ANNUAL REPORT 2020

The Gateway To Global Real Estate Investing

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SAFETY FIRST
KEEP SAFE PHYSICAL DISTANCE
RENT OR OWN
RESILIENCE
"BUY LOCAL, OWN GLOBAL"

MISSION

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 recognized **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.

OUR COMPANY

Kingston Properties Limited (KPREIT) is a Jamaica Stock Exchange listed real estate investment company that specializes in value-added commercial property investments in the office, industrial, multi-family, and mixed-use space. Our tenants are a mix of residential clients and medium to large sized companies across industries with local, regional, and international operations. Headquartered in Kingston, Jamaica, the company began operations in 2008 during the period known as the Great Recession.

Formerly known as Carlton Savannah (REIT) Jamaica Limited, the Company changed its name to Kingston Properties Limited **(JSE Symbol: KPREIT)** in October 2009. The primary objective of the Company is to create and constantly grow shareholder returns through a diversified property portfolio that generates above average net income yields and higher asset values at disposal; and distributing those gains through consistent and stable dividends. As at December 31, 2020, Kingston Properties had two wholly owned subsidiaries:

(i) Carlton Savannah REIT (St. Lucia) Limited, incorporated in St. Lucia under the

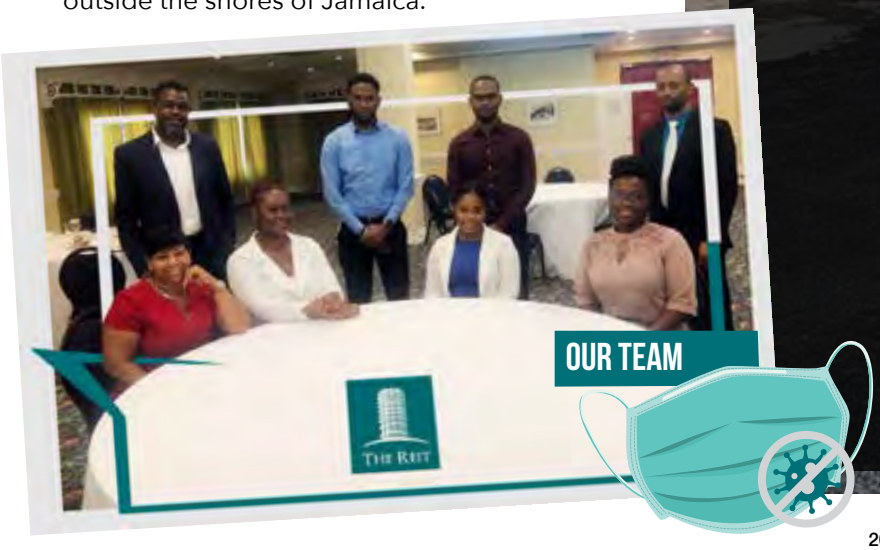
International Business Companies Act **(which has a wholly-owned subsidiary, Kingston Properties Miami LLC, incorporated in Florida under the Florida Limited Liability Company Act)**, and

(ii) KP(REIT) Jamaica Limited, incorporated in Jamaica under the Companies Act.

The Group owns properties in Jamaica, the Cayman Islands and the United States set out in the Property Portfolio on **page 33**.

From its outset, the Board and Management decided to adopt the tenets of a real estate investment trust (REIT) and continue to adopt global best practices in the management of the Company. Although the Company has over the years lobbied for the enactment of REIT legislation in Jamaica, this has not been a reality, however it has adopted a dividend policy of up to 90% of Funds From Operations (FFO) and continues to be cutting edge in the operations of the company to consistently create shareholder value.

Our ***"Buy Local, Own Global"*** motto encapsulates our view that various types of shareholders, even those with limited funds, can access a geographically diversified real estate portfolio that generates sustained cash flows. Shareholders do not have to purchase property directly to receive the financial benefits from that investment in real estate outside the shores of Jamaica.



OUR TEAM

GROUP STRUCTURE

KINGSTON PROPERTIES LIMITED

100% WHOLLY OWNED

KP (REIT) **JAMAICA LIMITED**

100% WHOLLY OWNED

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

100% WHOLLY OWNED

KINGSTON PROPERTIES MIAMI, LLC

NOTICE OF THE 13th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of **KINGSTON PROPERTIES LIMITED** will be held at Leeward Suite Knutsford Court Hotel and Suites, 16 Chelsea Avenue, Kingston 5 in the parish of St. Andrew in Jamaica on **14 July, 2021** at **10:00 a.m.** for the following purposes:

1. To Receive the Audited Accounts for the year ended December 31, 2020 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, 2020 along with the reports of Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted."

2. To Declare Final Dividend
The Company is asked to consider and if thought fit, pass the following Resolution:

Resolution 2:
"THAT the interim dividend of US$0.00059 per share paid on August 10, 2020, be and is hereby declared as final for the year ended December 31, 2020".

3. To Elect Directors

(a) The Directors retiring by rotation in accordance with Article 107 of the Company's Article of Incorporation are Mr. Garfield Sinclair and Mr. Gladstone Lewars 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 Garfield Sinclair retiring by rotation, be and is hereby re-elected."

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

(b) Mr Phillip Silvera was appointed a Director of the Company on January 1, 2021. In accordance with Article 105 of the Company's Articles of Incorporation, his appointment expires on the date of the Annual General Meeting and being eligible, offers himself for election.

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

Resolution 5:
" THAT Phillip Silvera, retiring pursuant to Article 105 of the Company's Articles of Incorporation, be and is hereby elected."

(c) On the Recommendation of the Board of Directors, Mr. Rezworth Burchenson who is eligible, offers himself for election as a Director.

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

Resolution 6:
" THAT Rezworth Burchenson be and is hereby elected."

4. To Appoint the Auditors and Fix their Remuneration

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

Resolution 7:
"THAT KPMG having signified their willingness to continue in office as Auditors, the Directors be and are hereby authorized to agree to their remuneration in respect of the period ending with the next Annual General Meeting."

5. To 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

June 14, 2021

NOTE: A shareholder is entitled to vote by Proxy and a Proxy need not be a shareholder. You are encouraged to vote by Proxy and a Form of Proxy is enclosed for your convenience. Forms of Proxy must be lodged at the Company's registered office at least 48 hours before the time appointed for holding the meeting.

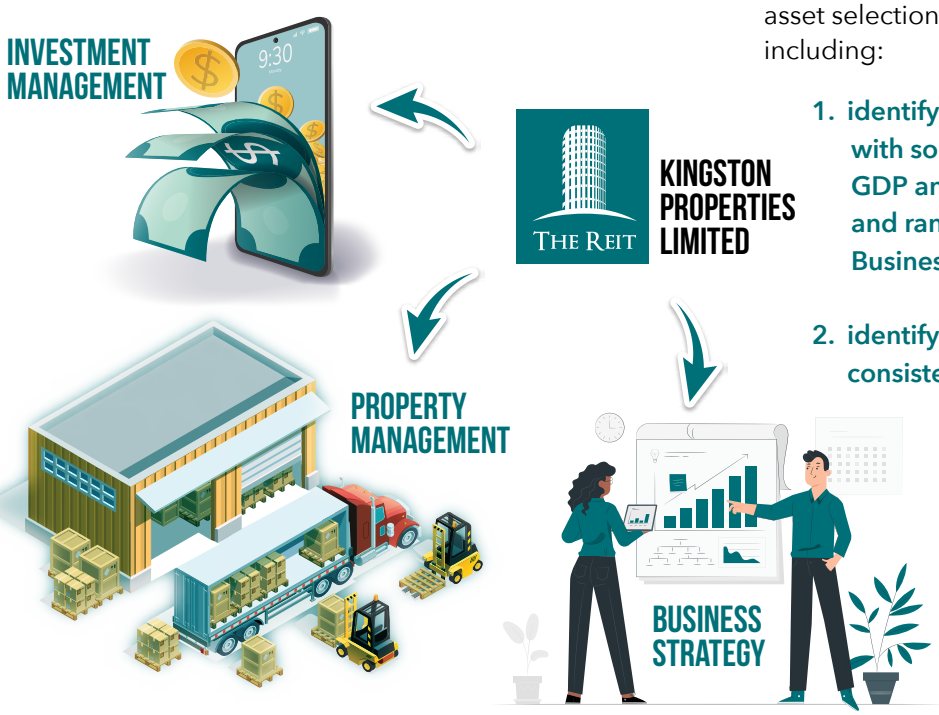
CORPORATE OBJECTIVE

INVESTMENT MANAGEMENT

Our focus remains devising innovative strategies to both consistently grow our portfolio with high yielding assets while managing portfolio risk.

The primary corporate objective of **KPREIT** continues to be to increase shareholder value through the ownership and management of real estate that will generate sustainable long term dividends.

The core aspects of our business are:



Diversification of the portfolio of assets to minimize the impact of country and sector risk is a tool used to boost returns and overall profitability.

Various factors determine asset selection and retention, including:

1. **identifying properties located in markets with sound fundamentals, such as high GDP and population growth prospects and rank highly on the Ease of Doing Business Index;**

2. **identifying properties with robust and consistent cash flows historically or projected;**

3. **tenants with solid credit histories.**

Our now fine-tuned property selection process, based on over a decade of successes,

includes closely monitoring trends in capitalization rates for the market and the asset subclass, and the potential for net operating income growth as well as historical sales comparisons.

Property Selection

Our focus has primarily been on specific sub asset classes of real estate mainly office, industrial and residential. Along with that has been our focus on economies that have high growth prospects and markets with strong population growth, especially of highly skilled individuals. We assess the levels of rent and property value growth in those markets, as well as comparables for similar type properties. In most markets, available data on capitalization rate trends, operating expenses growth and vacancy rates are obtained.

Property Analysis

The Company makes use of various data sources that provide historical trends and forecasts for various factors including: market rents and lease rates per square foot ("PSF"), vacancy and turnover rates, number of closed sales and prices PSF, as well as inventory for different property types, including apartments, office, retail and industrial properties. The use of comparable data is an essential part of the process as it acts as a relatively comprehensive litmus test of the market. In addition, we conduct a Total Return Analysis in respect of each property. Total Return Analysis considers the likely capital appreciation prospects for the property and is influenced by the macroeconomic trends of the property's location. For example, for an apartment building, the essential variables include macro trends in the job market. An important component of the deal analysis process is the due diligence phase where key professionals such as inspectors, surveyors and valuers are engaged to identify any concerns to factor in the analysis and pricing of the deal.

Deal Structuring

Our deal structuring process involves analysing the most efficient and return enhancing way to finance the acquisition and/or the retention of our respective properties. We have always opted for the most optimal and efficient form of financing deals including issuing common equity, 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. Specific policies surrounding prudent financing ratios have been devised by management and are reviewed periodically by the Board of directors.

Deal Approval Process

The Deal Review and Approval process is the penultimate step in the acquisition process and is an essential component of the investment management process. The Investment Committee conducts rigorous reviews of each deal and considers the impact on the Company's financial and prudential ratios as well as evaluates the deals fit with Company's overall strategic focus.

The Committee, only when satisfied, makes recommendations to the Board for final approval.

The final component of the deal acquisition process is deal execution. Following the approval of the Board, engagement of the execution team occurs. These typically entail our financing partners and attorneys. Negotiations are then concluded with the vendors and we progress to contract signing, funding and closing.

Property Retention

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

PROPERTY MANAGEMENT

Effective and Efficient Property Management is a critical component in our mission to create and maintain shareholder wealth. This involves the engagement of a team with overall responsibility for lease administration and oversight and 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.

The Company relies on technology to give it a competitive edge in efficiently and effectively managing its property portfolio. The technology platform that we use 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 efficient rent collection and processing is a priority. The PayLease platform 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 Advantage Tenant platform is a screening tool that utilizes US nationwide data that helps us fast track our approval process - an essential 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. We have utilized several qualified repair and maintenance service providers for our tenants in the U.S. and Cayman Islands while relying on a combination of internal and external team members to maintain the portfolio in Jamaica.

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

BUSINESS STRATEGY

We maintain a relatively low fixed cost model in our operations which satisfies our mission of increasing shareholder value. We achieve this by increasing the amount of revenue generated for each dollar of cost. We monitor this with an established target net operating income (NOI) margin of 50%.

Nimble Strategy

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

Acquisition Strategy

We continuously hone our acquisition strategy to ensure continued profitability of the Company.

This involves 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.

Efficient Fundraising

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, and other financing structures.

Shared Risk

This facilitates participation in more significant deals while sharing the risk with other participants. The model was utilized in 2020 with the Company's participation is a private equity fund out of South Florida that focused on value-added commercial properties in that geographic location.

Capacity Building

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

This also builds capacity in the structuring of deals in overseas markets, development capacity and the identification of training programmes to better equip the team in fulfilling our mission.

In addition, we conduct periodic assessments of the human resources in the organization and develop tools for their continued improvement. Additions to the team are done if needed.

A VIEW OF OUR GRENADA CRESCENT OFFICE BUILDING
New Kingston

BOARD OF DIRECTORS & PROFILES

GARFIELD
SINCLAIR
CHAIRMAN / INDEPENDENT DIRECTOR
-Since April 2008

LISA
GOMES
INDEPENDENT DIRECTOR
-Since January 2011

NICOLE
FOGA
COMPANY SECRETARY/ INDEPENDENT DIRECTOR
-Since April 2008

MEGHON
MILLER-BROWN
INDEPENDENT DIRECTOR
- (January 2016 - September 2020)

PETER
REID
INDEPENDENT DIRECTOR
-Since January 2011

GLADSTONE
"TONY"
LEWARS
INDEPENDENT DIRECTOR
-Since January 2019

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 (1st 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.

GROUP CHAIRMAN'S STATEMENT

Dear Fellow Shareholders:

The year 2020 was a defining period in the modern history of the world, for Jamaica and your Company. While the real estate industry is used to bouts of periodic volatility, the sheer scale of the pandemic's disruptive force required the rapid adoption of short, medium and long term survival strategies.

This resulted in our enhanced resilience by acutely focusing on preserving liquidity, maximizing cost efficiency, while expanding our pipeline of increasingly attractive investment opportunities.

The need for a well executed digital transformation has also emerged as a central requirement for both survival and in order to thrive in a post-pandemic world. Facilitating the remote administration of governments and enterprises, will be crucial to ensuring safety and efficiency in the context of national lockdowns, curfews and other restrictions on movement and large gatherings. These conditions, among others will continue to shape the demand for large physical locations and how they will be deployed in the future. We are earnestly preparing for that future and firmly believe we are on the path to growth and full recovery.

GOING FOR GROWTH

It is my pleasure to report that we are well on the way to achieving the goals we set at our Strategic Retreat in 2019 and outlined in our three-year plan. One of these goals is focused on growth and aligned with our core objective of amassing $10B in equity and having 1,000,000 square feet of property under management or control by 2023.

As part of the growth thrust, at an extraordinary general meeting (EGM) held in February 2021, shareholders approved an increase in ordinary shares from 1,000,000,000 to 2,000,000,000 shares to facilitate returning to the capital market to raise funds to finance new project acquisitions.

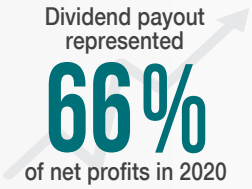
DIVIDENDS & STOCK PRICE

Your stock closed 2020 at $7.25 per share, representing a 9% gain compared to 2019 and a 29% improvement on the price offered in the November 2019 Rights Issue. This result outperformed the main JSE index, which declined by 22.4% and ranked **KPREIT** among an elite few public companies to achieve this performance.

In August we made a significant and historic dividend payout of approximately $400,000, which represented 66% of net profits in 2020 and 64% of FFO during the year. We also continued our share buyback programme to return value to our shareholders during the year, with the purchase of 50,000 units at an average price of $5.92.

CHAIRMAN'S QUICK FACTS:

IN AUGUST we made historic dividend payout of approximately **$400,000**



64% of **FFO** during the year

GOVERNANCE PRACTICE

In a dynamic regulatory and business environment, it is vital to adhere to corporate governance and risk management principles that are globally competitive. Accordingly, we are extremely grateful to a diverse and experienced group of Directors who have developed an environment of trust, integrity and accountability while providing critical insights and guidance in the areas of governance, financial and investment management.

TOGETHER, WE CAN GO FURTHER AND DO MORE

Our key priorities over the next 12 months include: **(i) Capital growth; (ii) Geographic asset portfolio diversification; (iii) Leveraging strategic partnerships for growth,** and **(iv) Executing on our digital roadmap.**

From our birth during the Great Recession of 2008, **KPREIT** rests on the solid foundation of agility in the face of adversity, sound financial and risk management and enhancing shareholder value (not necessarily in that order). More than a decade on, we would not be where we are today without the confidence you have placed in us, the unwavering commitment of our small but highly effective management team and the valuable guidance, contribution and support of our Board members.

Beyond any global crisis, our relationships with external stakeholders, partners and clients, continue to shape our growth, sustainability and resilience. Though COVID19 has impacted our vital corporate social responsibility activities, we still managed to find innovative ways to partner with registered organizations that help those in need with critical relief support.

Finally, I would like to express my sincere appreciation to my fellow directors and our management team. I would especially like to extend my gratitude to Meghon Miller-Brown who resigned from the Board in August of last year and welcome the addition of Phillip Silvera, whose considerable financial and commercial experience will be hugely welcomed. These are challenging times for leaders everywhere, and ours have displayed exceptional calm, empathy, skill and wisdom in steering us through very trying times.

We are confident in going boldly into a new era under their collective stewardship. The work ahead will push us all beyond our comfort zones, but it is the time for transformation with the belief that together we can do more and go further.

Garfield Sinclair
Chairman
May 4, 2021

MANAGEMENT TEAM & STAFF PROFILE

KEVIN G
RICHARDS
CHIEF EXECUTIVE OFFICER

ANDRAY
FRANCIS
CHIEF FINANCIAL OFFICER

ROXANNE
KELLY
FINANCIAL CONTROLLER

TATESHA
ROWE
PROPERTY & ADMINISTRATION MANAGER

RAMONE
SORTIE
PROPERTY OFFICER

SASHA-GAY
SMALLING
ADMINISTRATIVE OFFICER

KYLE
STEWART
INVESTMENT ANALYST

Missing photo

THE REIT

KEVIN **RICHARDS**
CHIEF EXECUTIVE OFFICER

Mr. Richards is tasked with providing leadership and driving the strategic objectives of the company to maximize shareholders' value.

ANDRAY **FRANCIS**
CHIEF FINANCIAL OFFICER

Mr. Francis joined the company in May 2020 and leads the Group's financial planning, information technology and risk management strategies, including the optimization of corporate structure and management controls to achieve sustainable growth.

ROXANNE **KELLY**
FINANCIAL CONTROLLER

Ms. Kelly is responsible for the financial operations of the company, producing periodic financial reports, maintaining an adequate system of accounting records and a comprehensive set of controls to mitigate risk and enhance the accuracy of the company's financial results.

TATESHA **ROWE**
PROPERTY & ADMINSTRATION MANAGER

Mrs. Rowe primarily represents the operations management side of the properties in the portfolio, guaranteeing timely rent collections and effective tenant relations and communications.

RAMONE **SORTIE**
PROPERTY OFFICER

Mr. Sortie provides property management support to the Company.

KYLE **STEWART**
INVESTMENT ANALYST

Mr. Stewart researches and analyses real estate markets and economic trends, conducts financial modelling and provides support for development and acquisition activities.

SASHA-GAY **SMALLING**
ADMINISTRATIVE OFFICER

Ms. Smalling provides administrative support to the Company.

CHIEF EXECUTIVE OFFICER'S MESSAGE

GOING FOR GROWTH, RECOVERY THROUGH RESILIENCE

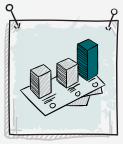
I am delighted to share an update with you, our shareholders, team members, stakeholders, and well-wishers, through this annual report which captures our performance over the period, key developments and outlook for the future.

There are very few events in modern history, as the COVID19 pandemic, that have so rapidly redefined the way we live, work and do business. I am proud to report that **KPREIT's** response has been world class at every level with the full buy-in of our team and the total support of all of our stakeholders including you. With great challenges come great opportunities to grow, learn, and adapt. Our performance is grounded in preparedness which has served the company well in the area of business continuity allowing us to stay in motion, anticipate challenges, and engineer solutions on the move. From the official declaration of the pandemic, we independently adopted remote work where applicable, introduced protocols for the safety of all, and increased our level of engagement with our stakeholders by communicating clear directives to service providers and having open dialogue with our tenants and team members. One year later, we have no reported case among our team and close contact stakeholders and continue to review our protocols to fit the constantly evolving public health guidelines. **Protocols, preparedness and perseverance work!**

Despite the pandemic and the attendant containment measures, we reported a 26% improvement in rental revenue Year-On-Year (YOY) and greater efficiency from the deployment of the Group's cash resources demonstrated by Net Operating Income (NOI) increasing by 53%. All of the attributes of a REIT are in our DNA, so we focused on our ability to generate cash from operations, resulting in a 16.5% Year-On-Year improvement in funds from operations (FFO).

CHIEF EXECUTIVE OFFICER'S QUICK FACTS:

26% improvement in rental revenue Year-On-Year



Net Operating Income (NOI) increased by **53%**

office rental space increased by **48%** in 2020

The Group Reported Operating Profits of over **$1.4M**

In July, we made the single largest property acquisition with a 100% leased multi-story office building in the Cayman Islands (The Harbour Centre) totalling 30,689 sq. ft. for a consideration of $10.7M. Additionally, we purchased an approximately 88,000 sq. ft. warehouse building (East Ashenheim Road) prominently located in Kingston's industrial belt. The acquisitions are in line with our strategy of diversifying our holdings into other markets and asset sub-classes.

This moved our holdings in the office rental space from 30% in 2019 to 48% in 2020. Tied to those acquisitions is the impressive increase in the Rental Income generated by the group, up 26%, and the Net Operating Margin attributable to the group, ending the year at 48%. The Group reported Operating Profits of over $1.4M.

The diversification exercise continued with the sale of condos from the U.S. portfolio resulting in a strategic reduction to 8% of the total portfolio. In comparison, the Cayman portfolio doubled to 42% with the addition of Harbour Centre and locally, our Jamaican portfolio increased to 50% with the addition of the East Ashenheim Road property.

Capital improvement projects were undertaken at this property and continues in 2021 to improve KPREIT's assets and attract better rental rates. An example of this is our Grenada Crescent property which is being upgraded to the Class A category with future improvements planned to focus on style, function and sustainability - a theme across all properties.

KPREIT was founded over a decade ago with a bold promise to be Jamaica's premier real estate investing company creating sustainable wealth for its shareholders. Despite the hurdles of 2020, we have not let go of that promise. Last year we maintained solid occupancy and collection levels in excess of 90% throughout the year. Bold moves bring big rewards. Even as most businesses focus on survival, we will continue to remain focused on mobilizing employees safely and efficiently and support productive operations without compromising their health. No one knows when a post-COVID19 world will begin and what it will look like. What we do know is that thriving will require new and unfamiliar approaches to solving old problems and anticipating the challenges that have not yet come. While the recovery lag will continue into the second half of 2021, we are confident that global monetary policies will remain accommodative, which augurs well for the future stability of certain asset classes like real estate.

KPREIT is well positioned to continue creating value for shareholders. Future-ready improvements in our information technology systems, focusing on warehousing and logistics assets, the recruitment and training of new team members to support finance and administration and upskilling across the board to increase expertise to keep up with market developments, all form a part of the strategy going forward.

We are confident that we are building a stronger, more resilient organization whose entire ethos is creating value, understanding the market and accurately identifying opportunities for growth through emerging tools and data insights.

I would like to thank our entire team for their tireless efforts and shared vision of setting a standard of excellence and raising the bar higher on each achievement. We have the assets, the people, the vision and the conviction. Together, we can, together we will build a resilient future.

Kevin Richards,
C.E.O
May 4, 2021

QUICK FACTS

KINGSTON PROPERTIES LIMITED

Gross Rental Income:

US$2,130,727

5 Year Average Dividend Yield

2.10%

Square feet owned

282,348

Properties:

17

86%

Occupancy

TEN YEAR FINANCIAL STATEMENT

TEN YEAR FINANCIAL STATEMENT

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CONSOLIDATED INCOME STATEMENT	JMD	JMD	JMD	JMD	JMD	JMD	JMD	USD	USD	USD
Rental Income	44,223,820	78,030,312	91,469,951	108,048,742	108,368,868	130,457,378	196,322,267	1,573,865	1,690,138	2,130,727
Operating Expenses	31,907,164	46,003,222	52,012,921	56,822,625	100,902,850	98,264,169	124,325,694	1,016,865	1,016,341	1,100,482
Results of operating activities before other income	12,316,656	32,027,090	39,457,030	51,226,117	7,466,018	32,193,209	71,996,573	557,000	673,797	1,030,245
Other Income/gains	4,562,241	182,913,220	131,226,251	845,302	169,171,834	133,359,028	20,776,177	(363,008)	1,563,618	384,184
Operating Profit	16,878,897	214,940,310	170,683,281	52,071,419	176,637,852	165,552,237	92,772,750	193,992	2,237,415	1,414,429
Net Finance Cost/Income	(4,608,187)	(37,301,971)	(63,625,620)	(45,700,862)	(16,500,658)	53,788	(42,090,982)	(261,150)	(238,862)	(817,082)
Pre-Tax Profit or Loss	12,270,710	177,638,339	107,057,661	2,313,375	127,287,194	164,236,298	50,681,768	(67,158)	1,998,553	597,347
Income tax charge/credit	864,567	1,209,214	(54,561,672)	(3,450,340)	(21,865,656)	(34,317,258)	28,477,048	329,546	200,821	15,378
Net Profit	13,135,277	178,847,553	52,495,989	(1,136,965)	105,421,538	129,919,040	79,158,816	262,388	2,199,374	612,725
Net Profit per share (adj.)	$ 0.04	$ 0.56	$ 0.16	-$ 0.00	$ 0.33	$ 0.40	$ 0.25	$ 0.00081	$ 0.00619	$ 0.00090
Foreign currency translation differences	3,613,495	28,078,127	68,168,732	45,057,651	30,177,442	60,949,209	(40,074,054)	(5,129)	-	-
Total Comprehensive Income	16,748,772	206,925,680	120,664,721	43,920,686	135,598,980	190,868,249	39,084,762	257,259	2,199,374	612,725
CONSOLIDATED STATEMENT OF FINANCIAL POSITION										
Investment Properties	639,159,119	834,085,129	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	38,130,420
Cash and Cash Equivalents	179,191,140	186,532,572	212,064,416	232,660,434	132,896,744	24,078,908	37,966,958	1,020,954	15,169,168	4,871,737
Total Assets	843,307,433	1,046,154,238	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	45,595,068
Total Equity	518,155,711	719,100,484	829,838,174	851,933,073	1,585,038,775	1,726,184,541	1,739,448,116	14,173,529	30,305,913	30,516,556
Loans Payable	307,718,044	308,869,742	360,285,619	486,351,708	-	273,977,851	704,625,570	8,333,536	9,276,018	13,724,480
Total Liabilities	325,151,722	327,053,754	432,108,458	578,098,682	144,514,597	431,424,014	816,548,124	8,885,467	9,622,010	15,078,512
KEY RATIOS										
Total Comprehensive Income % of Average Equity	3.29%	33.45%	15.58%	5.22%	11.13%	11.53%	2.26%	0.03%	9.89%	2.01%
Loans as % of Total Equity	59.39%	42.95%	43.42%	57.09%	0.00%	15.87%	40.51%	58.80%	30.61%	44.97%
Rental Income % of total Investment property	6.92%	9.36%	9.13%	11.33%	6.98%	6.76%	7.94%	7.63%	7.06%	5.59%
Pre-Tax Profit Margin %	25.15%	68.08%	48.07%	2.12%	45.86%	62.25%	23.35%	-5.55%	61.42%	28.03%
Net Operating Margin %	27.85%	41.04%	43.14%	47.41%	6.89%	24.68%	36.67%	35.39%	39.87%	48.35%
Net Profit per share	$ 0.19	$ 2.60	$ 0.76	-$ 0.02	$ 1.00	$ 0.81	$ 0.25	$ 0.00081	$ 0.00325	$ 0.00090
Operating Expenses as % of Rental Income	72.15%	58.96%	56.86%	52.59%	93.11%	75.32%	63.33%	64.61%	60.13%	51.65%
Effective Tax Rate	N/A	N/A	50.96%	149.15%	17.18%	20.90%	-56.19%	490.70%	-10.05%	-2.57%
Total shares outstanding at year end	68,800,102	68,800,102	68,800,102	68,798,669	160,996,334	160,996,334	321,992,668	321,967,682	677,713,643	677,662,399
Weighted Average No. of shares								331,622,071	355,235,387	677,664,788
OTHER DATA										
EBITDA (adj.)	12,479,988	32,515,075	40,768,676	52,479,478	11,372,436	46,463,541	82,153,405	200,914	2,245,866	1,427,548
Net Cash from Operations	12,752,911	45,965,165	40,226,096	55,298,705	974,667	(144,667,060)	85,150,354	420,985	602,886	577,320
Gross Dividends Paid (USD)	-	68,800	103,200	172,000	200,000	400,000	200,000	200,000	450,000	399,851
Dividend per share (USD)	N/A	$ 0.00100	$ 0.00150	$ 0.00250	$ 0.00124	$ 0.00248	$ 0.00124	$ 0.00062	$ 0.00140	$ 0.00059
Dividend yield	N/A	2.46%	3.55%	3.82%	2.12%	3.19%	2.02%	1.32%	2.79%	1.16%
Dividend Payout Ratio	N/A	3.42%	19.81%	-1682.54%	22.26%	38.53%	32.43%	76.22%	20.46%	65.26%
Book Value per share (USD)	$ 7.53	$ 10.45	$ 12.06	$ 12.38	$ 9.85	$ 10.72	$ 5.40	$ 0.04	$ 0.04	$ 0.05
Year end closing stock price (JMD)	$ 4.52	$ 3.78	$ 4.50	$ 7.50	$ 7.05	$ 10.00	$ 7.70	$ 6.00	$ 6.63	$ 7.25
Year end closing stock price (adj.) *	$ 2.26	$ 1.89	$ 2.25	$ 3.75	$ 3.53	$ 5.00	$ 7.70	$ 6.00	$ 6.63	$ 7.25
Price Earnings Ratio	23.67	1.45	5.90	N/A	7.06	12.39	31.32	56.76	15.22	55.77
Year End Market Capitalization (JMD)	310,976,461	260,064,386	309,600,459	515,990,018	1,135,024,155	1,609,963,340	2,479,343,544	1,931,806,092	4,493,241,453	4,913,052,393
JSE Index at Year End	95,297.20	92,101.22	80,633.55	76,353.39	130,692.13	192,276.64	288,381.97	379,790.86	509,916.44	395,614.93
Annual Inflation Rate % - Jamaica	6%	8%	9.70%	6.40%	3.70%	1.70%	5.20%	2.40%	6.20%	4.70%
Annual Inflation Rate % - US	3.00%	1.70%	1.50%	0.80%	0.70%	2.10%	2.10%	1.90%	2.30%	1.40%
Year End Exchange rate USD:JMD	$ 86.60	$ 92.98	$ 106.38	$ 114.66	$ 120.42	$ 128.44	125.00	127.72	132.569	142.65
% Change	0.9%	7.4%	14.4%	7.8%	5.0%	6.7%	-2.7%	2.2%	3.8%	7.6%
Average annual exchange rate	86.08	88.99	100.77	111.22	117.31	125.14	128.36	129.72	134.22	143.27

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

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, 2020**.*

FINANCIAL RESULTS	
Results of Operating Activities	$1,030,245
Profit before Income Tax	$597,347
Income Tax Credit	$15,378
Profit for the year	$612,725
Dividends declared on ordinary shares	$400,000

DIVIDENDS

The Directors recommended interim dividend payment of US$0.00059 paid on August 10, 2020.

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)* *(resigned September 2020)*
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. Garfield Sinclair** and **Mr. Gladstone "Tony" Lewars**, who both being eligible for re-election offer themselves for re-election to the Board.

AUDITORS

A resolution authorizing the directors to fix the Auditors' 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 13, 2021

CORPORATE GOVERNANCE REPORT

*The impact of the COVID19 pandemic has been severe across geographic borders and industries with many companies activating business continuity protocols, furloughing team members and/or closing facilities or significantly scaling back activity after careful assessment of global markets. Fortunately, **KPREIT** remains resilient while continuing to diligently monitor all developments to ensure minimal business disruption in an uncertain environment.*

At the onset of the pandemic, the company with the full support of the Board, initiated systems to check and enhance workplace health and safety, starting internally with our team and extending to the protection of our tenants and service providers. Communication, key to our operations under normal circumstances and critical to the effective management of a crisis, was increased. The team reviewed existing channels for effectiveness and the frequency of communication increased to ensure that the management team was clearly able to set measures and monitor adherence to protocols including the wearing of masks, sanitization, temperature testing and general safety.

KPREIT has always sought to periodically review its operations in keeping with international best practices and as such maintained a robust information technology and cyber security infrastructure. These systems were upgraded at the start of the pandemic to facilitate secure remote work options for the team where practical. A risk assessment was also done per tenant to ascertain the likely impact on rental income and overall business viability.

The pandemic is a current public health crisis that is temporary in nature. There is a road to recovery that requires a whole-of-society approach with a focus on maintaining and strengthening the established protocols along with other forms of collaboration. We are committed to playing our part in the national effort and as members of the international business community.

OVERVIEW

Kingston Properties Limited **(KPREIT)** is committed to sound corporate governance practices to strengthen and maintain confidence in the Company. We are keenly focused on optimal long-term value creation to the benefit of our shareholders and other stakeholders. Our corporate governance's main objective is to regulate the division of roles between shareholders, the board, and executive management more comprehensively, going beyond the minimum requirements outlined by any legislation/regulatory framework.

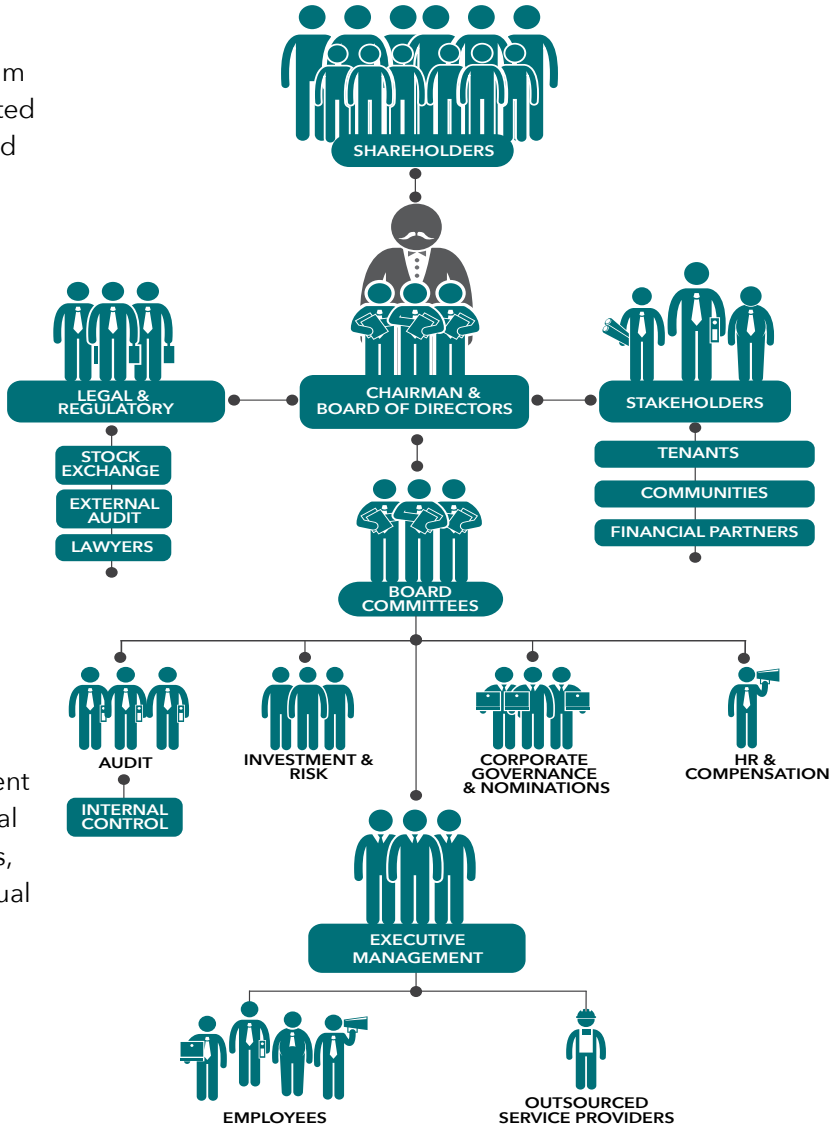
KPREIT's corporate governance principles are built on the following core elements:

- Equity in the treatment of all shareholders
- Transparent, regular and relevant communication to shareholders, governmental/regulatory bodies and the public about the Company's activities and its corporate governance commitment
- Maintain independence of the Board and the Company's Executive Management team and ensures a clear and properly documented division of responsibility between the Board and the Executive Management.
- The Board being only comprised of independent members.
- Consistently monitoring the Company's operations to detect and resolve any potential scenarios which may result in conflicts of interest between the interests of its shareholders, the members of its Board and its Executive Management.

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 our shareholders' benefits. We remain committed to open and active engagement with our stakeholders through our website, annual reports, stock exchange filings and news releases, traditional, social media and electronic mail, annual general meetings, investor briefings and our weekly newsletter.

CORPORATE GOVERNANCE STRUCTURE

For more than a decade, Kingston Properties Limited **(KPREIT)** has pursued its mission to be the premier real estate investing company in Jamaica, and has demonstrated a strong 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, and our compliance with the Private Sector Organization of Jamaica (PSOJ) Corporate Governance Code. Also, 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 74%.



Board of Directors

The Company's process for selecting and reviewing directors is done annually and aligns with the JSE regulations and the PSOJ Corporate Governance Code. Directors are selected based on a combination of expertise, judgment, character and independence.

The Board ensures that the Company's vision and mission are fulfilled in the interest of shareholders. Their oversight is critical in supporting the executive management team to meet strategic objectives and consistently monitor policies, laws and regulations for any potential challenges. The Board also plays a key role in reviewing the Company's internal control processes to guarantee that 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 employed as part of the executive management of the Company

There were six (6) directors on the Board, all of whom are Non-executive and Independent. There was a slight shift in the gender balance of the Board from three (3) males and three (3) females with the resignation of Director Miller-Brown.

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
- Applying proper consideration and 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 (and updating where necessary) 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 requisite oversight by virtue of the diverse markets within which **KPREIT** 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.

	REAL ESTATE	ASSET MANAGEMENT	LEGAL	FINANCIAL MANAGEMENT	GENERAL MANAGEMENT	STRATEGY	RISK MANAGEMENT	HR
GARFIELD SINCLAIR(I) - *Chairman*		✓		✓	✓	✓	✓	
NICOLE FOGA(I) - *Company Secretary*	✓		✓		✓	✓	✓	✓
LISA GOMES(I)	✓	✓		✓	✓	✓	✓	✓
PETER REID(I)	✓	✓			✓	✓	✓	
MEGHON MILLER-BROWN(I) – *Resigned September 2020*		✓		✓		✓	✓	
GLADSTONE "TONY" LEWARS (I)	✓			✓	✓	✓	✓	✓

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.

Mrs. Meghon Miller-Brown resigned from the Board effective September 2020 however the area of expertise in Asset Management, Financial Management, Strategy and Risk Management, remain adequately represented.

Board Meeting Attendance

	BOARD	AUDIT COMMITTEE	INVESTMENT COMMITTEE	CORPORATE GOVERNANCE	HR & COMPENSATION	ANNUAL GENERAL MEETING
MEETINGS HELD	12	4	3	2	1	1
GARFIELD SINCLAIR	12	3			1	1
NICOLE FOGA	12			2	1	1
LISA GOMES	8		3	2		1
PETER REID	11		3			1
MEGHON MILLER-BROWN *Resigned in September 2020*	6	2				1
GLADSTONE LEWARS	12		3	2		1

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 US$650.00 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.

For the financial year a total of US$47,450 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.

The committees are:

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

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(I) (CHAIR)	2/2
NICOLE FOGA(I)	2/2
GLADSTONE LEWARS(I)	2/2

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.**

Committee Composition

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

Committee Report

During the year the committee reviewed the following:

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.
5. Corporate Governance Training proposals

All recommendations of the committee were approved by the board.

Audit Committee

The Audit Committee monitors and evaluates the effectiveness of the Company's internal control systems. The Committee also reviews the accuracy of information prepared for inclusion in financial reports and is responsible for the nomination of external auditors and checks the adequacy of external audits in respect of cost, scope and performance.

AUDIT COMMITTEE
MEMBERS AND ATTENDANCE AT MEETINGS

GARFIELD SINCLAIR(I) (CHAIR)	3/4
MEGHON MILLER-BROWN(I)	2/4
JOHN "MITCHIE" BELL	4/4

The Committee is composed 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 during the year. The following represent the activities of the Committee over the year:

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

Human Resources and Compensation Committee

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

HUMAN RESOURES & COMPENSATION COMMITTEE
MEMBERS AND ATTENDANCE AT MEETINGS

GARFIELD SINCLAIR(I)	2/2
NICOLE FOGA(I) (CHAIR)	2/2

Committee Report

During the year the Committee met once 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, a long term incentive plan for senior management
4. Engaged the recruitment of the CFO

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 composed of three (3) directors and was chaired by Mr. Peter Reid.

INVESTMENT & RISK COMMITTEE
MEMBERS AND ATTENDANCE AT MEETINGS

GLADSTONE "TONY" LEWARS(I)	3/3
LISA GOMES(I)	3/3
PETER REID(I) (CHAIR)	3/3

Committee Report

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

1. Reviewed the portfolio performance.
2. Reviewed a number of prospective acquisitions.
3. Reviewed several terms for loan re-financing from several financial institutions.

Director Training

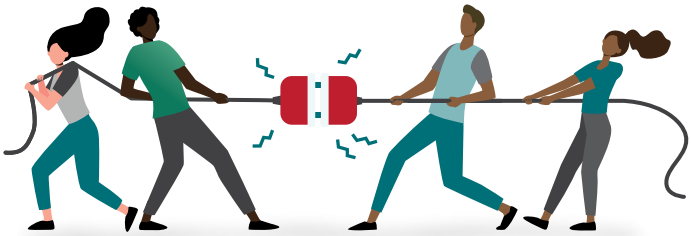
At each board meeting, management provides directors with various real estate markets trends and outlook reports. Additionally, they are provided with macroeconomic updates on the jurisdictions in which the Company owns property

or is targeting for acquisition. There is also an annual training programme designed for new Directors, current Board Members and company executives however, this was not held in 2020 due to public health guidance on in-person gatherings and the required format for this intensive training.

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.

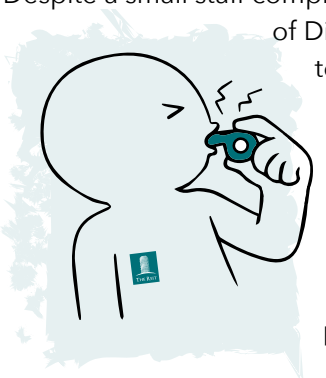
Conflict of Interest and related party transaction



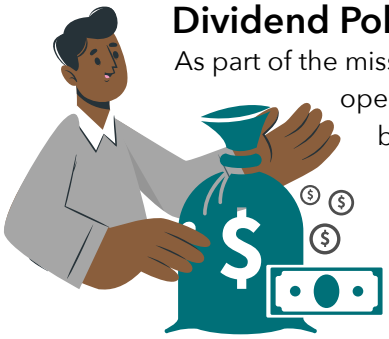
Every Director, in exercising their powers and discharging duties, is expected to act ethically, with integrity and in good faith for the best interest of the Company and its shareholders. The Board recognizes that private and/or personal interests can impact a Director's ability to make objective decisions 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.

Whistleblower Policy

Despite a small staff complement, the Board of Directors has sought to create a culture of open communication between staff, management and the Board. This culture also extends 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 the 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 total funds from operations 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 reinvest earnings as part of its growth strategy. The board reviews the level of payout of dividends on an annual basis with the intention of increasing the payout level in line with 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 2020, approximately 66% of net profit was paid out to shareholders as dividends.

COMMUNICATION 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. The Company usually receives timely feedback from stakeholders.

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 email to shareholders and the media.* We remain very responsive to shareholders' questions and comments and these are easily facilitated via email, telephone and social media.

During 2020, 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. **KPREIT's** social media channels continue to grow with increased activity and a cohesive content strategy that has resulted in over 1,000 new followers. 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 (CSR) 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 integrity, honesty and respect towards every individual with whom they interact regardless of class, race, gender, and socioeconomic 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 development through inclusion, equity and access. Jamaica, as a part of the Caribbean Community (CARICOM), is home to one of the world's youngest populations and so we strategically focus on programmes that target youth and help to create positive engagement. They are both the leaders of now and the future.

Volunteerism forms a big part of our company culture. Our team supports local communities and vulnerable groups through giving of their time, talents and as a company, donations to charitable organizations. In addition to education and youth development, we have supported several environmental projects and social impact initiatives geared towards environmental protection and sustainability.

Lisa Gomes

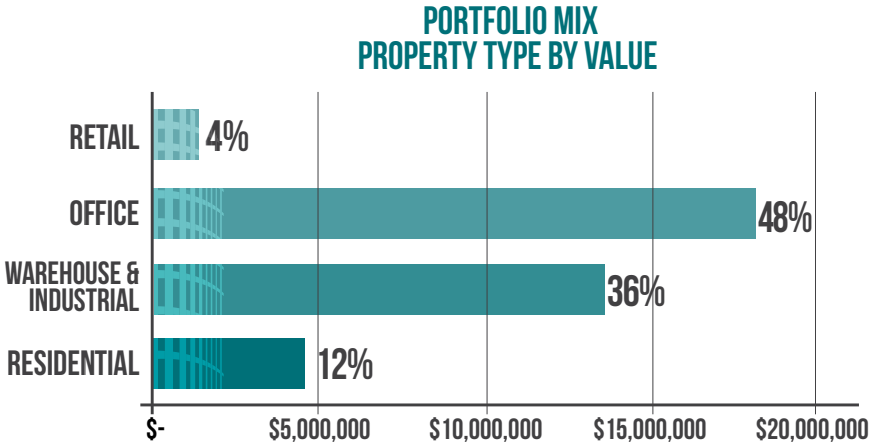
Lisa Gomes
Chair, Corporate Governance & Nominations Committee
May 4, 2021

six units. Over the last four years, the shift towards Jamaica and the Cayman Islands has boosted our net operating margins, ultimately boosting net earnings for greater distributions to shareholders in the form of dividends.

At the end of the year, the Board agreed to recommend to shareholders that the maximum number of authorized shares of the Company be increased from 1,000,000,000 ordinary shares to 2,000,000,000 ordinary shares in keeping with our strategy to grow equity to $10 billion in two years as well as to increase the square footage under ownership or management to 1,000,000 sq. ft.

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.

MANAGEMENT DISCUSSION & ANALYSIS



OVERVIEW OF THE GROUP

*The **COVID19** pandemic and the containment measures instituted by governments in the jurisdictions we operate featured prominently in shaping our performance over the reporting period.*

The year 2020 was marked by significant growth in our Jamaican and Caymanian holdings and further reductions in our condo portfolio in South Florida through the disposal of

Despite the challenges posed by the pandemic, **KPREIT** made its single largest property acquisition with the purchase of a 100% leased multi-story office building in the Cayman Islands totalling 30,689 SF for a consideration of $10.7M. We also purchased an approximately 88,000 SF warehouse building located in the Kingston industrial belt with proximity to the ports at a price that is a significant discount to replacement cost. This moved our holdings in the office rental space from 30% in 2019 to 48% and left our exposure to the warehouse sector reasonably constant at about 36%. These acquisitions have resulted in significant

increases to the Rental Income generated by the group, up 26%, year on year; its Net Operating Income, up 53%, and the Net Operating margin attributable to the group, ending the year at 48%. With the Group reporting Operating Profits of over $1.4M. The acquisitions are in line with our strategy of diversifying our holdings into other markets and asset sub-classes. Whereas the Cayman market went through an extended lockdown period in 2020, the real estate sector maintained resiliency and contributed to the better than expected fiscal budget outturn.

We believe that Cayman will remain a solid market, and we remain optimistic about its economic resilience and ability to provide our portfolio with more competitive yields. The disposal of the Florida condo units coupled with lower year-on-year market valuations on our remaining condominium portfolio and additions to the property portfolio with assets in other markets reduced the weighting of residential properties in our entire portfolio from 27% to 12% in 2020. Average occupancy during the year was approximately 90% despite the challenges faced due to the pandemic and the normal vacancy levels from tenant turnover.

STOCK PRICE & DIVIDENDS

In a year that saw the 22.4% decline in the JSE Main Index, the stock closed 2020 at a price of $7.25 per share, representing a 9% gain compared to year-end 2019 and a 29% return on the price offered at the time of the Rights Issue in November 2019. We paid out 66% of net profits and 64% of FFO as dividends during the year. We continued our share buyback programme to return value to our shareholders during the year, with the purchase of 50,000 units at an average price of $5.92.

YEAR-END FINANCIAL HIGHLIGHTS
(FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020)

	12 MONTHS TO DECEMBER 31, 2019	12 MONTHS TO DECEMBER 31, 2020
Rental Income (USD)	$1.690M	$2.131M
Operating Income (USD)	$0.674M	$1.03M
Fair Value Gains (Loss) on Investment Property	$1.605M	$0.307M
Pre-Tax Profit/(Loss) (USD)	$1.998M	$0.597M
Net Profit (USD)	$2.199M	$0.612M
Funds from Operations (USD)	$533,332	$621,394
Total Comprehensive Income (USD)	$2.199M	$0,612M
Total Equity (USD)	$30.306M	$30.517M
Investment Properties (USD)	$23.94M	$38.13M
Net Operating Margin %	39.9	48.3
Dividends Paid (USD)	$450,609	$399,851
Closing Stock Price (JMD)	$6.63	$7.25

Consolidated Results from Operations

INCOME STATEMENT

The Group posted a 26% increase in rental income to $2.1 million for the twelve months ending December 31 2020, compared to $1.7 million for the same period in 2019. Net Operating Income (NOI), being total rental income less operating expenses, for 2020 increased by 53%, moving from $673,797 for the same period in 2019 to just over $1.0 million. This was primarily due to the income generated from the additions to investment property made during the year.

Group operating expenses, including direct property expenses and administrative expenses, increased 8.28% year on year to $1.1 million. Direct property expenses, including property taxes, homeowner's association (HOA) fees, repairs and maintenance, and property insurance costs, declined year over year by 15.8% in 2020, moving from $539,536 to $454,569. This was

QUICK FACTS:

Total loans payable was **$13.7 MILLION** at December 31, 2020

Stock price at end of 2020 was $7.25 representing **29%** return on price offered in 2019 rights issue.

Total assets as of December 31, 2020, amounted to $45.6 million an increase of **14.2%** over 2019

Investment Properties increased by **59%** in 2020

primarily attributed to the reduction in HOA fees and property taxes during the year resulting from the sale of condominium units in South Florida during the year.

The Group's EBITDA decreased from $2.4 million in 2019 to $1.07M in 2020. The figure reported in 2019 was primarily driven by net fair value gains on investment property of $1.6 million. Cash Flow from Operations (CFO) for 2020 amounted to $577,320 compared to $602,886 for the same period in 2019.

Net Profit for 2020 amounted to $612,725 compared to $2.2 million the previous year. Net profit in 2019, however, included a net fair value gain on investment property $1.6 million compared to $307,539 in 2020.

GROUP BALANCE SHEET

Investment Properties totalled $38.1 million as at December 31, 2020, versus $23.9 million as at December 31, 2019, an increase of 59.3%. The net increase results from the acquisition of the Harbour Centre office building in the Cayman Islands and a warehouse property on East Ashenheim Road in Kingston, Jamaica. This was, however, offset by the disposal of six condominiums in Florida in 2020.

Total assets as of December 31, 2020, amounted to $45.6 million, an increase of 14.2% over the $39.9 million balance as at December 31, 2019. The Group maintained a high cash balance in 2020 as part of a cash management strategy given the unprecedented effects of a global pandemic. The primary intention was to ensure the Group could meet all its operating and financing obligations and take advantage of any property opportunities.

Total loans payable was $13.7 million at December 31, 2020, compared with $9.3 million at December 31, 2019, representing a 48% year-on-year increase. The increased loan balance, which is primarily collateralized bank financing, was deployed to expand our operating asset base.

The loans are all in US dollars from financial institutions in the US, Jamaica, and the Cayman Islands. The weighted average cost of borrowing as at December 2020 was 3.56%.

Total Equity remained relatively constant over the twelve months to December 31, 2020, moving slightly from $30.3 million in 2019 to $30.5 million in 2020.

RATIO ANALYSIS

	2019	2020
NOI Margin	39.86%	48.35%
EBITDA Margin	132.38%	67%
Debt Ratio	24.1%	33.1%
Debt to Equity Ratio	30.61%	44.97%
Dividend Payout Ratio	20.49%	65.26%
Dividend Yield	2.79%	1.16%

THE YEAR IN BRIEF - KEY DEVELOPMENTS

The effects of COVID-19 continue to be felt around the world and across industries to include real estate. The impact varies and is dependent on factors such as business continuity plans, asset class and region. Fortunately, **KPREIT** has been able to skillfully manage the preservation of value, retention of tenants and the effective implementation of officially approved protocols

to enhance the safety of service providers, visitors and tenants.

- We offered competitive moratoria terms to clients in need of support particularly in the early stages of the pandemic. We are happy to report that nearly 100% of those who took up this offer were compliant by year end.
- The W Fort Lauderdale was closed for a period due to the pandemic resulting in early lease termination by the management company and higher than targeted vacancy. However, new tenant acquisition was a success and supported the maintenance of a good occupancy rate.

We reduced our Miami condo portfolio further allowing us to eliminate debt with our bankers in the US and increase our cash holdings for new property acquisitions and distribution to shareholders.

- During the year, a total of four (4) units were sold at Loft II as a part of the company's strategy to reduce holdings in the U.S. residential condo market while maintaining a high occupancy of about 76%. The lower level of occupancy in our units was as a result of nearly half of the units held being marketed for sale.
- One (1) unit located at the Opera Tower in Downtown Miami was sold during the year with the sale of another completed in January 2021. This property was also impacted by the pandemic resulting in the termination of the previous lease agreement with a short stay management company however a new tenant has been secured for the remaining unit.
- The Group sold the final of five (5) units located at Midblock in Midtown, Miami, an 11-floor boutique mid-rise building offering live-work lofts and townhome villas.

Resilience through sustainability and respect for the environment is a core part of the strategy in the management and maintenance of our properties. Sustainability by design is an urgent need in the present and a sure pathway to the future.

- In 2020, we upgraded the air conditioning system at Grenada Crescent to a new efficient VRF system to boost air handling and air quality in the building.
- There was also a portfolio-wide phasing out of conventional electrical lighting to Light-emitting diode (LED) across properties
- We also upgraded bathroom facilities with more efficient plumbing fixtures.

New Acquisitions Feature - The Harbour Centre (Cayman) & East Ashenheim Road (Jamaica).

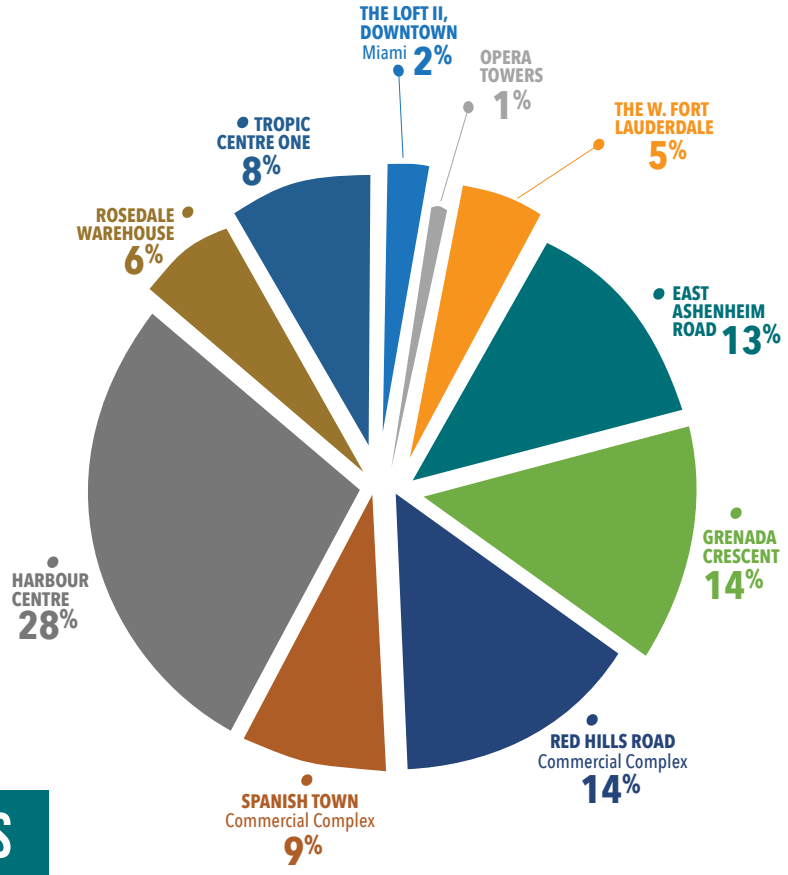
PROPERTY PORTFOLIO

The value of investment properties held as at December 31, 2019 and December 31, 2020 respectively were as follows:

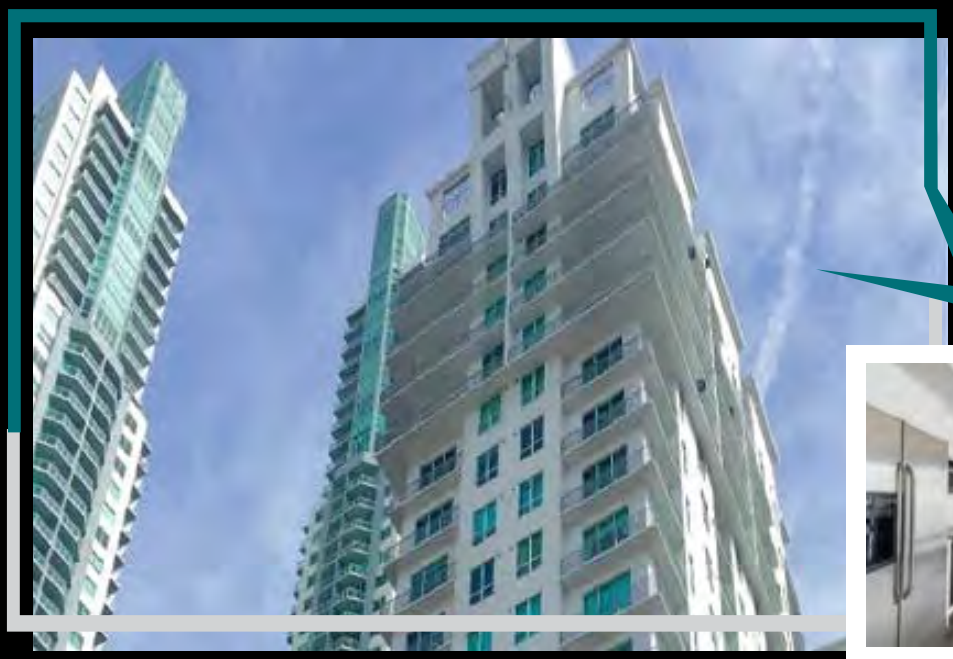
LOCATION	2019 US$'000	2020 US$'000
The Loft II, Downtown Miami	1,830	945
Midblock, Midtown Miami	368	-
Opera Tower	823	337
The W. Fort Lauderdale	1,876	1,785
East Ashenheim Road	-	4,820
Grenada Crescent	5,400	5,403
Red Hills Road Commercial Complex	5,104	5,520
Spanish Town Road Commercial Complex	3,300	3,300
Harbour Centre	-	10,770
Rosedale Warehouses	2,087	2,106
Tropic Centre One	3,152	3,142
Total	23,939	38,130

AERIAL VIEW OF THE PROPERTIES AT RED HILLS ROAD

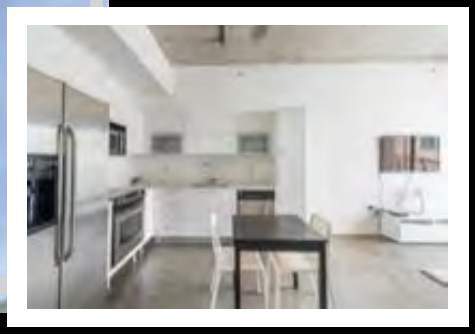
INVESTMENT PROPERTIES HELD
as at December 2020
(% weight by Value)



DETAILS OF PROPERTIES



FLORIDA, USA

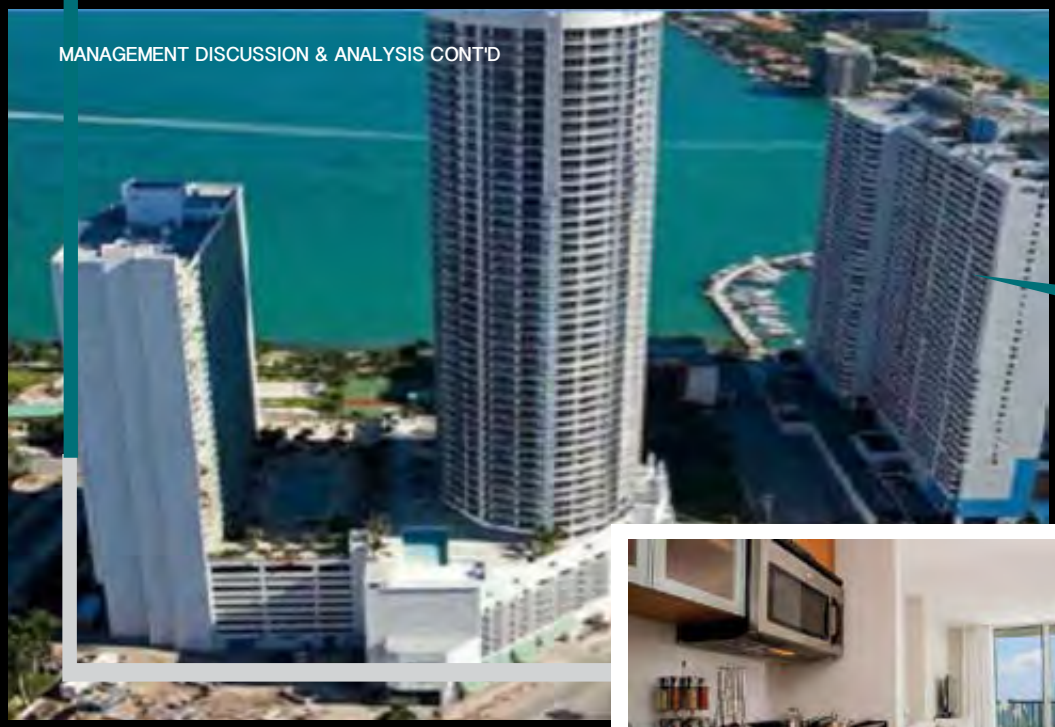


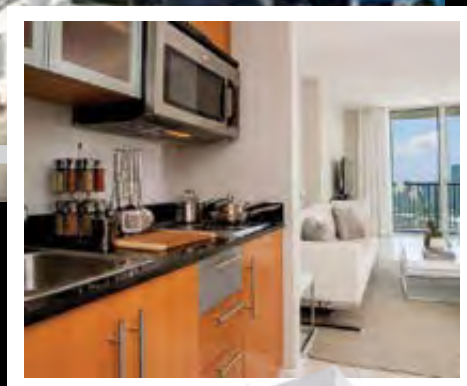
LOFT II BUILDING, DOWNTOWN MIAMI

The five (5) units held at the 36-floor **Loft II** building continue to attract stable tenancy with average occupancy for the year of approximately 82%. 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 five units represent a mix of one and two bedroom units on floors ranging from the 31st to 35th.

THE W FORT LAUDERDALE

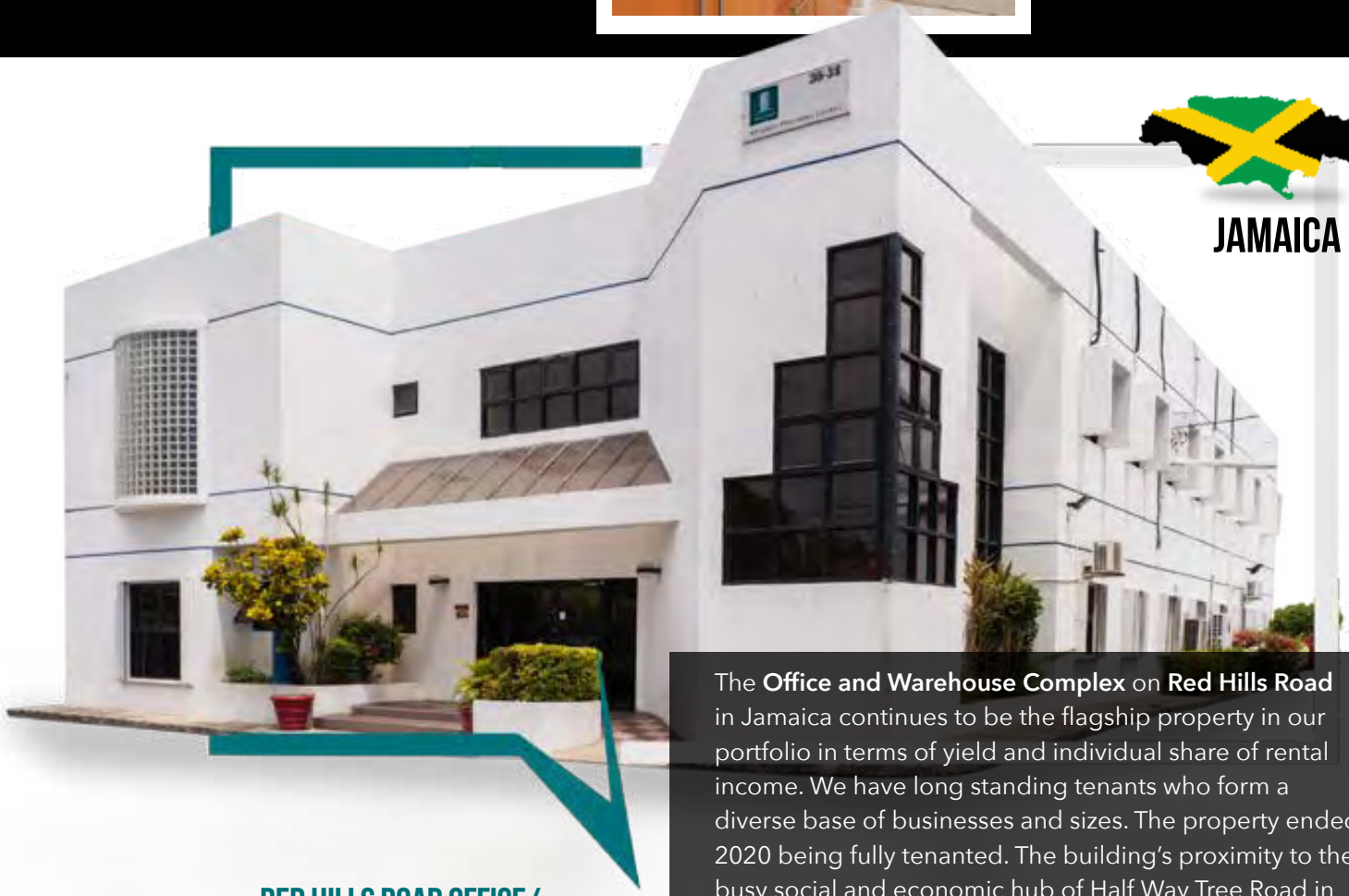
The property is considered a condo-tel comprising two buildings - a 517-room hotel and 171-unit condominium. **The W Fort Lauderdale** is a part of the Starwood Hotel Group and offers luxurious amenities to residents and guests. **KPREIT's** three units in this Condo-tel are now occupied by new tenants allowing for stable income flows despite the impact of COVID19 pandemic.





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. We currently own a 2 bedroom unit at this location.



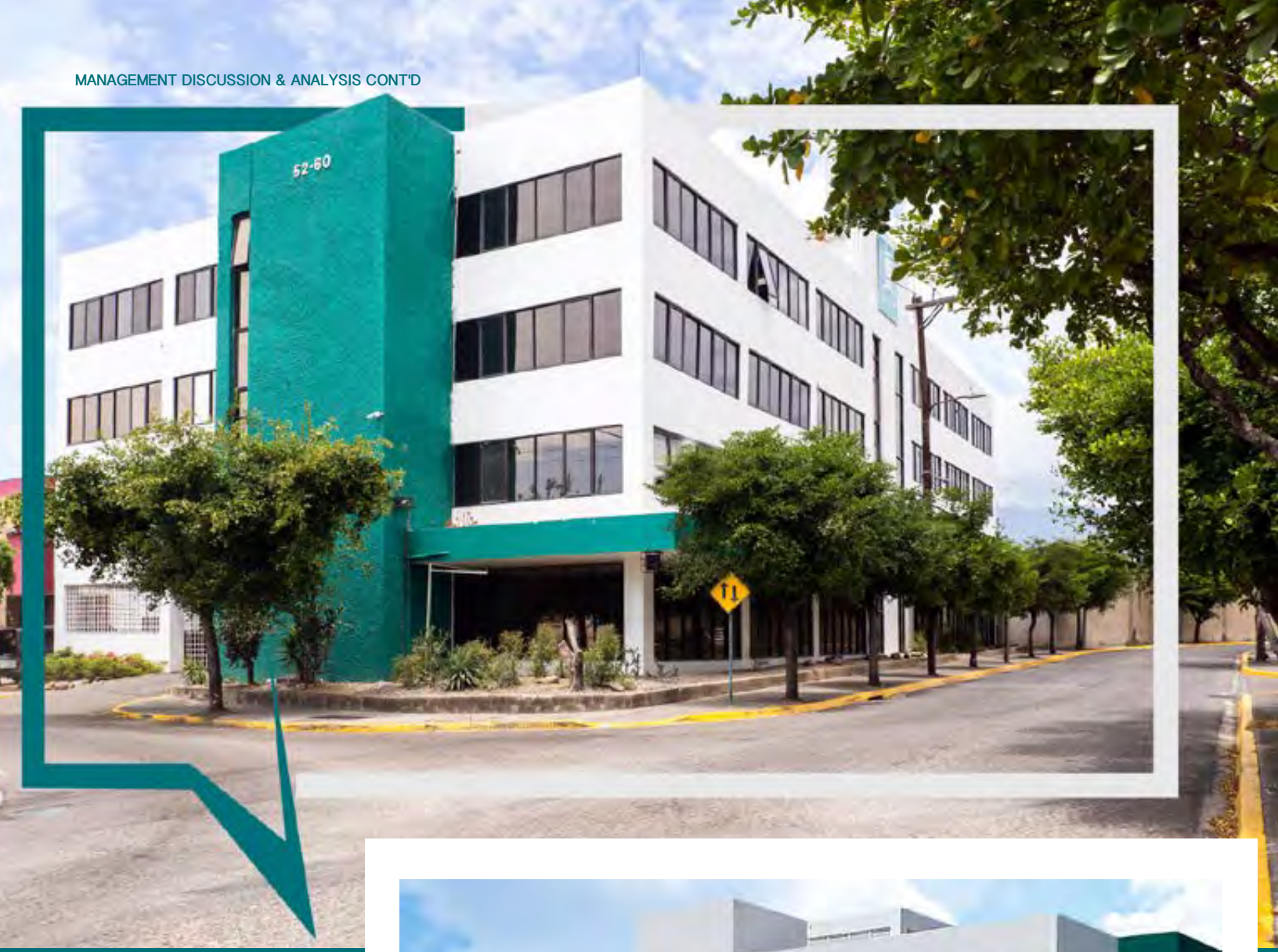
JAMAICA

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 long standing tenants who form a diverse base of businesses and sizes. The property ended 2020 being fully tenanted. The building's proximity to the busy social and economic hub of 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 the operators of manufacturing, distribution and logistics businesses that have a strong record of industry, performance and connections to the surrounding communities spanning decades. 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

Grenada Crescent Office Building Located in the heart of the New Kingston business district, this multi-story office building is fully tenanted and leased to primarily government entities. The building recently received a total upgrade to the air conditioning system and underwent extensive renovations to the building in preparation for a long-term lease.

EAST ASHENHEIM ROAD

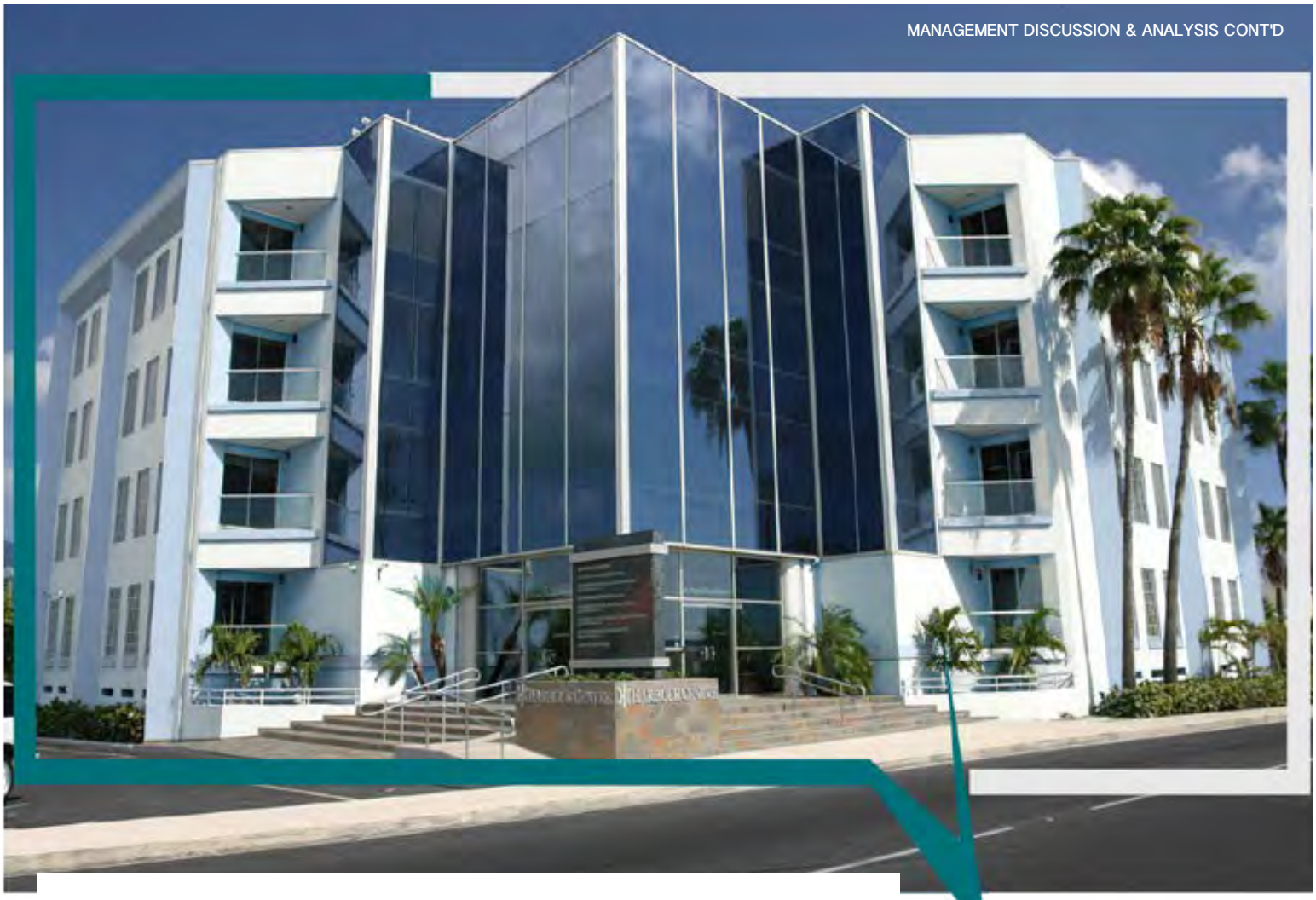
Acquired in August 2020, the **East Ashenheim Road** building with a total sq. ft. of approximately 88,000 is an industrial complex in close proximity to Kingston Wharf and along the capital city's industrial belt. Purchased with the intent to upgrade facilities, it is our first property which required extensive renovations. Renovation started during the year with improvements to roof and retrofitting the space to accommodate multiple tenants with other projects to come. The current tenants are in the manufacturing industry with strong prospects for full tenancy after the completion of infrastructure development work.

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. **Rosedale Warehouse** 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. There was no turnover of tenants at the property during the year and collections remained strong.

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. Due to the Cayman Islands' government's coronavirus containment measures and lockdown, businesses linked to the hospitality industry were significantly affected. While some tenants terminated their leases, we ended the year being back to full occupancy at the property.



HARBOUR CENTRE

The impressive **Harbour Centre** was acquired in July 2020 as a multi story office building totalling over 30,000 sq ft in George Town, Cayman Islands. This is the third acquisition in Cayman Islands since January 2017 and the largest single acquisition by **KPREIT** since inception. The building is fully tenanted and leased to firms in the following sectors: Banking and Funds Administration, Law, Real Estate Investment, Government and Retail.

ECONOMIC OVERVIEW

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

U.S. ECONOMY

According to the Bureau of Economic Analysis, the US economy grew by 33.4% in the third quarter of 2020 and 4.1% in the fourth quarter. Despite this growth, however, the economy shrank 3.5% on an annual basis, the most significant decline in 74 years. Compared to an increase of 2.2% in 2019. The decline experienced in 2020 came about because of the COVID-19 pandemic, which inflicted the worst economic freeze since the end of World War II, and left tens of millions of Americans jobless.

As a result, the unemployment rate peaked at an unprecedented level of 14.8% in April 2020, a level not seen since data collection started in 1948, before declining to a still-elevated level in December of 6.7%. Over the coming year, the national vaccination targets are on track and should see most citizens inoculated. This will facilitate the easing of some public health restrictions that would positively impact the economy's growth. Therefore, the Congressional Budget Office projects that the economic expansion that began in mid-2020 will continue. Real GDP is projected to return to its pre-pandemic level in mid-2021 and surpass its maximum sustainable level in early 2025.

JAMAICAN ECONOMY

As with most economies worldwide, the Jamaican economy has been significantly impacted by the effects of the COVID-19 pandemic. According to data provided by the IMF, the economy contracted by 8.6% in 2020, compared to a growth of 0.9% in 2019.

Inflation for the calendar year stood at 5.1%, up from an annual average of 3.6% in 2015-19 but still far below the average of 11.2% in 2004-14. This, however, is still within the central bank's target range of 4% to 6%. There was an overall downward trend in the value of the JMD against the USD for the twelve months ended December 2020, with the annual average weighted selling rate of the Jamaican dollar standing at J$143.27:US$1 and owing to supply shortages brought on by a significant reduction in tourist arrivals and increased demand stemming from a boom in online shopping. Tourism is Jamaica's largest earner of foreign exchange and the second-largest employer in the country. Before the pandemic, tourism in Jamaica had been on a strong growth trajectory with stay-over visitors arrivals rose to a record 2.68 million people in 2019, up by 8.4% from the previous year, causing total tourism revenues to increase over 10% y-o-y to US$3.64 billion. The tourism sector directly employs about 170,000 workers.

However, in the first ten months of 2020, tourist arrivals in Jamaica plunged by about two-thirds to just over 1.1 million visitors compared to the same period last year.

The unemployment rate suffered a deviation from its continued downward trajectory, going as high as 12.6% in July of 2020, before falling to 10.7%

QUICK FACTS:

U.S Luxury Condo transactions increased by: **1.6%** year-over-year to to 837 sales in 2020

In JAMAICA, the IMF data states the economy contracted by: **8.6%** in 2020

In CAYMAN ISLAND, ReMax data states that more than **$1.7BILLION** of new properties are currently in development or about to start construction.

in October of 2020, according to data provided by STATIN compared with 7.2% in October 2019. The IMF, however, is forecasting an increase in real GDP of 3.6% for the calendar year 2021, with a projected growth of 5.4% in the CPI. As a result, unemployment is expected to decline over time and, with continued initiatives brought on by the government, could return to pre-pandemic levels.

Last year, the Government of Jamaica (GoJ) unveiled an economic aid package worth $25 billion, the most significant fiscal stimulus in Jamaica's history, to cushion the impact of the pandemic. In May 2020, the IMF approved Jamaica's request for emergency financial assistance amounting to US$520 million under the Rapid Financing Instrument (RFI) to help meet the urgent balance of payments needs of the country arising from the health crisis.

Consequently, Jamaica is estimated to record a budget deficit of more than 3% of GDP in 2020, in sharp contrast to surpluses of 1.4% of GDP in 2019 and 1.3% in 2018. Government gross debt increased to more than 101% of GDP in 2020, up from 93.9% in 2019, but still far below the annual average of 136.5% from 2008 to 2015.

Despite this, both Standard and Poor's and Fitch Ratings recently affirmed their credit ratings for Jamaica at B+ but changed their outlook from stable to negative for S&P and from positive to stable for Fitch.

CAYMAN ISLANDS ECONOMY

The Cayman Islands economy contracted by an estimated 8.2% in the first nine months of 2020, as measured by the GDP in real terms. Indicators suggest that the contraction in economic activity for the first half of the year was broad-based with significant declines recorded in hotels and restaurants (-64.7%), other services (-25.8%), wholesale and retail trade (-12.4%), and transport, storage, and communication (-12.1%). The financing and insurance services sector, which remains the most significant contributor to GDP, decreased by an estimated 0.7% for the period.

Economic activity for the nine months was negatively impacted by the closure of Cayman's borders which began in the latter half of March 2020 and led to general declines in stay-over and cruise passenger arrivals. This contraction would have been more significant if it were not for an increase in domestic business activity during the third quarter due to the removal of some restrictions.

The central government recorded an overall surplus of CI$14.2 million in the first nine months of the year. This resulted from an 11.5% reduction in revenue to $604.6 million and a 7.8% increase in expenditure to $590.4 million. The central government's outstanding debt fell and stood at $261.4 million as at September 2020, lower than the $404.6 million recorded as at September 2019.

The Cayman Islands is one of the world's leading financial centres, offering a tax-free environment with no property, income, corporation, or capital gains taxes[1]. The unemployment rate stood at 3.5% as at fall 2019.

Benchmark interest rates continued its downward trend seen since August 2019 and has fallen to 3.25% p.a. as at March 2020 from 5.5% p.a. the previous year[2].

Prospects appear brighter for 2021 as tourism recovers and the government makes progress in restoring its reputation. The Government announced in early January 2021 that they anticipate being able to open Cayman's borders to stay-over tourists by the end of March. By then they anticipate that the most vulnerable and at-risk residents will have been vaccinated and in time herd immunity will develop. Government revenues went from $353 million in the first three months of 2020 to $23 million in April, while expenses climbed to $68 million. Despite the dramatic drop in Government revenues, the debt rating agency Moody's had maintained Cayman's AA3 rating in

April 2020, citing Cayman's 'prudent government planning' that has left them with the fiscal space to deal with the economic impact of the pandemic. Forecasts by the Cayman Islands Economics and Statistics Office show growth of 5.1% in 2021 and of 4.3% and 3.1% in subsequent years.

REAL ESTATE MARKET OVERVIEW

SOUTH FLORIDA REAL ESTATE MARKET

Miami existing condominiums posted the eleventh best sales year in history despite competing with Miami's multibillion dollar new condo construction market. A total of 13,095 existing condos were sold in 2020, a 7.2% decrease from 14,114 in 2019.

Lack of access to mortgage loans continues to inhibit further growth of the existing condominium market. Of the 9,307 condominium buildings in Miami-Dade and Broward counties, only 13 are approved for Federal Housing Administration loans, down from 29 last year, according to Florida Department of Business and Professional Regulation and FHA. Luxury condo transactions increased 1.6% year-over-year to 837 sales in 2020. Median sales prices for Miami Condos increased 10.2% from $245,000 to $270,000. The median number of days to contract for condominiums sold in 2020 was 72 days, a decrease of 6.5% from 77 days. The average percent of original list price received was 94.2%, a 0.6% year-over-year increase.

Looking at Florida's year-to-year comparison for sales of condo-townhouses, a total of 119,336 units sold state-wide in 2020, up 2.5% over 2019. The state-wide median price for condo-townhouse properties at the end of the year was $215,000, up 12% from year-end 2019.

Inventory for Miami existing condominiums at the end of 2020 stood at 11.8 months, which is down 5.6% from 12.5 months in 2019. Total active listings at the end of 2020 decreased 20.6% year-over-year, from 20,852 to 16,557. New listings of condominiums decreased 3.2%, from 26,241 to 25,400. Miami existing condo sales totalled 4,334 in 4Q 2020, up 23.1 % year-over-year. Florida's year-to-year comparison for sales of condo-town-houses, saw a total of 35,865 units sold state-wide in 4Q 2020, up 29.4% compared to the same period a year earlier.

JAMAICAN REAL ESTATE MARKET

Despite the chaos and disruptions that the COVID-19 pandemic has brought globally, Jamaica's housing market remains buoyant.The National Housing Trust (NHT), which leads the mortgage market with almost 50% market share, introduced special relief measures to continue to stimulate the housing market in the wake of the global pandemic.

These include:

- A reduction in interest rates on all new loans by 1%, effective April 1, 2020
- A reduction in interest rates on all existing NHT loans by 0.5%, benefitting around 100,000 households.
- Interest rate discounts to special groups, such as those mortgagors aged 55 and above, the disabled, as well as public sector workers.
- Greater benefits to NHT contributors over 65 years.

The Realtors Association of Jamaica (RAJ) claim that the demand for homes costing J$25 million

1. http://data.un.org/Data.aspx?q=Cayman&d=SNAAMA&f=grID%3A101%3BcurrID%3AUSD%3BpcFlag%3A1%3BcrID%3A136
2. http://www.ky.butterfieldgroup.com/Personal/Treasury_Services/Pages/PrimeRatesHistory.aspx

(US$ 174,800) and below have grown strongly in recent years, while houses worth above J$40 million (US$279,700) had the least growth. Demand remains stable for townhouses, apartments, and for properties in gated communities. Low mortgage rates and competition among mortgage providers have spurred home purchases. They further added that rents were under pressure. Small increases in housing rents in recent years have been offset this year due to the pandemic. In November 2020, housing rents fell by 2.3% from the previous month, following several months of steady rents, due to falling short-term rental demand, according to the consumer price index of the Statistical Institute of Jamaica.

The Statistical Institute of Jamaica (STATIN) has reported in its October 2020 Labour Force Survey that the 'Real Estate and Other Business Services' sector showed increased employment and that this was the only industry group to record growth for the period. STATIN, said that the workforce climbed by 11,100 persons, or 11 per cent, to 105,400[3].

STATIN also reported that the construction subsector grew by seven per cent during the July to September 2020 quarter, relative to the corresponding period last year. According to data from STATIN, the only subsectors recording growth in the goods producing industry were construction, agriculture, forestry and fishing. The goods producing industry on a whole however, declined by 3.5 per cent[4].

CAYMAN ISLANDS
REAL ESTATE MARKET

Despite the Island's tourism industry effectively shuttering, there is still international interest in Cayman's real estate market. Compared to the rest of the world, Cayman has fared remarkably well in containing the spread of the virus. Emergency pension withdrawals and international buyers boosted the local real estate industry in 2020. Even during the COVID-19 lockdown between March and June of last year, the property market generated US$77 million in sales.

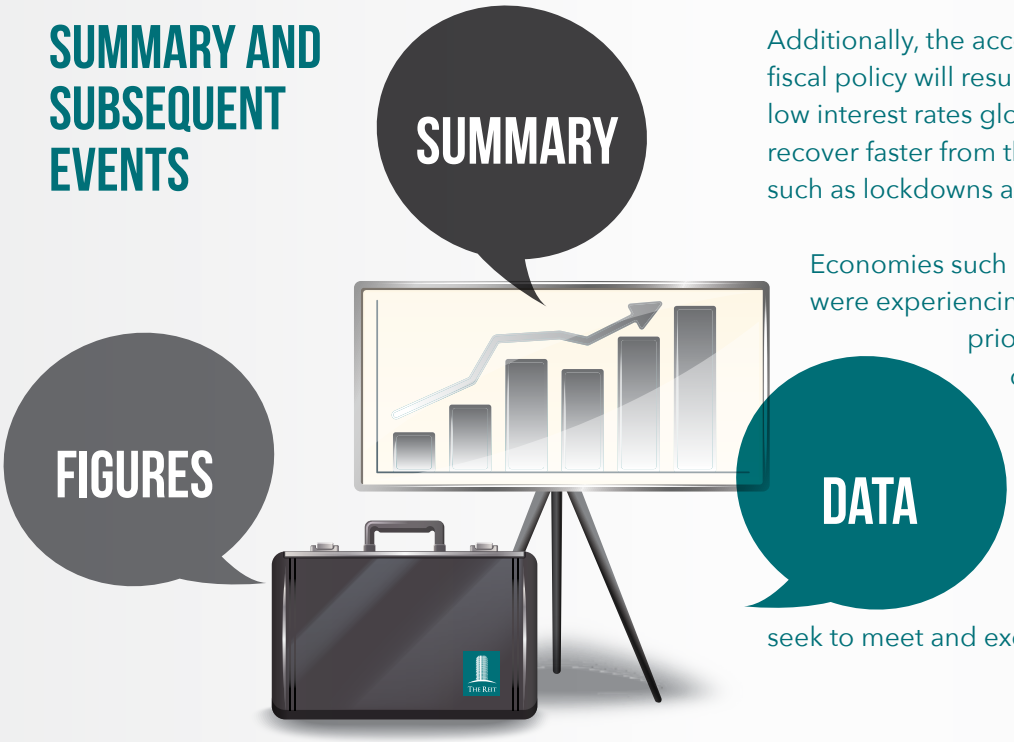
According to data provided by RE/MAX Cayman Islands. the total sales volume in 2020 increased by 4.3% to US$666.5 million, despite a 17.5% drop in the number of transactions, from 831 to 686.

This meant that the value of the average transaction grew significantly last year over 2019, from US$769,289 to US$971,546 – a 26.3% jump year on year. There was robust growth in the Cayman Islands real estate market in 2020 and it is expected to continue in 2021 as pending sales are up 91% to exceed US$140.8 million, primarily evidenced with condominium developments currently under construction. Based on CIREBA and Lands and Survey Department data, there were 206 fewer new properties listed for sale on the market last year than in 2019. The sales volume of these types of properties was down 4.5% and sales transactions declined by 13.6%. However, the 12-month average of active listings increased from 1,471 in 2019 to 1,540 last year. Most of these are residential condominiums. According to data from ReMax Cayman Islands, more than US$1.7 billion of new properties are currently in development or about to start construction. Property Cayman's data showed that 415 residential units were sold in 2020 at a sales value of US$503.3 million, or US$1.21 million per residential property.

[3] The Statistical Institute of Jamaica (STATIN) has reported in its October 2020 Labour Force Survey that the 'Real Estate and Other Business Services' sector showed increased employment and that this was the only industry group to record growth for the period. STATIN Director General, Carol Coy, said that the workforce climbed by 11,100 persons, or 11 per cent, to 105,400.

[4] STATIN is also reporting that the construction subsector grew by seven per cent during the July to September 2020 quarter, relative to the corresponding period last year. According to data from STATIN, the only subsectors recording growth in the goods producing industry were construction, agriculture, forestry and fishing. The goods producing industry on a whole however, declined by 3.5 per cent.

SUMMARY AND SUBSEQUENT EVENTS



Additionally, the accommodative nature of global fiscal policy will result in pro-longed periods of low interest rates globally to allow economies to recover faster from the containment measures such as lockdowns 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 always, we thank our shareholders and other stakeholders for your continued support as we seek to meet and exceed our corporate objectives.

The highlight for the year 2020 was the acquisition of Harbour Centre and the warehouse complex in Kingston's Industrial belt. Raising of approximately J$2.0 billion in 2019 allowed for the purchase of these properties, located in Jamaica and the Cayman Islands.

Additionally, the funds have been deployed for capital improvement projects at some of our properties and a portion set aside for future acquisitions.

We remain optimistic that the measures employed by most Governments in jurisdictions in which we own properties will help towards a more swift economic recovery and continued buoyancy of the real estate market.

EAST ASHENHEIM ROAD

Kevin Richards,
C.E.O
May 4, 2021

RISK MANAGEMENT

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

Having changed our functional currency to United States dollars in 2019, we still retain some potential currency exchange risk from transactions or earnings in currencies other than the US dollar. If we hold investments or other assets in currencies other than the US dollar, we will be subject to currency risks from the potential fluctuations in exchange rates between the US dollar and those currencies. 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 REPORT

SERVICE UNLOCKING HIGHER PURPOSE

> ***We understand that caring about the quality of life and experiences of our people, being conscious of our impact on the world around us, and making healthy profits are not mutually exclusive ideas. Our goal is to be a company constantly in growth while helping the people and communities we serve to grow.***
>
> -- Kevin Richards, **KPREIT** CEO

Kingston Properties Limited's approach to business has always been about using industry as a force for good. Our work transcends wealth creation to ensure that we have a positive impact on the daily lives of our clients and their communities.

Through corporate social responsibility (CSR), our mission is to merge profit with purpose to use our resources to create a more just, equitable and sustainable world. We believe that companies can do well and do good simultaneously regardless of size or industry.

CSR starts with a mindset of service firmly rooted in the **KPREIT** culture orienting all team members - from management to service providers - to understanding that doing good daily is a productive path to unlocking higher purpose both as people and as a company.

PEOPLE, PLANET, PROFIT

We work on several initiatives that align with our company goals and those of Jamaica, the Caribbean region and the world to help create a more peaceful and sustainable world.

PEOPLE

One of the easiest ways to be on the right side of history is to do the right thing proactively. **KPREIT** values people, period. Our commitment to enhancing the quality of people's lives has been a part of our core values from day one. It remains a crucial component in our operations and relationships with stakeholders. The work to bring out the best in people starts internally with the total support for the continuous development of our team members on the path to personal and professional excellence. A highly motivated team is the foundation for building solid

food and sanitization items and toiletries to satisfy basic nutritional and sanitation needs. The Social Development Commission (SDC) and Food for the Poor representatives assisted with objectively identifying those most in need as they work closely with the communities. We chose to make this donation to give back on a larger scale to the persons in the communities where our properties are located.

relationships with our stakeholders and communities, collaborating with trusted non-governmental organizations and registered community-based groups. One of our earliest projects was done in partnership with Half Way Tree CDC to sponsor their youth summer program, and since then, we have partnered with other CDCs. We have supported several youth groups and schools by sponsoring youth development programs, giving back to students with special needs and funding for the Red Hills Primary Breakfast program. We have also awarded scholarships to two top-performing students in the GSAT/PEP exams. We continue to explore new partnerships and initiatives to grow our impact.

Kevin Richards, C.E.O of **KPREIT**, presents a cheque to Craig Moss-Solomon, Executive Director of Operations of Food For the Poor. On the outer left is Tatesha Rowe Property and Administration Manager at **KPREIT** and outer right is Marsha Burrell-Rose Marketing Manager of Food For the Poor.

PROFIT - $1 million in Covid care packages

Each year, we set aside funding to support impactful initiatives with measurable outcomes. The COVID19 pandemic directly impacted our planned in-person outreach activities for 2020. However, we found new and innovative ways to continue the annual support to our communities.

This year's initiative saw the communities of Callaloo Mews and Red Hills Road as the primary beneficiaries of assistance due to the high number of vulnerable youth and seniors occupying these areas. These individuals have lost jobs or were self-employed and are currently unable to learn, earn or find new employment opportunities. The programme was designed to provide care packages that include but are not limited to

PLANET - A cleaner, greener world starts with us

Our operations both in-house and at our various properties are reviewed to improve energy conservation and sustainability. Team members and tenants alike are educated about the need to support the environmentally-friendly agenda toward green certification goals and a **"cleaner"** country and world. We continue to upgrade our facilities to remove and replace outdated equipment (air conditioning units, lighting etc.) to newer energy-efficient have units to reduce our collective carbon footprint. As we grow as a company and expand our property portfolio, we ensure that we assess assets to identify areas of improvement in energy efficiency and have been conducting the requisite upgrades on those properties.

Tatesha Rowe,
Property & Administration Manager
May 4, 2021

SHAREHOLDING REPORT

DIRECTORS AND CONNECTED PARTIES SHAREHOLDINGS REPORT
as at December 31, 2020

DIRECTORS	SHAREHOLDINGS	CONNECTED SHAREHOLDINGS
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
Gladstone "Tony" Lewar	Nil	Nil

SENIOR MANAGERS	SHAREHOLDINGS	CONNECTED SHAREHOLDINGS
Kevin Richards	794,635	Nil
Andray Francis	Nil	Nil
Tatesha Rowe -Fenekie Rowe	28,746 Nil	 30,000
Roxanne Kelly	Nil	Nil

TOP 10 SHAREHOLDERS FOR KINGSTON PROPERTIES LIMITED

as at December 31, 2020

	PRIMARY ACCOUNT HOLDER	VOLUME	PERCENTAGE
1	VMWEALTH PROPERTY FUND	236,283,759	34.87
2	PRIME ASSET MANAGEMENT JPS EMPLOYEES SUPERANNUATION FUND	138,584,772	20.45
3	PAM - COURTS (JAMAICA) PENSION PLAN	45,551,572	6.72
4	PAM - POOLED EQUITY FUND	41,096,639	6.06
5	PLATOON LIMITED	31,018,806	4.58
6	NATIONAL INSURANCE FUND	27,142,856	4.01
7	PAM-POOLED PENSION REAL ESTATE	25,800,681	3.81
8	GUARDIAN LIFE SHELTER PLUS FUND	20,680,000	3.05
9	SAGICOR LIFE- LASCELLES DEMERCADO DEFINED CONTRIBUTION FUND	17,793,565	2.63
10	GUARDIAN LIFE POOLED PENSION FUND	10,000,000	1.48

Total Issued Capital:	**677,662,399**
Total Units Owned by Top 10 Shareholders:	**593,952,650**
Total Percentage Owned by Top 10 Shareholders:	**87.65%**

CORPORATE DATA

BOARD OF DIRECTORS

- Garfield Sinclair *(Chairman)*
- Lisa Gomes *(Director)*
- Peter Reid *(Director)*
- Meghon Miller-Brown *(Director)* *(Resigned September 2020)*
- Nicole Foga *(Company Secretary)*
- Gladstone Lewars *(Director)*

REGISTERED OFFICE

7 Stanton Terrace,
Kingston 6, Jamaica

CORPORATE OFFICE

36-38 Red Hills Road,
Kingston 10, Jamaica

Tel: **(876) 754-7840 | 620-4920 | 620-4707**
International Line: **(305) 400-1447**
Website: **www.kpreit.com**
Email: **info@kpreit.com**

REGISTRAR & TRANSFER AGENT

- Jamaica Central Securities Depository

AUDITORS

- KPMG

ACCOUNTANTS

- Crichton Mullings & Associates PA - USA

ATTORNEYS-AT-LAW

- Francis Grey (Cayman Islands)
- Foga Daley (Jamaica)
- Hart, Muirhead, Fatta (Jamaica)
- Nunes, Scholfield, DeLeon & Co. (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

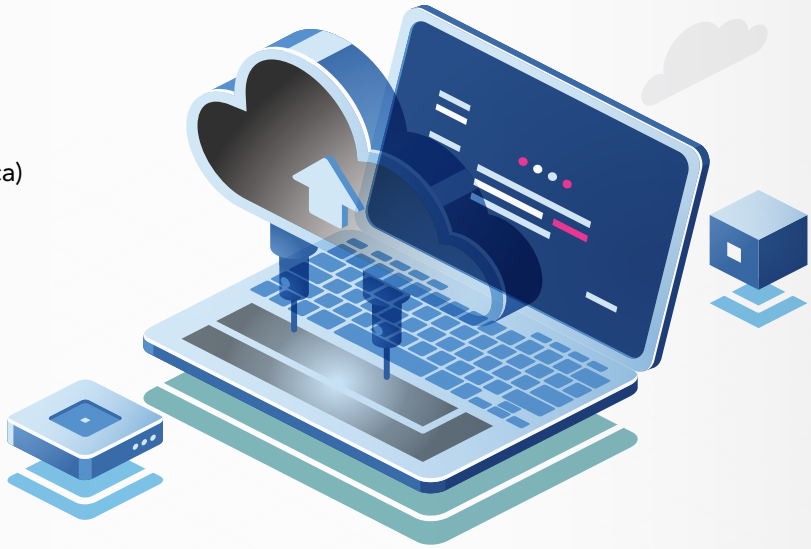
- **KPREIT**

EXCHANGE

- Jamaica Stock Exchange (Main Market)

INVESTOR RELATIONS OFFICER

Tatesha Rowe
Email: **info@kpreit.com**
Tel: **876-620-4707**



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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 64 to 104, which comprise the Group's and Company's statements of financial position as at December 31, 2020, 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, 2020, 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 International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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

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.*

Report on the Audit of the Financial Statements (Continued)

Other information

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

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

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

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

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 Karen Ragoobirsingh.

KPMG

Chartered Accountants
Kingston, Jamaica

March 1, 2021

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 judgement 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, actions taken to eliminate threats or safeguards applied.

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, 2020

(Expressed in United States Dollars unless otherwise stated)

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Revenue - rental income	4	2,130,727	1,690,138	651,372	608,007
Operating expenses	5	(1,100,482)	(1,016,341)	(508,151)	(452,383)
Results of operating activities before other income		1,030,245	673,797	143,221	155,624
Other income/(expenses):					
Increase in fair value of investment property	11(b)(i)	307,539	1,605,192	415,923	644,512
Increase in fair value of other investments		85,219	-	-	-
Loss on disposal of investment property		(78,392)	(107,565)	-	-
Management fees	6	69,673	62,994	69,673	62,994
Impairment (allowance)/reversal on financial assets	15,16	(2,991)	(9,481)	211,931	(86,071)
Miscellaneous income		3,136	12,478	155	882
Operating profit		1,414,429	2,237,415	840,903	777,941
Finance income	7	212,837	176,867	189,468	179,874
Finance costs	7	(1,029,919)	(415,729)	(619,677)	(266,751)
Net finance costs	7	(817,082)	(238,862)	(430,209)	(86,877)
Profit before income tax		597,347	1,998,553	410,694	691,064
Income tax credit/(charge)	8	15,378	200,821	(15,522)	-
Profit for the year, being total comprehensive income for the year	9	$ 612,725	2,199,374	395,172	691,064
Earnings per stock unit (USD)	10	$ 0.0009	0.0062		
Earnings per stock unit (JMD)	10	$ 0.1300	0.8310		

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

Kingston Properties Limited

STATEMENTS OF FINANCIAL POSITION

December 31, 2020

(Expressed in United States Dollars unless otherwise stated)

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
NON-CURRENT ASSETS					
Investment property	11	38,130,420	23,939,643	13,640,472	8,404,077
Investment in real estate fund	12	1,085,219	-	-	-
Restricted cash	17	482,134	122,296	2,134	2,296
Furniture and equipment	13	169,487	53,922	136,999	43,601
Investment in subsidiaries	14	-	-	14,585,395	5,222,543
Total non-current assets		39,867,260	24,115,861	28,365,000	13,672,517
CURRENT ASSETS					
Owed by subsidiaries	15	-	-	-	1,296,121
Investment property held-for-sale	11(g)	240,000	-	-	-
Receivables	16	595,223	642,894	346,316	139,900
Income tax recoverable		20,848	-	3,605	1,728
Cash and cash equivalents	17	4,871,737	15,169,168	684,039	14,393,240
Total current assets		5,727,808	15,812,062	1,033,960	15,830,989
Total assets		$45,595,068	39,927,923	29,398,960	29,503,506
EQUITY					
Share capital	18	25,316,779	25,319,010	25,316,779	25,319,010
Currency translation reserve		(1,488,861)	(1,488,861)	(4,153,262)	(4,153,262)
Retained earnings		6,688,638	6,475,764	3,322,979	3,327,658
Total equity		30,516,556	30,305,913	24,486,496	24,493,406
NON-CURRENT LIABILITIES					
Loans payable	20	12,788,595	8,615,999	4,202,695	4,262,282
Deferred tax liabilities	21	-	35,976	-	-
Total non-current liabilities		12,788,595	8,651,975	4,202,695	4,262,282
CURRENT LIABILITIES					
Current portion of loans payable	20	935,885	660,019	373,332	373,332
Owed to subsidiaries	15	-	-	218,139	241,449
Accounts payable and accrued charges	22	1,354,032	300,253	118,298	133,037
Income tax payable		-	9,763	-	-
Total current liabilities		2,289,917	970,035	709,769	747,818
Total liabilities		15,078,512	9,622,010	4,912,464	5,010,100
Total equity and liabilities		$45,595,068	39,927,923	29,398,960	29,503,506

The financial statements on pages **62** to **102** were approved for issue by the Board of Directors on March 1, 2021 and signed on its behalf by:

Garfield Sinclair
Chairman

Nicole Foga
Director/ Company secretary

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

Kingston Properties Limited

GROUP STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2020

(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, 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
Total comprehensive income 2020:					
Profit for the year, being total comprehensive income	-	-	-	612,725	612,725
Transactions with owners of the Company:					
Stock units repurchased	-	(2,231)	-	-	(2,231)
Stock units cancelled	(2,231)	2,231	-	-	-
Dividends declared (note 23)	-	-	-	(399,851)	(399,851)
Total transactions with owners of the Company	(2,231)	-	-	(399,851)	(402,082)
Balances at December 31, 2020	$25,316,779	-	(1,488,861)	6,688,638	30,516,556

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

Kingston Properties Limited

SEPARATE STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2020

(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, 2018	10,939,563	(4,172)	3,087,203	(4,153,262)	9,869,332
Profit for the year, 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
Profit for the year, being total comprehensive income	-	-	395,172	-	395,172
Transactions with owners of the Company:					
Stock units repurchased	-	(2,231)	-	-	(2,231)
Stock units cancelled	(2,231)	2,231	-	-	-
Dividends declared (note 23)	-	-	(399,851)	-	(399,851)
Total transactions with owners of the Company	(2,231)	-	(399,851)	-	(402,082)
Balances at December 31, 2020	$25,316,779	-	3,322,979	(4,153,262)	24,486,496

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

Kingston Properties Limited

STATEMENTS OF CASH FLOWS

Year ended December 31, 2020

(Expressed in United States Dollars unless otherwise stated)

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Cash flows from operating activities					
Profit for the year		612,725	2,199,374	395,172	691,064
Adjustments for:					
Income tax (credit)/charge	8	(15,378)	(200,821)	15,522	-
Depreciation	13	13,119	8,452	9,337	6,875
Interest income	7	(212,837)	(23,265)	(189,468)	(23,265)
Interest expense	7	458,444	400,305	105,676	262,207
Increase in fair value of investments	11(b)(i)	(307,539)	(1,605,192)	(415,923)	(644,512)
Increase in fair value of investments in real estate fund		(85,219)	-	-	-
Loss on disposal of investment property		78,392	107,565	-	-
Impairment loss/(reversal) on financial assets	15,16	2,991	9,481	(211,931)	86,071
		544,698	895,899	(291,615)	378,440
Changes in:					
Receivables		44,350	(276,278)	(209,593)	(104,554)
Accounts payable and accrued charges		39,481	33,781	(9,043)	(4,942)
Income tax paid		(51,209)	(50,516)	(17,399)	(43,018)
Owed by subsidiaries		-	-	244,940	187,676
Owed to subsidiaries		-	-	(23,310)	(219,293)
Net cash provided/(used) by operating activities		577,320	602,886	(306,020)	194,309
Cash flows from investing activities					
Additional invested capital in subsidiary	14	-	-	(8,101,065)	-
Interest received		213,167	20,603	193,970	20,603
Additions to property and equipment	13	(130,185)	(16,643)	(102,735)	(15,554)
Additions to investment property	11(b)(i)	(15,613,817)	(2,188,694)	(4,820,472)	(98,220)
Proceeds of disposal of furniture and equipment		1,501	3,265	-	-
Proceeds of disposal of investment property		1,412,187	1,164,359	-	-
Net cash used in investing activities		(14,117,147)	(1,017,110)	(12,830,302)	(93,171)
Cash flows from financing activities					
Interest paid		(438,608)	(402,451)	(105,834)	(262,207)
Dividends paid		(405,389)	(436,848)	(405,389)	(436,848)
Loans received		5,928,233	3,161,126	-	-
Loans repaid		(1,479,771)	(2,218,643)	(59,587)	(337,950)
Restricted cash		(359,838)	75,635	162	77
Treasury shares		(2,231)	(1,988)	(2,231)	(1,988)
Issuance of share capital		-	14,385,607	-	14,385,607
Net cash provided/(used) by financing activities		3,242,396	14,562,438	(572,879)	13,346,691
Net (decrease)/increase in cash and cash equivalents		(10,297,431)	14,148,214	(13,709,201)	13,447,829
Cash and cash equivalents at beginning of year		15,169,168	1,020,954	14,393,240	945,411
Cash and cash equivalents at end of year	17	$ 4,871,737	15,169,168	684,039	14,393,240

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2020

(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; and its wholly-owned subsidiary Kingston Properties Miami LLC, incorporated in Florida under the Florida Limited Liability Company Act

(ii) 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").

New and amended standards and interpretations that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to *References to Conceptual Framework in IFRS Standards* 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 means 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 previously.

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

(a) Statement of compliance (continued)

New and amended standards and interpretations that became effective during the year (continued):

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

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

- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

New and amended standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Group has not early-adopted. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The Group does not expect the amendment to have a significant impact on its financial statements.

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

(a) Statement of compliance (continued)

New and amended standards and interpretations that are not yet effective (continued):

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments,* IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.

  (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 *Leases* amendments removes the illustration of payments from the lessor relating to leasehold improvements.

  (iii) The amendments to IAS 41 *Agriculture* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*.

  The Group does not expect the amendments to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

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

(a) Statement of compliance (continued)

New and amended standards and interpretations that are not yet effective (continued):

- Amendments to IAS 1 *Presentation of Financial Statements*, (continued)

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.
  The Group does not expect the amendment to have a significant impact on its financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment property and investment in real estate fund which are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in United States dollars ($), the Group's functional currency, unless otherwise indicated.

(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.

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 11(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 Deferment rules, under which the Group is allowed to sell investment property and reinvest the proceeds in ownership of like-kind property, and thereby defer the capital gains taxes.

3. Significant accounting policies

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.

(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.

3. Significant accounting policies (continued)

(f) Related parties (continued)

(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.

(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.

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.

3. Significant accounting policies (continued)

(g) Foreign currencies (continued)

(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.

(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.

3. Significant accounting policies (continued)

(h) Impairment of financial assets (continued)

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, investment in real estate fund, 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.

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.

3. Significant accounting policies (continued)

(i) Financial instruments (continued):

Financial assets (continued)

Classification and subsequent measurement (continued)

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.

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(h)].

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.

3. Significant accounting policies (continued)

(i) Financial instruments (continued):

Financial liabilities (continued)

Derecognition

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

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.

(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.

3. Significant accounting policies (continued)

(k) Income tax (continued)

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

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

A deferred tax asset is recognised only to the extent that management can demonstrate that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current and deferred tax assets and liabilities are offset in the statement of financial position if they apply to the same tax authority.

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

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

(i) Identify a replacement property within 45 days.

(ii) Exchange the property the earliest of:

(a) 180 days after it sells the relinquished property

(b) The due date of the income tax return that would include the property sale.

(iii) Not receive cash from the sale prior to the exchange. It may use a qualified intermediary to hold such cash prior to the exchange.

(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.

3. Significant accounting policies (continued)

(l) Furniture and equipment (continued)

(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.

(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:

3. Significant accounting policies (continued)

(o) Revenue recognition (continued)

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.

(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.

4. Rental income

Rental income represents gross revenues from investment properties owned by the Group in Jamaica, Cayman Islands and United States.

5. Expense by nature

	Group		Company	
	2020	2019	2020	2019
Accounting fees	4,400	4,350	-	-
Audit fees (note 9)	60,521	67,350	33,688	35,868
Bank charges	3,779	2,371	741	872
Brokers fees	66,705	30,251	-	10,360
County and state taxes	93	1,820	-	-
Depreciation (note 9)	13,119	8,452	9,337	6,875
Directors' fees	47,450	35,850	23,725	17,925
Employers' taxes	29,100	20,142	29,100	20,142
Homeowners' Association fees	177,702	200,210	-	-
Insurance	86,179	73,466	42,889	33,184
Professional fees	34,358	99,719	19,547	40,281
Property taxes	108,302	122,343	6,074	6,343
Regulatory fees and charges	17,833	20,531	17,833	20,531
Management fees	19,276	20,871	-	-
Repairs and maintenance	28,352	22,928	-	143
Salaries and related costs	308,741	210,511	274,957	210,511
Utilities	5,069	3,817	1,399	1,489
Other operating expenses	89,503	71,359	48,861	47,859
	$1,100,482	1,016,341	508,151	452,383

6. Management fees

This represents fees charged by the Company against the Common Area Maintenance Accounts of the investment properties located in Jamaica only. These properties located in Jamaica are managed directly by the Company.

7. Net finance costs

	Group		Company	
	2020	2019	2020	2019
Finance income:				
Interest income	212,837	23,265	189,468	23,265
Foreign exchange gains	-	153,602	-	156,609
Total finance income carried forward	$212,837	176,867	189,468	179,874

7. Net finance costs (continued)

	Group		Company	
	2020	2019	2020	2019
Total finance income brought forward	$ 212,837	176,867	189,468	179,874
Finance costs:				
Foreign exchange losses	(522,753)	-	(507,837)	-
Interest expense	(458,444)	(400,305)	(105,676)	(262,207)
Commitment fees	(48,722)	(15,424)	(6,164)	(4,544)
Total finance costs	(1,029,919)	(415,729)	(619,677)	(266,751)
Net finance costs	$(817,082)	(238,862)	(430,209)	(86,877)

8. Income tax (credit)/charge

(a) Taxation comprises:

	Group		Company	
	2020	2019	2020	2019
(i) Current income tax expense:				
Income tax at 25%	-	14,099	-	-
Income tax at 1%	5,076	1,040	-	-
Under-provision of income tax	15,522	-	15,522	-
	20,598	15,139	15,522	-
(ii) Deferred income tax expense:				
Origination and reversal of temporary differences (note 21)	(35,976)	(215,960)	-	-
Total income tax (credit)/charge	$(15,378)	(200,821)	15,522	-

(b) Reconciliation of actual tax expense:

The tax rate for the Company is 25% (2019: 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% (2019: 21%).

The actual tax charge for the year is as follows:

	Group		Company	
	2020	2019	2020	2019
Profit before income tax	$597,347	1,998,553	410,694	691,064
Computed "expected" tax expense at Jamaican tax rate of 25%	149,338	499,638	102,674	172,766
Effect of different tax rates in foreign jurisdictions	(118,660)	199	-	-
Fair value gains disallowed	(84,766)	(434,510)	(103,981)	(161,128)
Balance carried forward	(54,088)	65,327	(1,307)	11,638

8. Income tax (credit)/charge (continued)

(b) Reconciliation of actual tax expense (continued)

	Group		Company	
	2020	2019	2020	2019
Balance brought forward	(54,088)	65,327	(1,307)	11,638
Depreciation and capital allowances	(149,654)	(281,395)	(71,618)	(27,965)
Prior year under accrual	15,522	-	15,522	-
Disallowed expenses/(income), net	102,412	(25,186)	36,335	(22,276)
Utilised tax losses	70,430	40,433	36,590	38,603
Actual tax (credit)/charge	$(15,378)	(200,821)	15,522	-
Effective rate of tax	(2.57%)	(10.05%)	3.78%	0%

(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 $387,099 for the Company and $1,025,427 for the Group (2019: $240,741 for the Company and $728,408 for the Group).

9. Profit for the year

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

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Auditors' remuneration (note 5)	60,521	67,350	33,688	35,868
Key management personnel				
Compensation	227,617	147,066	227,617	147,066
Directors' remuneration:				
fees (note 5)	47,450	35,850	23,725	17,925

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

10. Earnings per stock unit

The earnings per stock unit is computed by dividing the profit for the year of $612,725 (2019: $2,199,374), attributable to the Company's stockholders, by a weighted average number of stock units issue during the year, determined as follows:

10. Earnings per stock unit (continued)

	2020	2019
Ordinary stock units at January 1	677,713,643	321,992,668
Effect of repurchasing stock units	(48,855)	(125,057)
Effect of rights issue - bonus element	-	9,654,349
Effect of rights issue - effect without bonus element	-	23,713,427
	677,664,788	355,235,387
Weighted average number of ordinary stock units held during the year	677,664,788	355,235,387
Earnings per stock unit (USD)$	$ 0.0009	0.0062
Earnings per stock unit (JMD)	$ 0.1300	0.8310

11. Investment property

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

	Group		Company	
	2020	2019	2020	2019
Loft II, Miami condominiums	945,087	1,829,803	-	-
Midblock Miami condominiums	-	368,000	-	-
W. Ft. Lauderdale condominiums	1,785,000	1,876,500	-	-
Opera Tower Miami condominiums	337,592	822,377	-	-
Red Hills Road Commercial Complex	5,520,000	5,104,077	5,520,000	5,104,077
Spanish Road Commercial Complex	3,300,000	3,300,000	3,300,000	3,300,000
East Ashenheim Road	4,820,472	-	4,820,472	-
Tropic Centre	3,142,000	3,152,000	-	-
Grenada Crescent	5,403,093	5,400,000	-	-
Rosedale Warehouses	2,106,562	2,086,886	-	-
Harbour Centre	10,770,614	-	-	-
	$38,130,420	23,939,643	13,640,472	8,404,077

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

	Group		Company	
	2020	2019	2020	2019
Balance as at beginning of year	23,939,643	20,620,680	8,404,077	7,661,345
Additions during the year	15,613,817	2,188,694	4,820,472	98,220
Disposals during the year	(1,490,579)	(474,923)	-	-
Transfers to held-for-sale [see note 11(g)]	(240,000)	-	-	-
Fair value gains	307,539	1,605,192	415,923	644,512
Balance at end of year	$38,130,420	23,939,643	13,640,472	8,404,077

11. Investment property(continued)

(b) (Continued)

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

Valuation techniques and significant unobservable inputs:

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

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment approach: The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream. 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.	• Expected market rental growth • Yields • Rental rates	The estimated fair value would increase/(decrease) if: • Expected market rental growth were higher (lower); The occupancy rate were higher (lower) • Rent-free periods were shorter (longer); or • Yields were lower (higher)
Sales comparison approach: The approach relies heavily upon the principle of substitution. Recent sales of similar properties are gathered and a meaningful unit of comparison is developed. A comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics.	• Sales of similar properties	The estimated fair value would increase/(decrease) if: • Sales prices of similar properties were higher/(lower)
Income approach: This approach converts anticipated annual net income into an indication of value. This process is called capitalisation, and involves multiplying the annual net income by a factor or dividing it by a rate that weighs such considerations such as risk, time, and return on investment.	• Annual net income	The estimated fair value would increase/(decrease) if: • Annual net income was higher/(lower) • Capitalisation multiple was higher/(lower)

11. Investment properties (continued)

(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;
- 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 valuators, NAI Jamaica Langford and Brown.

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

(iv) The condominiums located at Loft II and Opera Tower Miami were revalued by Laroucca Appraisals Inc. between December 12-28, 2018. W. Ft. Lauderdale was revalued by Laroucca Appraisals Inc. on December 30, 2020.

(v) Tropic Centre was revalued by independent valuators, DDL Studio Limited, of the Cayman Islands as at December 15, 2020.

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

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

(e) Property operating expenses are as follows:

	Group		Company	
	2020	2019	2020	2019
Homeowners' association fees	177,702	200,210	-	-
Insurance premiums	86,179	73,465	42,889	33,184
Property taxes	108,302	122,343	6,074	6,343
Professional fees	34,358	99,719	19,547	40,281
Repairs and maintenance	28,352	22,928	-	143
Management fees	19,276	20,871	-	-
	$454,169	539,536	68,510	79,951

11. Investment properties (continued)

(f) A total of 6 residential condominiums located in Miami and Fort Lauderdale, Florida were sold during the year (2019: 5). Of the number of properties sold in 2019, three were classified as held for sale in 2018.

(g) At the end of the year the following properties were held-for-sale:

	Group	
	2020	2019
Opera Tower Miami condominium	$240,000	-

This represents one residential condominium comprising 821 square feet in the Opera Tower building located at 1750 N Bayshore Dr, Miami, Florida. This was subsequently sold in January 2021.

12. Investment in real estate fund

During the year the company invested in 1,000,000 units in the CGI Fund I. The fund is managed by CGI Investment Management LLC and is measured at fair value.

The fair value measurement of the fund has been categorised as a level 3 fair value and The following table summarises the valuation techniques and significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Range of input
Income capitalisation approach	• Overall capitalization rate • Discount rate • Term • Terminal capitalisation rate • Growth rate	5.25-8.0% 7.5-7.75% up to 10 years 5.5-6.5% 2.0-3.0%

13. Furniture, software and equipment

	Group			Company		
	Office furniture & equipment	Computer software	Total	Office furniture & equipment	Computer software	Total
Cost						
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	(6,405)	-	(6,405)	-	-	-
December 31, 2019	81,239	4,977	86,216	68,987	1,777	70,764
Additions	55,805	74,380	130,185	28,355	74,380	102,735
Disposals	(1,652)	-	(1,652)	-	-	-
December 31, 2020	135,392	79,357	214,749	97,342	76,157	173,499

13. Furniture, software and equipment (continued)

	Group			Company		
	Office furniture & equipment	Computer software	Total	Office furniture & equipment	Computer software	Total
Depreciation						
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	(3,140)	-	(3,140)	-	-	-
December 31, 2019	28,329	3,965	32,294	26,398	765	27,163
Charge for year	12,439	680	13,119	8,657	680	9,337
Disposals	(151)	-	(151)	-	-	-
December 31, 2020	40,617	4,645	45,262	35,055	1,445	36,500
Net book value						
December 31, 2020	$94,775	74,712	169,487	62,287	74,712	136,999
December 31, 2019	$52,910	1,012	53,922	42,589	1,012	43,601
December 31, 2018	$47,858	1,138	48,996	33,784	1,138	34,922

14. Investment in subsidiaries

	Company	
	2020	2019
Carlton Savannah Reit (St. Lucia) Limited		
Amount paid for shares	2,209,246	2,209,246
Additional investment capital [see (i) below]	8,101,065	-
Funds borrowed [see (ii) below]	(2,444,043)	(2,444,043)
	7,866,268	(234,797)
Kingston Properties Miami LLC [see (iii) below]		
Loan	3,102,985	1,841,198
KP (Reit) Jamaica Limited [see (iv) below]	3,616,142	3,616,142
	$14,585,395	5,222,543

(i) During the year, the Company invested an additional $8,101,065 in Carlton Savannah Reit (St. Lucia) Limited for the purpose of acquiring investment propertis in the region.

(ii) The funds borrowed 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.

(iii) 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.

(iv) 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

	Company	
	2020	2019
Owed by subsidiaries:		
Kingston Properties Miami LLC [see note (i)]	-	1,453,940
Less: allowance for ECL [see note (iv)]	-	(205,414)
	-	1,248,526
Carlton Savannah Reit (St.Lucia) [see note (ii)]	-	52,787
Less: allowance for ECL [see note (iv)]	-	(5,192)
	-	47,595
	$ -	1,296,121
Owed to subsidiaries:		
KP (Reit) Jamaica Limited [see note (iii)]	$ 218,139	241,449

(i) This represented 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 the outstanding balance was converted to investment in subsidiary.

(ii) This represented an amount advance to Carlton Savannah Reit (St. Lucia) Limited to assist in the purchase of an investment property. During the year the outstanding balance was converted to investment in subsidiary.

(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.

	Company	
	2020	2019
Balance at January 1	210,606	126,954
Net remeasurement of allowance for ECL	(210,606)	83,652
Balance at December 31	$ -	210,606

16. Receivables

	Group		Company	
	2020	2019	2020	2019
Rent receivable	104,844	46,680	69,826	10,783
Less impairment loss	(30,381)	(27,390)	(1,992)	(3,317)
Net rent receivable	74,463	19,290	67,834	7,466
Withholding tax recoverable	58,248	36,177	21,954	113
Security deposits	11,747	20,109	565	608
Proceeds due on sale of investment property	-	325,891	-	-
Prepayments	29,264	23,555	3,636	2,104
Other receivables	421,501	217,872	252,327	129,609
	$595,223	642,894	346,316	139,900

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

	Group		Company	
	2020	2019	2020	2019
Balance at January 1	27,390	17,909	3,317	898
Net remeasurement of allowance for ECL	2,991	9,481	(1,325)	2,419
Balance at December 31	$30,381	27,390	1,992	3,317

17. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
Current accounts	1,785,665	7,762,384	686,173	6,866,456
Securities purchased under resale agreements	3,568,206	7,529,080	-	7,529,080
	5,353,871	15,291,464	686,173	14,395,536
Less: Restricted cash	(482,134)	(122,296)	(2,134)	(2,296)
	$4,871,737	15,169,168	684,039	14,393,240

As at December 31, 2020 and 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

	2020	2019
Authorised capital:		
1,000,000,000 (2019: 1,000,000,000) ordinary stock units of no par value		
Issued and fully paid:		
677,662,399 (2019: 677,713,643) ordinary stock units	$25,316,779	25,319,010

During the year, the capital was reduced to reflect cancellation of 51,244 stock units, which were bought back. 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 50,000 (2019: 47,537) stock units at a cost of $2,231 (2019: $1,988). At December 31, 2020 the Company held Nil (2019: Nil) of its stock units.

20. Loans payable

	Group		Company	
	2020	2019	2020	2019
Terrabank N.A. (i)	56,231	1,293,497	-	-
RBC Royal Bank (ii)	9,092,222	3,346,907	-	-
First Caribbean International Bank (Jamaica) Limited (FCIB) (iii)	4,576,027	4,635,614	4,576,027	4,635,614
Total bank loans at year end	13,724,480	9,276,018	4,576,027	4,635,614
Less current portion	(935,885)	(660,019)	(373,332)	(373,332)
Non-current portion	$12,788,595	8,615,999	4,202,695	4,262,282

(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%.

The loans are secured by a first mortgage on ten (10) condominium units, being one (1) residential unit located at 3250 NE 1st Avenue in Miami, Florida and nine (9) residential condominiums at The Loft located at 135 NE 2nd Avenue, Miami, Florida. During the year, $1,270,509 was a repaid and the remaining balance fully paid in January 2021.

(ii) This represents three loans of $6,000,000, $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 loans of $6,000,000 and $1,550,000 is to finance the purchase of a new commercial property.

20. Loans payable (continued)

(ii) (Continued)

The loans are for a duration of fifteen (15) years at interest rates of 3 % and 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.

The company requested and was granted a moratorium on principal and interest payments on two loans from April 24, 2020 until September 24, 2020. At the end of the moratorium period, accrued interest was capitalised and added to the outstanding principal balance. The maturity dates on the loan was extended by six months to February 24, 2026 and April 30, 2029 respectively, and the outstanding balance was re-amortized over the remaining term.

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 liabilities

The balances and movements on deferred tax are as follows:

	Group				
	Balance at December 31, 2018	Recognised in profit or loss (note 8)	Balance at December 31, 2019	Recognised in profit or loss (note 8)	Balance at December 31, 2020
Investment property	$(251,936)	215,960	(35,976)	35,976	-

22. Accounts payable and accrued charges

	Group		Company	
	2020	2019	2020	2019
Accounts payable	4,103	19,430	2,679	18,878
Accounting and audit fees	60,931	62,093	31,983	36,270
Dividends payable	14,120	19,658	14,120	19,658
Subscription [see (i)]	1,000,000	-	-	-
Other payables and accrued charges	121,358	91,947	34,867	34,163
Security deposits held	153,520	107,125	34,649	24,068
	$1,354,032	300,253	118,298	133,037

(i) The Group subscribed for units in a real estate fund operating in the USA during the year. As at December 31, 2020, the subscription amount was unpaid. The obligation was settled in January 2021.

23. Dividends

	Group and Company	
	2020	2019
$0.00059 (2019: $0.0014) per share	$399,851	450,609

The Company paid a dividend of $0.00059 (2019: $0.00062) per share unit on August 10, 2020 as the first interim dividend for 2020 and a second interim dividend for 2020 of $Nil (2019: $0.00078) per unit.

24. Segment reporting

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

24. Segment reporting (continued)

	2020				
	Jamaica $	United States of America $	Cayman Islands $	Elimination $	Group $
External revenue	969,710	326,038	834,979	-	2,130,727
Operating expenses	(600,402)	(351,692)	(148,388)	-	(1,100,482)
Results of operating activities before other income	369,308	(25,654)	686,591	-	1,030,245
Other income/expenses:					
Fair value gain/(loss) on revaluation of investment property	415,923	(98,384)	(10,000)	-	307,539
Loss on disposal of investment property	-	(78,392)	-	-	(78,392)
Fair value gain on investment	-	85,219	-	-	85,219
Management fees	69,673	-	-	-	69,673
Impairment reversal/(loss) on financial assets	213,802	(6,241)	-	(210,552)	(2,991)
Miscellaneous income	2,573	563		-	3,136
Interest income	190,402	-	22,435	-	212,837
Interest expense and commitment fees	(255,780)	(80,709)	(170,677)	-	(507,166)
Net loss on translation of foreign currency balances	(522,753)	-	-	-	(522,753)
Profit/(loss) before tax	483,148	(203,598)	528,349	(210,552)	597,347
Income tax (credit)/charge	(15,522)	35,976	(5,076)	-	15,378
Profit/(loss) after tax	467,626	(167,622)	523,273	(210,552)	612,725
Segment assets	35,206,375	4,841,159	23,795,111	(18,247,577)	45,595,068
Segment liabilities	(4,967,745)	(5,216,631)	(18,230,627)	13,336,491	15,078,512
Other segment items:					
Capital expenditure	4,719,855	11,201	10,786,863	-	15,517,919
Depreciation	9,337	1,771	2,011	-	13,119

	2019				
	Jamaica $	United States of America $	Cayman Islands $	Elimination $	Group $
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/(loss) 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)/reversal 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 gain/(loss) on translation of foreign currency balances	161,487	-	-	(7,885)	153,602

24. Segment reporting (continued)

	2019				
	Jamaica $	United States of America $	Cayman Islands $	Elimination $	Group $
Profit/(loss) before tax	2,740,529	(926,875)	102,167	82,732	1,998,553
Income tax (credit)/charge	(14,099)	215,960	(1,040)	-	200,821
Profit/(loss) 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

During the year, revenue from two (2019: two) customers of the Group represented approximately $401,517 or 18% (2019: $428,846 or 25%) of the Group's total revenue.

25. 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.

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.

25. Financial instruments and financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risks (continued)

(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.

(iv) Investment in real estate fund 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 counterparty 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).

The following table provides information about the exposure to credit risk and ECLs for rent receivable as at December 31, 2020.

	2020			
	Group			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	00.00%	73,145	-	No
31-60 days past due	24.25%	1,740	422	No
More than 60 days past due	100.00%	29,959	29,959	Yes
		104,844	30,381	

25. Financial instruments and financial risk management

(a) Credit risk (continued)

Expected credit loss assessment (continued)

Trade receivables (continued):

	2019 Group			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	29.59%	22,254	6,716	No
1-30 days past due	41.40%	6,134	2,541	No
31-60 days past due	57.03%	370	211	No
More than 150 days past due	100.00%	17,922	17,922	Yes
		46,680	27,390	

	2020 Company			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	0.00%	67,834	-	No
More than 60 days past due	100.00%	1,992	1,992	Yes
		69,826	1,992	

	2019 Company			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	26.73%	9,459	2,561	No
1-30 days past due	33.95%	860	292	No
More than 150 days past due	100.00%	464	464	Yes
		10,783	3,317	

25. Financial instruments and financial risk management (continued)

(a) Credit risk (continued)

Expected credit loss assessment (continued)

Cash and cash equivalents and securities purchased under resale agreements:

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

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

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

Related party balances:

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

(b) Liquidity risk

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

The Group is not subject to any externally imposed liquidity requirements and there has been no change in the Group's approach to managing its liquidity risk during the year.

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

	Group 2020				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over 12 months
Loans payable	13,724,480	15,357,371	435,832	1,042,032	13,879,507
Accounts payable and accrued charges	1,354,032	1,354,032	1,354,032	-	-
	$15,078,512	16,711,403	1,789,864	1,042,032	13,879,507

25. Financial instruments and financial risk management (continued)

(b) Liquidity risk (continued)

	Group 2019				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over12 months
Loans payable	9,276,018	11,387,291	274,681	817,524	10,295,086
Accounts payable and accrued charges	300,253	300,253	92,225	208,028	-
	$9,576,271	11,687,544	366,906	1,025,552	10,295,086

	Company 2020				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over 12 months
Loans payable	4,576,027	3,704,198	151,208	447,148	3,105,836
Owed to subsidiaries	218,139	218,139	218,139	-	-
Accounts payable and accrued charges	118,298	118,298	118,298	-	-
	$4,912,464	4,040,635	487,645	447,148	3,105,836

	2019				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over12 months
Loans payable	4,635,614	5,869,443	156,276	462,309	5,250,858
Owed to subsidiary	241,449	241,449	241,449	-	-
Accounts payable and accrued charges	133,037	133,037	64,212	68,825	-
	$5,010,100	6,243,929	461,937	531,134	5,250,858

There has been no change in the Group's exposure to liquidity risk or the manner in which it measures and manages risk.

(c) Market risk

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

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

(i) Foreign currency risk

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

25. Financial instruments and financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

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

	Group		Company	
	2020	2019	2020	2019
	JMD	JMD	JMD	JMD
Foreign currency assets:				
Cash	27,290,419	901,567,696	24,458,451	898,919,201
Receivables	45,328,929	17,970,677	42,250,673	14,448,833
Securities purchased under resale agreements	-	800,000,000	-	800,000,000
	72,619,348	1,719,538,373	66,709,124	1,713,368,034
Foreign currency liabilities:				
Payables and accrued charges	(17,046,110)	(7,593,098)	(9,164,547)	(6,792,691)
Net foreign currency assets	$55,573,238	1,711,945,275	57,544,577	1,706,575,343

Sensitivity to foreign exchange rate movements

A 6% (2019: 6%) weakening of the Jamaica dollar against the United States dollar at December 31, 2020 would have decrease the profit of the Group and the Company by $22,199 (2019: $510,191) and $22,986 (2019: $508,590), respectively. The analysis assumes that all other variables, in particular, interest rates, remain constant.

A 4% (2019: 4%) strengthening of the Jamaica dollar against the United States dollar at December 31, 2020 would have increase the profit of the Group and the Company by $16,341 (2019: $765,286) and $16,920 (2019: $762,886) respectively, on the basis that all other variables remain constant.

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

	Average rate		Reporting date spot rate			
	2020	2019	2020		2019	
			Buying	Selling	Buying	Selling
	JMD	JMD	JMD	JMD	JMD	JMD
United States Dollar (US$)	143.27	134.22	140.77	142.65	129.79	132.57

(ii) Interest rate risk

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

25. Financial instruments and financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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.

There has been no change in the Groups's exposure to market risk or the manner in which it measures and manages risk.

26. 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.

27. 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.

28. Impact of Covid-19

The World Health Organisation in March 2020 declared the novel coronavirus, COVID-19, as a global pandemic. A number of measures to reduce the spread of the virus have been implemented in the countries where the Group operates, and these measures have had adverse economic effects on the financial operations of some stakeholders. The Group has therefore implemented measures to minimise the impact of the pandemic on its operations.

Based on management's assessment the Group has not been significantly impacted as there were no changes to existing rent agreements due to the global pandemic, no significant revenue fallout or rent concessions and the Group continued its expansion strategy by increasing its investment property portfolio during the year. The Group continues to experience great resilience in its operations with higher than expected occupancy and significant growth in Group revenues.

Management believes that although it may take a while to return to full normalcy, having assessed the COVID-19 impact and various possible outcomes, all necessary measures are in place to ensure the continuity of the Group.

29. Subsequent events

Increase in authorised share capital

At an Extra-ordinary General Meeting held on February 23, 2021, the Company's ordinary shareholders approved a resolution to increase the number of authorised ordinary shares from 1,000,000,000 to 2,000,000,000. None of the additional shares were issued as at the date of these financial statements, however at the said meeting, the shareholders approved the raising of additional capital by way of an Additional Public Offer.

Declaration of dividends

At the Board of Directors meeting held January 26, 2021, the Company declared a final dividend for 2020 of US$0.000664 per share amounting to US$450,000. The dividend is payable on March 11, 2021 to shareholders on record as at February 10, 2021 and the ex-dividend date is February 9, 2021.

Kingston Properties Limited

OPERATING EXPENSES

Year Ended December 31, 2020
(Expressed in United States Dollars unless otherwise stated)

	Group		Company	
	2020	2019	2020	2019
Accounting fees	4,400	4,350	-	-
Advertising and promotion	10,628	6,714	10,628	6,714
Audit fees	60,521	67,350	33,688	35,868
Bad debt	-	9,036	-	-
Bank charges	3,779	2,371	741	872
Broker fees	66,705	30,251	-	10,360
Business licences and permits	6,496	6,038	-	-
Computer and internet expenses	12,014	4,249	10,739	3,749
Courier	4,754	4,414	4,754	4,334
County and state taxes	93	1,820	-	-
Depreciation	13,119	8,452	9,337	6,875
Development	540	2,272	540	2,272
Directors' fees`	47,450	35,850	23,725	17,925
Donations	6,953	2,420	6,953	2,420
Dues and subscription	3,920	2,481	2,631	1,100
Employers' taxes	29,100	20,142	29,100	20,142
General expense	5,324	2,683	1,811	1,491
Homeowners' Association fees	177,702	200,210	-	-
Hotel fees	-	1,500	-	-
Insurance	86,179	73,465	42,889	33,184
Management fees	19,276	20,871	-	-
Meals and entertainment	2,045	3,370	2,045	2,752
Meeting expenses	2,107	1,994	2,107	1,994
Office supplies	1,402	2,371	1,324	2,250
Penalties	1,557	14,626	74	13,713
Postage and delivery	173	296	1	251
Printing and reproduction	3,420	1,817	3,420	1,708
Professional fees	34,358	99,719	19,547	40,281
Property taxes	108,302	122,343	6,074	6,343
Regulatory fees and charges	17,833	20,531	17,833	20,531
Repairs and maintenance	28,352	22,928	-	143
Salaries and related costs	308,741	210,511	274,957	210,511
Strata fees	26,339	928	-	-
Telephone & answering services	1,731	1,078	1,731	1,078
Travel accommodations	99	3,073	99	2,033
Utilities	5,070	3,817	1,403	1,489
	$1,100,482	1,016,341	508,151	452,383

NOTES

FORM OF PROXY

I/We _____

of _____

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

or failing him or her _____

of _____

as my/our proxy to vote on my/our behalf at the Annual General Meeting of **Kingston Properties Limited** to be held in the Leeward Suite, Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 on **Wednesday, July 14, 2021** at **10:00 a.m** and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Accounts **Resolution 1:** "THAT the Audited Accounts for the Year Ended December 31, 2020 along with the reports of Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted."		
2. To ratify Interim Dividend **Resolution 2:** "THAT the interim dividend of US$0.00059 per share paid on August 10, 2020, be and is hereby declared as final for the year ended December 31, 2020".		
3. To elect Directors **a)** The Directors retiring by rotation in accordance with Article 107 of the Company's Article of Incorporation are Mr. Garfield Sinclair and Mr. Gladstone Lewars who being eligible for re-election offer themselves for re-election. **Resolution 3:** "THAT Garfield Sinclair retiring by rotation, be and is hereby re-elected."		
Resolution 4: "THAT Gladstone Lewars retiring by rotation, be and is hereby re-elected."		
(b) Mr Phillip Silvera was appointed a Director of the Company on January 1, 2021. In accordance with Article 105 of the Company's Articles of Incorporation, his appointment expires on the date of the Annual General Meeting and being eligible, offers himself for election. **Resolution 5:** "THAT Phillip Silvera, retiring pursuant to Article 105 of the Company's Articles of Incorporation, be and is hereby elected."		
(c) On the Recommendation of the Board of Directors, Mr. Rezworth Burchenson who is eligible, offers himself for election as a Director. **Resolution 6:** "THAT Rezworth Burchenson be and is hereby elected."		
4. To authorize the Directors to fix the remuneration of the Auditors **Resolution 7:** "THAT KPMG having signified their willingness to continue in office as Auditors, the Directors be and are hereby authorized to agree to their remuneration in respect of the period ending with the next Annual General Meeting."		

Dated this _____ day of _____ 20 _____

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

THE REIT

KINGSTON PROPERTIES LIMITED

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info@kpreit.com | www.kpreit.com

YOU HAVE A RESPONSIBLITY ....KEEP SAFE