



Building

52-60



The KPREIT Building

# ANNUAL REPORT | 2019

*"The Gateway to Global Real Estate Investing"*

# Table of CONTENTS



<b>OUR VISION &amp; VALUES</b>	<b>02</b>
<ul style="list-style-type: none"><li>• Mission Statement</li><li>• Vision</li><li>• Core Values</li><li>• Corporate Culture</li></ul>	
<b>NOTICE OF THE 12TH ANNUAL GENERAL MEETING</b>	<b>03</b>
<b>CORPORATE PROFILE</b>	<b>04</b>
<ul style="list-style-type: none"><li>• Group Structure</li><li>• Our Company</li><li>• Corporate Objective</li><li>• Board of Directors &amp; Profiles</li><li>• The Team and Profiles</li></ul>	<ul style="list-style-type: none"><li>04</li><li>05</li><li>06</li><li>09</li><li>11</li></ul>
<b>GROUP CHAIRMAN'S STATEMENT</b>	<b>12</b>
<b>DIRECTORS' REPORT</b>	<b>14</b>
<b>QUICK FACTS</b>	<b>15</b>
<b>TEN YEAR FINANCIAL STATEMENT</b>	<b>16</b>
<b>CORPORATE GOVERNANCE REPORT</b>	<b>18</b>
<b>MANAGEMENT DISCUSSION &amp; ANALYSIS</b>	<b>25</b>
<b>PROPERTY PORTFOLIO</b>	<b>32</b>
<b>RISK EXPOSURES &amp; RISK MANAGEMENT STRATEGIES</b>	<b>38</b>
<b>CORPORATE SOCIAL RESPONSIBILITY</b>	<b>43</b>
<b>SHAREHOLDINGS REPORT</b>	<b>46</b>
<b>CORPORATE DATA</b>	<b>48</b>
<b>INDEX TO THE FINANCIAL STATEMENTS</b>	<b>49</b>
<b>FORM OF PROXY</b>	<b>94</b>
<b>NOTES</b>	<b>95</b>



# Mission & Vision Statement & CORE VALUES

## MISSION STATEMENT

To be the premier real estate investing company in Jamaica that acquires, owns, leases and manages real estate properties on behalf of our shareholders.

## VISION

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

## CORE VALUES

- Place the interests of our shareholders first.
- Pursue excellence in everything we do.
- Stretch beyond our perceived abilities to attain success.

## CORPORATE CULTURE

To **Think** and **Act** like an **Owner**:

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

Evening view of Midblock



# Notice of the 12<sup>th</sup> Annual GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 12<sup>th</sup> Annual General Meeting of **KINGSTON PROPERTIES LIMITED** will be held at the **Grand Caribbean Suite, Knutsford Court Hotel**, in the parish of **Kingston** on **Tuesday, August 18, 2020** at **10 am** for the following purposes:

1. To receive the Audited Accounts for the year ended December 31, 2019 and the Reports of the Directors and Auditors.

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

**Resolution 1:**

"THAT the Audited Accounts for the Year Ended December 31, 2019 along with the reports of Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted."

2. To Ratify Interim Dividends

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

**Resolution 2:**

"THAT the interim dividends of US\$0.00062 per share paid on April 5, 2019 and US\$0.00078 per share paid on December 12 be and are hereby declared as final for the year ended December 31, 2019".

3. To re-elect retiring Directors

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

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

**Resolution 3:**

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

**Resolution 4:**

"THAT Ms. Nicole Foga, retiring by rotation, be and is hereby re-elected."

4. To fix the remuneration of the auditors

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

**Resolution 5:**

"THAT the Directors be and are hereby authorized to agree to their remuneration of the auditors in respect of the period ending with the next Annual General Meeting."

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

By Order of the Board of Directors

**Nicole Foga**  
Company Secretary

Registered Office:  
7 Stanton Terrace  
Kingston 6, Jamaica

**May 4, 2020**

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



# Group STRUCTURE



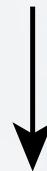
**KINGSTON  
PROPERTIES  
LIMITED**



**KP (REIT)  
JAMAICA LIMITED**



**CARLTON SAVANNAH REIT  
(ST. LUCIA) LIMITED**



**KINGSTON PROPERTIES  
MIAMI, LLC**



## *Our* **COMPANY**

**K**PREIT was incorporated in Jamaica as a real estate investment company. Formerly known as Carlton Savannah (REIT) Jamaica Limited, it commenced operations in May 2008, with the goal of being the premier real estate investing company that creates wealth for its shareholders. The Company changed its name to Kingston Properties Limited on October 20, 2009. Kingston Properties has two wholly owned subsidiaries:

- (i) Carlton Savannah REIT (St. Lucia) Limited, incorporated in St. Lucia under the International Business Companies Act, (which it self has a wholly owned subsidiary, Kingston Properties Miami LLC, incorporated in Florida under the Florida Limited Liability Company Act), and
- (ii) KP (REIT) Jamaica Limited, incorporated in Jamaica.

The Group owns numerous properties in Jamaica, the United States and the Cayman Islands as set out in the Property Portfolio on page 32.

Following the international best practices of a Real Estate Investment Trust (REIT), the Company's shareholders benefit from both the appreciation of the value of the properties owned, as well as, the distribution of the income derived from these assets. Our *"Buy Local, Own Global"* philosophy refers to the fact that the ownership of shares in KPREIT means that various types of shareholders, even those with limited funds, can access a geographically diversified real estate portfolio that generates sustained cash flows. Consequently, shareholders do not have to purchase real estate assets overseas to receive these financial benefits.

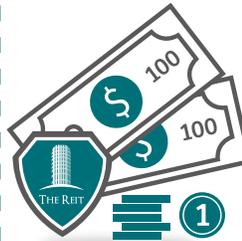


# Corporate OBJECTIVE

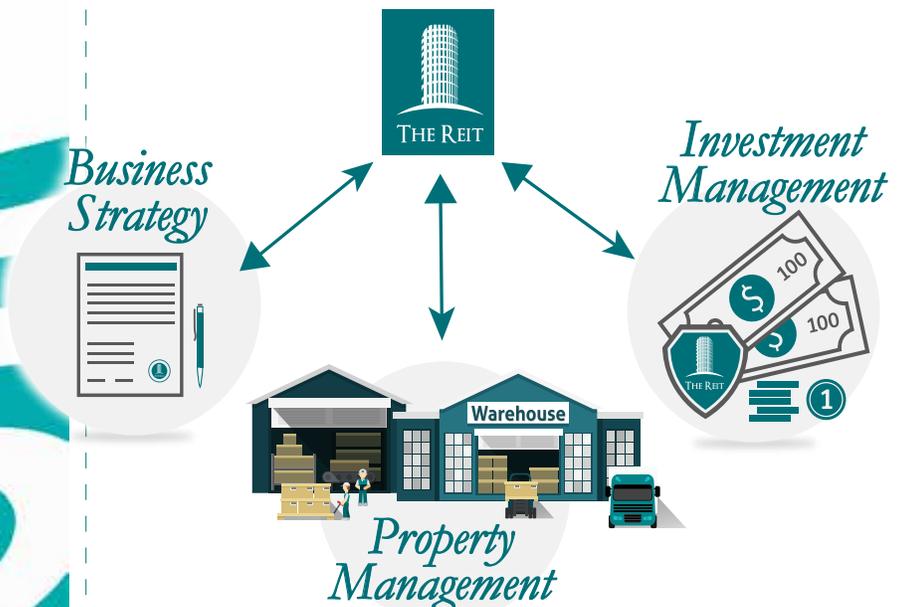
The primary corporate objective of Kingston Properties Limited continues to be to increase shareholder value through the ownership and management of real estate that will generate sustainable long-term dividends. The core areas of focus are:

- Investment Management
- Property Management
- Business Strategy

## INVESTMENT MANAGEMENT



We consistently implement nimble strategies to enable us to achieve aggressive targets while minimizing risk. Diversification of the real estate portfolio is a critical tool used to minimize country risk while ensuring optimal returns.



In selecting the suitability of an asset to be included in our real estate portfolio, a variety of metrics are considered including:

1. Consistency in the generation of cash flows;
2. Located in robust and resilient markets or economies with sound fundamentals; and,
3. Existing tenants have strong credit histories

Our process of property selection incorporates rent comparisons among various properties, trends in capitalization rates for the market and the specific asset sub-class, as well as the potential for net operating income growth and historical sales comparisons. The Company makes use of various data sources that provide updated trends and forecasts for factors such as market rents and rents per square foot (PSF), vacancies, closed sales and prices PSF as well as inventory for different property types including apartments, office, retail and industrial properties.

Part of the process of determining asset retention is valuation modelling, which involves analysing cash flows of the individual properties rent growth prospects, the potential level of vacancy, operating expenses for items such as insurance, property taxes, repair and maintenance, as well as property management fees and funding costs.

Our deal structuring process involves the analysis of the most efficient and return enhancing way to finance the acquisition and retention of our respective properties. The Company has and continues to use a variety of options including issuing common equity as well as debt and quasi-debt facilities. The capacity of each deal's cash flows to service both operating expenses and financing obligations are considered to minimize financing risk.

In addition, we conduct a Total Return Analysis in respect of each property. Total Return Analysis takes into consideration the likely capital appreciation prospects for the property and is influenced by the macro economic trends of the location of the property. For example, for an apartment building, the important variables include macro trends in the job market.

Finally, Deal Review and Final Approval is an important component of the investment management process. The Investment Committee

reviews each deal, taking into consideration the impact on the Company's financial and prudential ratios. The Committee, only when satisfied, makes recommendations to the Board for final approval.

## PROPERTY MANAGEMENT



The Property Management process is a key component in our mission to create and maintain shareholder value. This involves the engagement of a team with overall responsibility for lease administration and oversight as well as day to day property management activities of the Company's portfolio. The administration of leases involves rental negotiations and collections, common area maintenance and fee collection and management of rent and maintenance escrow accounts. The team also engages in insurance negotiations and payments, property tax compliance and liaison with maintenance and service crews to ensure proper upkeep of our properties. This team oversees the marketing function, ensuring that our properties are leased at optimal rents and occupancy levels to meet the financial targets of the portfolio.

Active Management of the properties is a hallmark in maintaining good tenant relations to ensure consistent and stable cash flows. The Company utilizes a combination of internal and external professionals to ensure properties remain competitive in terms of rental rates and physical condition, and that property data is collected and analysed for trends to maintain tenant satisfaction at an optimal level.

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

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

Management of our residential property portfolio involves us consistently screening prospective tenants. The software, **Advantage Tenant**, is a screening tool which utilizes US nationwide data that helps us to fast track our approval process - an important competitive edge in a fast-paced rental market.

Property Management also involves control of repair and maintenance expenses while ensuring the highest level of tenant relations. Over the years, we have used experienced and reputable service providers in fulfilling our repairs and maintenance needs.

Property Management with respect to our commercial portfolio involves the use of a referral system to do background checks on prospective tenants along with various tools including the presentation of financials, certificates of good standing and identification of the principals involved in the companies.



## BUSINESS STRATEGY

A critical focus of our business strategy is to ensure that we operate at optimal levels of efficiency and profitability. We achieve this by increasing the amount of revenue generated for each dollar of cost. We maintain a relatively low fixed-cost model in our operations

which satisfies our mission of increasing shareholder value.

### Nimble Strategy

We adopt a fairly nimble business strategy that allows us to make portfolio shifts to take advantage of market strengths and opportunities. This allows us to consistently create value for our shareholders.

### Acquisition Strategy

We pursue a focused acquisition strategy geared at acquiring discounted properties with above average yields supported by detailed research and analysis

of markets, valuation comparables and cash flow models. We also employ prudent capital and risk management strategies for optimal risk-adjusted returns.

### Capital Raising

We make optimal use of the capital markets to raise debt, quasi-debt and equity financing to grow the portfolio. This would include but is not limited to bank financing, common and preferred stock, as well as other financing structures.

### Capacity Building

We maintain continued focus on building capacity in the organization through developing networks of real estate professionals, not only in sourcing properties, but also in the management of them.



# Board of DIRECTORS & PROFILES



**GARFIELD "GARRY" SINCLAIR**  
Chairman/ Independent Director



**NICOLE FOGA**  
Company Secretary/  
Independent Director



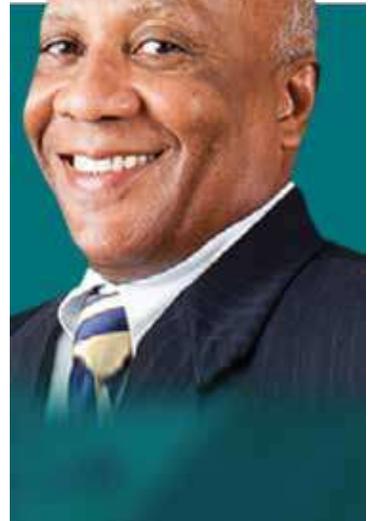
**PETER REID**  
Independent Director



**LISA GOMES**  
Independent Director



**MEGHON MILLER-BROWN**  
Independent Director



**GLADSTONE "TONY" LEWARS**  
Independent Director

**GARFIELD "GARRY" SINCLAIR**  
**CHAIRMAN / INDEPENDENT DIRECTOR**

**Mr. Garfield Sinclair** is currently the president of the Caribbean operations of Cable & Wireless Communications. He sits as Chairman of the Jamaica Stock Exchange Pension Fund and Kingston Properties. His wealth of experience in Business management also includes roles as the Managing Director of Flow, chief executive officer of Bahamas Telecommunications Company (BTC) and team member of the team which created Dehring, Bunting & Golding Limited.

Licensed as a CPA from 1993, Mr. Sinclair has a B.Sc. in Business Administration from San Diego State University and an Executive Certificate in Strategy and Innovation from the Sloan School of Management at the Massachusetts Institute of Technology (MIT).

**NICOLE FOGA**  
**COMPANY SECRETARY/  
INDEPENDENT DIRECTOR**

**Ms. Nicole Foga** is the Managing Partner of Foga Daley Attorneys-At-Law and heads the firm's Commercial Department. Her practice areas include Cyber Law, Intellectual Property and Commercial Law. Ms. Foga also holds chairmanship positions on the Telecommunications, Broadcasting and Technology Committee of the Jamaican Bar Association and the University of Technology's Pension Fund. She is Vice Chairman of Jamaica's Copyright Tribunal, Director and Company Secretary for the Usain Bolt Foundation and a member of the Mona ICT Policy Centre Advisory Committee. Among her numerous other activities, she is also a prolific author.

Ms. Foga holds an LLM in Commercial Law (Aberdeen University), LLB and a Bachelor of Arts Degree (1<sup>st</sup> Class Hons.) from the University of the West Indies (University of the West Indies).

**PETER REID**  
**INDEPENDENT DIRECTOR**

**Mr. Reid** is Senior Vice President & Chief Operating Officer at Victoria Mutual. He is a Banker with over 30 years of experience in the financial services sector, in particular, sales and management, credit, financial analysis, financial advisory and deal structuring. He has also served as District Vice President for the Bank of Nova Scotia Jamaica Limited. Mr. Reid's numerous directorships on company Boards include Grace Kennedy Currency Trading Services Limited, Guardian Life Limited, Guardian Life Asset Management Jamaica Limited, the National Water Commission and West Indies Alliance Insurance Company Limited.

He holds an Bachelor of Arts Degree (hons.) in International Studies from York University in Toronto, Canada.

**LISA GOMES**  
**INDEPENDENT DIRECTOR**

**Ms. Lisa Gomes** is the Founder and Managing Director of CapSol Advisory Limited. She has over 30 years of experience in Hospitality, Pension Fund Management, Financial Planning and Investment Banking. She has also worked as a Director and the President of Guardian Asset Management Jamaica Limited.

Ms. Gomes chairs the Audit Risk and Compliance Committee Board of Caribbean Assurance Brokers. She also serves as Chairman of Proven Wealth Limited and chairs its Audit Committee.

**MEGHON MILLER-BROWN**  
**INDEPENDENT DIRECTOR**

**Ms. Miller-Brown** is the Vice President of Finance at Guardian Life Limited. She was designated as the Chief Financial Officer in 2010. A Chartered Accountant by profession, Ms. Miller-Brown has over 20 years of experience in the financial services industry and is a Fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Institute of Chartered Accountants of Jamaica (ICAJ). Ms. Miller-Brown is also a director of Guardian Resorts Jamaica Limited and a member of the Investment and Asset Liability Management Committees of Guardian Life Limited and the Professional Accountants in Business Committee of the ICAJ.

Ms. Miller-Brown holds a Master's degree in Business Administration from the University of Manchester, Manchester Business School and a BSc (hons.) in Management Studies from the University of West Indies, Mona.

**GLADSTONE 'TONY' LEWARS**  
**INDEPENDENT DIRECTOR**

**Mr. Gladstone "Tony" Lewars OD, CD** is a Chartered Accountant by profession and a retired partner of PricewaterhouseCoopers where he was the Leader for the Advisory division of the firm. He is a Director of Mayberry Investment Ltd and Guardian Life Limited and chairs the Boards of JN Cayman Limited, JN Cayman Money Services Limited, Guardian Group Foundation and The Holy Trinity High School. He serves on the Board of Governors for The Alpha Academy and is a member of the Police Civilian Oversight Authority (PCOA).

Mr. Lewars holds two Masters degrees in Economics and Accounting from the University of the West Indies.



## The Team & PROFILES



**KEVIN G. RICHARDS**  
Chief Executive Officer

**Mr. Richards** is the Chief Executive Officer of Kingston Properties Limited where he is tasked with driving the strategic objectives of the company and maximizing shareholders' value. He is a former Senior Director - Investments at Jamaica's National Insurance Fund. Mr. Richards currently chairs the Real Estate Board of Jamaica and the Commission of Strata Corporations and the Finance Committee of both institutions.

He holds an M.A. in Economics from Dalhousie University, Nova Scotia, Canada; a certificate from the Canadian Securities Institute and successfully completed the Real Estate Salesman Course from the University of Technology in Jamaica.



**TATESHA ROBINSON**  
Property & Administration Manager

Since joining the Kingston Properties team in 2010, **Ms. Robinson** has primarily represented the operations management side of the properties in the portfolio, guaranteeing timely rent collections and effective tenant relations and communications. Tatesha also processes the lease renewals for existing tenants, interacts with the management company and leasing agents, screens new applicants and liaises with our accounting firms to ensure that information is consistent and up to date.

Ms. Robinson holds a Bachelor of Science in Economics and Statistics (Hons) and a Master of Science in Economics both from the University of the West Indies, Mona.



**ROXANNE KELLY**  
Financial Controller

**Ms. Kelly** has been the financial controller at Kingston Properties since July 2018. She is responsible for the finance strategy and accounting and financial operations of the Group, including the production of periodic financial reports, maintenance of an adequate system of accounting records and a comprehensive set of controls and budgets designed to mitigate risk and enhance the accuracy of the Group's financial results.

Ms. Kelly has a B.Sc. in Science in Business Administration, majoring in Accounting & Financial Management.



# Group Chairman's STATEMENT

## Dear Fellow Shareholders:

2019 marked a year of several milestones for the Group. In April 2019, the board met for a Strategic Retreat and agreed to a strategy of:

- (i) significantly increasing our equity base over a period of three years;*
- (ii) eliminating the financial statement volatility arising from f/x fluctuations; and*
- (iii) increasing square footage under management to 1M square feet.*

The first action under this strategy was the raising of \$2.0 billion by way of a renounceable rights issue in November 2019. Additionally, we issued for the first time, USD denominated financial statements for the financial year ended December 31, 2019.

*The Group achieved another record year for both rental income and net profit after tax (NPAT) with rental revenue increasing by 7.4% to \$1.7 million (J\$226.9 million) and NPAT increasing eight-fold to \$2.2 million (J\$299.2 million). Consequent on this performance for the year a total of \$450,000 was paid to shareholders as dividends, which represented more than twice what was paid in the prior year, and a record payment in any single year.*



**Garfield Sinclair,  
Chairman**

The year also saw the continuation of our diversification strategy with the divestment of South Florida condominiums in favour of an airport warehouse property in the Cayman

Islands. This investment in Cayman's main industrial belt not only increased our portfolio by 16%, but incrementally moves us toward our target of 1,000,000 square feet of property under management by 2023. We believe that the Caymanian economy is highly resilient and provides us with an excellent regional diversification option with an already proven track record. Our United States portfolio has accordingly decreased from 30% in 2018 to 21% in 2019 while our Cayman Islands portfolio has been boosted to 21% of our overall portfolio with plans to increase this even further.

Our performance was rewarded by the Capital markets with J\$2.0 billion from a renounceable rights issue during the 4<sup>th</sup> quarter of 2019, which on a partially levered basis will facilitate our expansion and capital improvement plans. Our primary capital improvement plan is the upgrading of our Grenada Crescent building to a Class A property which will attract rental rates commensurate with New Kingston buildings of similar quality. Additional capital improvement projects were undertaken at our warehouse and showroom property on Spanish Town Road, and plans are underway for the upgrade of our Tropic Centre Building in the Cayman Islands.

## DIVIDENDS & STOCK PRICE

Your Company resumed the share buyback programme which was initiated in 2014 as part of our commitment to enhance shareholder value. During the year we bought back 47,537 units of **KPREIT** shares at an average price of US\$0.04182 per share (JMD \$5.74682 per share). In tandem with this, we paid out in excess of 20% of net profits after tax as dividends to our shareholders for a dividend yield of 2.8%. Since inception, we have paid out 23% of our cumulative net profit after tax as dividends to shareholders in US dollars and your stock price has appreciated by 276%.

## GOVERNANCE PRACTICE

The Corporate Governance Committee of the board continued their work to ensure **KPREIT** adheres to best practices in Corporate Governance and risk management principles. We engage in a robust self-evaluation process each year to ensure transparency and accountability with respect to how the board

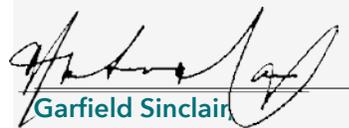
functions and the results are borne out in performance on the JSE Corporate Governance Index.

## LOOKING AHEAD

The 2020 financial year has begun with the unique challenge of a global pandemic that is likely to change the shape of the way business is conducted going forward. New building consumption patterns will undoubtedly emerge and challenge the resiliency of our current operating model. We are constantly monitoring the current economic and social environment, while assessing various future scenarios for advancing the strategic imperatives I earlier outlined. Having commenced operations during the Great Recession of 2008, we are very familiar with navigating adversity and are accordingly preserving our strong liquidity position to weather any further or more precipitous economic headwinds.

## ACKNOWLEDGEMENT

On behalf of the entire Board of Directors I thank our shareholders and other stakeholders for their continued support, solid advice and principled guidance. I continue to appreciate my fellow Board members' dedication and commitment to the sustainability of the company's positive development along with fulfilling the Company's vision of creating a world-class real estate investment company.



**Garfield Sinclair**

Chairman

May 4, 2020



# Directors' REPORT

The Directors of Kingston Properties Limited are pleased to present their Annual Report and the Audited Financial Statements for the Year ended December 31, 2019.

## FINANCIAL RESULTS

Results of Operating Activities	\$673,797
Profit before Income Tax	\$1,998,553
Income Tax Credit	\$200,821
Profit for the year	\$2,199,374
Dividends on ordinary shares (US\$)	\$450,000

### Dividends

The Directors recommended interim dividend payments of US\$0.00062 and US\$0.00078 which were paid on April 5, 2019 and December 12, 2019. No further dividends were recommended during the year under consideration.

### The Board

The Directors of the Board comprised:

- Mr. Garfield Sinclair (*Chairman/ Independent Director*)
- Ms. Nicole Foga (*Company Secretary/ Independent Director*)
- Mrs. Lisa Gomes (*Independent Director*)
- Mr. Peter Reid (*Independent Director*)
- Mrs. Meghon Miller-Brown (*Independent Director*)
- Mr. Gladstone "Tony" Lewars (*Independent Director*)

Pursuant to Article 107 of the Schedule to the Articles of Incorporation of Kingston Properties Limited, the Directors retiring by rotation are Mr. Peter Reid and Ms. Nicole Foga, who both being eligible for re-election offer themselves for re-election to the Board.

### Auditors

A resolution authorizing the directors to fix the Auditor's remuneration will be put to the Annual General Meeting.

### Thank You

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

By Order of the Board

Nicole Foga

Company Secretary

May 4, 2020



## Quick FACTS

Gross Rental Income:  
**USD\$ 1,690,138**

5 Year Dividend Yield:  
**2.29%**

Square Feet Owned:  
**171,427**

Properties:  
**21**

Occupancy:  
**91%**



# Ten Year Financial STATEMENT

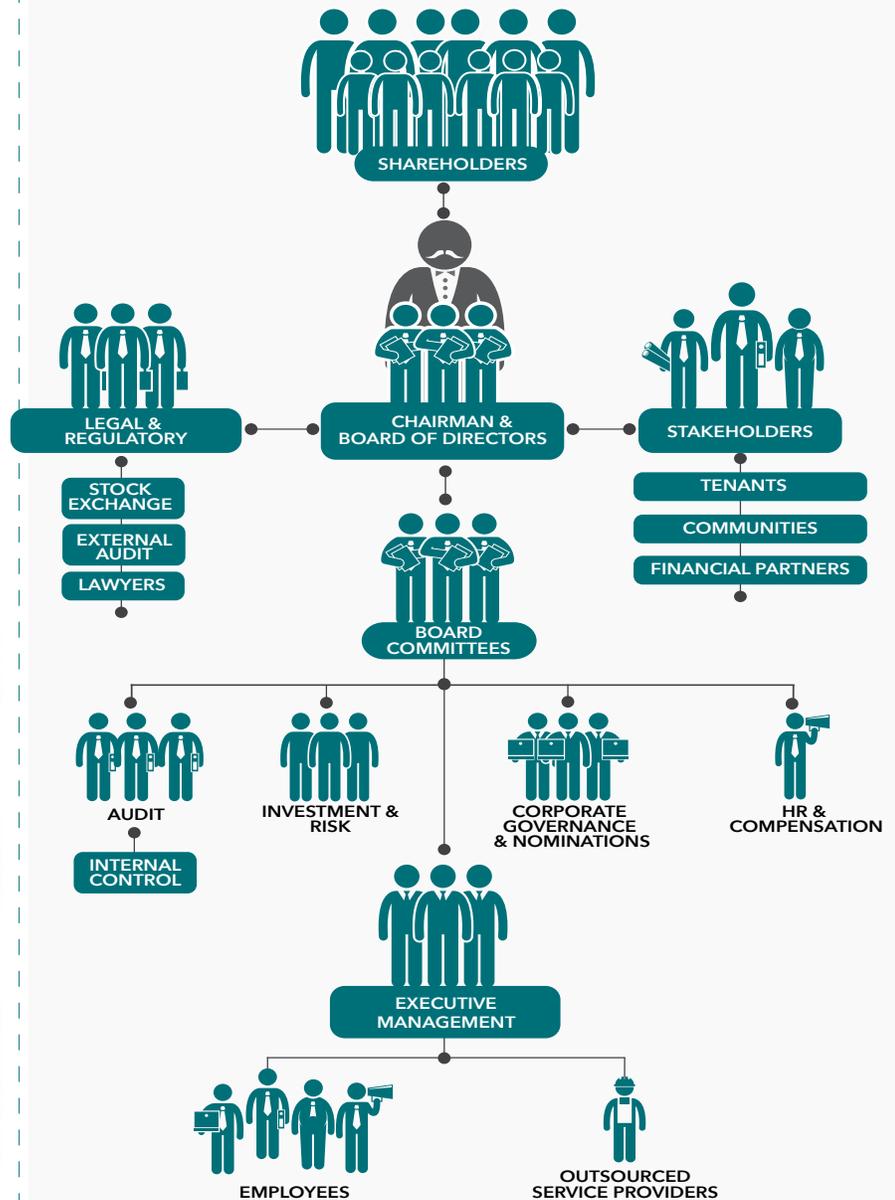
CONSOLIDATED INCOME STATEMENT	2010 JMD	2011 JMD	2012 JMD
Rental Income	33,119,567	44,223,820	78,030,312
Operating Expenses	28,741,596	31,907,164	46,003,222
Results of operating activities before other income	4,377,971	12,316,656	32,027,090
Other Income/gains	-	4,562,241	182,913,220
Operating Profit	4,377,971	16,878,897	214,940,310
Net Finance Cost/Income	7,133,949	(4,608,187)	(37,301,971)
Pre-Tax Profit or Loss	11,511,920	12,270,710	177,638,339
Income tax charge/credit	3,594,236	864,567	1,209,214
Net Profit	15,106,156	13,135,277	178,847,553
Net Profit per share (adj.)	\$ 0.05	\$ 0.04	\$ 0.56
Foreign currency translation differences	(17,765,164)	3,613,495	28,078,127
Total Comprehensive Income	(2,659,008)	16,748,772	206,925,680
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Investment Properties	414,942,891	639,159,119	834,085,129
Cash and Cash Equivalents	162,411,388	179,191,140	186,532,572
Total Assets	681,897,900	843,307,433	1,046,154,238
Total Equity	501,406,939	518,155,711	719,100,484
Loans Payable	170,680,576	307,718,044	308,869,742
Total Liabilities	180,490,961	325,151,722	327,053,754
KEY RATIOS			
Total Comprehensive Income % of Average Equity	-0.53%	3.29%	33.45%
Loans as % of Total Equity	34.04%	59.39%	42.95%
Rental Income % of total Investment property	7.98%	6.92%	9.36%
Pre-Tax Profit Margin %	34.76%	25.15%	68.08%
Net Operating Margin %	13.22%	27.85%	41.04%
Net Profit per share	\$ 0.22	\$ 0.19	\$ 2.60
Operating Expenses as % of Rental Income	86.78%	72.15%	58.96%
Effective Tax Rate	N/A	N/A	N/A
Total shares outstanding at year end	68,800,102	68,800,102	68,800,102
OTHER DATA			
EBITDA (adj.)	4,433,490	12,479,988	32,515,075
Net Cash from Operations	14,391,286	12,752,911	45,965,165
Gross Dividends Paid (USD)	-	-	68,800
Dividend per share (USD)	N/A	N/A	\$ 0.00100
Dividend yield	N/A	N/A	2.46%
Dividend Payout Ratio	N/A	N/A	3.42%
Book Value per share (USD)	\$ 7.29	\$ 7.53	\$ 10.45
Year end closing stock price (JMD)	\$ 3.90	\$ 4.52	\$ 3.78
Price Earnings Ratio	17.76	23.67	1.45
Year End Market Capitalization (JMD)	268,320,398	310,976,461	260,064,386
JSE Index at Year End	85,220.82	95,297.20	92,101.22
Annual Inflation Rate % - Jamaica	11.70%	6%	8%
Annual Inflation Rate % - US	1.50%	3.00%	1.70%
Year End Exchange rate USD:JMD	\$ 85.86	\$ 86.60	\$ 92.98
% Change	-4.2%	0.9%	7.4%
Average annual exchange rate	87.38	86.08	88.99

\* - In May 2017, shareholders approved a stock split of 1:1

2013 JMD	2014 JMD	2015 JMD	2016 JMD	2017 JMD	2018 USD	2019 USD
91,469,951	108,048,742	108,368,868	130,457,378	196,322,267	1,573,865	1,690,138
52,012,921	56,822,625	100,902,850	98,264,169	124,325,694	1,016,865	1,016,341
39,457,030	51,226,117	7,466,018	32,193,209	71,996,573	557,000	673,797
131,226,251	845,302	169,171,834	133,359,028	20,776,177	(363,008)	1,563,618
170,683,281	52,071,419	176,637,852	165,552,237	92,772,750	193,992	2,237,415
(63,625,620)	(45,700,862)	(16,500,658)	53,788	(42,090,982)	(261,150)	(238,862)
107,057,661	2,313,375	127,287,194	164,236,298	50,681,768	(67,158)	1,998,553
(54,561,672)	(3,450,340)	(21,865,656)	(34,317,258)	28,477,048	329,546	200,821
52,495,989	(1,136,965)	105,421,538	129,919,040	79,158,816	262,388	2,199,374
\$ 0.16	\$ (0.00)	\$ 0.33	\$ 0.40	\$ 0.25	\$ 0.00081	\$ 0.00619
68,168,732	45,057,651	30,177,442	60,949,209	(40,074,054)	(5,129)	-
120,664,721	43,920,686	135,598,980	190,868,249	39,084,762	257,259	2,199,374
1,002,318,121	953,788,854	1,552,203,131	1,930,922,213	2,471,466,048	20,620,680	23,939,643
212,064,416	232,660,434	132,896,744	24,078,908	37,966,958	1,020,954	15,169,168
1,261,946,632	1,430,031,755	1,729,553,372	2,157,608,555	2,555,966,240	23,058,996	39,927,923
829,838,174	851,933,073	1,585,038,775	1,726,184,541	1,739,448,116	14,173,529	30,305,913
360,285,619	486,351,708	-	273,977,851	704,625,570	8,333,536	9,276,018
432,108,458	578,098,682	144,514,597	431,424,014	816,548,124	8,885,467	9,622,010
15.58%	5.22%	11.13%	11.53%	2.26%	0.03%	9.89%
43.42%	57.09%	0.00%	15.87%	40.51%	58.80%	30.61%
9.13%	11.33%	6.98%	6.76%	7.94%	7.63%	7.06%
48.07%	2.12%	45.86%	62.25%	23.35%	-5.55%	61.42%
43.14%	47.41%	6.89%	24.68%	36.67%	35.39%	39.87%
\$ 0.76	\$ (0.02)	\$ 1.00	\$ 0.81	\$ 0.25	\$ 0.00081	\$ 0.00325
56.86%	52.59%	93.11%	75.32%	63.33%	64.61%	60.13%
50.96%	149.15%	17.18%	20.90%	-56.19%	490.70%	-10.05%
68,800,102	68,798,669	160,996,334	160,996,334	321,992,668	321,967,682	677,712,399
40,768,676	52,479,478	11,372,436	46,463,541	82,153,405	200,914	2,245,866
40,226,096	55,298,705	974,667	(144,667,060)	85,150,354	420,985	602,886
103,200	172,000	200,000	400,000	200,000	200,000	450,000
\$ 0.00150	\$ 0.00250	\$ 0.00124	\$ 0.00248	\$ 0.00124	\$ 0.00062	\$ 0.00140
3.55%	3.82%	2.12%	3.19%	2.02%	1.32%	2.79%
19.81%	-1682.54%	22.26%	38.53%	32.43%	76.22%	20.46%
\$ 12.06	\$ 12.38	\$ 9.85	\$ 10.72	\$ 5.40	\$ 0.04	\$ 0.04
\$ 4.50	\$ 7.50	\$ 7.05	\$ 10.00	\$ 7.70	\$ 6.00	\$ 6.63
5.90	N/A	7.06	12.39	31.32	56.76	15.22
309,600,459	515,990,018	1,135,024,155	1,609,963,340	2,479,343,544	1,931,806,092	4,493,233,205
80,633.55	76,353.39	130,692.13	192,276.64	288,381.97	379,790.86	509,916.44
9.70%	6.40%	3.70%	1.70%	5.20%	2.40%	6.20%
1.50%	0.80%	0.70%	2.10%	2.10%	1.90%	2.30%
\$ 106.38	\$ 114.66	\$ 120.42	\$ 128.44	\$ 125.00	127.72	132.569
14.4%	7.8%	5.0%	6.7%	-2.7%	2.2%	3.8%
100.77	111.22	117.31	125.14	128.36	129.72	134.22



# Corporate Governance REPORT



Since 2008, Kingston Properties Limited (KPREIT) has pursued its mission to be the premier real estate investing company in Jamaica, eliciting a commitment to implementing and adhering to good Corporate Governance practices. As customary, the Board conducted its annual review of the Company's governance systems and structures including internal controls, business continuity, communication policy and risk management policy and

framework as well as our compliance with the PSOJ Corporate Governance Code. In addition, the board reviewed the Company's performance on the Jamaica Stock Exchange (JSE) Corporate Governance Index which saw the Company with a rating of BB and a rating score of 75%. Having completed more than ten years of operation, the board met in April 2019 to chart a strategic direction for the Company for the next 3-5 years. The outcome of the Strategic Retreat was subsequently communicated to our shareholders at our last Annual General Meeting in May 2019 and again at our Extraordinary General Meeting held in August 2019.

### Corporate Governance Principles

The Company periodically reviews its policies and codes of conduct to ensure adherence to our core values and a high level of operational transparency for the benefits of our shareholders. Cognizant of the impact the Company's actions have on our various stakeholders and the environment, we remain committed to open and active engagement with our stakeholders through our website, annual reports, stock exchange filings and news releases, the media, annual general meetings, investor briefings and our weekly newsletter.

### Board of Directors

The Company's process for the selection and review of directors is examined annually and is consistent with both the JSE regulations and the PSOJ Corporate Governance Code. Directors are selected based on expertise, judgment, character and independence.

The Board of Directors is principally responsible for:

1. Ensuring that the Company's vision and mission are fulfilled for the benefit of shareholders
2. Providing oversight of the executive management to ensure that the Company's strategic objectives are achieved and that agreed policies are adhered to and do not conflict with any laws or regulations.
3. Reviewing the internal control process to ensure long term shareholder value is maintained.

There are three broadly defined categories of directors, namely:

1. **Independent Director (I)** :- A member of the board who is **(i)** not employed by the Company or has not been a staff member for at least five years prior to their appointment to the board and **(ii)** not related to any employee of the Company.
2. **Non-Executive Director (NE)**:- A member of the board who receives no remuneration from the Company save and except for board attendance fees or dividends from their personal shareholdings in the Company's stock.
3. **Executive Director (E)**:- A member of the board who is currently employed as part of the executive management of the Company

There are six **(6)** directors on the Board, all of whom are Non-executive and Independent. The gender balance on the Board remained unchanged - three **(3)** males and three **(3)** females. Mr. Gladstone Lewars who joined the board in January 2019 brought to the board his years of expertise in financial advisory services.

### Board Responsibilities

The Board continued to discharge its responsibility for the corporate governance of Kingston Properties Limited.

It monitored the related areas of risk and financial performance, business operations, and adherence to regulatory and legal requirements to ensure continued growth in shareholder value.

Some main activities included:

### Strategic Imperatives

- Reviewing the Company's strategic plans as presented by the Executive.
- Using their best judgment in arriving at decisions which balances the interests of all stakeholders.
- Providing appropriate channels and systems for the report of activities that would not be compliant with the laws of the land or agreed policy.

- Adhering to good governance principles and practices to the benefit of all stakeholders

### Performance and Conduct

- Conducting risk management assessments on the Company's operations.
- Monitoring related party transactions to ensure that they are undertaken on normal commercial terms and are not prejudicial to the interests of the shareholders.

### Organization and Activity

- Reviewing and monitoring the policies of the Company periodically
- Reviewing internal control mechanisms established to ensure accuracy and transparency in the Company's operations.
- Maintaining compliance with regulatory requirements.
- Reviewing the approval process for new property acquisitions or disposals in line with established guidelines

### Board Operations

The Board of Directors meets monthly to provide the necessary oversight required by virtue of the diverse markets within which the Company operates. At each meeting of the Board of Directors, each director receives Minutes, Management Accounts and comprehensive reports detailing the operations of the Company, and the portfolio of assets. Where necessary the Board has met more frequently to address critical issues.

### Board Composition

The rules governing the composition of the Board remain the same and are as follows:

1. The Chairman of the Board should be a non-executive Director;
2. The Board comprises Directors with a range of commercial and financial experience

including expertise in real estate, asset management, law and financial management; and

3. At least one-third of the Board comprises Independent Directors.

The composition is reviewed annually to ensure that the Board of Directors has the appropriate mix of expertise and experience. The board is chaired by Mr. Garfield Sinclair.

### Board Independence and Expertise

	REAL ESTATE	ASSET MANAGEMENT	LEGAL	FINANCIAL MANAGEMENT	GENERAL MANAGEMENT	STRATEGY	RISK MANAGEMENT	HR
 <b>GARFIELD SINCLAIR</b> <sup>(1)</sup> - Chairman		●		●	●	●	●	
<b>NICOLE FOGA</b> <sup>(1)</sup> - Company Secretary	●		●		●	●	●	●
<b>LISA GOMES</b> <sup>(1)</sup>	●	●		●	●	●	●	●
<b>PETER REID</b> <sup>(1)</sup>	●	●			●	●	●	
<b>MEGHON MILLER-BROWN</b> <sup>(1)</sup>		●		●		●	●	
<b>GLADSTONE "TONY" LEWARS</b> <sup>(1)</sup> - Appointed January 3, 2019	●			●	●	●	●	●

The CEO, Mr. Kevin Richards, is not a member of the Board but is the accountable officer in the management of the Company and is responsible for the execution of the board approved strategies which are primarily geared at protecting and improving shareholder value.

### Board Meeting Attendance

 <b>BOARD MEETINGS</b> MEMBERS AND ATTENDANCE AT MEETINGS	
<b>GARFIELD SINCLAIR</b> <sup>(1)</sup> (CHAIR)	9/10
<b>NICOLE FOGA</b> <sup>(1)</sup>	9/10
<b>LISA GOMES</b> <sup>(1)</sup>	7/10
<b>PETER REID</b> <sup>(1)</sup>	6/10
<b>MEGHON MILLER-BROWN</b> <sup>(1)</sup>	8/10
<b>GLADSTONE "TONY" LEWARS</b> <sup>(1)</sup>	7/10



## AGM & EGM ATTENDANCE

	AGM	EGM
GARFIELD SINCLAIR	✓	
NICOLE FOGA	✓	✓
LISA GOMES	✓	✓
PETER REID	✓	✓
MEGHON MILLER-BROWN		
GLADSTONE "TONY" LEWARS	✓	

### Board Remuneration

The Company maintains a transparent and equitable remuneration policy for its board members. All non-executive directors are eligible to be paid board fees. The Board has six (6) non-executive directors and all directors (including the Chairman) are paid fee per meeting attended. There are no fees paid for attending committee meetings and there is no retainer. Directors do not participate in any share option plan or any incentive scheme.

### Board Compensation for the 2019 Financial Year

For the financial year a total of US\$35,850 was paid to members as board fees.

### COMMITTEES OF THE BOARD

The Committees comprise directors from the main Board, one co-opted member who sits on the Audit Committee and the CEO. Each Board committee is constituted under a charter which outlines the roles and responsibilities of each committee and its members. The committees assist in the governance of the Company.

These committees are:

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

The composition of the Board committees remain the same since our last annual report with the exception of the Investment and Risk Committee that is now chaired by Mr. Peter Reid, and Mr. Gladstone "Tony" Lewars was appointed a member. The minutes of each board committee meeting are presented at the main board

as well as the subsequent committee meeting.

### The Corporate Governance and Nominations Committee

CORPORATE GOVERNANCE & NOMINATIONS COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS	
LISA GOMES <sup>(1)</sup> (CHAIR)	2/2
NICOLE FOGA <sup>(1)</sup>	2/2
PETER REID <sup>(1)</sup>	1/2

A continuously high standard of corporate governance protects shareholders' interests while enhancing long-term shareholder value. The Board therefore has adopted Corporate Governance guidelines of the PSOJ's Code of Corporate Governance model along with the JSE's guidelines on Corporate Governance. The Company's Corporate Governance documents can be accessed at our website at [www.kpreit.com](http://www.kpreit.com).

### Committee Composition

The committee is chaired by Director Lisa Gomes and comprises three members, all of whom are independent directors. The committee met twice during the year.

### Committee Report

During the year the committee reviewed the:

1. Group's Corporate Governance Policy and Board Charter, terms of reference for all sub-committees, as well as the Code of Ethics, Risk Management and Corporate Social Responsibility policies
2. Policy on Board appointment
3. JSE Corporate Governance Index
4. Guidelines for dealing in the Company's shares.

All recommendations of the committee were approved by the board.

### Audit Committee

**AUDIT COMMITTEE**  
MEMBERS AND ATTENDANCE AT MEETINGS

<b>GARFIELD SINCLAIR</b> (1) (CHAIR)	<b>3/4</b>
<b>MEGHON MILLER-BROWN</b> (1)	<b>3/4</b>
<b>JOHN "MITCHIE" BELL</b>	<b>4/4</b>

The Audit Committee monitors and evaluates the effectiveness of the Company’s internal control systems.

The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports and is responsible for the nomination of external auditors and reviews the adequacy of external audits in respect of cost, scope and performance.

The Committee is comprised of two directors and a co-opted external member. The committee meets quarterly and is chaired by Mr. Garfield Sinclair.

#### Committee Report

The Committee met four (4) times for the year. Several committee activities during the year including the following:

1. Reviewed the audited financial statements of the Company and subsidiary companies presented by the external auditors.
2. Reviewed the engagement letter and approved the remuneration of the external auditors.
3. Ensured consistent reporting standards for financial statements presented by both the external auditors and outsourced accounting consultants.
4. Reviewed the proposal for the adoption of the United States Dollar as our functional currency.

5. Reviewed the Management Discussion & Analysis statement published at reporting intervals.
6. Assessed the risk management policies of the Company.

### Human Resources and Compensation Committee

**HUMAN RESOURCES & COMPENSATION COMMITTEE**  
MEMBERS AND ATTENDANCE AT MEETINGS

<b>GARFIELD SINCLAIR</b> (1)	<b>2/2</b>
<b>NICOLE FOGA</b> (1) (CHAIR)	<b>2/2</b>

The Human Resources and Compensation committee oversees and provides guidance on employee and compensation matters of the Company. The Committee is comprised of the Board Chairman and Company Secretary and meets at least once per year or as is needed.

#### Committee Report

During the year the Committee met twice and engaged in the following activities:

1. Reviewed the performance of the CEO
2. Reviewed and approved a comprehensive compensation package for all team members.
3. Reviewed and recommended for approval by the Board of a long term incentive plan for senior management.

## Investment & Risk Committee



The Investment & Risk Committee provides oversight on the investment and financing strategy for the Company's assets and ensures compliance with agreed policy and targets. The Committee is comprised of three directors and was chaired by Mr. Peter Reid.

### Committee Report

During the year, the committee met three times and engaged in the following activities:

1. Reviewed the proposals for capital raising for the company
2. Reviewed the portfolio performance.
3. Reviewed a number of prospective acquisitions and recommended two for approval by the Board.
4. Reviewed several terms for loan financing of prospective acquisitions.

### Director Training

At each board meeting, management provides directors with various real estate markets trends and outlook reports. Additionally, they are provided with macroeconomic updates on the jurisdictions in which the Company owns property or is targeting for acquisition.

### Internal Audit

The Company places great emphasis on the monitoring and management of risks primarily through oversight by both the Audit Committee

and the Investment Committee. The Board is assisted in its oversight by its very experienced internal audit consultant.

### Conflict of Interest and related party transaction

Every director, in exercising his/her powers and discharging his/her duties, is expected to act honestly and in good faith with a view to the best interest of the Company and its shareholders. The Board recognizes that private and/or personal interests can cloud a Director's ability to make sound, objective decisions in the best interests of the Company. Directors are therefore required to avoid conflicts of interest and even the appearance of such conflicts. The Company's Conflict of Interest Policy provides a transparent framework to guide individual directors and each year directors are required to sign a Conflict of Interest Statement. A copy of the Company's Conflict of Interest policy is available on our website at [www.kpreit.com](http://www.kpreit.com).

### Whistleblower Policy

Notwithstanding the small staff complement, the board of directors has sought to create a culture of open communication



between staff, management and the Board. This culture extends also to our outsourced service partners who through participation in meetings of board committees routinely engage in dialogue with Board members. Our service partners are encouraged to speak candidly on any issue of concern including legal or regulatory breaches, non-compliance or inconsistencies in reporting by accountants, auditors or the executive. The board approved a formal policy during financial year 2019.

### Dividend Policy

As part of the Mission and Vision to operate using accepted best practices of real estate investment trusts globally, the Company's policy is to pay up to 90% of its annual total comprehensive income in



dividends to shareholders on record. The declaration of dividends is at the absolute discretion of the board of directors of the Company and dividends are subject to available cash flow and any need the Company may have, from time to time, to re-invest earnings as part of its growth strategy. The board reviews the level of pay out of dividends on an annual basis with the intention of increasing the level of pay out in a bid to move closer to the standard for **REITs** globally.

Dividends therefore may be paid twice annually, with the final dividend being paid once audited financial statements have been submitted to the JSE. During 2019, approximately 20% of net profit was paid out to shareholders as dividends.

### COMMUNICATIONS WITH SHAREHOLDERS

The Company maintains a policy of regular communication with our key stakeholders such as, shareholders,

the Stock Exchange, our financiers and prospective investors to ensure that they are well informed



about the activities and performance of the Company and the Company receives timely feedback.

The main communication channels are via **(i)** the Company's website, **(ii)** our annual reports and quarterly financial reports, and **(iii)** the various disclosures and announcements to the Jamaica Stock Exchange that are also sent electronically via e-mail to shareholders and the media. We remain very responsive to shareholders' questions and comments and these are easily facilitated via e-mail, telephone and social media.

During 2019, the Company provided real estate news to shareholders and the general public on current market conditions and trends from real estate markets around the world as it has done since 2010, through our weekly newsletter. During the year, we extended our digital footprint to social media

in order to reach a wider market. These activities support our tagline, "...gateway to global real estate investing."

### CORPORATE SOCIAL RESPONSIBILITY

Kingston Properties is committed to the principles of Corporate Social Responsibility and engages in a series of programmes that are designed to give back to the communities in which the Company operates. The Company adopts a policy of ensuring that all business transactions, deals and relationships with our customers, suppliers and partners are transparent, ethical, and executed in accordance with high corporate governance standards.



Our mandate is to ensure that our employees operate with decency, honesty and respect towards every individual with whom they interact regardless of class, race, gender, and socio economic background. We monitor and ensure that our business activities comply with the spirit of the law, accepted ethical standards and international norms.

We are firm believers in education and development and continue to foster programmes that are targeted towards young people.

We also contribute to the growth and development of our local communities through volunteerism and donations to charitable organizations. Our focus on the environment continuous through our engagement in and support of social initiatives and activities geared towards environmental protection and sustainability.

*Lisa Gomes*

**Lisa Gomes**

Chair, Corporate Governance  
& Nominations Committee

**May 4, 2020**



## *Management Discussion* & ANALYSIS

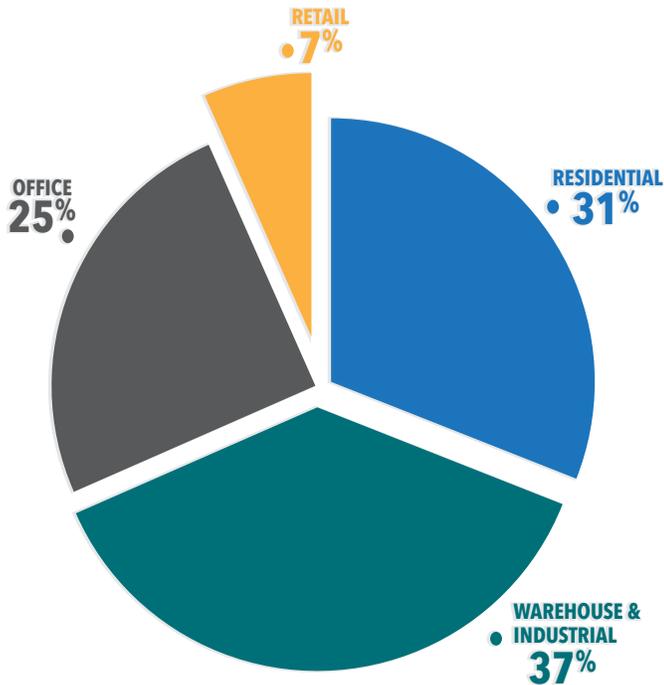
*In 2019 the Group continued the transition of its property portfolio away from a concentration in condominiums in South Florida into higher yielding properties in the Cayman Islands.*

Towards the end of the year, the Group raised approximately J\$2.0 billion by way of a renounceable rights issue as part of our strategy to grow equity to J\$10.0 billion in three years as well as to increase the square footage under ownership to 1,000,000 SF. Also, to reflect the changes in our business, we changed the functional currency of the Company to United States Dollars. Additionally, our Jamaican and Caymanian properties performed well, both in terms of income yields and capital appreciation over the prior year.

The results of the 2019 financial year saw continuing improvement in our net operating margin with higher rental revenue coupled with our maintenance of a consistent expense base. The increase in the fair value of our investment properties outside of the US resulted in a much higher year on year net profit after taxes (NPAT). Both Earnings Before Interest and Taxes (EBIT), which moved from \$337,156 to \$2.4 million, and Funds From Operations (FFO) which moved from \$420,985 to \$602,886, saw triple and double-digit year on year increases respectively for financial year 2019.

An overview of our current portfolio of assets is shown below and comprises a mix of residential, retail, office and warehouse properties in three jurisdictions.

## PORTFOLIO DISTRIBUTION as at December 31, 2019 (BY VALUE)



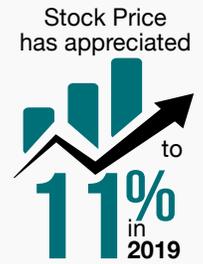
### Portfolio Mix - Property Type by Value

In 2019, we completed the acquisition of eight (8) units totalling 8,166 square feet in a warehouse complex in the Cayman Islands for a purchase price of \$2.1 million. This moved our holding in the warehouse rental space from 31% in 2018 to 37% in 2019. The acquisition is in line with our strategy of diversifying our holdings into other markets and asset sub-classes. Cayman remains a solid market and we remain upbeat in its economic resilience and ability to provide our portfolio with more competitive yields. As part of our on-going diversification strategy out of the South Florida condo market, we sold three (3) condominium units during the year, ultimately, reducing our holdings in the residential sub-market category.

Coupled with these sales was lower year on year market valuation on our condominium portfolio which reduced the weighting of residential properties in our entire portfolio from 36% to 27% in 2019. Average occupancy during the year was approximately 91% even despite higher than expected vacancy in our Grenada Crescent property and the usual vacancy levels from tenant turnover.

### Stock Price & Dividends

Shareholders approved in August 2019 a resolution to increase the authorised shares of the company from 500,000,000 ordinary shares to 1,000,000,000 ordinary shares in order to improve the shares' liquidity and trading volume and to facilitate this rights issue. The stock price appreciated by 11% in 2019 compared to 2018.



We paid out 20% of profits as dividends in 2019 and 75% of FFO. Dividend yield for the year was 2.8%, which was an improvement on the 1.3% recorded the previous year. Also, during the year, we continued our share buyback programme as a way to return value to our shareholders.

### YEAR END FINANCIAL HIGHLIGHTS

(for the twelve month period ending December 31, 2019)

	12 MONTHS TO DECEMBER 31, 2018	12 MONTHS TO DECEMBER 31, 2019
Rental Income (USD)	\$1.574M	\$1.690M
Operating Income (USD)	\$0.557M	\$0.674M
Pre-Tax Profit/(Loss) (USD)	\$(0.067)M	\$1.998M
Net Profit (USD)	\$0.262M	\$2.199M
Funds from Operations (USD)	\$420,985	\$602,886
Total Comprehensive Income (USD)	\$0.257M	\$2.199M
Total Equity (USD)	\$14.173M	\$30.306M
Investment Properties (USD)	\$20.62M	\$23.94M
Net Operating Margin %	35.4	39.9
Dividends Paid (USD)	\$193,000	\$450,000
Closing Stock Price (JMD)	\$6.00	\$6.63

### CONSOLIDATED RESULTS FROM OPERATIONS

#### INCOME STATEMENT

The Group posted a 7.4% increase in **rental income** for the twelve-month period ending December 31, 2019 to \$1.7 million compared to \$1.6 million for the same period in 2018. Net Operating Income (NOI) for 2019 increased

by 21%, moving from \$557,000 for the same period in 2018 to \$673,797 in 2019. This was primarily due to the full year's rental revenue of the Grenada Crescent property in 2019 compared to one quarter of 2018.



**Group operating expenses**, which include direct property expenses and administrative expenses, was consistent year on year at about \$1.0 million. Direct property expenses in 2019 amounted to \$539,537 compared to \$559,504 in 2018 representing a reduction of 3.6% year on year. Direct property expenses include property taxes, homeowner's association (HOA) fees, repairs and maintenance and property insurance costs. There was a reduction in HOA fees and property taxes during the year largely as a result of the sale of condominium units during the year.

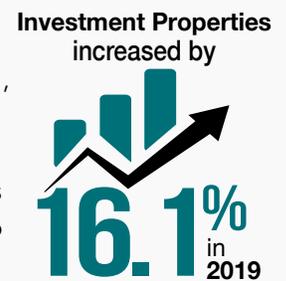
**The Group's EBITDA** increased in 2019 to \$2.3 million compared to \$200,914 for 2018. This was primarily due to a net fair value gain on investment property of \$1.6 million, despite recording a loss on disposal of investment properties following the sale of three condominium units in Florida, as well as an impairment loss of \$9,481 financial assets.

**Funds From Operations (FFO)** for 2019 amounted to \$602,886 compared to \$420,985 for the same period in 2018. This represents a year on year improvement of 43.2% and highlights the Group's intention to consistently generate strong net cash flows from its operations.

**Net Profit for 2019** amounted to \$2.2 million compared to \$262,388 for 2018. This was also due to a net fair value gain on investment property of \$1.6 million. The figure in 2018 included a tax credit of approximately \$330,000 due to the tax cuts resulting from the Tax Cuts and Jobs Act 2017 under the current Trump administration. This saw the reduction of the corporate tax rate in the United States from 39% to 21%.

## GROUP BALANCE SHEET

**Investment Properties** totalled \$23.9 million as at December 31, 2019 versus \$20.6 million as at December 31, 2018, an increase of 16.1%. The net increase results from the addition to the portfolio of the eight (8) units at Rosedale Warehouses in the Cayman Islands in December 2019 and the improvement in values of two properties held in Jamaica. This was however offset by the disposal of three condominiums in Florida in 2019 as well as low fair values on our Florida condo portfolio.



**Total assets** stood at \$39.9 million as at December 31, 2019, an increase of 73.2% over the \$23.1 million balance as at December 31, 2018. The Group generated and maintained higher cash balances in 2019 compared with 2018, largely from the proceeds of our rights issue, as well as asset sales over the period. The cash being held is earmarked for future acquisitions.

**Total loans payable** were \$9.3 million at December 31, 2019 compared with \$8.3 million at December 31, 2018 representing a 12.05% year on year increase. The increased loan balance, which is primarily collateralised bank financing, was deployed to expand our operating asset base. The loans are all in US dollars from financial institutions in the United States, Jamaica and the Cayman Islands. The weighted average cost of borrowing as at December 2019 was 5.08%.

As a consequence of the disposal of and the fair value loss on some of our US properties, the Group's deferred **tax liabilities** declined by USD \$215,960 during 2019 when compared with the figure as at December 31, 2018.

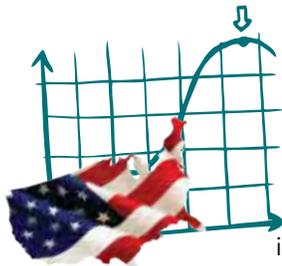
**Total Equity** increased in the twelve months to December 31, 2019 from \$14.2 million to \$30.3 million primarily driven by both our capital raising exercise and higher year on year profitability.



## ECONOMIC OVERVIEW

We continue to monitor the performance of the economies in which the Group has properties so as to provide important context for our business operations.

### US Economy



The US economy grew by 2.1% in the both the third and fourth quarters of 2019 respectively, resulting in an overall rate of growth of 2.3%, compared to an increase of 2.9% in 2018.

The slower growth in the US economy in 2019 vis-à-vis 2018 was evident given the sharp increases in the Fed Funds rate in 2018 as well as the on-going trade disputes between the US and China. The Fed opted to moderate its aggressive rate hikes of 2018 and reversed track once underlying weaknesses started to appear in the economy evidenced by weaker expansion in the real estate sector compared to prior years. Unemployment rate however, fell from 4.0% in January 2019 and ended the year at 3.5%, which capped off one of the longest prolonged periods of economic expansion in US history. Despite the reasonably stable outlook in the US economy coming out of 2019 despite recession risk that was expected in late 2020, the events since the start of 2020 have upended those projections. Due to the economic shocks from the global spread of the novel coronavirus, COVID-19, GDP growth is expected to contract by between 3.6% and 7.4% in 2020. The US economy lost 701,000 jobs in March of 2020, the first decline in payrolls since September 2010, which portends a trend for the rest of the year with specific sectors being hardest hit, such as retail, restaurants and bars, tourism and the travel industry.

The US unemployment rate stood at 4.4% as at March 2020, the highest since August 2017. The Federal Reserve announced a new stimulus package in April 2020 aimed at providing up to \$2.3 trillion

in loans, the largest economic relief package ever passed by Congress. Additionally, in March, the Fed lowered the target range for its federal funds rate by 100 basis points to 0.25% and launched a massive \$700 billion quantitative easing program. As these measures have just been implemented we continue to monitor the impact they will have on the economy as it tries to recover from the pandemic.

### Jamaican Economy



The Jamaican economy recorded flat growth in 2019 compared to 1.9% in 2018. The decline in growth was largely

attributed to the closure of the JISCO/Alpart mine in St. Elizabeth as well as the impact of weather related condition on the agriculture sector. Inflation for the calendar year stood at 6.2% largely attributed to shocks with agricultural prices in the last quarter of calendar 2019 along with an overall downward trend in the value of the JMD against the USD for the twelve-month period ended December 2019 with the annual average weighted selling rate of the Jamaican dollar standing at J\$134.22:US\$1. The unemployment rate continued its downward trajectory to a rate of 7.2% in October 2019 according to data provided by the Statistical Institute of Jamaica (STATIN) compared with 8.7% in October 2018.

Jamaica, as an open economy, will continue to hitch its fortunes to the ability of its major trading partners' ability to combat the spread of COVID-19. Already the IMF is forecasting a contraction of GDP of 5.6% for 2020. Unemployment is expected to rise and reverse the multi-quarter trend of declines in the unemployment rate due to the shuttering of most hotels due to travel restrictions. With the decline in tourist revenues and remittances the supply of US dollars is likely to contract and could bring the exchange rate under pressure. Interest rates are expected to remain low and benchmark interest rates marked eight consecutive years in single digit territory. The government is trying to combat the coronavirus' impact with a combination of fiscal stimulus, accommodative monetary policy and strict preventive measures to contain the spread

of the virus. Although expansionary fiscal and monetary policy will slightly cushion the economic fallout from the outbreak, it will do little to prevent a recession in 2020. We expect that crisis management will result in a significant fiscal slippage this year, ending three consecutive years of strong fiscal discipline.

### Cayman Islands Economy

The Cayman Islands is a country with a per capita GDP of nearly USD85,474 in 2018 (with international ratings agency Moody's estimating it at US\$90,000 for 2019) and is one of the leading financial centres of the world, offering a tax free environment with no property, income, corporation or capital gains taxes (United Nations Statistics Division).



The Gross Domestic Product (GDP) in Cayman Islands expanded 3.1% in the second quarter of 2019 over the same quarter of the previous year (tradingeconomics.com). Hotels and restaurants, construction and transportation services primarily led the expansion. The financing and insurance services sectors remain the largest contributor to GDP.

The unemployment rate stood at 3% as at spring 2019 as the number of work permits issued increased year on year in 2019 to 30,298 permits which signalled improvement in the level of economic activities.

Benchmark interest rates deviated from the trend seen in recent years and fell to 4.75% p.a. as at November 2019 from 5.25% p.a. the previous year.

It is expected however, that the economy will be adversely affected in light of the global pandemic and the fact that non-essential businesses which are the drivers of the Cayman economy will have to be closed for an indefinite period. GDP Annual Growth Rate in Cayman Islands is expected to be -5% by the end of the first quarter of the calendar year,

according to Trading Economics global macro models and analysts' expectations.



### REAL ESTATE MARKET OVERVIEW

#### South Florida

The Miami-Dade condominium market inched up 1.9% year on year in 2019 reporting 3,590 sales, with existing condo sales increasing by 1.0%, from 1,050 to 1,061. Total sales rose 4.6%, year over year, to 7,104 (The Real Deal: South Florida Real Estate News). However, as at March 2020, condo sales decreased year over year by 0.6% and is expected to be hit significantly as buyers are unable to view prospective deals due to the coronavirus. Inventory of condo units fell 9.5% from 16,401 to 14,836, leaving a 12.5 month supply. The median price grew by 9.8% from \$244,950 to \$269,000. As at March 2020, sales of luxury condos priced over \$1 million rose year on year by 46.8% to 91 transactions (The Miami Herald). According to the Miami Association of Realtors, however, existing condominium sales, including \$1-million-and-up transactions, increased year-over-year in November 2019. The number of active listings represents 13.2 months of inventory for condominiums, compared to the 13.7 months of supply registered in 2018 (Miami Realtors).

#### Jamaican Real Estate Market

Jamaica's real estate market saw a slight uptick in 2019 as demand continued to be driven by a stable economy with low mortgage rates. The Real Estate Renting & Business Activities sector according to STATIN registered growth of 0.8% year on year as at May 2019 (Global Property Site, STATIN). The Construction sector, which includes both residential and non-residential projects, saw a 3.5% improvement as at the same reporting period. With the maintenance of low benchmark interest rates, we anticipate further reductions in key lending rates to spur demand for housing as well as commercial spaces. The main areas of demand remain in the provision of office spaces to satisfy the needs of the burgeoning Business Process Outsourcing (BPO) sector and warehouse spaces to meet the demand by

players in the distribution and manufacturing sectors. The reduction by the government of real estate transaction taxes and fees augur well for increased market activity and should buoy real estate prices to higher levels.

### Cayman Islands Real Estate Market

According to data from the Economics and Statistics Office (ESO) there was a 12% increase in year on year property transfers to the second half of 2019 to 1,042. The total value of those sales was \$448.7 million compared with \$401.0 million in the previous year. However, the report shows there were fewer sales of Seven Mile Beach condos than in previous years, but the total value - an average of \$1.3 million for the 101 sales of beachfront condos - increased significantly.

Government Projects and Other Building Intentions category saw bullish year on year increases (Charterland Limited).

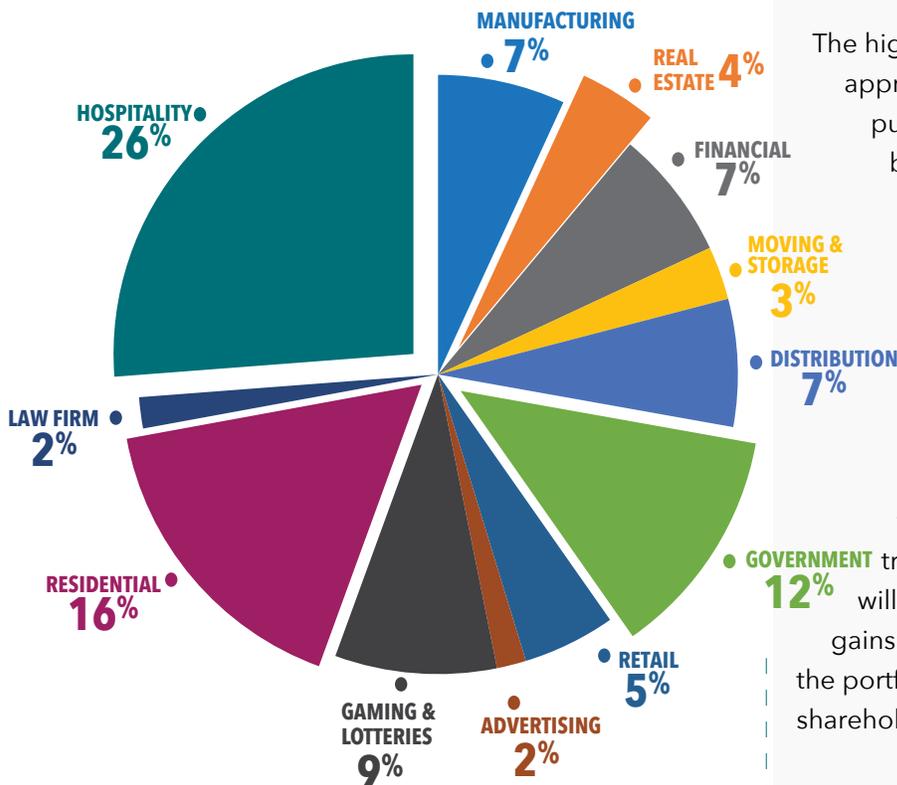


### SUMMARY AND SUBSEQUENT EVENTS

The highlight for the year 2019 was the raising of approximately J\$2.0 billion as part of a strategic push to increase the Company's equity to J\$10.0 billion in three years. The funds will be deployed in cash-flow generating properties in Jamaica and the Cayman Islands in the immediate term. Additionally, funds have been earmarked for capital improvement projects at some of our properties. An 8,000 square foot warehouse space was also acquired in December 2019 in the Cayman Islands which is fully tenanted and expected to increase the earnings and reach of the group. The transitioning taking place with our US portfolio will continue in earnest while we capitalize on the gains that have been made on some of the units in the portfolio and divert those proceeds to further build shareholder value in other properties.

The global pandemic, COVID-19, is being keenly monitored by the Group. Upon declaration of the novel coronavirus as a pandemic, we took steps to protect our stakeholders including our tenants and maintenance and service crews. We installed sanitizing stations and new protocols for access to all our properties. We also

### RENTAL INCOME BY INDUSTRY



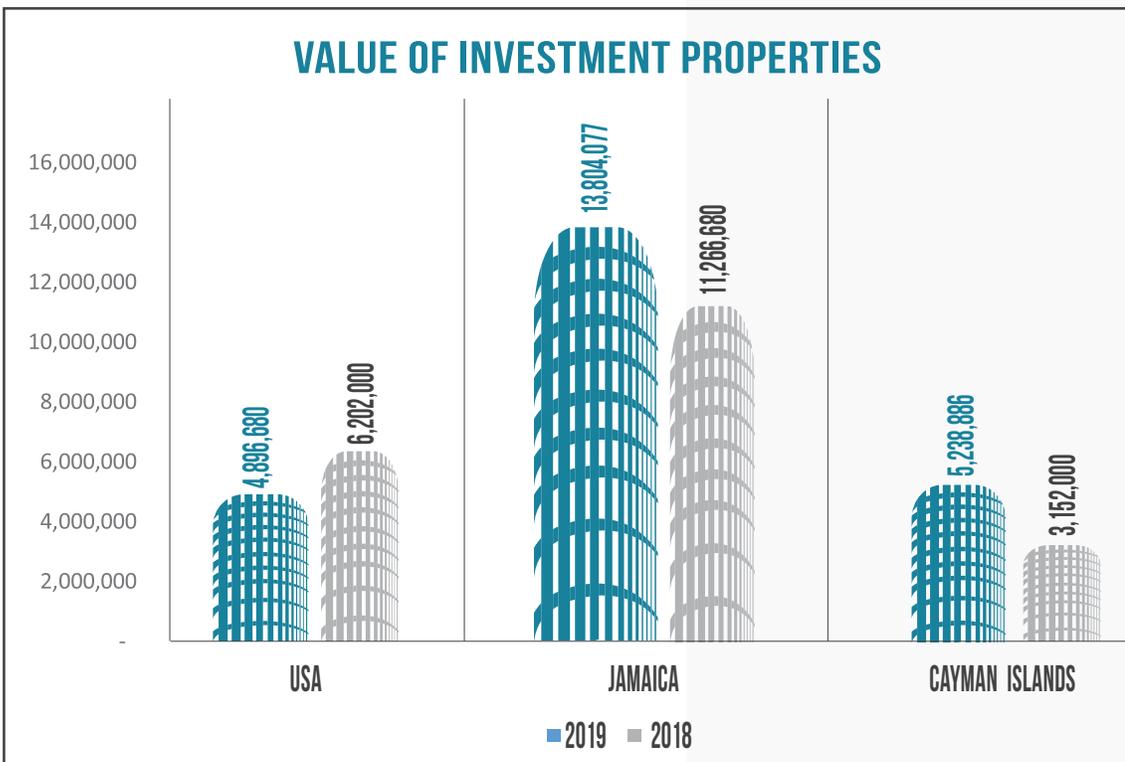
This would indicate that the decrease in the number of sales is as a result in a lack of inventory rather than diminishing demand. Activity remains robust and average property values continued their fifth year of year on year increase. During 2019, the number and value of building permits in the Apartments,

activated our disaster recovery plan which involved staggered in-office work hours and a work from home plan. While we continue to monitor the economic variables of the countries within which we own properties, we are also evaluating the measures each country adopts to curb the spread of the virus.

We anticipate a pro-longed period of low interest rates globally as many economies struggle to recover from containment measures such as lockdowns, curfews and travel restrictions. Economies such as the Cayman Islands that were experiencing robust economic growth prior to COVID-19 should see a quicker return to their growth trajectory.

As part of the strategy during this period, we continue to boost our cash holdings to ensure sufficient coverage over the next two to three years, should there be a delay in the rebound globally. The additional cash on hand is also available to take advantage of any cashflow positive opportunity that may arise in this period.

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



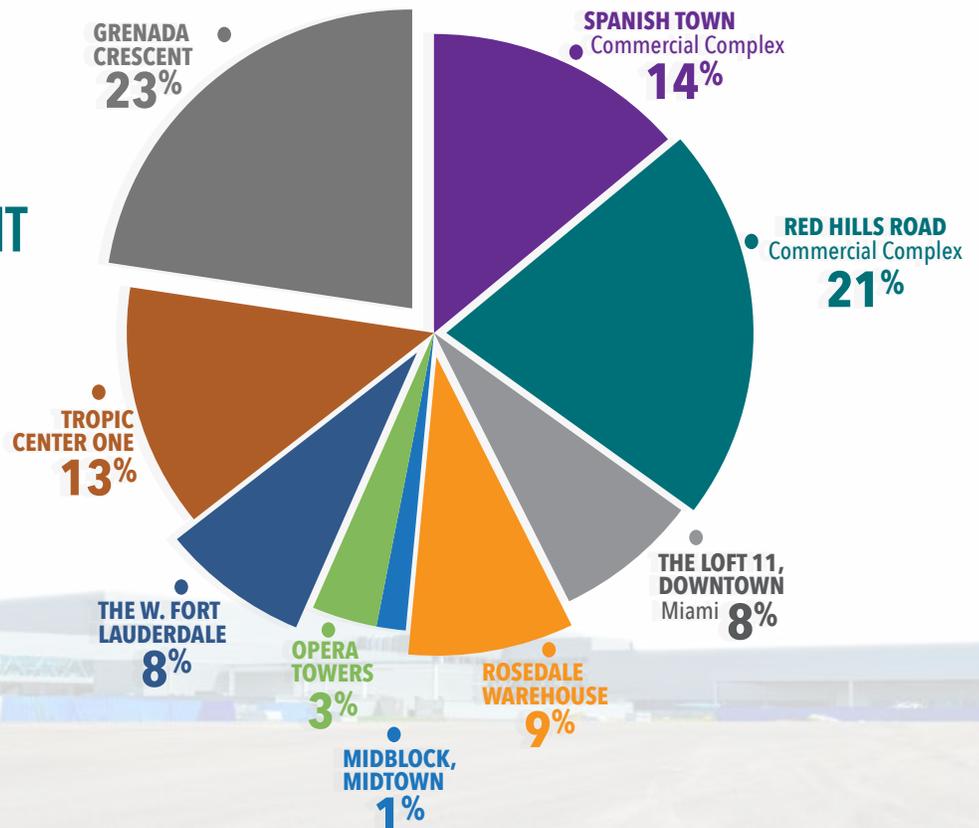


# Property PORTFOLIO

The value of investment properties held as at **December 31, 2018** and **December 31, 2019** respectively were as follows:

LOCATION	2018	2019
	US\$'000	US\$'000
Spanish Town Road Commercial Complex	2,561	3,300
Red Hills Road Commercial Complex	5,100	5,104
The Loft II, Downtown Miami	2,507	1,830
Rosedale Warehouses	-	2,087
Midblock, Midtown Miami	445	368
Opera Tower	980	823
The W. Fort Lauderdale	2,270	1,876
Tropic Centre One	3,152	3,152
Grenada Crescent	3,605	5,400
<b>Total</b>	<b>20,620</b>	<b>23,939</b>

## VALUE OF INVESTMENT PROPERTIES HELD as at December 2019

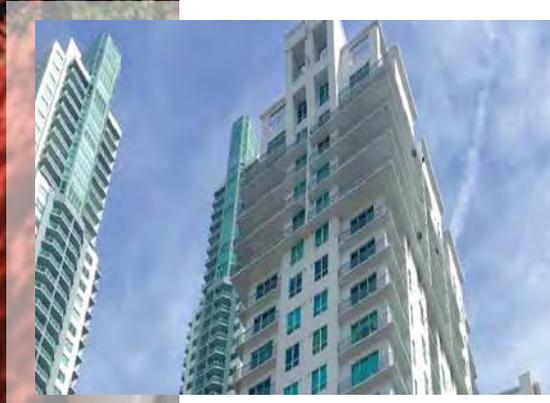




## FLORIDA, USA



### Loft II Building, Downtown Miami



The ten (10) units held at the 36-floor **Loft II building** continue to attract stable tenancy with average occupancy for the year of approximately 81%. The building is a premium downtown location and easily accessible to public transportation. Amenities in the Downtown Miami area such as the American Airlines Centre, Bayside Marketplace and Bayfront Park, and its close proximity to the financial district in Brickell, help to boost the demand for space in this building. These ten units represent a mix of one and two bedroom units on floors ranging from the 25<sup>th</sup> to 35<sup>th</sup>.



### Midblock Condominiums, Midtown Miami

**Midblock** is an 11-floor boutique mid-rise building offering live-work lofts and townhome villas. It is located in Midtown Miami, an area that adjoins Wynwood and the Design Districts. The property is located in walking distance of restaurants, parks and boutiques and attracts owners and tenants who are mid to senior level professionals as well as business owners. The Group currently owns one unit in the building.



**The W Fort Lauderdale**

The property is considered a condo-tel comprising two buildings - a 517-room hotel and 171-unit condominium. **The W Fort Lauderdale** is a part of the Starwood Hotel Group and offers luxurious amenities to residents and guests. The three units we own in this Condo-tel were leased to a management company engaged in the short stay business which has allowed for more stable income flows.



View of the W Fort Lauderdale Building



An view of the Opera Tower Downtown Miami Building

**Opera Tower, Downtown Miami**



**Opera Tower**, is a 55-floor condominium high-rise building located in the Media and Entertainment district in Miami. The property is in close proximity to the American Airlines Centre, Miami Arts Museum as well as the Margaret Pace Park. Three units were acquired in this building in April 2016 with a three-year guaranteed lease and a waiver of HOAs over the life of the leases which expired in 2019. All the units have subsequently been leased.



## Red Hills Road Office/Warehouse Complex

The Office and Warehouse Complex on Red Hills Road in Jamaica continues to be the flagship property in our portfolio in terms of yield and individual share of rental income. We have longstanding tenants who form a diverse base of businesses and sizes. The property ended 2019 being fully tenanted. The building's proximity to Half Way Tree Road in Kingston remains one of the main drivers for the strong occupancy of this office and warehouse space.



## Spanish Town Road Commercial Complex

In January 2017 we completed the acquisition of an office and warehouse complex on Spanish Town Road. The property is leased to operators of manufacturing, distribution and logistics businesses that have operated in Jamaica for decades in the same location. The property is located along a corridor slated for continued infrastructure development which we believe will continue to greatly improve the property's value in the medium to long term.





## Grenada Crescent Office Building

In November 2018 **KPREIT** acquired a multi-story office building in New Kingston, Jamaica that was fully tenanted. The mix of tenants range from law and BPO firms, government offices and a company operating in the travel industry. There is a plan currently to conduct extensive renovations to the building for long-term lease.



## CAYMAN ISLANDS



## Tropic Centre One

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





## Rosedale Warehouse

In December 2019, we completed the acquisition of eight (8) fully tenanted units totalling 8,166 square feet in a warehouse complex in the Cayman Islands. The property is leased to operators of development, construction and fund administration businesses. The property is located along a corridor slated for continued infrastructure development which we believe will continue to improve the property's value in the medium to long term.





## *Risk Exposures &* **RISK MANAGEMENT STRATEGIES**

*The inherent nature of risk in commercial Real Estate investments makes it a critical factor in the operations of our business, as ultimately there is an impact on overall shareholder value.*

The Board of Directors therefore remains focused on the various types of risks which may directly or indirectly affect the operations of the Group with varying levels of materiality. Diversification of property type and geography remains one of the strategies that the Group pursues to effectively manage risk. Our real estate investments and geographic diversity (also diversified by commercial and residential segments) comprise a diverse mix of tenants.

Risks impact the performance of the Group and the Group's shares. As part of our due diligence process in acquisitions we focus on the local market, characteristics, credit quality of underlying tenant base as well as the capital structure of each transaction, the following risks must be considered.

### **Economic Risks**

Adverse economic conditions and dislocations in the credit markets could have a material effect on our results of operations, financial condition and ability to pay distributions to our shareholders. Our business may be affected by market and economic challenges experienced by the economy or real estate industry, including the impact of high unemployment and by a sudden downturn in international economic conditions. These conditions, or similar conditions existing in the future, may adversely affect our results of operations. These include, but are not limited to the following.

- The financial condition of our tenants may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or for other reasons.

- Our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited. This could reduce our ability to pursue acquisition and development opportunities, reducing our returns from our acquisition and development activities, and increasing our future interest expense.
- Reduced values of our properties may limit our ability to dispose of assets at attractive prices, obtain debt financing secured by our properties and may reduce the availability of unsecured loans.

### Asset and Industry Risks

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

- Downturns in the economic conditions of the markets in which we own properties, such as declines in GDP and employment levels;
- Changes in interest rates and availability of financing;
- Competition from other office, retail and residential buildings;
- Real estate market conditions, such as oversupply or reduction in demand for office, retail or residential space in the markets in which we operate or intend to operate;
- Vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- Changes in space utilization by our tenants due to technology, economic conditions and business culture;
- Increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;

- Significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
- Civil disturbances, earthquakes and other natural disasters or terrorist acts or acts of war which may result in uninsured or underinsured losses or the decreased desirability to our tenants in impacted locations;
- Declines in the financial condition of our tenants and our ability to collect rents from our tenants;
- Decreases in the underlying value of our real estate.

### Acquisition Risks

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

- Even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs.
- We may be unable to obtain or assume financing for acquisitions on favourable terms, or at all.
- Acquired properties may fail to perform as expected.
- The actual costs of repositioning, redeveloping or maintaining acquired properties may be greater than estimated.
- The acquisition agreement will likely contain conditions to closing, including satisfactory completion of due diligence investigations or

other conditions that are not within our control, which may not be satisfied.

- Acquired properties may be located in new markets, either within or outside the Jamaica, where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures.
- We may acquire real estate through the acquisition of the ownership entity subjecting us to the risks of that entity.
- We may be unable to quickly and efficiently integrate new acquisitions (particularly acquisitions of portfolios of properties) into our existing operations, and this could have an adverse effect on our results of operations and financial condition.
- We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flow. Unknown liabilities with respect to acquired properties might include:
  - **Liabilities for clean-up of undisclosed environmental contamination;**
  - **Claims by tenants, vendors or other persons against the former owners of the properties; and**
  - **Liabilities incurred in the ordinary course of business.**
- We may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and private REITs, institutional

investment funds and other real estate investors; and even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price.

## Re-Letting and Tenant Risks

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

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

## Resale Risks

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

## Contingent or Counterparty Risks

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

## Currency Exchange Risks

We may be subject to risks from potential fluctuations in exchange rates between the Jamaican dollar and the currencies of the other countries in which we invest. If we invest in countries where the Jamaican dollar is not the national currency, we will be subject to international currency risks from the potential fluctuations in exchange rates between the U.S. dollar and the currencies of those other countries. A significant depreciation in the value of the currency of one or more countries where we have significant investments may materially affect our results of operations. We may attempt to mitigate any such effects by borrowing in the currency of the country in which we are investing. We cannot assure our stockholders, however, that our efforts will successfully neutralize all international currency risks.

## Debt and Re-financing Risks

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

## Leverage Risks

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

These could affect the market price of our shares.

## Insurance Risks

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

## Market Risks

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

- The extent of investor interest in our ordinary shares;
- The general reputation of "REIT"- like entities and the attractiveness of our ordinary shares in comparison to other equity securities, including securities issued by other real estate-based companies;
- Our underlying asset value;
- Investor confidence in the stock and bond markets, generally;
- National economic conditions;
- Changes in tax laws and government policies;
- Our financial performance;
- Given the low level of liquidity of the local stock

market in part due to the low level stock ownership penetration, trading in shares may occur less frequently than desired.

Additionally, given that the principal owners of shares tend to be institutional investors, the level of trading activity may be diminished; and

- General stock and bond market conditions.

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

## OTHER RISK FACTORS

### Regulatory Uncertainties

Changes in existing regulatory requirements or the introduction of new regulations in Jamaica or overseas may affect **KPREIT's** operations and affect its profitability.

### Share Price Volatility

The New Shares, if listed on the JSE as intended, may experience significant volatility in price, which may extend beyond the short term and which may be dependent on **KPREIT's** performance, the annual dividend yield of **KPREIT's** ordinary shares compared to other investment opportunities, investors' confidence and other factors over which **KPREIT** has no control.

### Issue of Additional Shares

The Directors of the Company may hereafter authorize the issue of additional ordinary shares in the Company. Such shares, once issued, may rank pari passu with the existing ordinary shares and may be listed on the JSE or on any other stock exchange(s).

Additional shares so issued could affect the market price of the New Shares currently being offered.

**Availability of KPREIT's Ordinary Shares for Purchase**  
The market price of **KPREIT's** ordinary shares could decline as a result of sales of a large number of shares in the market or the perception that such sales could occur, or as a result of any sale of shares by any of the Company's existing shareholders from time to time.

### Payment of Dividends

The payment of dividends on New Shares will be primarily dependent on **KPREIT's** future profitability and will be at the discretion of the Directors.

### Macro-Economic Policies

Changes in fiscal and monetary policies by the Government of Jamaica or of any jurisdiction in which the Company has made investments may create opportunities as well as challenges for **KPREIT**.

### New Accounting Rules or Standards

**KPREIT** may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require changes in the way **KPREIT** reports its financial position, operating results or cash flows. Such changes could be applied retrospectively.

### Risks Associated with International Conditions

**KPREIT's** financial results may be adversely affected by international risks, such as:

- International political and economic conditions;
- Changes in Government regulations in various countries;
- Trade barriers; and
- Adverse tax consequences.



## Corporate Social RESPONSIBILITY

**“We BUILD. We DEVELOP. We SUPPORT.”**

*2019 witnessed Kingston Properties' increased initiatives geared at giving back to the local communities in which our properties are located and by extension, the countries at large. We served these communities, maintaining our focus on youth development through education and students with special needs. The following initiatives and activities were geared at supporting the improvement of people's lives with the aim to ultimately impact nation building and development.*



**KPREIT** renewed its commitment to awarding academic achievers in St. James. awarded a scholarship to the top performing male and female in the 2019 Primary Exit Profile Examination at Orange Hill Primary School in St. James. Tuition payment was made for Kriscia Brown who matriculated to the Anchovy High School in St. James. Jordane Williams was awarded a book grant as he was enrolled on the PATH programme and the tuition requirement was waived.

**The Red Hills Primary School** breakfast and lunch programme for students with special needs no longer receives subsidy support from the government for breakfast. Kingston Properties was pleased to have made a monetary contribution to the worthy programme. Studies show that students who eat breakfast regularly tend to not only concentrate well in class, but also experience improved academic performance, behaviour and attendance.





We sponsored the **Callaloo Mews** and **Riverton Meadow** CDC Summer Programme in St. Catherine with the aim to strengthen our impact on the personal and educational development of students in the communities in which we operate.



**Kingston Properties Limited** was also the proud sponsor of the annual 3 on 3 Male and Female Basketball Competition for the Delacree Park community members who reside near Spanish Town Road. Several awards were given to the most outstanding players, most improved players and the overall winners. KPL was happy to aid in the development of the sport in Jamaica.



The team participated in the **ICWI's Pink Run** for Breast Cancer in Kingston Jamaica, in October 27, 2019. The annual fund-raising road race is held in aid of persons diagnosed with breast cancer who are unable to afford treatment.



KPL also participated in the **Annual Poppy Appeal** in recognition of individuals who died during World War 1 and 2. The appeal raises funds for ex-service personnel. Tins for the collection of funds are placed in the lobby of our head office for individuals to make a contribution. A poppy is given to each person who contributes.



# Shareholdings REPORT

## TOP 10 SHAREHOLDERS FOR KINGSTON PROPERTIES LIMITED AS AT DECEMBER 31, 2019



### PRIMARY ACCOUNT HOLDER

VOLUME

PERCENTAGE

1	VMWM LONG/SHORT	230,125,758	33.9562
2	PRIME ASSET MANAGEMENT JPS EMPLOYEES SUPERANNUATION FUND	144,709,748	21.3526
3	PAM - COURTS(JAMAICA) PENSION PLAN	45,551,572	6.7214
4	PAM - POOLED EQUITY FUND	41,063,217	6.0591
5	PLATOON LIMITED	31,018,806	4.577
6	NATIONAL INSURANCE FUND	27,142,856	4.0051
7	PAM-POOLED PENSION REAL ESTATE	25,800,681	3.807
8	GUARDIAN LIFE SHELTER PLUS FUND	20,680,000	3.0514
9	PAM- LASCELLES DEMERCADO DEFINED CONTRIBUTION FUND	17,793,565	2.6255
10	NCB INSURANCE CO. LTD A/C WT109	7,167,825	1.0576

Total Issued Capital: 677,713,643

Total Units Owned by Top 10 Shareholders: 591,054,028

Total Percentage Owned by Top 10 Shareholders: 87.2129%



<b>DIRECTORS</b>	<b>SHAREHOLDINGS</b>	<b>CONNECTED SHAREHOLDINGS</b>
Garfield Sinclair - Platoon Limited	Nil	31,018,806
Nicole Foga	245,730	Nil
Peter J. Reid & Margaret Sylvester-Reid	4,246,263	Nil
Lisa Gomes	459,460	Nil
Meghon Miller-Brown	Nil	Nil
Gladstone "Tony" Lewar	Nil	Nil
<b>SENIOR MANAGERS</b>	<b>SHAREHOLDINGS</b>	<b>CONNECTED SHAREHOLDINGS</b>
Kevin G. Richards	794,635	Nil
Tatesha Robinson	28,746	Nil



# Corporate DATA

## BOARD OF DIRECTORS

- Garfield Sinclair *(Chairman)*
- Lisa Gomes *(Director)*
- Peter Reid *(Director)*
- Meghon Miller-Brown *(Director)*
- Nicole Foga *(Company Secretary)*
- Gladstone Lewars *(Director)*

## REGISTERED OFFICE

7 Stanton Terrace,  
Kingston 6, Jamaica

## CORPORATE OFFICE

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Kingston 10, Jamaica

Tel: **(876) 620-4920** | **(876) 620-4707**

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International Line: **(305) 400-1447**

Website: [www.kpreit.com](http://www.kpreit.com)

Email: [info@kpreit.com](mailto:info@kpreit.com)

## REGISTRAR & TRANSFER AGENT

- Jamaica Central Securities Depository

## EXTERNAL AUDITORS

- KPMG

## ACCOUNTANTS

- Crichton Mullings & Associates PA - USA

## INTERNAL AUDITORS

- Mayo Holdings Limited

## ATTORNEYS-AT-LAW

- Francis Grey (Cayman Islands)
- Foga Daley (Jamaica)
- Hart, Muirhead, Fatta (Jamaica)
- Patterson Mair Hamilton (Jamaica)
- Tripp Scott (USA)
- Law Offices of Corinne B. Rosner (USA)
- Glitzenhirn Augustin & Co. (St. Lucia)

## SECURITY BROKERS

- Sterling Asset Management (Jamaica)
- Jamaica Money Market Brokers Limited (Jamaica)
- Barita Investments Limited (Jamaica)
- VM Wealth Management Limited (Jamaica)

## BANKERS

- First Caribbean International Bank (Jamaica)
- First Caribbean International Bank (St. Lucia)
- National Commercial Bank Limited (Jamaica)
- Terrabank, N.A. (USA)
- Bank of America Incorporated (USA)
- RBC Royal Bank (Cayman) Limited
- JMMB Bank (Jamaica)

## SUBSIDIARY COMPANIES

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

## STOCK SYMBOL

- **KPREIT**

## EXCHANGE

- Jamaica Stock Exchange

## INVESTOR RELATIONS OFFICER

Tatesha Robinson

Email: [info@kpreit.com](mailto:info@kpreit.com)

Tel: **876-620-4707**



# *Index to* **FINANCIAL STATEMENTS**

- Independent Auditors' Report 50-56
- Statements of Profit and Loss and Other Comprehensive Income 57
- Statements of Financial Position 58
- Group Statement of Changes in Equity 59
- Separate Statement of Changes in Equity 60
- Statements of Cash Flows 61
- Notes to the Financial Statements 62-93

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**FORM OF PROXY** 94

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**NOTES** 95



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Chartered Accountants  
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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 57 to 93, 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

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## 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.



## 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 55-56, forms part of our auditors' report.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
KINGSTON PROPERTIES LIMITED

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

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

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

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

A handwritten signature of the engagement partner, Nigel Chambers, in black ink, written in a cursive style.

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.



## 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		12,478	3,806	883	1,441
Operating profit		2,237,415	193,992	777,941	849,785
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)	24,002
Profit/(loss) before income tax		1,998,553	(67,158)	691,064	873,787
Income tax credit/(loss)	9	200,821	329,546	-	(41,152)
Profit for the year	10	2,199,374	262,388	691,064	832,635
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		-	(349,175)	-	(4,153,262)
Other comprehensive loss for the year		-	(5,129)	-	(4,153,262)
Total comprehensive income/(loss) for the year		\$2,199,374	257,259	691,064	(3,320,627)
Earnings per stock unit (USD)	11	0.0062		0.0008	
Earnings per stock unit (JMD)	11	0.8310		0.1026	

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

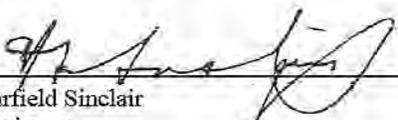
## KINGSTON PROPERTIES LIMITED

### Statements of Financial Position December 31, 2019

(Expressed in United States Dollars unless otherwise stated)

	Notes	Group		Company	
		2019	2018	2019	2018
<b>NON-CURRENT ASSETS</b>					
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	-	-	5,222,543	5,222,543
Total non-current assets		<u>24,115,861</u>	<u>20,867,607</u>	<u>13,672,517</u>	<u>12,921,183</u>
<b>CURRENT ASSETS</b>					
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>
<b>EQUITY</b>					
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>
<b>NON-CURRENT LIABILITIES</b>					
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>
<b>CURRENT LIABILITIES</b>					
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 57 to 93 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 capital (note 18)	Treasury shares (note 19)	Cumulative translation reserve	Retained earnings	Total
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	-	-	-	6,295	6,295
Adjusted balances as at January 1, 2018	10,983,481	(43,918)	(1,444,350)	4,618,423	14,113,636
Total comprehensive income 2018:					
Profit for the year	-	-	-	262,388	262,388
Other comprehensive loss	-	-	(44,511)	39,382	(5,129)
Total comprehensive income for the year	-	-	(44,511)	301,770	257,259
Transactions with owners of the Company:					
Stock units repurchased	-	(4,172)	-	-	(4,172)
Stock units cancelled	(43,918)	43,918	-	-	-
Dividends declared (note 23)	-	-	-	(193,194)	(193,194)
Total transactions with owners of the Company	(43,918)	39,746	-	(193,194)	(197,366)
Balances at December 31, 2018	10,939,563	(4,172)	(1,488,861)	4,726,999	14,173,529
Total comprehensive income 2019:					
Profit for the year, being total comprehensive income	-	-	-	2,199,374	2,199,374
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)	-	-	-	(450,609)	(450,609)
Total transactions with owners of the Company	14,379,447	4,172	-	(450,609)	13,933,010
Balances at December 31, 2019	\$25,319,010	-	(1,488,861)	6,475,764	30,305,913

## 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	-	-	126,347	-	126,347
Adjusted balances at January 1, 2018	10,983,481	(43,918)	2,447,762	-	13,387,325
Total comprehensive income 2018:					
Profit for the year	-	-	832,635	-	832,635
Other comprehensive income					
Exchange differences arising on translation to presentation currency	-	-	-	(4,153,262)	(4,153,262)
Total comprehensive loss	-	-	832,635	(4,153,262)	(3,320,627)
Transactions with owners of the Company					
Stock units repurchased	-	(4,172)	-	-	(4,172)
Stock units cancelled	(43,918)	43,918	-	-	-
Dividends declared (note 23)	-	-	(193,194)	-	(193,194)
Total transactions with owners of the Company	(43,918)	39,746	(193,194)	-	(197,366)
Balances at December 31, 2018	10,939,563	(4,172)	3,087,203	(4,153,262)	9,869,332
Profit for the year 2019, being total comprehensive income	-	-	691,064	-	691,064
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	14,385,607	-	-	-	14,385,607
Total transactions with owners of the Company	14,379,447	4,172	(450,609)	-	13,933,010
Balances at December 31, 2019	\$25,319,010	-	3,327,658	(4,153,262)	24,493,406

## 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		602,886	420,985	194,309	1,946,541
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		1,164,359	1,578,412	-	-
Net cash used in investing activities		( 1,017,110)	(2,053,165)	( 93,171)	(3,632,762)
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		14,385,607	-	14,385,607	-
Net cash provided by financing activities		14,562,438	2,358,076	13,346,691	2,477,214
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	\$15,169,168	1,020,954	14,393,240	945,411

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 Deferral on the disposal of investment property, which requires that the subsidiary:

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

## 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	79,032	84,669	-	-
	<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	-	42,602	-	-
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)

	Group		Company	
	2019	2018	2019	2018
Brought forward from page 27	74,071	121,202	36,740	44,837
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	101,611	62,697	58,219	29,138
	<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

	Group		Company	
	2019	2018	2019	2018
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	153,602	127,069	156,609	245,795
Total finance income	176,867	143,164	179,874	261,890
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)	(215,960)	(375,263)	-	-
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 2<sup>nd</sup> 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 1<sup>st</sup> 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"> <li>• Expected market rental growth</li> <li>• Yields</li> <li>• Rental rates</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• Expected market rental growth were higher (lower); The occupancy rate were higher (lower)</li> <li>• Rent-free periods were shorter (longer); or</li> <li>• Yields were lower (higher)</li> </ul>

**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)

<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
<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"> <li>• Sales of similar properties</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• Sales prices of similar properties were higher/(lower)</li> </ul>
<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"> <li>• Annual net income</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• Annual net income was higher/(lower)</li> <li>• Capitalisation multiple was higher/(lower)</li> </ul>

(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:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
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	-	-
	<u>\$539,537</u>	<u>559,504</u>	<u>79,951</u>	<u>69,697</u>

**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 2<sup>nd</sup> 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 furniture &amp; equipment</u>	<u>Computer software</u>	<u>Total</u>	<u>Office furniture &amp; equipment</u>	<u>Computer software</u>	<u>Total</u>
<b>Cost</b>						
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>
<b>Depreciation</b>						
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>
<b>Net book value</b>						
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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
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 1<sup>st</sup> Avenue in Miami, Florida and nine (9) residential condominiums at The Loft located at 135 NE 2<sup>nd</sup> 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>	(251,936)	<u>215,960</u>	( 35,976)

### 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>
	\$	\$	\$	\$	\$
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	161,487	-	-	( 7,885)	153,602
Profit/(loss) before tax	2,740,529	( 926,875)	102,167	82,732	1,998,553
Income tax credit	( 14,099)	215,960	( 1,040)	-	200,821
Profit after tax	2,726,430	( 710,915)	101,127	82,732	2,199,374
Segment assets	36,009,096	5,136,590	8,849,410	(10,067,173)	39,927,923
Segment liabilities	5,025,106	5,744,439	3,408,166	( 4,555,701)	9,622,010
Other segment items:					
Capital expenditure	101,768	-	2,088,015	-	2,189,783
Depreciation	6,875	430	1,147	-	8,452

## 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)

#### (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.



# Form of PROXY

I/We \_\_\_\_\_

of \_\_\_\_\_

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

\_\_\_\_\_ or failing him or her \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote on my/our behalf at the Annual General Meeting of Kingston Properties Limited to be held in the Grand Caribbean Suite, Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 on Tuesday, August 18, 2020 at 10 am and at any adjournment thereof.

<b>Resolution 1:</b> To receive the Audited Accounts for the year ended December 31, 2019 and the Reports of the Directors and Auditors thereon		
<b>Resolution 2:</b> To ratify Interim Dividend		
<b>Resolution 3:</b> To re-elect the Retiring Directors		
<b>Resolution 4:</b> To authorize the Directors to fix the remuneration of the Auditors		
<b>Resolution 5:</b> To transact any other ordinary business of the company		

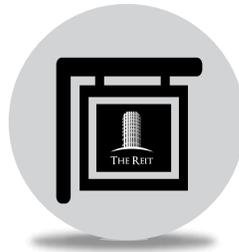
Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature \_\_\_\_\_ **[J\$100 Stamp]**

Signature \_\_\_\_\_

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

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



*Notes*



REIT B



**KINGSTON  
PROPERTIES  
LIMITED**

## **ANNUAL REPORT 2019**

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