077</u>	<u>5,100,000</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*12. Investment property

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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance brought forward to page 30	<u>10,000,757</u>	<u>11,302,000</u>	<u>5,104,077</u>	<u>5,100,000</u>
Spanish Road Commercial Complex (vi)	3,300,000	2,561,345	3,300,000	2,561,345
Tropic Centre (vii)	3,152,000	3,152,000	-	-
Grenada Crescent (viii)	5,400,000	3,605,335	-	-
Rosedale Warehouses (ix)	<u>2,086,886</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$23,939,643</u>	<u>20,620,680</u>	<u>8,404,077</u>	<u>7,661,345</u>

- (i) This represents 9 (2018:11) residential condominiums comprising 7,461 (2018: 9,159) square feet in The Loft II building located at 133 NE 2nd Avenue in Downtown Miami, Florida.
- (ii) This represents 1 (2018: 1) residential condominium comprising 1,421 (2018: 1,421) square feet located at 3250 NE 1st Avenue in Miami, Florida.
- (iii) This represents 3 (2018: 3) residential condominiums comprising of 3,370 (2018: 3,370) square feet purchased in October 2015, located at 3101 Bayshore, Fort Lauderdale, Florida.
- (iv) This represents 3 (2018: 3) residential condominiums comprising 2,660 (2018: 2,660) square feet located at 1750 North Bayshore Drive, Miami, Florida.
- (v) This represents a commercial property of 52,012 (2018: 52,012) square feet on Red Hills Road, Kingston, Jamaica.
- (vi) This represents a commercial property of 56,897 (2018: 56,897) square feet purchased in January 2017, located at 591 Spanish Town Road, Kingston, Jamaica.
- (vii) This represents a property of 10,200 (2018: 10,200) 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.
- (viii) This represents a property of 31,564 (2018: 31,564) square feet purchased in October 2018 for commercial purposes. The property was acquired through KP (Reit) Jamaica Limited and is located at 52-60 Grenada Crescent, Kingston, Jamaica.
- (ix) This represents a property of 8,166 square feet purchased in December 2019 for commercial purposes. The property was acquired through Carlton Savannah Reit (St. Lucia) Limited and is located at 51 Sleepy Hollow Drive, Grand Cayman.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*12. Investment property (continued)

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

	Group		Company	
	2019	2018	2019	2018
Balance as at beginning of year	20,620,680	19,965,576	7,661,345	7,183,926
Additions during the year	2,188,694	3,614,791	98,220	9,456
Disposals during the year	(474,923)	(2,006,519)	-	-
Transfers to held-for-sale [see note 12(g)]	-	(797,000)	-	-
Fair value (losses)/gains	1,605,192	(32,536)	644,512	591,595
Foreign currency translation adjustments	-	(123,632)	-	(123,632)
Balance at end of year	<u>\$23,939,643</u>	<u>20,620,680</u>	<u>8,404,077</u>	<u>7,661,345</u>

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

Valuation techniques and significant unobservable inputs:

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

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Investment approach:</i> The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream.</p> <p>The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.</p>	<ul style="list-style-type: none"> • Expected market rental growth • Yields • Rental rates 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Expected market rental growth were higher (lower); The occupancy rate were higher (lower) • Rent-free periods were shorter (longer); or • Yields were lower (higher)

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*12. Investment properties (continued)

(b) (continued):

(ii) (continued)

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Sales comparison approach:</i> The approach relies heavily upon the principle of substitution. Recent sales of similar properties are gathered and a meaningful unit of comparison is developed.</p> <p>A comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics.</p>	<ul style="list-style-type: none"> • Sales of similar properties 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Sales prices of similar properties were higher/(lower)
<p><i>Income approach:</i> This approach converts anticipated annual net income into an indication of value. This process is called capitalisation, and involves multiplying the annual net income by a factor or dividing it by a rate that weighs such considerations such as risk, time, and return on investment.</p>	<ul style="list-style-type: none"> • Annual net income 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Annual net income was higher/(lower) • Capitalisation multiple was higher/(lower)

(c) (i) The fair value of investment property 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;

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*12. Investment properties (continued)

(c) (i) (continued)

- 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 Commercial Complex was revalued as at December 31, 2019, by independent valuers, NAI Jamaica Langford and Brown.

(iii) The Red Hills Road Commercial Complex was revalued as at November 30, 2018, by independent valuers, NAI Jamaica: Langford and Brown, of Kingston, Jamaica.

(iv) The condominiums located at Loft II, Midblock Miami, Opera Tower Miami and W. Ft. Lauderdale were revalued by Laroucca Appraisals Inc. between December 12-28, 2018.

(v) Tropic Centre was revalued by independent valuers, DDL Studio Limited, of the Cayman Islands as at November 28, 2018.

(vi) The property at Grenada Crescent was revalued by independent valuers, NAI Jamaica Langford and Brown as at December 31, 2019.

(d) Gross rental income from investment property is as disclosed in note 5.

(e) Property operating expenses are as follows:

	Group		Company	
	2019	2018	2019	2018
Homeowners' association fees	200,210	206,460	-	-
Insurance premiums	73,466	81,288	33,184	33,638
Property taxes	122,343	144,685	6,343	7,045
Professional fees	99,719	66,770	40,281	29,014
Repairs and maintenance	22,928	39,873	143	-
Management fees	20,871	20,428	-	-
	\$539,537	559,504	79,951	69,697

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*12. Investment properties (continued)

- (f) A total of 5 residential condominiums located in Miami and Fort Lauderdale, Florida were sold during the year (2018: 6). Of the number of properties sold, three were classified as held for sale in 2018.
- (g) At the end of the prior year the following properties were held for sale:

	<u>Group</u> <u>2018</u>
The Loft II, Miami condominium (i)	193,000
Midblock Miami condominiums (ii)	<u>604,000</u>
	<u>\$797,000</u>

- (i) This represented one residential condominium comprising 662 square feet in the Loft II building located at 133 NE 2nd Avenue in Downtown Miami, Florida. This was sold during 2019.

- (ii) This represented two residential condominiums comprising 2,162 square feet located at 3250 NE 1st Avenue in Miami, Florida. They were sold during 2019.

13. Furniture, software and equipment

	<u>Group</u>			<u>Company</u>		
	<u>Office</u> <u>furniture &</u> <u>equipment</u>	<u>Computer</u> <u>software</u>	<u>Total</u>	<u>Office</u> <u>furniture &</u> <u>equipment</u>	<u>Computer</u> <u>software</u>	<u>Total</u>
Cost						
December 31, 2017	41,344	3,200	44,544	31,610	-	31,610
Foreign currency translation	341	-	341	341	-	341
Additions	<u>29,736</u>	<u>1,357</u>	<u>31,093</u>	<u>21,902</u>	<u>1,357</u>	<u>23,259</u>
December 31, 2018	71,421	4,557	75,978	53,853	1,357	55,210
Additions	16,223	420	16,643	15,134	420	15,554
Disposals	<u>(6,405)</u>	<u>-</u>	<u>(6,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2019	<u>81,239</u>	<u>4,977</u>	<u>86,216</u>	<u>68,987</u>	<u>1,777</u>	<u>70,764</u>
Depreciation						
December 31, 2017	16,791	3,200	19,991	15,648	-	15,648
Foreign currency translation	67	-	67	67	-	67
Charge for year	<u>6,705</u>	<u>219</u>	<u>6,924</u>	<u>4,354</u>	<u>219</u>	<u>4,573</u>
December 31, 2018	23,563	3,419	26,982	20,069	219	20,288
Charge for year	7,906	546	8,452	6,329	546	6,875
Disposals	<u>(3,140)</u>	<u>-</u>	<u>(3,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2019	<u>28,329</u>	<u>3,965</u>	<u>32,294</u>	<u>26,398</u>	<u>765</u>	<u>27,163</u>
Net book value						
December 31, 2019	<u>\$52,910</u>	<u>1,012</u>	<u>53,922</u>	<u>42,589</u>	<u>1,012</u>	<u>43,601</u>
December 31, 2018	<u>\$47,858</u>	<u>1,138</u>	<u>48,996</u>	<u>33,784</u>	<u>1,138</u>	<u>34,922</u>
December 31, 2017	<u>\$24,553</u>	<u>-</u>	<u>24,553</u>	<u>15,962</u>	<u>-</u>	<u>15,962</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*14. Investment in subsidiaries

	<u>Company</u>	
	<u>2019</u>	<u>2018</u>
Carlton Savannah Reit (St. Lucia) Limited		
Amount paid for shares	2,209,246	2,209,246
Funds borrowed [see (i) below]	<u>(2,444,043)</u>	<u>(2,444,043)</u>
	(234,797)	(234,797)
Kingston Properties Miami LLC [see (ii) below]		
Loan	1,841,198	1,841,198
KP (Reit) Jamaica Limited [see (iii) below]	<u>3,616,142</u>	<u>3,616,142</u>
	<u>\$5,222,543</u>	<u>5,222,543</u>

- (i) The sum of \$1,633,126 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 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.
- (iii) KP (Reit) Jamaica Limited was formed in 2018. This represents the amount paid on shares in KP (Reit) Jamaica Limited.

15. Owed by/(to) subsidiaries

	<u>Company</u>	
	<u>2019</u>	<u>2018</u>
Owed by subsidiaries:		
Kingston Properties Miami LLC [see note (i)]	1,453,940	1,695,353
Less allowance for ECL [see note (iv)]	<u>(205,414)</u>	<u>(127,904)</u>
	<u>1,248,526</u>	<u>1,567,449</u>
Carlton Savannah Reit (St.Lucia) [see note (ii)]	52,787	-
Less allowance for ECL [see note (iv)]	<u>(5,192)</u>	<u>-</u>
	<u>47,595</u>	<u>-</u>
	<u>\$1,296,121</u>	<u>1,567,449</u>
Owed to subsidiaries:		
Carlton Savannah Reit [see note (ii)]	-	458,035
KP (Reit) Jamaica Limited [see note (iii)]	<u>241,449</u>	<u>2,707</u>
	<u>\$ 241,449</u>	<u>460,742</u>

- (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 is interest free and no repayment date. During the year, US\$241,413 was repaid and impairment has been recognised based on IFRS 9.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*15. Owed by/(to) subsidiaries (continued)

- (ii) During the year, Kingston Properties Limited advanced \$476,343 to Carlton Savannah Reit (St. Lucia) Limited to assist in the purchase of an investment property. This advance was used to offset prior year's amount owing by Kingston Properties Limited. The advance is interest free and no repayment date.
- (iii) This represents amounts owing to KP (Reit) Jamaica Limited for amounts collected on behalf the subsidiary. The advance is interest free and no repayment terms.
- (iv) The movement in the allowance for ECL during the year is as follows.

	<u>Company</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	126,954	127,085
Net remeasurement of allowance for ECL	<u>83,652</u>	<u>(131)</u>
Balance at December 31	<u>\$210,606</u>	<u>126,954</u>

16. Receivables

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Rent receivable	46,680	87,985	10,783	7,560
Less impairment loss	<u>(27,390)</u>	<u>(17,909)</u>	<u>(3,317)</u>	<u>(898)</u>
Net rent receivable	19,290	70,076	7,466	6,662
Withholding tax recoverable	36,177	132,070	113	70
Security deposits	20,109	23,025	608	631
Proceeds due on sale of investment property	325,891	-	-	-
Prepayments	23,555	36,616	2,104	1,374
Other receivables	<u>217,872</u>	<u>111,648</u>	<u>129,609</u>	<u>26,366</u>
	<u>\$642,894</u>	<u>373,435</u>	<u>139,900</u>	<u>35,103</u>

The movement in the allowance for ECL during the year is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance at January 1	17,909	6,715	898	163
Net remeasurement of allowance for ECL	<u>9,481</u>	<u>11,194</u>	<u>2,419</u>	<u>735</u>
Balance at December 31	<u>\$27,390</u>	<u>17,909</u>	<u>3,317</u>	<u>898</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*17. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current accounts	7,762,384	396,037	6,866,456	123,936
Securities purchased under resale agreements	<u>7,529,080</u>	<u>822,848</u>	<u>7,529,080</u>	<u>823,848</u>
	15,291,464	1,218,885	14,395,536	947,784
Less: Restricted cash	(<u>122,296</u>)	(<u>197,931</u>)	(<u>2,296</u>)	(<u>2,373</u>)
	<u>\$15,169,168</u>	<u>1,020,954</u>	<u>14,393,240</u>	<u>945,411</u>

As at December 31, 2019 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 Jamaica Limited, Terra Bank N.A and RBC Royal Bank (note 20).

18. Share capital

	<u>2019</u>	<u>2018</u>
Authorised capital:		
1,000,000,000 (2018: 500,000,000) ordinary stock units of no par value		
Issued and fully paid:		
677,713,643 (2018: 321,992,668) ordinary stock units	<u>\$25,319,010</u>	<u>10,939,563</u>

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 321,992,668. The additional shares were listed on the Jamaica Stock Exchange's Main Market on May 24, 2017. During the year 2018 and 2019, the capital was reduced to reflect cancellation of stock units, previously held as treasury shares. In November 2019, the Company issued and offered a subscription to stockholders of 355,871,765 additional ordinary shares at JM\$5.62 each, by way of rights issue to holders of ordinary stock units. This was concluded on November 29, 2019 and an amount of JM\$1,933,847,140 (US\$14,385,607) was raised, net of transaction cost of US\$492,038.

19. 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. During the year, the Company repurchased 47,537 (2018: 103,100) stock units at a cost of \$1,988 (2018: \$4,172). At December 31, 2019 the Company held Nil (2018: 103,100) of its stock units.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*20. Loans payable

	Group		Company	
	2019	2018	2019	2018
Terrabank N.A. (i)	1,293,497	2,051,720	-	-
RBC Royal Bank (ii)	3,346,907	1,308,250	-	-
First Caribbean International Bank (Jamaica) Limited (FCIB) (iii)	<u>4,635,614</u>	<u>4,973,566</u>	<u>4,635,614</u>	<u>4,973,566</u>
Total bank loans at year end	9,276,018	8,333,536	4,635,614	4,973,566
Less current portion	<u>(660,019)</u>	<u>(543,121)</u>	<u>(373,332)</u>	<u>(373,332)</u>
Non-current portion	<u>\$8,615,999</u>	<u>7,790,415</u>	<u>4,262,282</u>	<u>4,600,234</u>

- (i) This represents two loans of \$2,200,000 and \$796,350 from Terrabank N.A., a financial institution in Florida, payable by Kingston Properties Miami LLC. The loan of \$2,200,000 is for a duration of ten (10) years at an interest rate of 4%.

During the prior year, Kingston Properties Miami LLC secured a further advance of \$796,350 under the existing loan facility from Terrabank N.A.. This will be amortised over the remaining period of 8 years and a balloon payment at maturity on April 8, 2026. Interest accrues at a rate of 4.5%. (2018: 4.5%).

The loans are secured by a first mortgage on ten (10) condominium units, being one (1) residential unit located at 3250 NE 1st Avenue in Miami, Florida and nine (9) residential condominiums at The Loft located at 135 NE 2nd Avenue, Miami, Florida.

- (ii) This represents two loans of \$1,900,000 and \$1,550,000 from RBC Royal Bank in the Cayman Islands, payable by Carlton Savannah Reit (St. Lucia) Limited.

The loan of \$1,900,000 is for the refinancing of the previous loan of \$1,500,000 and the loan of \$1,550,000 is to finance the purchase of a new commercial property.

The loans are for a duration of fifteen (15) years at an interest rate of 3.5%.

The loans are secured by a debenture over the properties of Carlton Savannah Reit (St. Lucia) Limited located at West Bay Beach South, Block 12C, Parcel 198 H1-H12, Tropic Centre and Strata Plan 755, West Bay Beach South, Block 19A, Parcel 50 H5-H12, Rosedale Warehouses.

- (iii) This represents loans of \$2,160,000 and \$2,900,000 payable by Kingston Properties Limited. Interest rates are 5.5% and 5.25% respectively, fixed for two years and thereafter at 3 month LIBOR plus 3.75%.

The loan of \$2,160,000 was used to refinance the National Commercial Bank Jamaica Limited loan. The loan is for a duration of 7 years and is secured by a first legal mortgage over commercial property located at 36-38 Red Hills Road, Kingston.

The loan of \$2,900,000 was used to purchase commercial property at 52-60 Grenada Crescent, Kingston 5, Jamaica. The loan is for a duration of 10 years and is secured by commercial property located at 52-60 Grenada Crescent.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*20. Loans payable (continued)

Transaction costs of approximately \$73,794 and \$84,188 were incurred in obtaining loans (i) and (ii) respectively, while transactions costs of approximately \$12,582 and \$16,893 were incurred in obtaining the FCIB loans.

These costs are deducted from the loan balances and are being amortised over the lives of the loans using the effective interest method.

21. Deferred tax liability

The balances and movements on deferred tax are as follows:

	<u>Group</u>				
	<u>Balance at December 31, 2017</u>	<u>Recognised in profit or loss</u>	<u>Balance at December 31, 2018</u>	<u>Recognised in profit or loss</u>	<u>Balance at December 31, 2019</u>
Investment property	\$(627,199)	<u>375,263</u>	<u>(251,936)</u>	<u>215,960</u>	<u>(35,976)</u>

22. Accounts payable and accrued charges

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Accounts payable	19,430	25,311	18,878	25,311
Accounting and audit fees	62,093	56,845	36,270	33,114
Dividends payable	19,658	5,895	19,658	5,895
Other payables and accrued charges	91,947	68,374	34,163	41,046
Security deposits held	<u>107,125</u>	<u>98,430</u>	<u>24,068</u>	<u>18,850</u>
	<u>\$300,253</u>	<u>254,855</u>	<u>133,037</u>	<u>124,216</u>

23. Dividends

	<u>Group and Company</u>	
	<u>2019</u>	<u>2018</u>
\$0.0014 (2018: \$0.0006) per share	<u>\$450,609</u>	<u>193,194</u>

The Company paid a dividend of \$0.00062 (2018: \$0.0006) per share unit on April 5, 2019 as the first interim dividend for 2019 and a second interim dividend for 2019 of \$0.00078 (2018: \$Nil) per unit on December 12, 2019.

24. Segment reporting

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

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*24. Segment reporting (continued)

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:

	2019				
	<u>Jamaica</u>	<u>United States</u>	<u>Cayman</u>	<u>Elimination</u>	<u>Group</u>
	\$	of America \$	Islands \$	\$	\$
External revenue	875,641	533,052	281,445	-	1,690,138
Operating expenses	(471,402)	(431,239)	(113,700)	-	(1,016,341)
Results of operating activities before other income	404,239	101,813	167,745	-	673,797
Other income/expenses:					
Fair value gain on revaluation of investment property	2,435,488	(830,296)	-	-	1,605,192
Loss on disposal of investment property	-	(107,565)	-	-	(107,565)
Management fees	62,994	-	-	-	62,994
Impairment loss on financial assets	(89,625)	(10,473)	-	90,617	(9,481)
Miscellaneous income	9,432	2,748	298	-	12,478
Interest income	23,265	-	-	-	23,265
Interest expense and commitment fees	(266,751)	(83,102)	(65,876)	-	(415,729)
Net gains/(losses) on translation of foreign currency balances	<u>161,487</u>	<u>-</u>	<u>-</u>	<u>(7,885)</u>	<u>153,602</u>
Profit/(loss) before tax	2,740,529	(926,875)	102,167	82,732	1,998,553
Income tax credit	(14,099)	<u>215,960</u>	<u>(1,040)</u>	<u>-</u>	<u>200,821</u>
Profit after tax	<u>2,726,430</u>	<u>(710,915)</u>	<u>101,127</u>	<u>82,732</u>	<u>2,199,374</u>
Segment assets	<u>36,009,096</u>	<u>5,136,590</u>	<u>8,849,410</u>	<u>(10,067,173)</u>	<u>39,927,923</u>
Segment liabilities	<u>5,025,106</u>	<u>5,744,439</u>	<u>3,408,166</u>	<u>(4,555,701)</u>	<u>9,622,010</u>
Other segment items:					
Capital expenditure	<u>101,768</u>	<u>-</u>	<u>2,088,015</u>	<u>-</u>	<u>2,189,783</u>
Depreciation	<u>6,875</u>	<u>430</u>	<u>1,147</u>	<u>-</u>	<u>8,452</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*25. Segment reporting (continued)

	2018				
	<u>Jamaica</u>	<u>United States of America</u>	<u>Cayman Islands</u>	<u>Elimination</u>	<u>Group</u>
	\$	\$	\$	\$	\$
External revenue	653,277	661,797	258,791	-	1,573,865
Operating expenses	(396,972)	(509,544)	(110,349)	-	(1,016,865)
Results of operating activities before other income	256,305	152,253	148,442	-	557,000
Other income/gains:					
Fair value gain/(loss) on revaluation of investment property	591,595	(934,545)	310,414	-	(32,536)
Loss on disposal of investment property	-	(361,798)	-	-	(361,798)
Management fees	38,714	-	-	-	38,714
Impairment loss on financial assets	(7,247)	(3,816)	-	(131)	(11,194)
Miscellaneous income	1,441	1,709	656	-	3,806
Interest income	16,095	-	-	-	16,095
Interest expense and commitment fees	(237,889)	(104,348)	(62,077)	-	(404,314)
Net losses on translation of foreign currency balances	245,753	-	-	(118,684)	127,069
Profit/(loss) before tax	904,767	(1,250,545)	397,435	(118,815)	(67,158)
Income tax (expense)/credit	(44,836)	375,266	(884)	-	329,546
Profit/(loss) after tax	859,931	(875,279)	396,551	(118,815)	262,388
Segment assets	19,933,380	7,424,773	5,447,728	(9,746,885)	23,058,996
Segment liabilities	5,608,829	6,007,475	1,318,557	(4,049,394)	8,885,467
Other segment items:					
Capital expenditure	3,605,335	-	-	-	3,605,335
Depreciation	4,573	1,468	881	-	6,922

During 2019, revenue from two (2018: two) customers of the Group represented approximately \$428,846 or 25% (2018: \$407,715 or 26%) of the Group's total revenue.

26. 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.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*26. 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 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) Securities purchased under resale 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.

Expected credit loss assessment

Trade receivables

The Group uses a provision matrix to measure ECLs of trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates, determined by a probability weighted approach.

Loss rates are calculated based on the probability of a receivable balance progressing through successive stages of delinquency to write-off, the economic conditions over the expected lives of the receivables and other macro-economic factors such as foreign currency exchange rates, interest rates and Gross Domestic Product (GDP).

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*26. Financial instruments and financial risk management (continued)

(a) Credit risk (continued)

Expected credit loss assessment (continued)

Trade receivables (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivable as at December 31, 2019.

	<u>Group</u>			
	<u>Weighted average loss rate</u> \$	<u>Gross carrying amount</u> \$	<u>Loss allowance</u>	<u>Credit impaired</u>
Current (not past due)	29.59%	22,254	6,584	No
1-30 days past due	41.40%	6,134	2,541	No
31-60 days past due	57.03%	370	211	No
61-90 days past due	100.00%	-	-	Yes
91-120 days past due	100.00%	-	-	Yes
More than 150 days past due	100.00%	<u>17,922</u>	<u>17,922</u>	Yes
		<u>\$46,680</u>	<u>27,258</u>	
	<u>Company</u>			
	<u>Weighted average loss rate</u> \$	<u>Gross carrying amount</u> \$	<u>Loss allowance</u> \$	<u>Credit impaired</u>
Current (not past due)	26.73%	9,459	2,528	No
1-30 days past due	33.95%	860	292	No
31-60 days past due	33.95%	-	-	No
61-90 days past due	100.00%	-	-	Yes
91-120 days past due	100.00%	-	-	Yes
More than 150 days past due	100.00%	<u>464</u>	<u>464</u>	Yes
		<u>\$10,783</u>	<u>3,284</u>	

Cash and cash equivalents and securities purchased under resale agreements

Risks relating to cash and bank balances and securities purchased under resale agreements are limited because the counterparties are banks and financial institutions with high credit rating. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Impairment on cash and cash equivalents and securities purchased under resale agreements has been measured at 12-month expected loss basis and reflects the short maturities of the exposures. The Group considered that cash and resale agreements have low credit risk.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*26. Financial instruments and financial risk management (continued)

(a) Credit risk (continued)

Expected credit loss assessment (continued)

Allowance for ECL was not recognised as the computed ECL was considered immaterial, at the transition date and the reporting date.

Related party balances

The Group assesses each subsidiary's ability to pay if payment is demanded at the reporting date. Management reviews recovery scenarios considering given economic conditions and the borrowers' liquidity over the expected life of the recoverable. The expected credit losses are calculated on this basis.

(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.

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

	<u>Group</u>				
	<u>2019</u>				
	<u>Carrying</u> <u>value</u>	<u>Contractual</u> <u>cash flows</u>	<u>Within 3</u> <u>months</u>	<u>3 to 12</u> <u>months</u>	<u>Over 12</u> <u>months</u>
Loans payable	9,276,018	11,387,291	274,681	817,524	10,295,086
Accounts payable and accrued charges	<u>300,253</u>	<u>300,253</u>	<u>92,225</u>	<u>208,028</u>	<u>-</u>
	<u>\$9,576,271</u>	<u>11,687,544</u>	<u>366,906</u>	<u>1,025,552</u>	<u>10,295,086</u>
	<u>2018</u>				
	<u>Carrying</u> <u>value</u>	<u>Contractual</u> <u>cash flows</u>	<u>Within 3</u> <u>month</u>	<u>3 to 12</u> <u>months</u>	<u>Over 12</u> <u>months</u>
Loans payable	8,333,536	9,494,424	224,183	745,494	8,524,747
Accounts payable and accrued charges	<u>254,855</u>	<u>254,855</u>	<u>140,252</u>	<u>114,603</u>	<u>-</u>
	<u>\$8,588,391</u>	<u>9,749,279</u>	<u>364,435</u>	<u>860,097</u>	<u>8,524,747</u>

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*26. Financial instruments and financial risk management (continued)

(b) Liquidity risk (continued)

	Company				
	2019				
	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>Over 12 months</u>
Loans payable	4,635,614	5,869,443	156,276	462,309	5,250,858
Owed to subsidiaries	241,449	241,449	241,449	-	-
Accounts payable and accrued charges	<u>133,037</u>	<u>133,037</u>	<u>64,212</u>	<u>68,825</u>	<u>-</u>
	<u>\$5,010,100</u>	<u>6,243,929</u>	<u>461,937</u>	<u>531,134</u>	<u>5,250,858</u>
	2018				
	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>Over 12 months</u>
Loans payable	4,973,566	6,662,757	140,688	505,750	6,016,318
Owed to subsidiary	460,742	460,742	460,742	-	-
Accounts payable and accrued charges	<u>124,216</u>	<u>124,216</u>	<u>58,864</u>	<u>65,352</u>	<u>-</u>
	<u>\$5,558,524</u>	<u>7,247,715</u>	<u>660,294</u>	<u>571,102</u>	<u>6,016,318</u>

(c) Market risk

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

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

(i) Foreign currency risk

Foreign currency risk is the risk that the 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 Jamaican dollar (JMD). The Group ensures that the risk is kept to an acceptable level by matching Jamaican currency assets with Jamaican currency liabilities, to the extent practicable.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*26. Financial instruments and financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>JMD</u>	<u>JMD</u>	<u>JMD</u>	<u>JMD</u>
Foreign currency assets:				
Cash	901,567,696	1,847,948	898,919,201	1,847,948
Receivables	17,970,677	3,442,812	14,448,833	3,442,812
Securities purchased under resale agreements	<u>800,000,000</u>	<u>-</u>	<u>800,000,000</u>	<u>-</u>
	1,719,538,373	5,290,760	1,713,368,034	5,290,760
Foreign currency liabilities:				
Payables and accrued charges	<u>(7,593,098)</u>	<u>(13,394,585)</u>	<u>(6,792,691)</u>	<u>(11,860,612)</u>
Net foreign currency assets/ (liabilities)	<u>\$1,711,945,275</u>	<u>(8,103,825)</u>	<u>1,706,575,343</u>	<u>(6,569,852)</u>

Sensitivity to foreign exchange rate movements

A 6% (2018: 4%) weakening of the Jamaica dollar against the United States dollar at December 31, 2019 would have increased the profit of the Group and the Company by \$510,191 (2018: \$3,623) and \$508,590 (2018: \$2,937), respectively. The analysis assumes that all other variables, in particular, interest rates, remain constant.

A 4% (2018: 2%) strengthening of the Jamaica dollar against the United States dollar at December 31, 2019 would have decreased the profit of the Group and the Company by \$765,286 (2018: \$2,415) and \$762,886 (2018: \$1,958) respectively, on the basis that all other variables remain constant.

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

	<u>Average rate</u>		<u>Reporting date spot rate</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>		<u>2018</u>	
			<u>Buying</u>	<u>Selling</u>	<u>Buying</u>	<u>Selling</u>
United States Dollar (US\$)	<u>134.22</u>	<u>129.72</u>	<u>129.79</u>	<u>132.57</u>	<u>125.89</u>	<u>127.72</u>

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate or that cashflows will vary due to changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group manages this risk by monitoring market interest rates.

KINGSTON PROPERTIES LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019*(Expressed in United States Dollars unless otherwise stated)*26. Financial instruments and financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk

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.

Interest-bearing financial assets mainly comprise securities purchased under resale agreements, which have been contracted at fixed interest rates for the duration of their terms. Interest-bearing financial liability comprise loans payable.

Sensitivity to interest rate movements

The Group's exposure to interest rate risk arises from its loan payable with RBC Royal Bank, all other loans are at fixed rates of interest. Any change in interest rate would not have a material impact on profit or loss.

27. Fair value

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

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

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

28. 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.