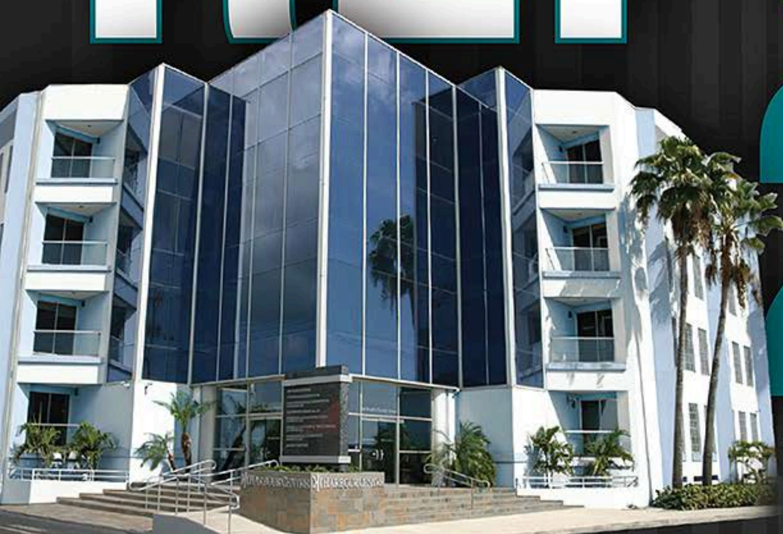
THE REIT

KINGSTON PROPERTIES LIMITED

ANNUAL REPORT 2021



"The Gateway to Global Real Estate Investing"

THE REIT

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CORPORATE PROFILE

Kingston Properties Limited (KPREIT) is the premier publicly traded real estate investment company listed on the Jamaica Stock Exchange (JSE). **Kingston Properties Limited** specializes in value-add commercial property investments in the office, industrial, multi-family, and mixed-use space with properties in Jamaica, The Cayman Islands and The United States of America. 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 distribute those gains through consistent and stable dividends.

THE COMPANY HAS FIVE WHOLLY-OWNED SUBSIDIARIES:

i) Kingston Properties (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.

iii) KP Dumfries Limited, incorporated in Jamaica on February 16, 2021 under the Companies Act.

iv) On December 29, 2021 KPREIT (St. Lucia) Limited was incorporated in St. Lucia but did not commence operation until January 2022.

The Group owns properties in Jamaica, the Cayman Islands and the United States of America as set out in the Property Portfolio on page **47.**

From its outset, the Board and Management adopted the tenets of a real estate investment trust (REIT) and, although the Company has, over the years, lobbied for the enactment of REIT legislation in Jamaica, this has not been a reality. It has, however, continued to embrace global best practices in the management of the Company, adopting 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.

KINGSTON PROPERTIES LIMITED
THE REIT

MISSION

Our Mission is to generate extraordinary returns for our shareholders through the acquisition, development, leasing and management of real estate, executed by our talented, committed team, in a socially and environmentally responsible way.

VISION

To be readily recognized as the pioneering REIT in the Caribbean known for creating exceptional and sustainable value for our stakeholders.

CORE VALUES

- **INTEGRITY:** Our word is our bond.
- **ACCOUNTABILITY:** We take responsibility for our actions and results; we place the interests of our stakeholders first.
- **RESULTS-DRIVEN:** We are focused on achieving success; we pursue excellence in everything we do.
- **INNOVATION:** We find new and better ways to solve problems and achieve results; we stretch beyond our perceived abilities to attain success.

GROUP STRUCTURE

KINGSTON PROPERTIES LIMITED
THE REIT

100% WHOLLY OWNED
KP (REIT) JAMAICA LIMITED

100% WHOLLY OWNED
KP (REIT) (ST. LUCIA) LIMITED

100% WHOLLY OWNED
KINGSTON PROPERTIES (ST. LUCIA) LIMITED

100% WHOLLY OWNED
KINGSTON PROPERTIES MIAMI, LLC

100% WHOLLY OWNED
KP DUMFRIES LIMITED

As at December 31, 2021

CORPORATE OBJECTIVE

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

The core areas of focus are:

A. **INVESTMENT MANAGEMENT**
B. **PROPERTY MANAGEMENT**
C. **BUSINESS STRATEGY**

INVESTMENT MANAGEMENT

We continue to adopt and implement nimble investment strategies to satisfy our target returns while balancing the overall risk of the portfolio. Diversification of the portfolio of assets to minimize the impact of country and sector risk is a tool used to boost returns and tax efficiency risk. Various factors determine asset selection and retention, including:

1. **Properties with strong, consistent cash flows;**
2. **Properties located in markets with sound fundamentals; and,**
3. **Tenants with strong credit histories.**

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

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

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

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

Finally, Deal Review and Final Approval is an important component of the investment management process. The Investment Committee reviews each deal taking into consideration the impact on the Company's financial and prudential ratios. The Committee, only when satisfied, makes recommendations to the Board for final approval.

PROPERTY MANAGEMENT

The Property Management process is a key component in our mission to create and maintain shareholder wealth. This involves the engagement of a team with overall responsibility for lease administration and oversight as well as day to day property management activities of the Company's portfolio.

The administration of leases involves rental negotiations and collections, common area maintenance and fee collection and management of rent and maintenance escrow accounts. The team also engages in insurance negotiations and payments, property tax compliance and liaison with maintenance and service crews to ensure proper upkeep of our properties. This team oversees the marketing function, ensuring that our properties are leased at optimal rents and occupancy levels to meet the financial targets of the portfolio.

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

For data collection and analysis, the Company uses industry software ***Rent Manager*** - a residential and commercial property management solution designed specifically to help real estate professionals work more efficiently and effectively. ***Rent Manager*** includes a completely integrated accounting system that offers General Ledger, Accounts Payable, Accounts Receivable, Budgeting, and Financial Reports that integrate seamlessly with a property management software system. For our multi-tenant residential properties in Florida, efficient rent collection and processing are a priority. The ***PayLease*** software allows for electronic rent collection and is a very cost-effective way to ensure timely collection thus avoiding delays in rent payments.

Management of our residential property portfolio involves us consistently screening prospective tenants. The software,

Advantage Tenant is a screening tool that utilizes US nationwide data that helps us to fast track our approval process, an important competitive edge in a fast-paced rental market.

Property Management also involves control of repair and maintenance expenses while ensuring the highest level of tenant relations.

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

BUSINESS STRATEGY

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

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

Acquisition Strategy
We pursue a focused acquisition strategy geared at acquiring discounted properties with above-average yields supported by detailed research and analysis of markets, valuation comparables and cash flow models. In the same vein, we 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, as well as other financing structures.

Shared Risk
We adopt a model that allows us to share the risk of deals through partnerships and joint-venture opportunities. This facilitates participation in larger sized deals while minimizing risk.

Capacity Building
We maintain a continued focus on building capacity in the organization through developing networks of real estate professionals, not just in sourcing properties, but in the management of them. This also extends to building capacity in the area for the structuring of deals in overseas markets, developing capacity and identifying training programmes to better equip the team in fulfilling our mission.

NOTICE OF THE 14th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **14th Annual General Meeting** of **KINGSTON PROPERTIES LIMITED** will be held at the **Terra Nova All Suite Hotel, 17 Waterloo Road, Kingston 10** in the parish of St Andrew in Jamaica on **28th June, 2022** at **10:00 a.m.** for the following purposes:

ORDINARY BUSINESS

1. To Receive the Audited Accounts for the year ended December 31, 2021 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, 2021 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$0.000664 per share paid on March 11, 2021 and US$0.000664 per share paid on August 23, 2021, be and is hereby declared as final for the year ended December 31, 2021".

3. **To Elect Directors**

   (a) The Directors retiring by rotation in accordance with Article 107 of the Company's Article of Incorporation are Mr. Peter Reid and Mrs. Lisa Gomes 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 Peter Reid retiring by rotation, be and is hereby re-elected."

   Resolution 4: "THAT Lisa Gomes retiring by rotation, be and is hereby re-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 5: "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."

SPECIAL BUSINESS

5. **To Amend the Articles of Incorporation by Special Resolution**

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

Resolution 6:

"THAT pursuant to section 10 of the Companies Act, the Articles of Incorporation of the Company be altered by inserting after "director" in Article 1, the following definition:

"Electronic Means" shall include technology utilized by multipurpose devices, scanning devices, mobile devices, computers or other automated or photographic devices, as well as webcasting, teleconferencing, videoconferencing, live stream or broadcast or a combination of these."

Resolution 7:

"THAT pursuant to section 10 of the Companies Act, the Articles of Incorporation of the Company be altered by inserting after Article 56, the following Article to be numbered 56A:

"56A.

(1) Subject to the approval of a simple majority of the Directors and in so far as permitted by law, the Company may in lieu of holding a physical meeting, convene and hold a meeting of its members as a:

(a) hybrid meeting; or

(b) virtual meeting,

and shall be so identified in the notice convening such a meeting.

(2) For the purpose of these Articles:

(a) a "hybrid meeting" means a meeting held at one or more physical venue, as well as virtually, using any technology that gives members and Directors not physically in attendance at any of the venue a reasonable opportunity to attend and participate by Electronic Means; and

(b) a "virtual meeting" means a meeting held at no physical venue that gives members and Directors, the reasonable opportunity to attend and participate by Electronic Means; and

(3) Notwithstanding anything to the contrary in these Articles, the notice of a virtual meeting need not specify a place as a physical location but shall include an electronic or virtual location or details sufficient to facilitate the attendance by members at an electronic or virtual location and such a meeting shall be recorded as held in Jamaica. The notice of a hybrid meeting shall specify a physical location as well as an electronic or virtual location.

(4) If the Company holds a hybrid meeting it shall have power to limit the number of persons in attendance at any physical venue to such number as is reasonable in all the circumstances.

(5) Where the Company holds a hybrid meeting or a virtual meeting, the use of Electronic Means for the purpose of enabling members to attend and participate in such meetings may be made subject only to such requirements and restrictions as are:

(a) necessary to ensure the identification of the members of the Company, and the security of the electronic communication;

(b) necessary to provide reasonable evidence of the entitlement of any person, who is not a member, to attend such meeting; and

(c) proportionate to achievement of these objectives.

(6) The right of a member to attend a hybrid meeting or a virtual meeting may be exercised by the member's proxy. Notwithstanding anything to the contrary contained in these Articles, a proxy form may be returned to the Company by Electronic Means, and this shall be deemed as deposited for the purpose of Article 69 and valid, provided that the Company acknowledges receipt of same and is able to identify that the proxy has been duly stamped in accordance with the applicable law.

(7) A member who participates or votes electronically in a hybrid meeting or a virtual meeting, is deemed to be present in person at the general meeting and shall count to constitute a quorum and a member who casts a vote, electronically shall be deemed to have voted in person. Any hybrid meeting or virtual meeting is deemed to have been convened and held in Jamaica and shall be governed by the laws of Jamaica.

(8) Any failure of technology or any failure or inability of a member to attend or remain in a meeting held in accordance with these Articles as a result of a mistake or of events beyond the control of the Company shall not constitute a defect in the calling of such a meeting and shall not invalidate any resolutions passed or proceedings taking place at that meeting provided that a quorum is present at all times."

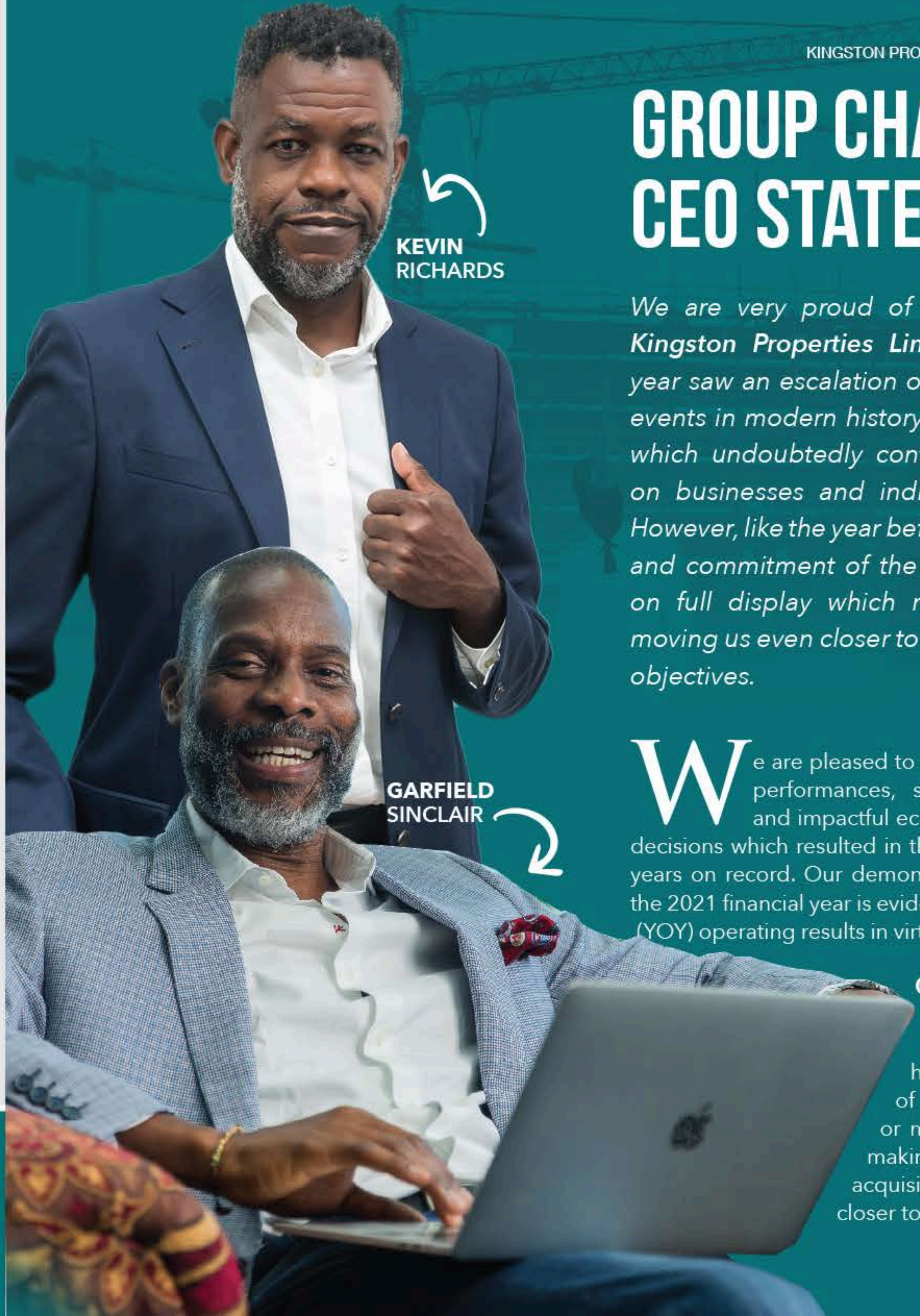
By Order of the Board of Directors

Nicole Foga
Company Secretary

Registered Office:
7 Stanton Terrace
Kingston 6, Jamaica

May 30, 2022

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 forty-eight hours before the time appointed for holding the meeting.



GROUP CHAIRMAN & CEO STATEMENT

We are very proud of the achievements of the ***Kingston Properties Limited*** *team in 2021. This year saw an escalation of one of the most defining events in modern history, the COVID-19 pandemic, which undoubtedly continued to have an impact on businesses and individuals across the world. However, like the year before it, we saw the resilience and commitment of the* ***Kingston Properties*** *team on full display which resulted in record results, moving us even closer to achieving our key strategic objectives.*

We are pleased to report a year of record financial performances, strategic property acquisitions and impactful economic, social, and governance decisions which resulted in the group having one of its best years on record. Our demonstrated strong performance for the 2021 financial year is evidenced by improved year on year (YOY) operating results in virtually every area of the business.

GOING FOR GROWTH

As we continue to move towards our strategic target of having one million square feet of real estate under ownership or management, 2021 saw us making several calculated acquisitions that brought us closer to this goal.

A 13 month J$700-million bridge loan obtained from Victoria Mutual Investments Limited gave us the financial capital to make strategic acquisitions in several markets which are in line with our goal to exponentially grow the business and increase our portfolio to 1 million square feet.

This year, we moved into a new territory in the United States of America - Atlanta, Georgia. In partnership with experienced real estate developers, Apex Development Group LLC (Apex) and Treevita Holdings LLC (Treevita), we acquired a 155-unit multi-family property called Polaris at Camp Creek, providing another value-add opportunity for us to expand our portfolio and bring our shareholders and stakeholders into new realms. The property has been undergoing phased improvements to attract new tenants in a market that has seen an average of 5% annual rent growth.

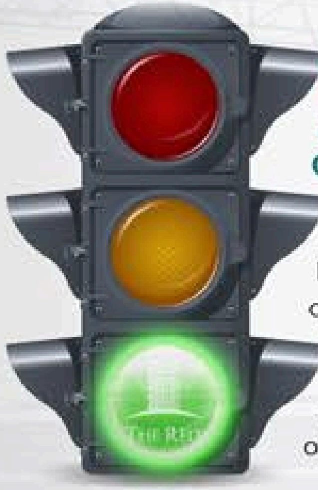
We also entered into a US$3.13-million agreement with a developer to acquire three of four pre-construction units in a mixed-use development in the Cayman Islands' industrial belt called Gum Tree 5. This development is slated to be completed by the end of 2022. Our other 2021 acquisitions include a property on Dumfries Road in Kingston, Jamaica which will be developed into a multi-storey mixed-use office building, and a warehouse and office property on the Spanish Town Road industrial corridor. We also acquired a key Cross Roads, Kingston development site that will be developed to house small bay warehouse units, something that is very sought after in the area. Also, in 2021, we disposed of 6 condo units in Miami, Florida.

It is through strategic acquisitions like these that, despite the global challenges of 2021, the company increased the value of its investment properties and real estate partnerships almost four-fold since 2015 to US$47 million.

Despite the obvious global economic challenges of 2021, our properties remained almost fully occupied during the period, with rental income remaining consistent largely due to the quality and concentration of our tenant base. Twenty-six per cent of our tenants are firms that provide financial services, 19% provide government services and the remaining tenants are largely from the manufacturing and distribution industries. These groups and industries remained resilient despite the pandemic and returned a 40% increase in group rental income YOY, bringing in US$2.98 million and directly pushing our net operating income up by 65% to US$1.7 million.

Funds generated from operations is another key indicator of the spectacular year that we had, growing 119% from US$612,000 in the previous year to US$1.4 million this year. This speaks to the level of cash that we continue to generate from the business and forms the basis on which dividends are paid to shareholders. In February of this year, the Board approved an amendment to the Group's dividend policy from up to 90% of the Total Comprehensive Income (TCI) to up to 90% of Funds from Operations (FFO), representing a significant benefit for our shareholders.

This year also saw our Jamaica Stock Exchange Corporate Governance Index (CGI) improving to a 'BB' rating indicating that, according to the index, the Company's performance was good in terms of the various principles of corporate governance as documented in the JSE's CGI.



KINGSTON PROPERTIES LIMITED GOES GREEN

Kingston Properties Limited has always operated in a manner that contributes to positive economic, social, and environmental outcomes for our tenants, shareholders, employees, and the communities we serve. In 2021, we further solidified our commitment to sustainability and as such, crafted a green policy with a bold objective - to achieve Green Certification for our properties by 2024. To this end, we have completed a significant upgrade of our Grenada Crescent property in the New Kingston business district which is retrofitted with an upgraded Variable Refrigerant Flow (VRF) air-conditioning system to be more energy-efficient which has resulted in an over 30% reduction in energy costs. Similar upgrades are happening across all our properties to achieve this bold target. In addition to the significant impact that these upgrades are expected to have on our earning potential, we want to deliver efficient, healthy, and productive spaces to our tenants while simultaneously mitigating operational costs and potential external impacts of energy, water, waste, and greenhouse gas emissions.

SUPPORTING OUR COMMUNITIES

With a portfolio of assets in communities across three jurisdictions, now more than ever, we understand the need to give back and support our communities. In 2021, we embarked on several corporate social responsibility missions, providing laptops and tablets to students who were having challenges accessing online learning and providing food and sanitary items to indigent residents of communities surrounding our properties. We believe that, through our efforts, we can drive real, positive change within these communities and it is a mission we promise to never falter on.

Twenty twenty-one was a year like no other but we can safely say that, as a group, **Kingston Properties Limited** has turned the tide on the global COVID-19 pandemic and we are well on our way to meeting our strategic targets and delivering the returns promised to all our stakeholders. As part of our growth and resilience strategy and cognizant of the market currents that confront us, we will continue to focus on increasing our capital growth which will allow us to continue to increase the diversification of our asset portfolio.

As we continue to **GO FOR GROWTH**, we would like to thank the entire team at **Kingston Properties Limited**, who over the past two years have worked tirelessly and assiduously despite the obvious external challenges to ensure that **Kingston Properties Limited** remains the premier real estate investment company based in Jamaica. Their efforts and achievements have demonstrated that with the right people, vision and conviction, nothing is impossible. We would also like to thank the Board of Directors for their continued stewardship towards building a world-class organization, and also to you our shareholders, for the faith and trust that you have placed in us to fulfil our shared objectives.

Garfield Sinclair,
Group Chairman
May 30, 2022

Kevin Richards,
Group Chief Executive Officer

QUICK FACTS

KINGSTON PROPERTIES LIMITED
THE REIT

OCCUPANCY
94%
in 2021

$2.98M
in Rental Income

479,000
+ Square Feet Owned

$1.4M
Funds from Operations (FFO)

$900,000
in gross dividends paid

2.29%
Dividend Yield

$3.0M
Net Profit

Stock Price Increased by
24.1%

TOTAL REVENUE
$4.8M

RETURN ON AVERAGE EQUITY 9.6%

**Unless otherwise indicated, all figures are stated in United States dollars and have been primarily derived from the Company's financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS).

TOP 10 SHAREHOLDERS FOR KINGSTON PROPERTIES LIMITED

AS AT DECEMBER 31, 2021

	PRIMARY ACCOUNT HOLDER	VOLUME	PERCENTAGE
1	VMWEALTH PROPERTY FUND	237,577,806	35.0589
2	PRIME ASSET MANAGEMENT JPS EMPLOYEES SUPERANNUATION FUND	138,584,772	20.4507
3	PAM - COURTS (JAMAICA) PENSION PLAN	45,475,068	6.7107
4	PAM - POOLED EQUITY FUND	41,096,639	6.0646
5	PLATOON LIMITED	31,018,806	4.5774
6	NATIONAL INSURANCE FUND	27,142,856	4.0054
7	PAM-POOLED PENSION REAL ESTATE	25,800,681	3.8074
8	GUARDIAN LIFE SHELTER PLUS FUND	20,680,000	3.0517
9	SAGICOR LIFE- LASCELLES DEMERCADO DEFINED CONTRIBUTION FUND	17,793,565	2.6258
10	GUARDIAN LIFE POOLED PENSION FUND	10,000,000	1.4757
	Total Issued Capital:	*677,652,928*	
	Total Units Owned by Top 10 Shareholders:	*595,170,193*	
	Total Percentage Owned by Top 10 Shareholders:	*87.8282%*	

DIRECTORS AND CONNECTED PARTIES SHAREHOLDINGS REPORT

as at December 31, 2021

DIRECTORS	SHAREHOLDINGS	CONNECTED SHAREHOLDINGS
Garfield Sinclair	Nil	
- Platoon Limited		31,018,806
Nicole Foga	245,730	Nil
Peter J. Reid & Margaret Sylvester-Reid	4,246,263	Nil
Lisa Gomes	459,460	Nil
Gladstone Lewars	Nil	Nil
Phillip Silvera	Nil	Nil
Rezworth Burchenson	421,146	Nil

SENIOR MANAGERS	SHAREHOLDINGS	CONNECTED SHAREHOLDINGS
Kevin Richards	794,635	Nil
Andray Francis	Nil	Nil
Tatesha Rowe	28,746	
- Fenekie Rowe	Nil	30,000
Roxanne Kelly	1,200	Nil

THE REIT

TEN YEAR FINANCIAL STATEMENT

TEN YEAR FINANCIAL STATEMENT

THE REIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
CONSOLIDATED INCOME STATEMENT	*JMD*	*JMD*	*JMD*	*JMD*	*JMD*	*JMD*	USD	USD	USD	USD
Rental Income	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	2,981,417
Operating Expenses	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	1,283,008
Results of operating activities before other income	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	1,698,409
Other Income/gains	182,913,220	131,226,251	845,302	169,171,834	133,359,028	20,776,177	(363,008)	1,563,618	384,184	1,824,026
Operating Profit	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	3,522,435
Net Finance Cost/Income	(37,301,971)	(63,625,620)	(45,700,862)	(16,500,658)	53,788	(42,090,982)	(261,150)	(238,862)	(817,082)	(425,557)
Pre-Tax Profit or Loss	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	3,096,878
Income tax charge/credit	1,209,214	(54,561,672)	(3,450,340)	(21,865,656)	(34,317,258)	28,477,048	329,546	200,821	15,378	(78,566)
Net Profit	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	3,018,312
Net Profit per share (adj.)	$ 0.56	$ 0.16	$ (0.00)	$ 0.33	$ 0.40	$ 0.25	$ 0.00081	$ 0.00619	$ 0.00090	$ 0.00445
Foreign currency translation differences	28,078,127	68,168,732	45,057,651	30,177,442	60,949,209	(40,074,054)	(5,129)	-	-	-
Total Comprehensive Income	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	3,018,312
CONSOLIDATED STATEMENT OF FINANCIAL POSITION										
Investment Properties	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	41,779,432
Cash and Cash Equivalents	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	2,707,039
Total Assets	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	50,470,348
Total Equity	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	32,634,497
Loans Payable	308,869,742	360,285,619	486,351,708	-	273,977,851	704,625,570	8,333,536	9,276,018	13,724,480	17,243,953
Total Liabilities	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	17,835,851
KEY RATIOS										
Total Comprehensive Income % of Average Equity	33.45%	15.58%	5.22%	11.13%	11.53%	2.26%	0.03%	31.03%	2.01%	9.56%
Loans as % of Total Equity	42.95%	43.42%	57.09%	0.00%	15.87%	40.51%	58.80%	30.61%	44.97%	52.84%
Rental Income % of Total Investment Property	9.36%	9.13%	11.33%	6.98%	6.76%	7.94%	7.63%	7.06%	5.59%	7.14%
Profit before income tax Margin %	68.08%	48.07%	2.12%	45.86%	62.25%	23.35%	-5.55%	61.42%	23.75%	64.45%
Net Operating Margin %	41.04%	43.14%	47.41%	6.89%	24.68%	36.67%	35.39%	39.87%	48.35%	56.97%
Net Profit per share	$ 2.60	$ 0.76	$ (0.02)	$ 1.00	$ 0.81	$ 0.25	$ 0.00081	$ 0.00325	$ 0.00090	$ 0.00445
Operating Expenses as % of Rental Income	58.96%	56.86%	52.59%	93.11%	75.32%	63.33%	64.61%	60.13%	51.65%	43.03%
Effective Tax Rate	N/A	50.96%	149.15%	17.18%	20.90%	-56.19%	490.70%	-10.05%	-2.57%	2.54%
Total shares outstanding at year end	68,800,102	68,800,102	68,798,669	160,996,334	160,996,334	321,992,668	321,967,682	677,712,399	677,663,643	677,652,928
Weighted Average No. of shares							331,622,071	355,235,387	677,664,788	677,654,648
OTHER DATA										
EBITDA (adj.)	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	3,542,513
Net Cash from Operations	45,965,165	40,226,096	55,298,705	974,667	(144,667,060)	85,150,354	420,985	602,886	577,320	2,128,033
Gross Dividends (USD)	68,800	103,200	172,000	200,000	400,000	200,000	200,000	450,000	400,000	900,000
Dividend per share (USD)	$ 0.00100	$ 0.00150	$ 0.00250	$ 0.00124	$ 0.00248	$ 0.00062	$ 0.00062	$ 0.00140	$ 0.00059	$ 0.00133
Dividend yield	2.46%	3.55%	3.82%	2.12%	3.19%	1.01%	1.32%	2.79%	1.16%	2.29%
Dividend Payout Ratio	3.42%	19.81%	-1682.54%	22.26%	38.53%	32.43%	76.22%	20.46%	65.28%	29.82%
Book Value per share (USD)	$ 10.45	$ 12.06	$ 12.38	$ 9.85	$ 10.72	$ 5.40	$ 0.04402	$ 0.04472	$ 0.04503	$ 0.04816
Year end closing stock price (JMD)	$ 3.78	$ 4.50	$ 7.50	$ 7.05	$ 10.00	$ 7.70	$ 6.00	$ 6.63	$ 7.25	$ 9.00
Year end closing stock price (adj.) *	$ 1.89	$ 2.25	$ 3.75	$ 3.53	$ 5.00	$ 7.70	$ 6.00	$ 6.63	$ 7.25	$ 9.00
Price Earnings Ratio	1.45	5.90	N/A	7.06	12.39	31.32	56.76	15.22	55.97	13.33
Year End Market Capitalization (JMD)	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	4,493,233,205	4,913,061,412	6,098,876,352
JSE Index at Year End	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	396,155.61
Annual Inflation Rate % - Jamaica	8%	9.70%	6.40%	3.70%	1.70%	5.20%	2.40%	6.20%	4.70%	5.83%
Annual Inflation Rate % - US	1.70%	1.50%	0.80%	0.70%	2.10%	2.10%	1.90%	2.30%	1.40%	4.70%
Year End Exchange rate USD:JMD	$ 92.98	$ 106.38	$ 114.66	$ 120.42	$ 128.44	125.00	127.72	132.569	142.65	155.09
Year over Year % Change	7.4%	14.4%	7.8%	5.0%	6.7%	-2.7%	2.2%	3.8%	7.6%	8.7%
Average annual exchange rate	88.99	100.77	111.22	117.31	125.14	128.36	129.72	134.22	143.27	151.62

** - in May 2017, shareholders approved a stock split of 2:1*

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, 2021.

FINANCIAL RESULTS

Results of Operating Activities	$1,698,409
Profit before Income Tax	$3,096,878
Income Tax Credit	$78,566
Profit for the year	$3,018,312
Dividends declared on ordinary shares	$900,000

DIVIDENDS

The company declared dividend payments of US$0.000664 per share paid on March 11, 2021 and $0.000664 per share paid on August 23, 2021.

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)*
Mr. Gladstone Lewars	*(Independent Director)*
Mr. Phillip Silvera	*(Independent Director)*
Mr. Rezworth Burchenson	*(Independent Director)*

Pursuant to Article 107 of the Schedule to the Articles of Incorporation of **Kingston Properties Limited**, the Directors retiring by rotation are Mrs Lisa Gomes and Mr Peter Reid, 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 30, 2021

BOARD OF DIRECTORS & PROFILES

GARFIELD "GARRY" SINCLAIR
CHAIRMAN / INDEPENDENT DIRECTOR
- Since April 2008

Garfield Sinclair is currently retired as of November 2021 but plays an active role in the stewardship of multiple private and publicly held companies. Chairman of Kingston Properties Limited, he is the Chairman of the Jamaica Stock Exchange Pension Fund and serves as the Director of Cable & Wireless Jamaica Limited as well as several other local and foreign-based organizations including publicly listed company Proven Investments Limited. His wealth of experience in business management stems from his years of leadership including serving as the Managing Director of FLOW Jamaica, Chief Executive Officer of Bahamas Telecommunications Company (BTC) and a member of the team which created Dehring, Bunting & Golding Limited where he worked for more than 13 years and was eventually appointed President and Chief Operating Officer.

Licensed as a CPA since 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
- Since April 2008

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 Jamaica 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 interests, 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.

GLADSTONE 'TONY' LEWARS
INDEPENDENT DIRECTOR
– Since January 2019

Gladstone "Tony "Lewars is a Chartered Accountant by profession and a retired partner of PricewaterhouseCoopers where he was the leader of the Advisory Division of the firm. He is a Director of Mayberry Investment Ltd., and Guardian Life Ltd and chairs the Boards of JN Cayman Ltd, JN Cayman Money Services Ltd, Guardian Group Foundation and The Holy Trinity High School. He is a past student of Jamaica College and a Trustee for the Jamaica College Trust. 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 Master's Degrees in Economics and Accounting from the University of the West Indies.

In 2015, he was conferred with the honour of the Order of Distinction in the rank of Commander Class (CD) in recognition of his invaluable service to the Public and Private Sectors.

LISA GOMES
INDEPENDENT DIRECTOR
- Since January 2011

Lisa Gomes is an accomplished Financial professional with a career of over 35 years in the fields of finance, insurance and tourism and completed professional designations in accounting and insurance (CGA and FLMI respectively). Miss Gomes currently serves as the Country Manager for the Jamaican arm of Chukka Caribbean Adventures Limited (CCA). In addition to being a valued member of the Kingston Properties Limited board with direct responsibility for chairing its Corporate Governance Committee and a member of its Investment Committee, she is also Chairman of Proven Wealth Limited where she also chairs its Audit Committee.

Mrs Gomes' proficiency in Finance, Investment Banking, and Pension Fund Management was honed with some of the Caribbean's largest integrated financial institutions including Guardian Holdings Limited, Guardian Asset Management Jamaica Limited and Sandals Resorts International. She is the founder of Capsol Advisory Limited, a company formed to provide much-needed services in the Finance and Tourism sector.

PETER REID
INDEPENDENT DIRECTOR
- Since January 2011

Peter Reid is a career Banker with over 30 years of experience in the financial services sector with expertise in sales and management, credit, financial analysis, financial advisory and deal structuring. **Mr Reid** is currently serving as the Chief Executive Officer of the Building Society Operations at Victoria Mutual where he joined as a Senior Vice President & Chief Operating Officer with direct responsibility for the Building Society Operations. Before joining Victoria Mutual, he was a District Vice President providing sales and service, and strategic leadership for the Bank of Nova Scotia Jamaica Limited.

Mr Reid holds a Bachelor of Arts Degree with Honours in International Studies from York University (Toronto) and has held several directorships on boards of several enterprises including 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, the National Water Commission and West Indies Alliance Insurance Company Limited.

PHILLIP SILVERA
INDEPENDENT DIRECTOR
- Since January 2021

Phillip Silvera is a former Executive Vice-President of The Victoria Mutual Building Society (VMBS) where he spent 32 years in various senior positions including Divisional President, Financial Controller and Chief Accountant. A fellow of the Association of Chartered Certified Accountants (FCCA) United Kingdom and the Institute of Chartered Accountants (FCA) Jamaica, **Mr Silvera** has over four decades of experience in the financial industry. He was also a licenced Security Dealer and served as a registered Public Accountant for many years.

He currently serves on the boards of Victoria Mutual Building Society, Victoria Mutual Investments and Victoria Mutual Wealth Management. He previously served on the boards of several other companies, including VMBS Money Transfer, Victoria Mutual Insurance Company and Island Victoria Bank. He is also a past Chairman of J.E.T.S. Limited, operators of MultiLink, Jamaica's largest payment system.

REZWORTH BURCHENSON
INDEPENDENT DIRECTOR
-Since July 2021

Rezworth Burchenson is the CEO of Victoria Mutual Wealth Management. He was appointed to the role in January 2019 after his tenure as Deputy CEO and CEO of VM Pensions Management Limited. He transitioned to the Victoria Mutual Group from his prior role as CEO of Prime Asset Management Ltd, Jamaica's only independent pension provider. Before Prime, he was Vice President and General Manager of Pan Caribbean Asset Management Ltd, with an overarching responsibility for managing Jamaica's largest unit trust (Sigma Unit Trust).

In 2012, **Mr Burchenson** was named to the PSOJ's *"50 Under Fifty"* in the field of investments and finance. A Barclays Bank Scholar while at the University of the West Indies, he received a Bachelor's Degree in Economics (Hons.) and an MBA in Banking and Finance (Hons.). His most recent executive education programme was participation in the Kaplan-Norton Strategy Execution Bootcamp by The Palladium Group.

THE TEAM & PROFILES

KEVIN G RICHARDS
CHIEF EXECUTIVE OFFICER

ANDRAY FRANCIS
CHIEF FINANCIAL OFFICER

TATESHA ROWE
SENIOR MANAGER OPERATIONS

ROXANNE KELLY
FINANCIAL CONTROLLER

JOVAUGHN ROSE
PROPERTY & BUILDING MANAGER

RAMONE SORTIE
SENIOR PROPERTY OFFICER

KEVIN **RICHARDS**
CHIEF EXECUTIVE OFFICER

Mr. Richards is tasked with driving the strategic objectives of the Group and maximizing shareholders' value. His career spans over 25 years of experience in the areas of media, investment management and real estate.

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.

TATESHA **ROWE**
SENIOR MANAGER OPERATIONS

Mrs. Rowe leads the operations management of the organization including tenant relations and communications, as well as human resources management and investor relations. She oversees all lease renewals for existing tenants, lease negotiations for new tenants and acts as the chief liaison with the Group's property management partners in both Cayman and the United States of America.

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.

JOVAUGHN **ROSE**
PROPERTY & BUILDING MANAGER

Mr. Rose joined the company in April 2021 and is charged with leading the development and implementation of the company's Sustainable & Safety Policies. A major part of his portfolio is to Manage Capital and Major Maintenance Projects with a clearly defined scope of works and deliverables, to the KP Standards which aligns with our strategy.

RAMONE **SORTIE**
SENIOR PROPERTY OFFICER

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

ENVIRONMENT SOCIAL AND GOVERNANCE

ESG OVERVIEW

The core principles of ESG – environmental, social and governance – have always been integral to KPREIT's business. Building on this foundation, our commitment to environmental stewardship, social responsibility, and good governance has made us a leader and first mover in our industry and beyond. ESG represents a long-term investment that strengthens our operations, enhances our competitive positioning, and improves risk management.

Kingston Properties Limited is committed to delivering for our four key stakeholder groups namely: ***Employees, Tenants, Communities and Shareholders.***

ENVIRONMENTAL REPORT

Kingston Properties Limited is committed to protecting the environment and improving stakeholder value by conducting our operations and activities in an environmentally responsible and sustainable manner. To this end, in 2021 we have developed a Green policy with the objective to achieve Green Certification for our properties to maximize stakeholder value while continuing to operate in a manner that contributes to positive environmental outcomes. Adopting "Green" Building methods and operations improves the way we use energy, water and materials to reduce negative impacts on human health and the overall environment.

Sustainability and environmentally friendly operations have become a deliberate strategy for **Kingston Properties Limited.** In 2021, we embarked on a number of Green strategies which included:

- Upgrading the Grenada Crescent (GC) property with a Variable Refrigerant Flow (VRF) air-conditioning system to be more energy efficient. VRF systems are temperature control devices used for space heating and cooling. The technology offers a highly flexible and efficient alternative to traditional building heating, ventilation and air-conditioning (HVAC) systems. The system is designed to create cleaner ventilation, reduce energy consumption and pollutants to the environment by utilizing smart technology to optimize energy efficiency.

- Changed all fluorescent lamps to LED on the KPREIT Building.
- Installed new Translucent Sheets to the warehouse roof of the East Ashenheim Road (EAR) property to permit natural light. Translucent sheets permit natural lighting through the roofs of commercial & residential buildings. This provides adequate sustainable lighting during daytime operations and significantly reduce energy consumption in buildings. The reduction in energy consumption directly reduces energy & electrical overheads and contributes significantly to environmental sustainability.
- Installed new inverter AC units to all properties that required a new AC Unit. Inverter air conditioning units are more energy efficient than non-inverter systems as they are better able to regulate and control the room temperature while reducing energy usage.
- Installed new fixed louver windows to warehouse spaces at EAR to permit natural ventilation. Fresh air through buildings rid spaces of unwanted odours, exhausted carbon dioxide or recycled air. This contributes positively to better air quality in our buildings and a better working environment. Additionally, natural ventilation reduces energy consumption therefore positively impacting energy costs. It is important to preserve healthy workspaces by undertaking initiatives that contribute to clean air circulation.
- Started the project to install censored lights and faucets at Grenada Crescent property.
- Planted low maintenance plants for landscaping projects at two of our properties

We continue to proactively assess the potential risks from climate change that may impact the properties in our portfolio. We have engaged the National Environment & Planning agency (NEPA) as a strategic partner through their Green Business Jamaica (GBJ) Programme to aid us in meeting our target for Green Certification for our properties, both locally and internationally. The GBJ Programme is designed to develop a local model for sustainable consumption and production in Jamaica. Aimed at the private sector, the voluntary programme promotes pollution prevention and resource conservation activities, in addition to the general principles of corporate social responsibility through training and engagement with staff, vendors, customers and communities.

Additionally, we will continue to implement policies, programs and projects that complement sustainable development and operations. Going forward, some of our plans include executing various energy conservation, ventilation, water conservation and recycling projects.

Specifically, these include:

1. **Energy Conservation Projects**
   - The exploration of Solar Power Supply to our buildings
   - Replacement of old electrical systems & fixtures with modernized technology.

2. **Ventilation Projects**
   - The installation of Wind Turbines/ Extractors to roof
3. **Water Conservation Projects**
   - Rain-water Harvesting

Importantly, we are cognisant that environmental sustainability requires our continuous efforts. Our experience demonstrates that through our activities as real estate owners, developers and managers, we can contribute to environmental solutions as a positive force while improving our financial performance and becoming a stronger, more purposeful organization in the process.

Our Green Policy can be found on our website at: ***www.kpreit.com.***

CORPORATE SOCIAL RESPONSIBILITY REPORT

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 following 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.

As the premier real estate investment company in Jamaica, 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 our communities.

Through corporate social responsibility (CSR), our mission is to merge profit with purpose and 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. Corporate Social Responsibility begins with a mindset of service and an understanding that doing good daily is a productive path to unlocking higher purpose, both as individuals and as a company. Together, we'll lead what's next.

DONATION OF ALMOST J$1 MILLION TO SCHOOLS AMID COVID-19 PRESSURE

Across the world, learning has been significantly disrupted by the COVID-19 pandemic with educators forced to use creative means to continue to reach and educate students. With the forced closure of many schools, learning has become predominantly remote and virtual which posed an added challenge for students without digital devices and internet connections. This resulted in widespread learning loss as it was discovered that many students did not have access to

digital devices to continue their education. In response to this crisis, we donated ten tablets and two laptops to The Red Hills Primary School to assist teachers and students with online learning. The company also donated J$255,000 to the Dunrobin Primary School to aid in the repairs of critical infrastructure across the school grounds as well as a cash injection of J$50,000 to the Callaloo Mews Basic School feeding programme which has been critical in feeding students in the poverty-ridden community. The school also received sanitary products and masks to help with the protection against COVID-19. Riverton Primary School also received sanitation items to aid in the protection of students who, despite the pandemic, had no choice but to visit the school for face-to-face learning. They received 2 thermometers, 2 sanitiser dispensers, children's masks, hand sanitisers as well as funds for the school's Summer Programme. We also provided cash grants to the two top-performing Primary Exit Profile (PEP) students at Orange Hill Primary to assist with their education as they advanced to high school.

SUPPORTING THE COMMUNITY

For the second Christmas in a row, **Kingston Properties Limited** partnered with Food for Poor Jamaica and the Social Development Commission to deliver care packages to some of Kingston's most vulnerable. The packages contained food items, and sanitary and cleaning supplies. The donations, which were valued at over J$500,000, were meant to ease the burdens on the communities during the Christmas season.

CORPORATE GOVERNANCE REPORT

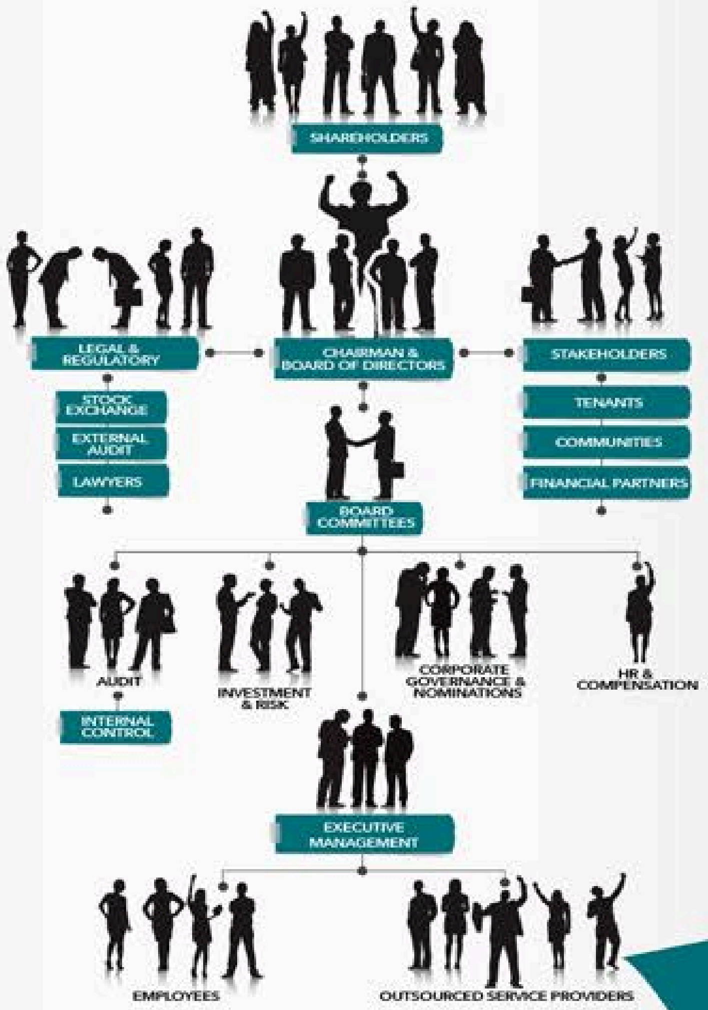
Corporate governance remains paramount for Kingston Properties Limited as the group endeavours to maintain high standards and principles in the operations of our business. As we carry on our business of being the premier real estate investing company in Jamaica, compliance with the legal and regulatory frameworks under which the Group operates remains among our main focus, together with being a good corporate citizen and neighbour to the surrounding communities. During this financial year, the COVID-19 pandemic continued to present challenges worldwide and required the continued focus of the Board on the risks faced as a Group.

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 the 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 is 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' benefit. 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 78%.

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 all stakeholders. 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 **seven (7)** directors on the Board, all of whom are Non-executive and Independent.

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 that balance 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 under 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)	✓	✓		✓	✓	✓	✓	
PHILLIP SILVERA (I)	✓			✓	✓	✓	✓	
GLADSTONE "TONY" LEWARS (I)	✓			✓	✓	✓	✓	✓
REZWORTH BURCHENSON (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.

Board Meeting Attendance

Board Remuneration

BOARD MEMBERS	BOARD ATTENDANCE	AUDIT COMMITTEE	INVESTMENT COMMITTEE	CORP GOVERNANCE	HR & COMPENSATION	ANNUAL GENERAL MEETING
MEETINGS HELD	10	4	5	2	2	1
GARFIELD SINCLAIR	10	4			2	1
NICOLE FOGA	10			2	2	1
LISA GOMES	10		3	2		1
PETER REID	9		5			1
*REZWORTH BURCHENSON	3		1			0
GLADSTONE "TONY" LEWARS	8		4	2		1
PHILLIP SILVERA	9	2				1

*REZWORTH BURCHENSON JOINED THE BOARD OF DIRECTORS IN JULY 2021

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 seven (7) non-executive directors and all directors (including the Chairman) are paid US$2,550.00 per quarter. 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 schemes. For the financial year, a total of US$63,750 was paid to members as Board fees.

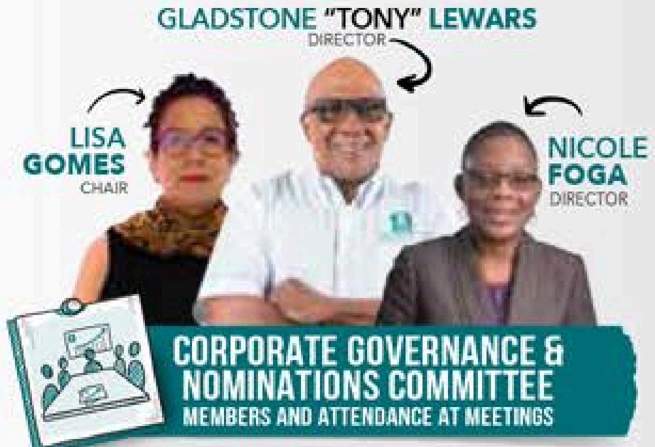
Committees of the Board

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 that 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



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 the 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.

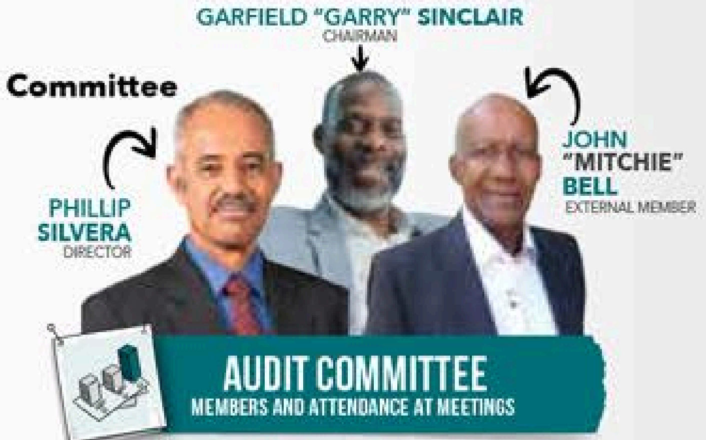
Committee Report

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. Board Compensation
5. Guidelines for dealing in the Company's shares.
6. Nomination of a new director to serve on the board and several sub-committees.
7. Corporate Governance Training proposals

All recommendations of the committee were approved by the board.

Audit Committee



GARFIELD SINCLAIR(I) (CHAIR)	4/4
PHILLIP SILVERA(I)	2/4
JOHN "MITCHIE" BELL	4/4

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.

The Committee is composed of three non-executive 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

HUMAN RESOURES & COMPENSATION COMMITTEE
MEMBERS AND ATTENDANCE AT MEETINGS

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

The Human Resources and Compensation Committee oversees and guides 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.

Committee Report

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

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

Investment & Risk Committee

INVESTMENT & RISK COMMITTEE
MEMBERS AND ATTENDANCE AT MEETINGS

PETER REID(I) (CHAIR)	5/5
LISA GOMES(I)	3/5
REZWORTH BURCHENSONS(I)	2/2
GLADSTONE "TONY" LEWARS(I)	4/5

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 four (4) directors

Committee Report

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

1. Reviewed the portfolio performance.
2. Reviewed several 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 2021 due to public health guidance on in-person gatherings and the required format for this intensive training.

A new Directors orientation session was held for Rezworth Burchenson and Phillip Silvera which involved an overview of the company's policies and terms of reference for each

sub-committee as well as a review of previous board minutes. 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 expired on July 14, 2021. He offered himself for reelection and was duly elected at the Annual General Meeting. Mr Rezworth Burchenson was recommended by the Board and offered himself for election at the AGM held on July 14, 2021, where he was duly elected.

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.

Dividend Policy

In February 2021, as part of the mission and vision to operate using accepted best practices of real estate investment trusts globally, the Board approved an amendment to the Group's dividend policy from up to 90% of Total Comprehensive Income (TCI) to up to 90% of total Funds From Operations (FFO) 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 to increase 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. In 2021, we paid out 29.8% of net profits and 65.4% of funds from operations as dividends.

COMMUNICATION WITH SHAREHOLDERS

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

ENVIRONMENT SOCIAL AND GOVERNMENT. CONT'D

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.*

In 2021, 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 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."*

Tatesha Rowe,
Investor Relations Officer &
Senior Manager Operations
May 30, 2022

Lisa Gomes

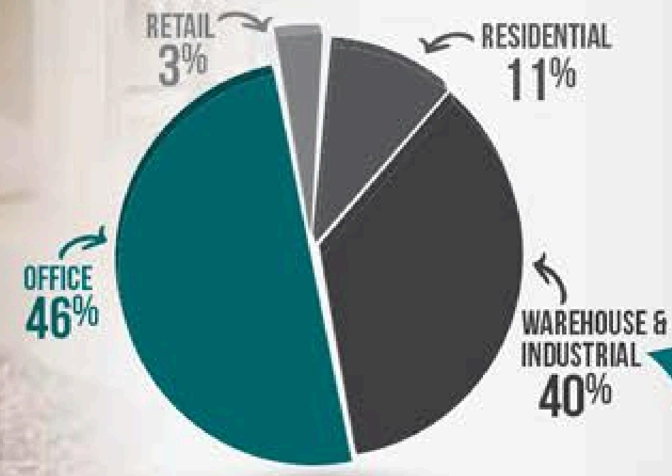
Lisa Gomes,
Chair, Corporate Governance
& Nominations Committee
May 30, 2022

MANAGEMENT DISCUSSION & ANALYSIS

In 2021 the Group continued the transition of its property portfolio away from a concentration in condominiums in South Florida into higher-yielding properties in the Cayman Islands, Jamaica and the wider United States of America.

The Group's operating results continue to see improvement year on year (YOY) as of the end of the financial year 2021. The improved financial performance is also attributed to the continued economic recovery spurred by reductions in some of the containment measures associated with the COVID-19 global pandemic and favourable vaccine rollout programmes in major global economies. In addition, a very buoyant homebuying market in the US[1] has resulted in improved valuations on our condo portfolio allowing the Group to achieve gains on the disposal of condo units sold during the review period. This coupled with the strong tenant demand for our warehouse properties and maintaining steady tenancies in our office buildings in Jamaica and the Cayman Islands contributed to higher revenues and profits the year.

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.



[1] https://www.miamirealtors.com/2021/10/21/87686/

In 2021, we completed the acquisition of a to-be-developed Dumfries Road office property, an office and warehouse property on 232A Spanish Town Road and a to-be-developed warehouse property in the Cross Road area, in Kingston, Jamaica. This moved our holding in the warehouse rental space from 36% in 2020 to 40% in 2021 and our office rental space from 48% in 2020 to 46% in 2021 when balanced across all sub-classes. We also invested in Gum Tree 5, a multi-unit multi-use commercial complex being developed in the Cayman Islands.

Additionally, we leveraged our real estate partnerships in the US and acquired a 38% stake in Polaris at Camp Creek, a 155-unit multi-family property and we also invested in CGI Fund I. The acquisitions are in line with our strategy of diversifying our holdings into other markets and asset sub-classes. Cayman remains a solid market and we remain upbeat about its economic resilience and ability to provide our portfolio with more competitive yields. As part of our ongoing diversification strategy out of the South Florida condo market, we sold six (6) condominium units during the year, ultimately, reducing our holdings in the residential sub-market category. 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 12% to 11% in 2021. Average occupancy during the year was approximately 94% and the usual vacancy levels from tenant turnover.

STOCK PRICE & DIVIDENDS

In a year that saw a relatively flat return of the JSE Main Index, the stock closed 2021 at $9.00 per share, representing a 24.1% gain compared to year-end 2020 and a 60% return on the price offered at the time of our rights issue in November 2019. We paid out 29.8% of net profits and 65.4% of funds from operations as dividends during the year. We continued our share buyback programme to return value to our shareholders during the year, with the purchase of 9,471 units at an average price of $6.75.

YEAR-END FINANCIAL HIGHLIGHTS

(FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021)

	12 MONTHS TO DECEMBER 31, 2020	12 MONTHS TO DECEMBER 31, 2021
Rental Income (USD)	$2.131M	$2.981M
Operating Income (USD)	$1.030M	$1.698M
Fair Value Gains (Loss) on Investment Property	$0.307M	$0.838M
Pre-Tax Profit/(Loss) (USD)	$0.597M	$3.096M
Net Profit (USD)	$0.612M	$3.018M
Funds From Operations (USD)	$0.612M	$1.358M
Total Comprehensive Income (USD)	$0.612M	$3.018M
Total Equity (USD)	$30.517M	$32.634M
Investment Properties (USD)	$38.130M	$41.779M
Investments at Fair Value through Profit or Loss	$1.085M	$3.451M
Net Operating Margin %	48.4	57.0
Dividends Paid (USD)	$405,389	$888,152
Closing Stock Price (JMD)	$7.25	$9.00

INCOME STATEMENT

The Group posted a 40% increase in rental income to $2.9 million for the twelve months ending December 31, 2021, compared to $2.1 million for the same period in 2020. Net Operating Income (NOI), being total rental income less operating expenses, for 2021 increased by 65%, moving from US$1.0 million for the same period in 2020 to $1.7 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 16.6% year

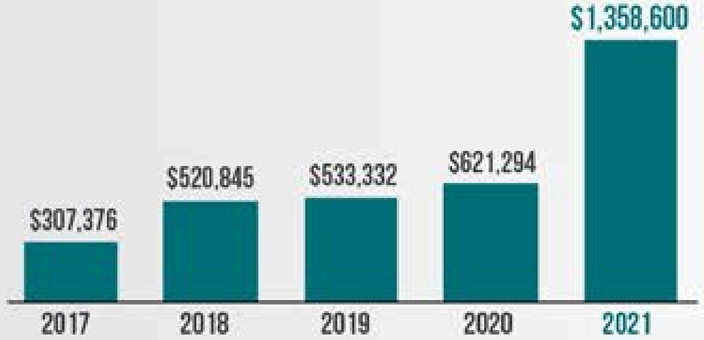
on year to $1.3 million. Direct property expenses (property taxes, homeowner's association (HOA) fees, repairs and maintenance, and property insurance) declined year over year by 21.4% in 2021, moving from $400,535 to $314,628. This was primarily attributed to the reduction in HOA fees and property taxes during the year resulting from the sale of condominium units in South Florida during the year.

The Group's EBITDA increased from $1.4 million in 2020 to $3.5 million in 2021. Cash Flow From Operations (CFO) for 2021 amounted to $2.1 million compared to $577,320 for the same period in 2020.

Net Profit for 2021 amounted to US$3.0 million compared to US$612,725 for the previous year. Net profit for 2021 was bolstered by core rental income growth combined with fair value gains of certain properties in our portfolio, as well as gains from the disposal of several condo units during the year.

Funds from Operations for the financial year registered a year on year increase of 16.5% to US$621,394.

FUNDS FROM OPERATIONS (FFO)



GROUP BALANCE SHEET

Investment Properties totalled $41.8 million as at December 31, 2021, versus $38.1 million as at December 31, 2020, an increase of 9.6%. The net increase results from the acquisition of the Dumfries Road office property, an office and warehouse property on 232A Spanish Town Road and a to-be-developed warehouse property in the Cross Road area, in Kingston, Jamaica. This was partially offset by the disposal of six condominiums in Florida in 2021.

Total assets as of December 31, 2021, amounted to $50.5 million, an increase of 10.7% over the $45.6 million balance as at December 31, 2020. The was driven primarily by properties acquired over the year combined with higher fair value improvements on properties in Jamaica, Cayman Islands and Florida. The Group also held cash and near-cash holdings of $2.7 million, equity interests in real estate partnerships of $3.5 million and deposits on investment properties amounting to $1.2 million. The Group maintained a sufficient cash balance in 2021 as part of a cash management strategy to ensure the Group could meet all its operating and financing obligations and take advantage of any property opportunities.

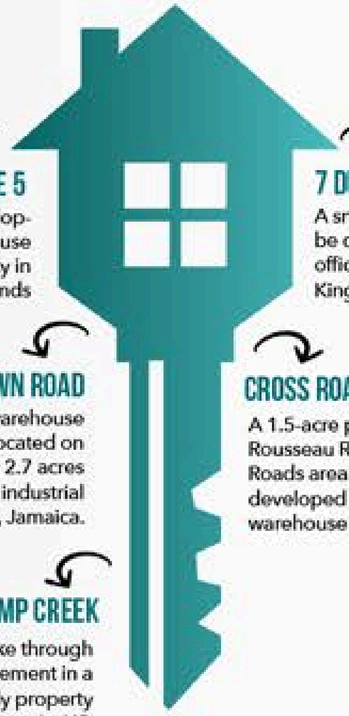
Total loans payable amounted to $17.2 million at December 31, 2021, compared with $13.7 million at December 31, 2020, representing a 25.6% year-on-year increase. The increased loan balance, which is primarily collateralized bank financing, was deployed to expand our operating asset base. These are all collateralized bank financing to facilitate the expansion of our property portfolio and are denominated both in US and Jamaican dollars from our financial partners in Jamaica and the Cayman Islands. We continue to maintain fairly conservative debt ratios as part of our risk management strategy.

Total Equity increased by 6.9% over the twelve months to December 31, 2021, moving from $30.5 million in 2020 to $32.6 million in 2021.

RATIO ANALYSIS

	2020	2021
Net Operating Margin (NOI)%	48.35%	56.97%
EBITDA Margin (%)		
Profit/Loss Before Income Tax Margin %	23.75%	64.45%
Rental Income % of Total Investment Property	5.59%	7.14%
Operating Expenses as % of Rental Income	51.65%	43.03%
Total Debt to Total Equity Total Debt to Total Equity	44.97%	52.84%
Total Debt to Total Assets	30.10%	34.17%
Total Debt to Investment Properties	35.77%	39.63%
Dividends Payout Ratio (% of FFO)	65.24%	65.37%
Dividends Yield	1.16%	2.29%

THE YEAR IN BRIEF
KEY DEVELOPMENTS & ACQUISITIONS



GUM TREE 5
A greenfield development of a mixed-use industrial property in the Cayman Islands

7 DUMFRIES ROAD
A small office building to be developed in a multi-story office building in New Kingston, Jamaica.

232A SPANISH TOWN ROAD
An office and warehouse property located on approximately 2.7 acres along a major industrial area in Kingston, Jamaica.

CROSS ROAD DEVELOPMENT
A 1.5-acre property on Rousseau Road in the Cross Roads area that will be developed to house small bay warehouse units.

POLARIS AT CAMP CREEK
Acquired a 38% stake through a partnership agreement in a 155-unit multi family property in Atlanta, Georgia, US.

DISPOSALS

- Disposed of six (6) units from the South Florida portfolio to transition into higher-yielding properties in the Cayman Islands and Jamaica.

PROPERTY UPGRADES

- Completed renovations and improvements at the **KPREIT BUILDING** located at Grenada Crescent, New Kingston.
- Upgraded the old AC system at the **KPREIT BUILDING** located at Grenada Crescent, New Kingston to a new Variable Refrigerant Flow (VRF) system.
- Completed extensive renovation and improvements at the East Ashenheim property which includes 4 units occupied by tenants in the manufacturing and distribution sector.

OTHER KEY HIGHLIGHTS OF 2021

- Saw a reduction in borrowing costs over the period to average just below 4%.
- Developed a green policy to achieve Green Certification by 2024.
- Added two new members to the board to strengthen our corporate governance structures.
- Continued our community engagement initiatives working with schools and community groups in the locations where we own properties. Including tablet and sanitation item distribution along with food packages to the indigent.

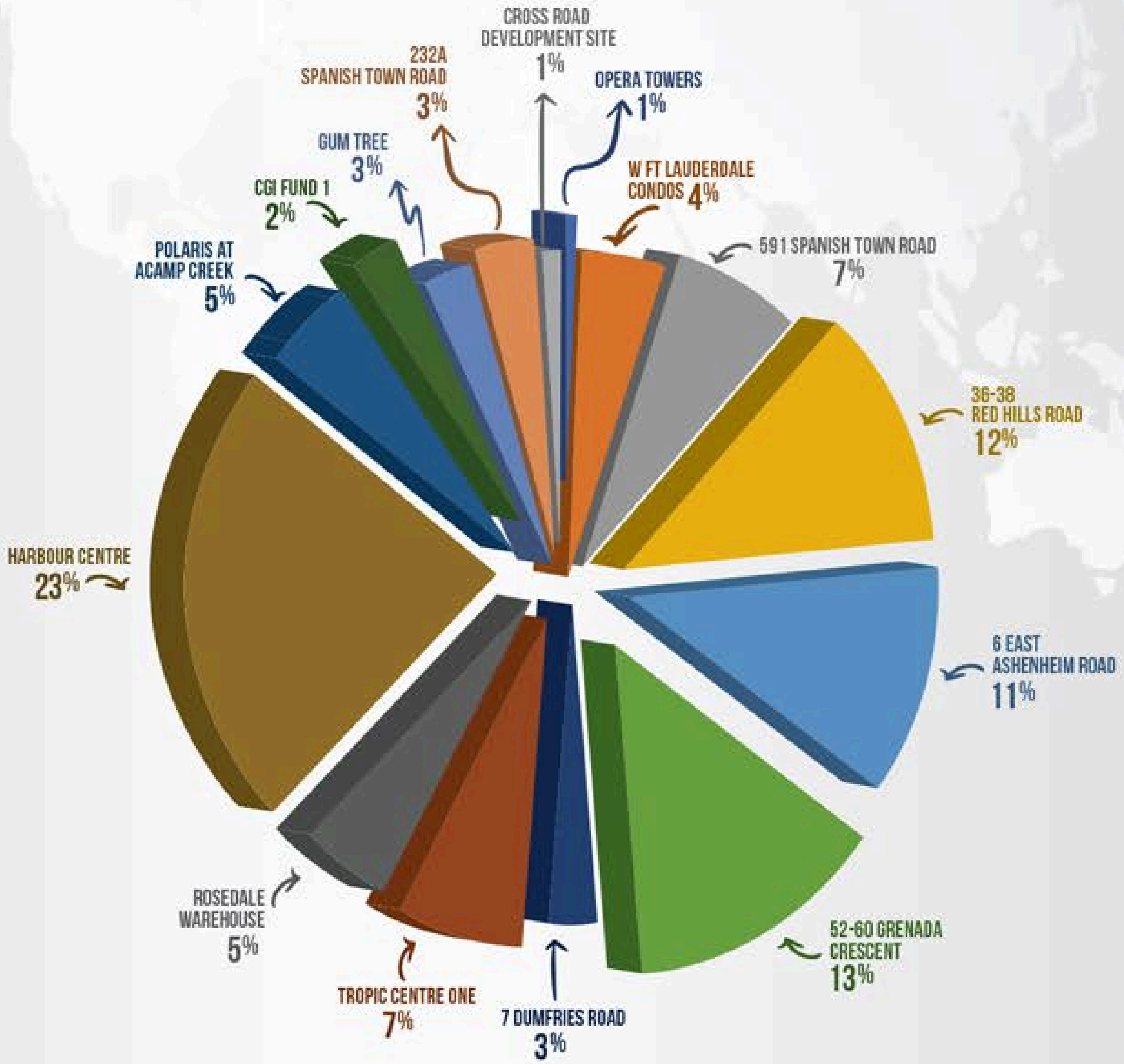
PROPERTY PORTFOLIO

The value of investments properties held and real estate partnerships as at December 31, 2020 and December 31, 2021 respectively were as follows:

LOCATION	2020	2021
The Loft II, Condos	$945,087	-
Opera Towers	$337,592	$347,412
The W. Fort Lauderdale Condos	$1,785,000	*$2,070,064
591 Spanish Town Road Commercial Complex	$3,300,000	$3,200,000
36-38 Red Hills Road Commercial Complex	$5,520,000	$5,596,770
6 East Ashenheim Road Commercial Complex	$4,820,472	$5,314,252
52-60 Grenada Crescent Office Building	$5,403,093	$6,300,000
7 Dumfries Road Office Building	-	$1,246,816
232A Spanish Town Road	-	$1,524,909
Cross Road Development Site	-	$525,663
Tropic Centre One	$3,142,000	$3,163,182
Rosedale Warehouse	$2,106,562	$2,217,000
Harbour Centre	$10,770,614	$10,770,614
Sub-Total	**$38,130,420**	**$42,276,682**
OTHER PROPERTY INVESTMENTS		
CGI Fund I	-	$1,206,504
Polaris at Camp Creek	-	$2,244,659
Gum Tree 5 Development	-	$1,252,000
TOTAL	**$38,130,420**	**$46,979,845**

**- Includes a unit of the W Fort Lauderdale which was held for sale. See note 11(g) in 2021 Audited Financial Statements*

DISTRIBUTION OF TENANTS BY SECTOR AND REVENUE AS AT DECEMBER 31, 2021



KINGSTON PROPERTIES LIMITED

THE REIT

PROPERTY PORTFOLIO

HARBOUR CENTRE

Representing one of our largest acquisitions to date, in July 2020 we completed the acquisition of Harbour Centre, a 30,639 square feet multi-story office building in the Cayman Islands. The property is 100% leased to firms in the banking and funds administration, law, real estate investment, government and retail industries.

MANAGEMENT DISCUSSION & ANALYSIS, CONT'D

TROPIC CENTRE ONE

This is a 10,172 square feet 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, an area that has seen significant infrastructure improvements, as well as new luxury resort and condominium developments over the last four years. The property was acquired in December 2016.

ROSEDALE WAREHOUSE

In December 2019 we completed the acquisition of eight fully tenanted units totalling 8,166 square feet in a warehouse complex in the Cayman Islands. The property is leased to operators of development, construction, and fund administration businesses.

The property is located along a corridor slated for continued infrastructure development which we believe will continue to improve the property's value in the medium to long term.

GUM TREE 5

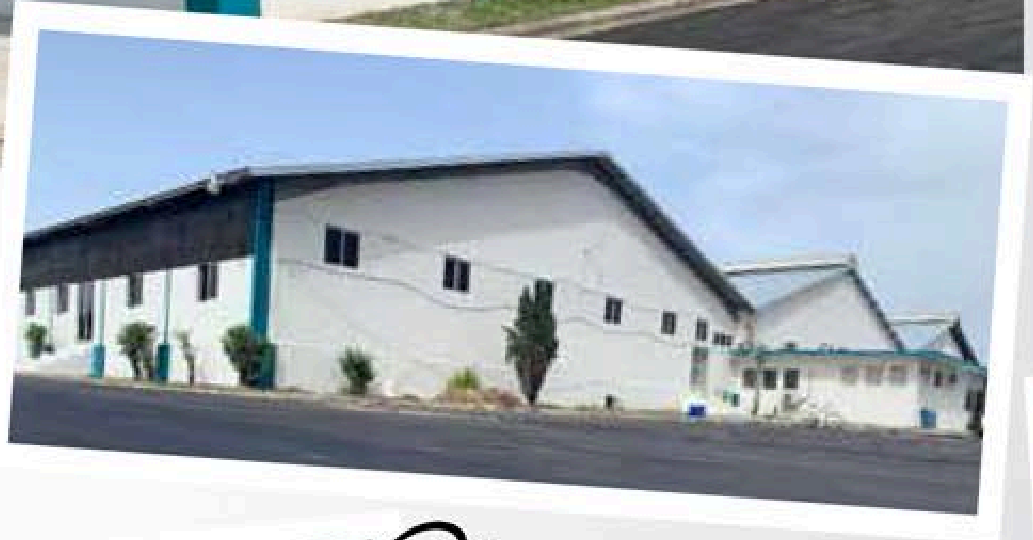
In September 2021, we entered into an agreement to acquire three (3) of four (4) pre-construction units in a mixed-use industrial development in the Cayman Islands called Gum Tree 5. The units are slated for completion in December 2022 were acquired for a consideration of approximately US$3.13 million.

36 - 38 RED HILLS ROAD

Acquired in December 2019, our flagship Red Hills Road property remains a key piece of our real estate portfolio. This property offers 49,871 square feet of office and warehouse complex on Red Hills Road in Jamaica and is home to eight longstanding tenants who form a diverse base of businesses and sizes. The building's proximity to the Half Way Tree Road corridor in Kingston makes it one of the main drivers of the strong occupancy. This property also houses Kingston Properties Limited's head office

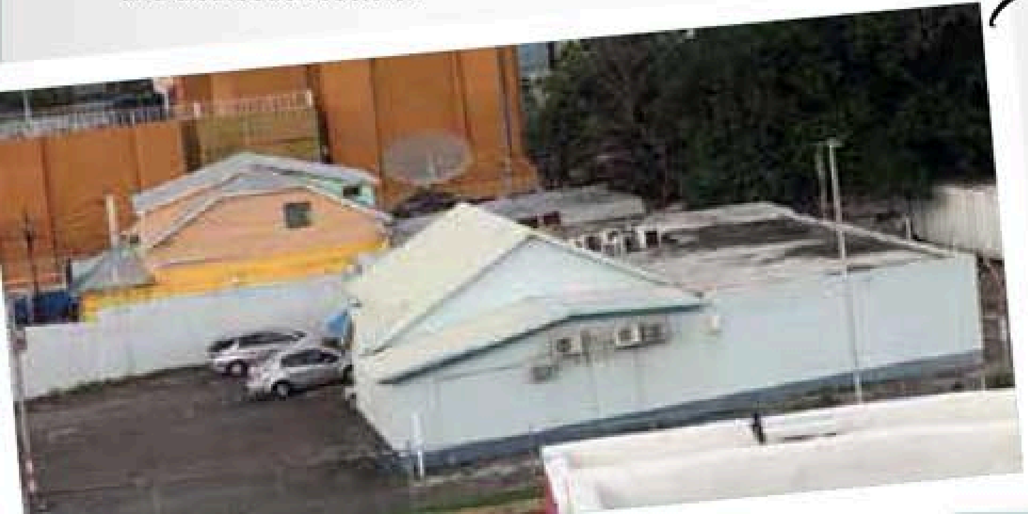
591 SPANISH TOWN ROAD

The 56,897 square foot property is an office and warehouse complex on Spanish Town Road that was acquired in January 2017. The property is leased to operators of manufacturing, distribution and logistics businesses that have operated in Jamaica for decades in the same location. The property is located along a corridor slated for continued infrastructure development.



6 EAST ASHENHEIM ROAD

In September of 2020, the Group acquired an approximately 88,000 SF warehouse property on four (4) acres of land in Kingston's Industrial belt. The property is currently undergoing extensive rehabilitation work and houses tenants in the manufacturing and distribution sectors.



7 DUMFRIES ROAD

Forming part of Kingston Properties Limited's key 2021 investments, the company acquired a small office building located on 20,000 square feet of land which is slated for development into a multi-story office building.

52 - 60 GRENADA CRESCENT

Located in the heart of New Kingston's business district, this 31,741 square feet multistory office building has undergone significant upgrades since its acquisition in 2018 and is now fully leased exclusively to Government tenants.

232A SPANISH TOWN ROAD

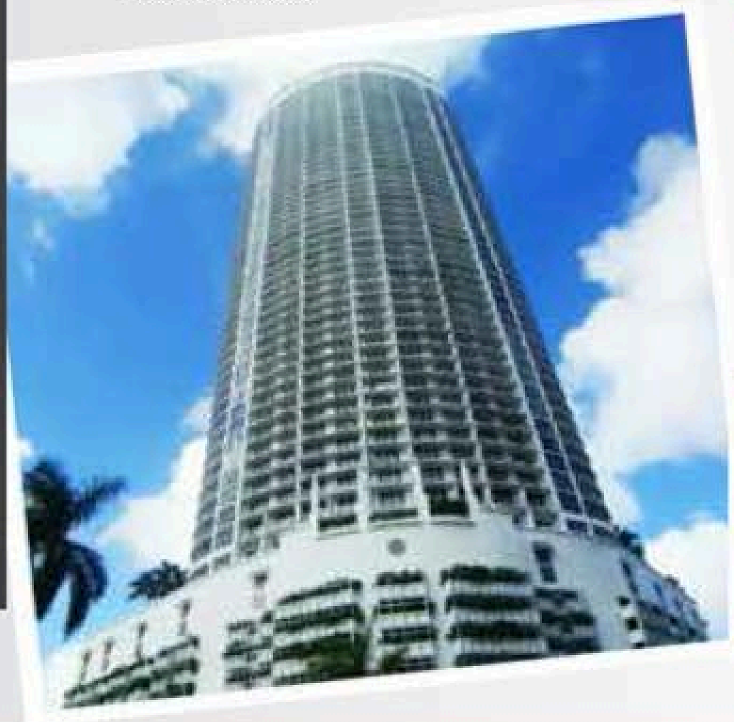
Marking its second property along the Spanish Town Road Industrial Belt and as its final acquisition of 2021, the company closed on a 2.7-acre property consisting of approximately 23,000 square feet of warehouse and office space.

CROSS ROADS DEVELOPMENT

This 1.5-acre property in Cross Roads, St Andrew was acquired in November 2021 and developed to house small-bay warehouse units, a highly sought after property in that area.

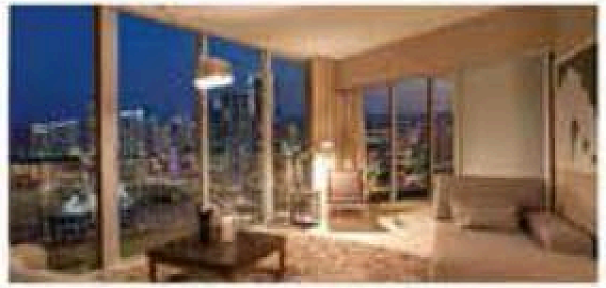
THE W FORT LAUDERDALE

The property is what is considered a condo-tel comprising two buildings, a 517-room hotel and a 171-unit condominium. The W Fort Lauderdale is a part of the Starwood Hotel Group and offers luxurious amenities to residents and guests. The four units we acquired in this condo-tel in 2015 have allowed us to benefit from both short-term and longer stay tenants and a more attractive rental rate than what obtains in our other properties. The property is located in Las Olas and is a stone's throw from the beach attracting a pool of holidaymakers year-round due to the warm Florida climate.



OPERA TOWER, DOWNTOWN MIAMI

Opera Tower is a 55-floor condominium high-rise building located in what is known as the Media and Entertainment district in Miami. The property is in close vicinity to the American Airlines Centre and the Miami Arts Museum as well as the MargaretPace Park. We own a 1,048 square foot two-bedroom unit in the building, which we bought in April 2016.



POLARIS AT CAMP CREEK, GEORGIA

The property comprises of 155 units with a mix of one, two and three bedrooms. It is approximately 185,000 square feet of space. The acquisition was made in July 2021 of which the Group owns a stake of approximately 38%.

MACRO-ECONOMIC AND REAL ESTATE SECTOR

OVERVIEW

Set out below is a brief overview of the economies in which the Group has properties, and which provides important context for its business operations. This information is derived from public sources and credible media reports, and reference is also made to the footnotes set out below.

US Economy

According to the Bureau of Economic Analysis, the US economy, measured by real gross domestic product (GDP), grew at an annual rate of 7.0 per cent in the fourth quarter of 2021, following an increase of 2.3 per cent in the third quarter. The improvements over 2020 have largely been spurred by an upturn in exports as well as accelerations in inventory investments and increased consumer spending arising from various government stimulus packages since the onset of the pandemic.[2] This trend is expected to be tempered in the near term but recover over the medium term, especially in light of the recent passing of a US$1.7 trillion infrastructure bill by the US House of Congress.[3]

US inflation rose by 0.5% in December 2021 and 7.0% on an annual basis.[4] Higher inflation has become a feature of the global economy in light of the containment measures adopted to curb the spread of the coronavirus and the resultant disruption to global supply chains and spikes in energy costs. The unemployment rate fell to 3.9% at the end of December 2021, coming down from 6.7% in December 2020 and a peak of 14.8% in April 2020[5], suggesting that the job market consolidated its recovery as the economy further reopened. A steady decline in the number of daily coronavirus cases due to a higher percentage of the eligible population being fully vaccinated[6] has allowed authorities to lift restrictions on businesses, but the supply of available workers has begun to lag the demand hence employers have found it difficult to bridge the resulting gap.

With the decline in government assistance programmes in the form of forgivable loans to businesses, grants to state and local governments, and especially social benefits to households[7], the numbers employed will likely rise as persons return to the workforce.

[2] https://www.bea.gov/data/gdp/gross-domestic-product
[3] 2 https://www.cnbc.com/2021/11/05/house-passes-bipartisan-infrastructure-bill-sends-it-to-biden.html
[4] https://www.bls.gov/news.release/cpi.nr0.htm
[5] https://tradingeconomics.com/united-states/unemployment-rate
[6] https://covid.cdc.gov/covid-data-tracker/#vaccinations_vacc-total-admin-rate-total

Jamaican Economy

The Jamaican economy experienced growth in the fourth quarter of 2021, with GDP expanding by 6.7% when compared to the similar quarter in 2020. This resulted from improvements in both the services and goods-producing sectors showing recovery versus the 2020 figure when the Government had implemented measures to curtail the spread of the novel coronavirus.[8] The increase in GDP was most evident in the Hotels and Restaurants, Transport, Storage & Communication, Retail, Construction, Agriculture and Manufacturing sectors. By comparison, the Statistical Institute of Jamaica (STATIN) also reported that the economy is estimated to have declined by 8.3% during the fourth quarter of 2020. Looking forward, the International Monetary Fund (IMF) is projecting economic growth for the 2021/2022 fiscal year to be in the region of 8.25% and thereafter record 3.5%.[9] Tourism, which is Jamaica's largest earner of foreign exchange and the second-largest employer in the country, has shown signs of recovery, earning US$1.31 billion.[10] As a result, the rebound in the sector has been seen as the driving force behind Jamaica's economic recovery. According to Tourism Minister Edmund Bartlett, "In 2021, Jamaica welcomed more than 1.5 million visitor arrivals to our shores. These visitors' on-island spend contributed over US$2.095 billion into our country's economy, positively impacting local businesses and tourism stakeholders."[11]

There was a 7% decline in the monthly average USD: JMD exchange rate for the twelve months ended December 2021, moving from J$144.41: US$1.00 in December 2020 to J$155.15: US$1.00 in December 2021.[12] The decline is attributed to lower supplies of hard currency over the review period brought on by a reduction in tourist arrivals relative to the pre-pandemic period and increased demand stemming from a boom in online shopping. Inflation for the calendar year to date to December 2021 stood at 9.1% while the point-to-point inflation rate to December 2021 stood at 7.3%.[13] The increase was largely driven by the Food and Non-Alcoholic Beverages category because of higher prices on some agricultural produce.

The unemployment rate stood at 6.2% as at January 2022 according to STATIN, this represents 2.6 percentage points lower than the figure recorded twelve months prior.[14] The decline in the unemployment rate occurred even with an increase in the size of the labour force by 1.9% year on year. The Construction and Real Estate and other Business Services, and Art, Entertainment, Recreation and Other Services groups recorded the largest increase in persons representing part of the employed labour force. Unemployment is expected to decline over time and with further easing of restrictions and other initiatives by the Government of Jamaica, employment figures could return to pre-pandemic levels in early 2022.[15]

Cayman Islands Economy

The latest available data indicate that the Cayman Islands economy contracted by an estimated 5.7% in 2020, as measured by GDP in real terms, this is compared to growth of 3.9% in 2019.[16] The average annual growth rate for the Cayman Islands for the five years before the pandemic was 3.5%. Indicators suggest that the contraction in economic activity for the year was broad-based with significant declines recorded in Hotels and Restaurants (-53.2%), Other Services (-24.6%), Administrative & Support service activities (-7.7%), and transport, storage, and communication (-42.3%). The Financing and Insurance services sector, which remains the largest contributor to GDP, increased marginally by 1.0% year on year, Additionally, increases were recorded for Professional, Scientific & Technical activities (7.0%), Health and Social Work (6.3%) and Public Administration & Defense (3.6%).[17] Economic activity for the year was negatively affected 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 was however offset by an increase in domestic business activity starting in the third quarter of 2020 due to the removal of some restrictions. Prospects appear brighter going forward as tourism recovers and the Government makes progress in the reopening of the economy. The Premier, Wayne Panton, announced in early July 2021 a five-phase reopening plan that has seen Cayman's borders being opened to stay-over tourists and other groups starting from September 2021.[18]

This is possible given the high rate of vaccination of the most vulnerable and at-risk residents. Debt rating agency Moody's has maintained Cayman's AA3 rating citing Cayman's 'prudent government planning' that has left them with the fiscal space to deal with the economic impact of the pandemic.[19] Forecasts by the Cayman Islands Economics and Statistics Office (ESO) show growth of 5.1% in 2021 and of 4.3% and 3.1% in subsequent years.[20]

Inflation rose by 3.3% in 2021 compared to 1% in 2020, largely a function of higher oil prices combined with supply chain and logistics disruptions, as well as increased economic activities due to the relaxation of pandemic containment measures.[21] The Cayman Islands is one of the leading financial centres of the world, offering a tax-free environment with no property, income, corporation, or capital gains taxes. However, from the onset of the pandemic, many persons left the island, while some others stopped searching for jobs resulting in a 10.5% drop in the labour force and an overall increase in the unemployment rate to 5.2% in 2020 compared to 3.9% in 2019.[22] Benchmark interest rates continued its downward trend seen since August 2019 and fell to 3.25% p.a. in March 2020 where it remains currently.[23]

[7] https://www.bea.gov/news/2021/gross-domestic-product-3rd-quarter-2021-advance-estimate
[8] https://statinja.gov.jm/PressReleases.aspx
[9] https://jamaica-gleaner.com/article/news/20211117/imf-predicts-economic-growth-more-eight-cent-jamaica
[10] https://caricom.org/jamaica-tourism-sector-rebounds-caricom-business/
[11] foot note to be replaced with: https://jamaica.loopnews.com/content/jamaica-lowered-level-1-travel-advisory-cdc
[12] https://boj.org.jm/market/foreign-exchange/average-exchange-rates/

[13] https://statinja.gov.jm/
[14] https://statinja.gov.jm/PressReleases.aspx
[15] https://statinja.gov.jm/PressReleases.aspx
[16] https://www.eso.ky/UserFiles/page_docums/files/uploads/cayman_islands_system_of_national_accoun-6.pdf
[17] https://www.eso.ky/UserFiles/page_docums/files/uploads/cayman_islands_system_of_national_accoun-6.pdf

REAL ESTATE SECTOR MARKET OVERVIEW

Jamaican Real Estate Market

Despite the disruptions that the COVID-19 pandemic has brought globally, Jamaica's real estate market remains buoyant. For the fourth quarter of 2021, the Real Estate Renting and Other Business sector grew by 2.1%, while Construction improved year on year by 5.9%.[24] The growth in the Construction category saw improvement in all the areas measured such as building construction, civil engineering and building installations. Relatively low borrowing rates continue to keep demand high resulting in an active market.

Cayman Islands Real Estate Market

According to the Economics and Statistics Office (ESO), the value of building permits in Grand Cayman in 2020 rose year on year by 88.1% to CI$555.6 million, mainly due to several commercial projects. However, the value of planning approvals remained relatively flat year over year at CI$883.2 million.[25] Emergency pension withdrawals and international buyers boosted the local real estate industry in 2020. According to real estate firm RE/MAX Cayman Islands, total sales volume in 2020 increased by 4.3% year on year to US$666.5 million, despite a 17.5% drop in the number of transactions, from 831 to 686. The average transaction value grew significantly last year over 2019, from US$769,289 to US$971,546 representing a 26.3% increase year on year.[26] Despite Cayman's tourism industry effectively shuttering, there has been international interest in the island's real estate market spurred by government incentives such as the Global Citizens Concierge programme[27] and the granting of residency rights through real estate investments.[28]

South Florida Real Estate Market

Total home sales in Miami-Dade County registered a 35.5% year-over-year increase in 3Q 2021, from 7,351 to 9,962, just lower than the 11,553 total sales recorded in 2Q 2021. In 3Q 2021, single-family home transactions rose 2.2% to 3,923, while existing condo sales increased 72%, from 3,512 to 6,039.[29] According to Jennifer Wollmann, the Chairman of the Miami Realtors Association, the increased availability of remote work and accelerated migration to South Florida coupled with relatively lower home prices compared to other markets spurred the demand. The lack of inventory at certain price points has also had an impact on sales, particularly for single-family homes.[30]

For the third quarter ended September 30, 2021, existing condo median prices rose 26.9% year-over-year, from $264,000 to $335,000.[31] The median time to contract for existing condos as at 3Q 2021 was forty (40) days, a 44.4% drop from seventy-two (72) days in 3Q 2020. The median time to sale for existing condos over the same review period decreased 26.7%, from 116 to 85.[32]

Coldwell Banker Richard Ellis (CBRE) estimates that the pace of hiring in the US will continue which will further bolster household formation. Persons who opted to stay with friends and family during the jobless period of 2020 and the heights of the pandemic are likely to return to the workforce and that should boost the demand for apartments. Multifamily properties in the affordable category are expected to continue to see low vacancy rates and rent growth going forward.[33]

Atlanta Real Estate Market

According to the Atlanta Realtors Association, during 2021 average and median sales prices recorded improvements over comparable 2020 figures. The median sales price in December 2021 was $378,000, an increase of 21.9% when compared to December 2020, while the average sales price was $447,000, up 19.2% from the previous year. Atlanta area housing inventory totalled 6,852 units in December 2021, a decrease of 22.3% from December 2020 while new listings totalled 4,950, down 7.3% from December 2020.[34] The multi-family market in Atlanta according to commercial real estate firm, Marcus and Millichap, remains strong buoyed by growth in the city's population of young adults between the ages of 20 and 34 years old.[35] Given the rise in median home prices in that market, this group has been priced out and will continue to rent. This has pushed vacancy rates below 4% marking the lowest rate since 2000 and augurs well for rent growth in this subclass due to limited inventory.

SUMMARY AND SUBSEQUENT EVENTS

The highlight for the year 2021 was the acquisition of a warehouse complex in Kingston's Industrial belt, a developmental property in the Cross Roads area, an office building to be developed in the New Kingston area, and the real estate partnership formed in increasing exposure in the Multi-family space in the US. The sale of some of our condo units in the US, cash reserves from the raising of approximately J$2.0 billion in 2019 combined with the prudent use of debt allowed for the purchase of these properties. Additionally, funds have been deployed for capital improvement projects at some of our properties and a portion set aside for future acquisitions. The transitioning taking place with our US portfolio will continue while we capitalize on the gains that have been made on some of the units in the portfolio and divert those proceeds to further build shareholder value

[18] https://www.caymancompass.com/2021/07/08/live-chamber-of-commerce-legislative-luncheon/
[19] https://www.moodys.com/research/Moodys-affirms-the-Cayman-Islands-Aa3-ratings-maintains-stable-outlook-PR_443266
[20] https://caymanresident.com/about/caymans-outlook
[21] https://www.eso.ky/UserFiles/page_docums/files/uploads/the_cayman_islands_consumer_price_index_-33.pdf
[22] https://www.eso.ky/UserFiles/page_docums/files/uploads/the_cayman_islands_annual_economic_repor-5.pdf
[23] https://www.eso.ky/UserFiles/page_docums/files/uploads/the_cayman_islands_annual_economic_repor-5.pdf

in other properties. 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.

On January 3, 2022, the Company transferred 100% of its shareholdings in Kingston Properties (St. Lucia) Limited to KPREIT (St. Lucia) Limited, a wholly-owned subsidiary of the Company.

On January 4, 2022, Kingston Properties (St. Lucia) Limited was redomiciled in the Cayman Islands by way of continuation, and its name changed on the said date to KPREIT (Cayman) Limited.

We continue to monitor global conditions, particularly fiscal and monetary policies of officials in jurisdictions in which we are invested. We anticipate elevated inflation levels and subsequent rate hikes globally, however, we believe this policy shift will be transitory in nature as supply chain challenges are abated and economies start to recover from containment measures such as lockdowns, curfews and travel restrictions. Economies such as the Cayman Islands that were experiencing robust economic growth before 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.

[24] https://statinja.gov.jm/PressReleases.aspx
[25] https://www.eso.ky/UserFiles/page_docums/files/uploads/the_cayman_islands_annual_economic_repor-6.pdf
[26] https://www.caymancompass.com/2021/01/29/2020-property-market-stayed-hot-despite-lockdown/
[27] https://www.visitcaymanislands.com/en-us/global-citizen-concierge
[28] https://caymanresident.com/housing/real-estate/cayman-real-estate-overview
[29] https://www.miamirealtors.com/2021/11/10/miami-real-estate-records-second-best-quarterly-sales-month-in-history-condo-transactions-up-72-year-over-year-in-3q-2021
[30] https://www.miamirealtors.com/2021/11/10/miami-real-estate-records-second-best-quarterly-sales-month-in-history-condo-transactions-up-72-year-over-year-in-3q-2021/
[31] https://www.miamirealtors.com/2021/11/10/miami-real-estate-records-second-best-quarterly-sales-month-in-history-condo-transactions-up-72-year-over-year-in-3q-2021/
[32] https://www.miamirealtors.com/2021/11/10/miami-real-estate-records-second-best-quarterly-sales-month-in-history-condo-transactions-up-72-year-over-year-in-3q-2021/
[33] https://www.multifamilyexecutive.com/property-management/apartment-trends/cbre-outlook-quicker-reboundexpected-for-multifamily-in-2021_o
[34] https://www.atlantarealtors.com/resources/atlanta-realtors-market-brief/detail/atlanta-realtors-market-brief-december-2021
[35] https://www.marcusmillichap.com/research/market-report/atlanta/atlanta-3q21-multifamily-market-report

RISK EXPOSURES & RISK MANAGEMENT STRATEGIES

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

The Board of Directors, therefore, remains focused on the various types of risks that 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, the credit quality of the 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 expenses, 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 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 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 to acquire 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 can acquire the 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 a 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 the 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 the 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 shareholders, 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 that 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.

COVID-19 PANDEMIC RISKS

The Covid-19 pandemic or any future pandemic may result in gathering limit restrictions and restrictions on movement, which may result in less demand for office spaces and/or limited foot traffic to spaces in the retail sector. A prolonged pandemic may also have a negative impact on the global economy reducing aggregate demand and the need for specific goods and services offered by our tenants. This may lead to increased tenant delinquency and higher vacancy rates.

Risk Mitigation Strategies

The Group utilizes established best practices in its risk management strategies and reviews various risk factors at both the Investment and Risk committees and the Board of directors meetings.

Consensus in the decision-making process ensures that undertakings are consistent with the Group's risk appetite and that adequate measurement and mitigation strategies are being employed, including being adequately funded to absorb any adverse shifts.

Economic Risks

The Group uses various metrics to measure and monitor financial risks to its operations to ensure it remains a going concern. These include debt service coverage, net operating margin, funds from operations growth, debt to EBITDA, Debt to Equity, and Equity to Asset ratios. Specific benchmarks are set based on a composite of selected global REITs and our performance is measured against this composite. Whereas adverse economic conditions and dislocations in the credit markets could have a material effect on our results of operations, due to a downturn in the economy, our strategy is to diversify across various jurisdictions to mitigate against any economic fallout in another jurisdiction.

As part of our strategy to manage risk with our tenants, we require corporate tenants to provide financial statements for the most recent three years, pay two months' security deposit, and provide bank references and a history of past tenancies. Tenant accounts are constantly reviewed for early signs of difficulty and our tenant relations team remains in continuous communication with tenants to frequently do assessments of their operations.

The Group adopts various funding strategies including raising funds both from the debt and equity markets. We have established liquidity thresholds to ensure we are adequately funded to meet not only operating expenses and/or debt servicing but to take advantage of new opportunities as they come up. Further, we ensure that our credit rating with our financing partners remains intact to allow us to access funding when needed and at favourable rates. Additionally, with excellent working capital management, the Group can fund ongoing working capital and debt service needs while maintaining adequate financial resources to mitigate the risk of missing opportunities during difficult economic periods.

We have built longstanding relationships with our financing partners and have established a high level of creditworthiness with them to allow the Group to access funding even during periods of economic downturn. Additionally, we have established a diversified portfolio of different types of real estate assets, such as commercial, residential and industrial and also in various markets.

Asset and Industry Risks

A diversified portfolio of properties across different sub-classes and in different jurisdictions allows the Group to remain resilient during bad economic periods. Further, the Group maintains an adequate pool of financing options with various institutions in different jurisdictions.

We conduct extensive data gathering and monitor the activities in the markets in terms of inventory levels, comparable market rents and level of new construction. The strategy is to remain competitive while maintaining full occupancy in our properties as the generation of cash flow is paramount.

Real estate market conditions are constantly monitored by the company and the relevant adjustments are made to the portfolio. New investments are pursued in accordance with the current market reading and outlook.

We continually assess tenant needs and explore the possibility of flexi-space.

The Group adopts a policy of applying an above-inflation level increase in rents or common area maintenance (CAM) charges to cover added expenses. We maintain tight budgetary controls to prevent overruns in operating costs and review our operating contracts annually. Through its "green" policy approach, **KPREIT** is also committed to reducing utility consumption at its properties and thereby mitigate on cost increases.

Rent and CAM charges are adjusted appropriately to provide adequate coverage for fixed costs. This type of risk is usually characterised by reduced activities resulting in savings in variable costs such as utilities and building repairs. These savings act as a mitigating factor.

The Group adopts a policy of insuring our properties at full replacement costs. Although circumstances may change over time, property locations are selected carefully through a robust investment analysis process and all properties have a minimum level of security and infrastructural protection to minimize the impact of these risks.

The Group ensures that there is adequate security deposit coverage for each tenant, a three-month delinquency limit is established; penalties on late payments and/or negotiated settlements including deferrals or lease extensions are tools used to limit this risk.

To deal with decreases in the underlying value of our real estate, the Group has dynamic and diversified holdings in various markets where the movement in one market may be adequate to offset the movements in another. Periodic property upgrades are done including preventative maintenance and renovations, which help to maintain the underlying value of our properties.

Acquisition Risks

Rigorous due diligence led by a Board select committee helps to reduce the number of instances where this risk materializes. The financial impact of this risk is also mitigated by negotiating the lowest possible non-refundable deposit in the first place.

All offers to purchase are contingent offers and provide an exit should conditions to close do not materialise. Further, financing arrangements are included as part of the due diligence process.

Alternative uses are always considered with new property acquisitions. Worst-case scenarios are considered in the investment analysis process and investments may not be accepted if this is outside the scope of **KPREIT** investment strategies. The performance of acquired properties is constantly monitored and the decision to dispose may also be considered for underperforming assets if it is the most economically beneficial option.

A premium return is established during the underwriting process to handle contingencies above the minimum target return.

The Group pursues the joint venture or partnership model for acquisitions in new markets. This ensures that the partners share equally in the risk but are also persons familiar with local operations and have had an established track record. The cost of local experts is also factored in the ROI consideration and overall investment analysis where the company must incur such costs.

Effective acquisition planning which considers management, staffing and resources reduce the likelihood of the Group being unable to integrate new acquisitions into the existing portfolio.

Full title searches are performed to confirm ownership of investment properties and ascertain any liens on the property. Professional valuators, surveyors and engineers are used to assess investment properties before acquisition and checks are made with the relevant environmental bodies (such as NEPA in Jamaica) to ensure no environmental issues exist and covenants are adhered to.

The Group is being capitalized to effectively pursue investment opportunities that fall within its risk and return metrics. It may consider joint venture arrangements to achieve those targets. The Group establishes a limit of remaining within the target rate of return and if that is not achievable on a current or proforma basis, the deal is rejected.

Re-Letting and Tenant Risks

Constant assessment of tenants and their business is done to determine if they become a letting risk. Additionally, limits are set and monitored on tenant exposure per jurisdiction or industry within which they operate. Early termination clauses are present in all leases to ensure the landlord recovers sufficient rent to cover the re-letting period.

Resale Risks

The real estate market is assessed frequently and proactive decisions are taken to dispose of properties before adverse market events.

Contingent or Counterparty Risks

Where possible, legal recourse is taken to deal with any contingent or counterparty risks.

Currency Exchange Risks

In respect of currency exchange risks, the Group may attempt to mitigate any such effects by borrowing in the currency of the country in which we are investing. Additionally, periodic monitoring of the movement of the exchange rate is done to optimally time conversion actions. As much as possible, the Group arranges lease agreements in the USD functional currency, and where foreign currency is earned, it is utilized in settling liabilities of the same currency.

Debt and Re-financing Risks

The Group monitors debt covenants frequently and ensures that there is adequate Loan-to-Value (LTV) coverage. Further, aggressive principal reductions are employed to achieve lower LTVs by faster debt repayments.

Leverage Risks

The Group adopts a very conservative approach to debt ratios, with debt to asset of 50% or less and debt to equity below 75%.

Insurance Risks

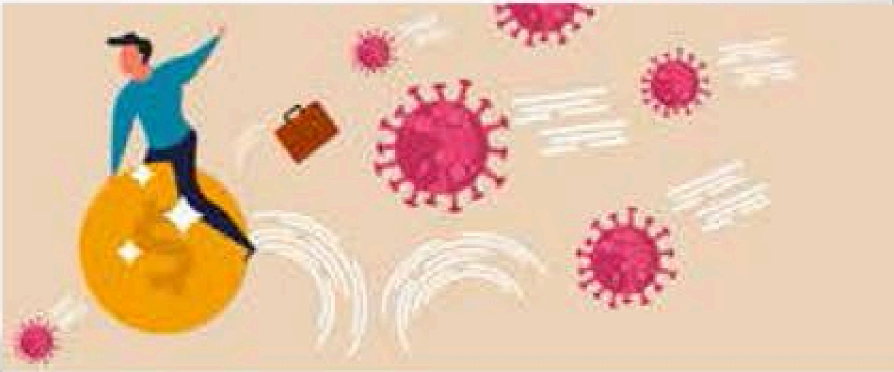
The Group reviews its insurance coverage annually and ensures that there is adequate coverage on all our properties.

Market Risks

A key focus of management and the Board is to deliver earnings and dividends at or above expectations which is demonstrated by the minimum ROI embedded in the asset acquisition strategy. This drives shareholder value and any misalignment in the share price will be corrected in the long term by the market forces acting on full information. The Group continues to build its corporate profile through significant promotional activities and community involvement which is key to retaining a strong market presence even during periods of bad conditions in the stock market. Additionally, management keeps abreast of the developments within the jurisdictions where it operates and strategically adjusts its business model to deliver the greatest value to its stakeholders.

COVID-19 PANDEMIC RISKS

The Group has developed a *"future-proofing"* strategy that involves periodic assessment of the performance of major sub-classes of real estate to detect trends and focus our acquisition strategy towards those sub-classes shown to be most resilient to containment measures typical of a pandemic.



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.
- Non-compliance with applicable laws and regulations could lead to substantial monetary and or reputational damage and/or fines, public reprimands, increased regulatory scrutiny or other regulatory restrictions.

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 any other stock exchange(s). Additional shares so issued could affect the market price of the New Ordinary 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 **KPREIT's** shares will be primarily dependent on **KPREIT's** future profitability and notwithstanding the target level of distributions under our existing policy, ultimately remains at the discretion of the Directors, who will be considering the Company's best interests as a whole.

Macro-Economic Policies

Changes in fiscal and monetary policies by the Government of Jamaica or of any jurisdiction in which any member of the Group has investments may create opportunities as well as challenges for **KPREIT.** Fluctuations in market interest rates may influence the relative attractiveness of the dividend yield. The price of our ordinary shares may be adversely affected by the annual dividend yield relative to the yield on other available financial instruments.

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. The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies; for example, the calculation of expected credit losses and significant increases in credit risk for financial assets under IFRS 9 or the fair value of financial instruments where observable market prices are not available. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in an adverse impact on **KPREIT's** financial results.

Competitive Environment

Changes in the macro and business environment may lead to intensified levels of competition in the jurisdictions in which **KPREIT** operates. New market entrants and or consolidation in the subsectors in which **KPREIT** operates may also lead to increased competitive pressures which could negatively impact market share and profitability.

RISK EXPOSURES & RISK MANAGEMENT STRATEGIES. CONT'D

Cross Border Operations/Risks Associated with International Conditions

KPREIT currently has investment assets and subsidiaries in several different countries, therefore it is exposed to adverse event risks which may impact its financial results and by extension its share price.

These events include:

- *International political and economic conditions;*
- *Changes in Government regulations in various countries;*
- *Implementation of trade barriers;*
- *Implementation of adverse tax consequences;*
- *Increased regulatory costs*

Risk Mitigation Strategies

The Group utilizes established best practices in its risk management strategies and reviews various risk factors at both the Investment and Risk committees and the Board of directors meetings. Consensus in the decision-making process ensures that undertakings are consistent with the Group's risk appetite and that adequate measurement and mitigation strategies are being employed, including being adequately funded to absorb any adverse shifts.

THE REIT

CORPORATE DATA

BOARD OF DIRECTORS
- Garfield Sinclair (Chairman)
- Lisa Gomes (Director)
- Peter Reid (Director)
- Nicole Foga (Director/Company Secretary)
- Gladstone Lewars (Director)
- Phillip Silvera (Director)
- Rezworth Burchenson (Director)

REGISTERED OFFICE
7 Stanton Terrace,
Kingston 6, Jamaica

CORPORATE OFFICE
36-38 Red Hills Road,
Kingston 10, Jamaica

Tel: 876-754-7840 I 620-4920 I 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, Scholefield, DeLeon & Co. (Jamaica)
- Patterson Mair Hamilton (Jamaica)
- Tripp Scott (USA)
- Arnall Golden Gregory LLP (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
- KP(REIT) Jamaica Limited
- KPREIT (St. Lucia) Limited
- Kingston Properties Miami LLC
- KPREIT (Cayman) Limited
- KP Dumfries Limited

STOCK SYMBOL
- KPREIT

EXCHANGE
- Jamaica Stock Exchange (Main Market)

INVESTOR RELATIONS OFFICER
Tatesha Rowe
Email: info@kpreit.com
Tel: 876-620-4707

THE REIT

INDEX TO FINANCIAL STATEMENTS

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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 83 to 128, which comprise the Group's and Company's statements of financial position as at December 31, 2021, 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, 2021, 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

1. *Valuation of investment property*

   The valuation of the Group's investment property requires significant estimation, which is impacted by uncertainty of market factors, pricing assumptions and general business and economic conditions.

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

   - We used 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 to assess potential fair value changes that occurred within the period.
   - We evaluated 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.
   - We assessed 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.*

2. *Fair value of investments*

   The valuation of the Group's unquoted investments has been identified as an area of significant risk, given that the measurement of the unquoted investments includes significant assumptions and judgements about expected cashflows and the determination of the discount rate to be applied.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements (Continued)

2. *Fair value of investments (continued)*

Management has determined the fair value of the unquoted investments using the income capitalisation approach, in the absence of a quoted price for the instrument on a trading market.

Our audit procedures in the area included the following:

- We engaged our internal valuation specialist to evaluate the application of the valuation methodology and the reasonableness of the assumptions used in determining the discount rate, by comparing the discount rate with published market and industry data and other relevant information.
- We assessed the reasonableness of the cash flow projection by:
  - (i) comparing the input data provided by management with independent data sources, supporting documents and information; and
  - (ii) challenging management's assumptions such as, the timing, amounts and future growth of the cash flows by obtaining an understanding of the relevant activities of the company and determining whether there may be variations to the contractual cash flows expected.
- We tested the mathematical accuracy of the cash flow projections and the adequacy and appropriateness of the Group's disclosures against the requirements of IFRS 13 *Fair Value Measurement* (see notes 12 and 26).

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on the Audit of the Financial Statements (Continued)

Other information (continued)

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.

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 81 - 82, forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
KINGSTON PROPERTIES LIMITED

Report on additional matters as required by the Jamaican Companies Act

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

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

The engagement partner on the audit resulting in this independent auditors' report is Karen Ragoobirsingh.

KPMG

Chartered Accountants
Kingston, Jamaica

March 1, 2022

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.

KPMG

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, 2021

(Expressed in United States Dollars unless otherwise stated)

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Revenue - rental income	4	2,981,417	2,130,727	1,010,602	651,372
Operating expenses	5	(1,283,008)	(1,100,482)	(826,345)	(508,151)
Results of operating activities before other income		1,698,409	1,030,245	184,257	143,221
Other income/(expenses):					
Increase /(decrease) in fair value of investment property	11(b)(i)	838,001	307,539	(111,695)	415,923
Increase in fair value of FVTPL investments		534,553	85,219	-	
Gain /(loss) on disposal of investment property		246,386	(78,392)	-	-
Management fees	6	76,117	69,673	76,117	69,673
Dividend income	12	75,622	-	-	-
Loss on disposal of furniture and equipment		(2,971)	-	-	-
Impairment (allowance)/reversal on financial assets	16,17	(15,000)	(2,991)	(10,000)	211,931
Miscellaneous income		71,318	3,136	-	155
Operating profit		3,522,435	1,414,429	138,679	840,903
Finance income	7	148,986	212,837	116,121	189,468
Finance costs	7	(574,543)	(1,029,919)	(214,737)	(619,677)
Net finance costs	7	(425,557)	(817,082)	(98,616)	(430,209)
Profit before income tax		3,096,878	597,347	40,063	410,694
Income tax (charge)/ credit	8	(78,566)	15,378	-	(15,522)
Profit for the year, being total comprehensive income for the year	9	$3,018,312	612,725	40,063	395,172
Earnings per stock unit (USD)	10	$ 0.0045	0.0009		
Earnings per stock unit (JMD)	10	$ 0.7011	0.1300		

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

Kingston Properties Limited

STATEMENTS OF FINANCIAL POSITION

Year Ended December 31, 2021

(Expressed in United States Dollars unless otherwise stated)

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
NON-CURRENT ASSETS					
Investment property	11	41,779,432	38,130,420	16,161,594	13,640,472
Investments at fair value through profit or loss	12	3,451,163	1,085,219	-	-
Restricted cash	18	1,969	482,134	1,969	2,134
Furniture and equipment	13	208,099	169,487	172,852	136,999
Investment in subsidiaries	14	-	-	20,201,760	14,585,395
Total non-current assets		45,440,663	39,867,260	36,538,175	28,365,000
CURRENT ASSETS					
Deposit on investment properties	15	1,232,761	-	-	-
Owed by subsidiaries	16	-	-	2,803,986	-
Investment property held-for-sale	11(g)	497,250	240,000	-	-
Receivables	17	581,436	595,223	456,891	346,316
Income tax recoverable		11,199	20,848	3,605	3,605
Cash and cash equivalents	18	2,707,039	4,871,737	925,886	684,039
Total current assets		5,029,685	5,727,808	4,190,368	1,033,960
Total assets		$50,470,348	45,595,068	40,728,543	29,398,960
EQUITY					
Share capital	19	25,316,337	25,316,779	25,316,337	25,316,779
Currency translation reserve	19	(1,488,861)	(1,488,861)	(4,153,262)	(4,153,262)
Retained earnings		8,807,021	6,688,638	2,463,113	3,322,979
Total equity		32,634,497	30,516,556	23,626,188	24,486,496
NON-CURRENT LIABILITIES					
Deferred tax liability	8	51,473	-	-	-
Loans payable	21	11,869,797	12,788,595	3,792,979	4,202,695
Total non-current liabilities		11,921,270	12,788,595	3,792,979	4,202,695
CURRENT LIABILITIES					
Current portion of loans payable	21	5,374,156	935,885	4,850,410	373,332
Owed to subsidiaries	16	-	-	8,132,050	218,139
Accounts payable and accrued charges	22	529,383	1,354,032	326,916	118,298
Income tax payable		11,042	-	-	-
Total current liabilities		5,914,581	2,289,917	13,309,376	709,769
Total liabilities		17,835,851	15,078,512	17,102,355	4,912,464
Total equity and liabilities		$50,470,348	45,595,068	40,728,543	29,398,960

The financial statements on pages 106 to 150 were approved for issue by the Board of Directors on March 1, 2022 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, 2021

(Expressed in United States Dollars unless otherwise stated)

	Share capital (note 19)	Treasury shares (note 20)	Cumulative translation reserve (note 19)	Retained earnings	Total
Balances at December 31, 2019	25,319,010	-	(1,488,861)	6,475,764	30,305,913
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
Profit for the year, being total comprehensive income	-	-	-	3,018,312	3,018,312
Transactions with owners of the Company:					
Stock units repurchased		(442)	-	-	(442)
Stock units cancelled	(442)	442	-	-	-
Dividends declared (note 23)	-	-	-	(899,929)	(899,929)
Total transactions with owners of the Company	(442)	-	-	(899,929)	(900,371)
Balances at December 31, 2021	$25,316,337	-	(1,488,861)	8,807,021	32,634,497

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

Kingston Properties Limited

SEPARATE STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2021

(Expressed in United States Dollars unless otherwise stated)

	Share capital (note 19)	Treasury shares (note 20)	Retained earnings	Cumulative translation reserve	Total
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
Profit for the year, being total comprehensive income	-	-	40,063	-	40,063
Transactions with owners of the Company					
Stock units repurchased	-	(442)	-	-	(442)
Stock units cancelled	(442)	442	-		-
Dividends declared (note 23)	-	-	(899,929)	-	(899,929)
Total transactions with owners of the Company	(442)	-	(899,929)	-	(900,371)
Balances at December 31, 2021	$25,316,337	-	2,463,113	(4,153,262)	23,626,188

Kingston Properties Limited

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2021

(Expressed in United States Dollars unless otherwise stated)

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Cash flows from operating activities					
Profit for the year		3,018,312	612,725	40,063	395,172
Adjustments for:					
Income tax charge/(credit)	8	78,566	(15,378)	-	15,522
Depreciation	13	20,078	13,119	15,171	9,337
Interest income	7	(60,850)	(212,837)	(11,285)	(189,468)
Interest expense	7	497,853	458,444	165,641	105,676
Increase in fair value of investment properties	11(b)(i)	(838,001)	(307,539)	111,695	(415,923)
Increase in fair value of investments at FVTPL		(534,553)	(85,219)	-	-
(Gain)/loss on disposal of investment property		(246,386)	78,392	-	-
Loss on disposal of furniture and equipment		2,971	-	-	-
Impairment loss/(reversal) on financial assets	16,17	15,000	2,991	10,000	(211,931)
		1,952,990	544,698	331,285	(291,615)
Changes in:					
Receivables		(4,111)	44,350	(120,574)	(209,593)
Accounts payable and accrued charges		185,556	39,481	196,841	(9,043)
Income tax paid		(6,402)	(51,209)	-	(17,399)
Owed by subsidiaries		-	-	(2,803,986)	244,940
Owed to subsidiaries		-	-	7,913,911	(23,310)
Net cash provided/(used) by operating activities		2,128,033	577,320	5,517,477	(306,020)
Cash flows from investing activities					
Additional invested capital in subsidiary		-	-	(5,616,366)	(8,101,065)
Interest received		63,748	213,167	11,285	193,970
Additions to property and equipment	13	(61,661)	(130,185)	(51,024)	(102,735)
FVTPL investments		(2,831,391)	-	-	-
Additions to investment property	11(b)(i)	(4,253,348)	(15,613,817)	(2,632,817)	(4,820,472)
Proceeds of disposal of furniture and equipment		-	1,501	-	-
Deposit on investment properties		(1,232,761)	-	-	-
Proceeds of disposal of investment property		1,431,473	1,412,187	-	-
Net cash used in investing activities		(6,883,940)	(14,117,147)	(8,288,922)	(12,830,302)
Cash flows from financing activities					
Interest paid		(519,835)	(438,608)	(165,641)	(105,834)
Dividends paid		(888,152)	(405,389)	(888,152)	(405,389)
Loans received		4,470,410	5,928,233	4,470,410	-
Loans repaid		(950,937)	(1,479,771)	(403,048)	(59,587)
Restricted cash		480,165	(359,838)	165	162
Treasury shares		(442)	(2,231)	(442)	(2,231)
Net cash provided/(used) by financing activities		2,591,209	3,242,396	3,013,292	(572,879)
Net (decrease)/increase in cash and cash equivalents		(2,164,698)	(10,297,431)	241,847	(13,709,201)
Cash and cash equivalents at beginning of year		4,871,737	15,169,168	684,039	14,393,240
Cash and cash equivalents at end of year	18	$2,707,039	4,871,737	925,886	684,039

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

1. Identification and principal activities

Kingston Properties Limited ("the Company") is incorporated in Jamaica under the Companies Act. The Company is domiciled in Jamaica, with its registered office at 7 Stanton Terrace, Kingston 6, and the principal place of business at Building B, First Floor, 36-38 Red Hills Road, Kingston 10. The Company is listed on the Jamaica Stock Exchange.

The Company has five wholly owned subsidiaries:

(i) Kingston Properties (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.

(iii) KP Dumfries Limited, incorporated in Jamaica on February 16, 2021 under the Companies Act.

(iv) On December 29, 2021 KPREIT (St Lucia) Limited was incorporated in St Lucia but did not commence operation until January 2022.

The Company and its subsidiaries are collectively referred to as "the Group". In these financial statements 'parent' refers to the Company and 'intermediate parent' refers to Kingston Properties (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, none of which resulted in any changes to the amounts recognised in the financial statements.

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.

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 37 *Provision, Contingent Liabilities and Contingent Assets* (continued)

  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.

- 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.

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)

  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.

  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.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Kingston Properties Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2021
(Expressed in United States Dollars unless otherwise stated)

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)*

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

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

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after 1 January 2023, with early adoption permitted .The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
  - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates

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

(b) Basis of measurement

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

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

(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.

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.

(3) Accounting for investments at fair value through profit or loss (FVTPL)

Kingston Properties Miami LLC (KPM) acquired a 36% interest in an unquoted investment during the year. However, the Company did not apply the equity method of accounting and recorded this as a FVTPL investment since KPM does not have significant influence over the operation of this entity [see note 12(b)].

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

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

(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) Impairment of financial assets

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.

(4) Valuation of investments at fair value through profit or loss (FVTPL)

Management uses its judgement in selecting the appropriate valuation techniques to determine fair value of financial instruments. The estimates of fair value arrived at may be significantly different from the actual price of the instrument in an actual arm's length transaction (see note 12).

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.

3. Significant accounting policies (continued)

(a) Consolidation (continued)

(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.

(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.

Kingston Properties Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2021
(Expressed in United States Dollars unless otherwise stated)

3. Significant accounting policies (continued)

(f) Related parties (continued)

(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.

(ii) Exchange differences arising on settlement of monetary items or on reporting the Group's monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognised as income or expense in the period in which they arise. Non-monetary assets and liabilities that are denominated in foreign currencies and are measured at historical cost are translated at the foreign exchange rate ruling at the date of the transaction.

3. Significant accounting policies (continued)

(g) Foreign currencies (continued)

(ii) (Continued)

Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of 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.

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.

Kingston Properties Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2021
(Expressed in United States Dollars unless otherwise stated)

3. Significant accounting policies (continued)

(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 at FVTPL instruments, 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.

Subsequent measurement

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

3. Significant accounting policies (continued)

(i) Financial instruments (continued):

Financial assets (continued)

Classification and subsequent measurement (continued)

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.

Kingston Properties Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year Ended December 31, 2021

(Expressed in United States Dollars unless otherwise stated)

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.

Kingston Properties Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year Ended December 31, 2021

(Expressed in United States Dollars unless otherwise stated)

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)

(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:

Kingston Properties Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2021
(Expressed in United States Dollars unless otherwise stated)

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.

(s) Employee benefits

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payment is available.

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	
	2021	2020	2021	2020
Accounting fees	5,764	4,400	-	-
Audit fees (note 9)	52,621	60,521	29,013	33,688
Bank charges	4,369	3,779	1,319	741
Brokers fees	78,972	66,705	75,252	-
County and state taxes	-	93	-	-
Depreciation (note 13)	20,078	13,119	15,171	9,337
Directors' fees [note 16(b)]	63,750	47,450	31,875	23,725
Homeowners' association fees	93,171	177,702	-	-
Insurance	124,476	86,179	82,185	42,889
Professional fees	60,559	34,358	22,392	19,547
Property taxes	52,594	108,302	8,199	6,074
Regulatory fees and charges	22,672	17,833	22,672	17,833
Management fees	20,707	19,276	-	-
Repairs and maintenance	44,387	28,352	7,895	-
Salaries and related costs	525,464	332,846	453,043	299,062
Contribution and defined contribution plan	7,061	4,995	7,061	4,995
Utilities	4,867	5,069	3,905	1,399
Other operating expenses	101,496	89,503	66,363	48,861
	$1,283,008	1,100,482	826,345	508,151

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	
	2021	2020	2021	2020
Finance income:				
Interest income	60,850	212,837	11,285	189,468
Foreign exchange gains	88,136	-	104,836	-
	148,986	212,837	116,121	189,468
Finance costs:				
Foreign exchange losses	-	(522,753)	-	(507,837)
Interest expense	(497,853)	(458,444)	(165,641)	(105,676)
Commitment fees	(76,690)	(48,722)	(49,096)	(6,164)
Total finance costs	(574,543)	(1,029,919)	(214,737)	(619,677)
Net finance costs	$(425,557)	(817,082)	(98,616)	(430,209)

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8. Income tax charge/(credit)

(a) Taxation comprises:

	Group		Company	
	2021	2020	2021	2020
(i) Current income tax expense:				
Income tax at 25%	22,213	-	-	-
Income tax at 1%	4,880	5,076	-	-
Under-provision of income tax	-	15,522	-	15,522
	27,093	20,598	-	15,522
(ii) Deferred income tax expense:				
Origination and reversal of temporary differences [See (d) below]	51,473	(35,976)	-	-
Total income tax charge/(credit)	$78,566	(15,378)	-	15,522

(b) Reconciliation of actual tax expense:

The tax rate for the Company and Jamaica subsidiaries 25% (2020: 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% (2020: 21%).

The actual tax charge for the year is as follows:

	Group		Company	
	2021	2020	2021	2020
Profit before income tax	$3,096,878	597,347	40,063	410,694
Computed "expected" tax expense at Jamaican tax rate of 25%	774,220	149,338	10,016	102,674
Effect of different tax rates in foreign jurisdictions	(299,284)	(118,660)	-	-
Fair value gains disallowed	(282,352)	(84,766)	27,924	(103,981)
Depreciation and capital allowances	(131,072)	(149,654)	(96,845)	(71,618)
Prior year under accrual	-	15,522	-	15,522
Disallowed expenses/(income), net	(272,620)	102,412	(15,700)	36,335
Utilised tax losses	55,608	70,430	71,129	36,590
Actual tax charge/(credit)	$ 78,566	(15,378)	-	15,522
Effective rate of tax	2.54%	(2.57%)	0%	3.78%

(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 $671,562 for the Company and $1,219,948 for the Group (2020: $387,099 for the Company and $1,025,427 for the Group).

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

(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 (continued).

The balances and movements on deferred tax are as follows:

	Group				
	Balance at December 31, 2019	Recognised in profit or loss	Balance at December 31, 2020	Recognised in profit or loss	Balance at December 31, 2021
Investment property	$35,976	(35,976)	-	(28,700)	(28,700)
Investments	-	-	-	130,152	130,152
Tax losses	-	-	-	(49,979)	(49,979)
	$35,976	(35,976)	-	51,473	51,473

9. Profit for the year

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

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Auditors' remuneration (note 5)	52,621	60,521	29,013	33,688
Key management personnel Compensation	295,010	227,617	295,010	227,617
Directors' remuneration: fees (note 5)	63,750	47,450	31,875	23,725

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

10. Earnings per stock unit

The earnings per stock unit is computed by dividing the profit for the year of $3,018,312 (2020: $612,725), attributable to the Company's stockholders, by a weighted average number of stock units issue during the year, determined as follows:

	2021	2020
Ordinary stock units at January 1	677,662,399	677,713,643
Effect of repurchasing stock units	(7,751)	(48,855)
	677,654,648	677,664,788
Weighted average number of ordinary stock units held during the year	677,654,648	677,664,788
Earnings per stock unit (USD)	$ 0.0045	0.0009
Earnings per stock unit (JMD)	$ 0.7011	0.1300

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11. Investment property

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

	Group		Company	
	2021	2020	2021	2020
Loft II, Miami condominiums	-	945,087	-	-
W. Ft. Lauderdale condominiums	1,572,814	1,785,000	-	-
Opera Tower Miami condominiums	347,412	337,592	-	-
Red Hills Road Commercial Complex	5,596,770	5,520,000	5,596,770	5,520,000
Spanish Road Commercial Complex	3,200,000	3,300,000	3,200,000	3,300,000
East Ashenheim Road	5,314,252	4,820,472	5,314,252	4,820,472
Tropic Centre	3,163,182	3,142,000	-	-
Grenada Crescent	6,300,000	5,403,093	-	-
Rosedale Warehouses	2,217,000	2,106,562	-	-
Harbour Centre	10,770,614	10,770,614	-	-
Dumfries Road	1,246,816	-	-	-
Rosseau Road	525,663	-	525,663	-
Spanish Town Road	1,524,909	-	1,524,909	-
	$41,779,432	38,130,420	16,161,594	13,640,472

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

	Group		Company	
	2021	2020	2021	2020
Balance as at beginning of year	38,130,420	23,939,643	13,640,472	8,404,077
Additions during the year	4,253,348	15,613,817	2,632,817	4,820,472
Disposals during the year	(945,087)	(1,490,579)	-	-
Transfers to held-for-sale [see note 11(g)]	(497,250)	(240,000)	-	-
Fair value gains	838,001	307,539	(111,695)	415,923
Balance at end of year	$41,779,432	38,130,420	16,161,594	13,640,472

11. Investment property (continued)

(b) The carrying amounts of investment property have been determined as follows (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.	• Expected market rental growth • Yields • Rental rates	The estimated fair value would increase/(decrease) if: • Expected market rental growth were higher (lower); The occupancy rate were higher (lower)
The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.		• Rent-free periods were shorter (longer); or • Yields were lower (higher)
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)

Kingston Properties Limited
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11. Investment properties (continued)

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

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

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
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)

(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 and the property located at Grenada Crescent were revalued as at December 31, 2021, by independent valuators, NAI Jamaica: Langford and Brown.

11. Investment properties (continued)

(c) (Continued)

(iii) The Red Hills Road Commercial Complex was revalued as at December 31, 2020, by independent valuators, NAI Jamaica: Langford and Brown, of Kingston, Jamaica.

(iv) The condominiums located W. Ft. Lauderdale and Opera Towers were revalued by management as at December 31, 2021 while the W. Ft. Lauderdale was revalued by Laroucca Appraisals Inc. on December 30, 2020.

(v) The Rosedale Warehouses and Tropic Centre were revalued by independent valuators, DDL Studio Limited, of the Cayman Islands as at December 15, 2021 and December 15, 2020 respectively.

(vi) The Harbour Centre and East Ashenhiem Road properties were purchased less than two years and their purchase cost is assumed to approximate the fair values as at December 31, 2021.

(d) Gross rental income from investment properties are as disclosed in note 4.

(e) Property operating expenses are as follows:

	Group		Company	
	2021	2020	2021	2020
Homeowners' association fees	93,171	177,702	-	-
Insurance premiums	124,476	86,179	82,185	42,889
Property taxes	52,594	108,302	8,199	6,074
Professional fees	60,559	34,358	22,392	19,547
Repairs and maintenance	44,387	28,352	7,895	-
Security	3,700	-	3,700	-
Management fees	20,707	19,276	-	-
	$399,594	454,169	124,371	68,510

(f) A total of 6 residential condominiums located in Miami and Fort Lauderdale, Florida were sold during the year (2020: 6 units). Of the number of properties sold in 2021, one was classified as held for sale in 2020.

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

	Group	
	2021	2020
	$	$
W. Ft. Lauderdale condominiums	497,250	-
Opera Tower Miami condominium	-	240,000

These were subsequently sold in January 2022 and January 2021 respectively. This is included under United States of America in note 24.

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12. Investments at fair value through profit or loss

	Group	
	2021	2020
	$	$
CGI Fund (a)	1,206,504	1,085,219
Polaris at Camp Creek LLC (b)	2,244,659	-
	3,451,163	1,085,219

(a) During the prior year the Miami subsidiary invested in 1,000,000 units in CGI Fund I. The fund is managed by CGI Investment Management LLC and the investment is measured at fair value and categorised as Level 3 in the fair value hierarchy.

The following table shows the valuation techniques and significant unobservable inputs used. Fair value gain of $121,288 (2020: $85,219) was recognised during the year. Further, the Company received dividend of $68,622 in respect of this investment.

Valuation technique	Significant unobservable inputs	Range of input
Income capitalisation approach	• Overall capitalization rate • Discount rate • Term • Terminal capitalisation rate • Growth rate	5-7.75% 7.25-7.75% up to 10 years 5.25-6.25% 1.0-3.0%

(b) Subscription fund units

During the year the Company acquired 1,831,391 units in Polaris at Camp Creek LLC, a Delaware limited liability company (Polaris). Polaris was formed to acquire and develop a multi-family property in Atlanta, USA thereby providing members with commercial real estate opportunities via subscription for units in the company. The investment is measured at fair value.

The fair value measurement of the units is categorised as Level 3 and the following table shows 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	5.03% 10.89% up to 5 years 6.07% 2.8%

During the year fair value gain of $413,265 was recognised in respect of this investment and the Company received dividend of $7,000.

13. Furniture, software and equipment

	Group			Company		
	Office furniture & equipment	Computer software	Total	Office furniture & equipment	Computer software	Total
Cost						
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
Additions	23,992	37,669	61,661	13,355	37,669	51,024
Disposals	(4,050)	-	(4,050)	-	-	-
December 31, 2021	155,334	117,026	272,360	110,697	113,826	224,523
Depreciation						
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
Charge for year	17,833	2,245	20,078	12,926	2,245	15,171
Disposals	(1,079)	-	(1,079)	-	-	-
December 31, 2021	57,371	6,890	64,261	47,981	3,690	51,671
Net book value						
December 31, 2021	$ 97,963	110,136	208,099	62,716	110,136	172,852
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

14. Investment in subsidiaries

	Company 2021	Company 2020
Kingston Properties (St. Lucia) Limited		
Amount paid for shares	2,209,246	2,209,246
Additional investment capital [see (i) below]	8,101,065	8,101,065
Funds borrowed [see (ii) below]	(2,444,043)	(2,444,043)
	7,866,268	7,866,268
Kingston Properties Miami LLC [see (iii) below]	3,102,985	3,102,985
KP (Reit) Jamaica Limited [see (iv) below]	3,616,142	3,616,142
KPREIT (St. Lucia) Limited [see (v) below]	5,616,365	-
	$20,201,760	14,585,395

(i) During 2020, the Company invested $8,101,065 in Kingston Properties (St. Lucia) Limited for the purpose of acquiring investment properties in the region.

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14. Investment in subsidiaries (continued)

(ii) The funds borrowed is the portion of an amount that the Company borrowed from Kingston Properties (St. Lucia) Limited (previously Carlton Savannah Reit (St. Lucia), 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 is 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 for shares in KP (Reit) Jamaica Limited.

(v) This represents the amount to be paid for shares in KPREIT (St. Lucia) Limited. KPREIT (St. Lucia) Limited was formed in 2021 [See note 16(a)(v)].

15. Deposit on investment properties

The Group's subsidiary, Kingston Properties (St Lucia) Limited entered into an agreement to purchase a warehouse property in Cayman Islands for a value of CI$2,585,000. This deposit represents 40% of the purchase price paid and the remaining 60% will be paid over the next year on the successful completion of the construction of the property.

16. Related party transactions

(a) The statement of financial position includes balances with related parties, arising in the normal course of business as follows:

	Company 2021	Company 2020
Owed by subsidiaries:		
Kingston Properties Miami LLC (i)	1,585,658	-
Kingston Properties Dumfries Limited (ii)	1,218,328	-
	$2,803,986	-
Owed to subsidiaries:		
KP (Reit) Jamaica Limited (iii)	163,706	218,139
Kingston Properties (St. Lucia) Limited (iv)	2,351,979	-
KPREIT (St. Lucia) Limited (v)	5,616,365	-
	$8,132,050	218,139

(i) This represents amounts advanced by the Company to Kingston Properties Miami LLC for investment purposes. The advance is interest free with no repayment date.

(ii) This represents amounts advanced to Kingston Properties Dumfries Limited to assist in the purchase of an investment property, net of operating income collected by the Company on behalf Kingston Properties Dumfries Limited.

16. Related party transactions (continued)

(a) The statement of financial position includes balances with related parties, arising in the normal course of business as follows (continued):

(iii) This represents rental income collected by the Company on behalf KP (Reit) Jamaica Limited.

(iv) This represents advances to the Company by Kingston Properties (St. Lucia) Limited, which the Company invested in Jamaican assets. The advance is interest free with no repayment date.

(v) This represents invested capital committed to the new subsidiary, KPREIT (St. Lucia) Limited. As at year end the amount was not paid to the subsidiary [See note 14(v)].

(b) The statement of profit or loss and other comprehensive income includes expenditures incurred with related parties arising in the normal course of business as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Legal fees and other expenses (See note below)	42,502	3,706	33,432	3,706
Directors' fees (note 5)	63,750	47,750	31,875	23,725

Legal fees and other expenses were incurred on acquisition of certain properties and these have been capitalized under the cost of the respective investment property.

(c) The movement in the allowance of ECL during the year is as follows:

	Company	
	2021	2020
Balance as at January 1	-	210,606
Net remeasurement of allowance of ECL	-	(210,606)
Balance as at December 31	$ -	-

Amount due from the related parties are considered low credit risk as these parties have intention and ability to settle these balances. No allowance for impairment is recognised.

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17. Receivables

	Group		Company	
	2021	2020	2021	2020
Rent receivable	241,606	104,844	132,292	69,826
Less impairment loss	(45,381)	(30,381)	(11,992)	(1,992)
Net rent receivable	196,225	74,463	120,300	67,834
Withholding tax recoverable	21,362	58,248	21,014	21,954
Security deposits	3,101	11,747	1,176	565
Prepayments	23,417	29,264	7,305	3,636
Other receivables	337,331	421,501	307,096	252,327
	$581,436	595,223	456,891	346,316

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

	Group		Company	
	2021	2020	2021	2020
Balance at January 1	30,381	27,390	1,992	3,317
Net remeasurement of allowance for ECL	15,000	2,991	10,000	(1,325)
Balance at December 31	$ 45,381	30,381	11,992	1,992

18. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
Current accounts	581,866	1,785,665	283,076	686,173
Securities purchased under resale agreements	2,127,142	3,568,206	644,779	-
	2,709,008	5,353,871	927,855	686,173
Less: Restricted cash	(1,969)	(482,134)	(1,969)	(2,134)
	$2,707,039	4,871,737	925,886	684,039

As at December 31, 2021 and 2020 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 21).

19. Share capital and reserves

A. Share capital

Authorised capital:

2,000,000,000 (2020: 1,000,000,000) ordinary stock units of no-par value.

19. Share capital and reserves (continued)

A. Share capital (continued)

	2021	2020
Issued and fully paid: 677,652,928 (2020: 677,662,399) ordinary stock units	$25,316,337	25,316,779

During the year, the capital was reduced to reflect cancellation of 9,471 stock units, which were bought back. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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.

B. Currency translation reserve

The Group and the Company changed its' functional currency effective from December 31, 2019. All resulting exchange differences in this transition were recognised through other comprehensive income and reflected in the currency translation reserve.

20. 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 9,471 (2020: 50,000) stock units at a cost of $442 (2020: $2,231). At December 31, 2021 the Company held Nil (2020: Nil) of its stock units.

21. Loans payable

	Group		Company	
	2021	2020	2021	2020
Terra Bank N.A. (i)	-	56,231	-	-
RBC Royal Bank (ii)	8,600,564	9,092,222	-	-
First Caribbean International Bank (Jamaica) Limited (FCIB) (iii)	4,172,979	4,576,027	4,172,979	4,576,027
Victoria Mutual Investments Limited (iv)	4,470,410	-	4,470,410	-
Total bank loans at year end	17,243,953	13,724,480	8,643,389	4,576,027
Less current portion	(5,374,156)	(935,885)	(4,850,410)	(373,332)
Non-current portion	$11,869,797	12,788,595	3,792,979	4,202,695

(i) This represented a loan of $2,200,000 from Terra Bank N.A., a financial institution in Florida, payable by Kingston Properties Miami LLC. The loan was for a duration of ten (10) years at an interest rate of 4%.

The loan was 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. The loan balance was fully paid in January 2021.

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21. Loans payable (continued)

(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 Kingston Properties (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.

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 Kingston Properties (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%.

(iv) 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.

(v) This represents a senior secured bridge loan obtained from Victoria Mutual Investments Limited in the amount of JMD700,000,000 at an interest rate of 6.4%. The loan is for a duration of 13 months and was used to finance the acquisition of 232A Spanish Town Road and Rousseau Road properties as well as other capital projects and working capital support during the year.

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. During the year there was an additional transaction cost associated with the FCIB loans for annual review of $25,194. Transaction costs of $85,195 were incurred in obtaining the loan from Victoria Mutual Investments Limited.

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

22. Accounts payable and accrued charges

	Group 2021	Group 2020	Company 2021	Company 2020
Accounts payable	80,338	4,103	80,238	2,679
Accounting and audit fees	41,509	60,931	29,181	31,983
Dividends payable	25,897	14,120	25,897	14,120
Subscription [see (i)]	-	1,000,000	-	-
Other payables and accrued charges	227,051	121,358	117,384	34,867
Security deposits held	154,588	153,520	74,216	34,649
	$529,383	1,354,032	326,916	118,298

(i) The Group subscribed for units in a real estate fund operating in the USA during 2020. The obligation was settled in January 2021 [(see note 12(a)].

23. Dividends

	Group and Company 2021	Group and Company 2020
Dividend paid	$899,929	399,851

The Company paid a dividend of $0.0007 (2020: $0.00059) per share unit on March 11, 2021 as the first interim dividend for 2021 and a second interim dividend for 2021 of $0.0007 on July 23, 2021 (2020: $ Nil) 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:

	2021				
	Jamaica $	United States of America $	Cayman Islands $	Elimination $	Group $
External revenue	1,442,432	201,319	1,337,666	-	2,981,417
Operating expenses	(906,303)	(200,657)	(176,048)	-	(1,283,008)
Results of operating activities before other income	536,129	662	1,161,618	-	1,698,409
Other income/expenses:					
Fair value gain on revaluation of investment property	432,679	294,885	110,437	-	838,001
Balance brought forward	968,808	295,547	1,272,055	-	2,536,410

Kingston Properties Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2021
(Expressed in United States Dollars unless otherwise stated)

24. Segment reporting (continued)

	2021				
	Jamaica $	United States of America $	Cayman Islands $	Elimination $	Group $
Balance carried forward	968,808	295,547	1,272,055	-	2,536,410
Gain on disposal of investment property	-	246,386	-	-	246,386
Management fees	76,117	-	-	-	76,117
Impairment reversal/(loss) on financial assets	(10,000)	(5,000)	-	-	(15,000)
Gain on investment	-	534,553	-		534,553
Dividend income	-	75,622	-	-	75,622
Loss on disposal of furniture and equipment	-	(2,971)	-	-	(2,971)
Miscellaneous income	37,559	33,759	-	-	71,318
Interest income	11,585	-	49,265	-	60,850
Interest expense and commitment fees	(312,615)	(10,174)	(251,754)	-	(574,543)
Net loss on translation of foreign currency balances	105,307	-	(17,171)	-	88,136
Profit before tax	876,761	1,167,722	1,052,395	-	3,096,878
Income tax charge	(22,213)	(51,473)	(4,880)	-	(78,566)
Profit after tax	854,548	1,116,249	1,047,515	-	3,018,312
Segment assets	50,192,199	4,935,848	21,362,096	(26,019,795)	50,470,348
Segment liabilities	14,383,030	4,195,072	9,093,045	(9,835,296)	17,835,851
Other segment items:					
Capital expenditure	4,283,190	-	31,819	-	4,315,009
Depreciation	15,171	1,803	3,104	-	20,078

	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)
Balance brought forward	785,231	(202,430)	676,591	-	1,259,392

24. Segment reporting (continued)

	2020				
	Jamaica $	United States of America $	Cayman Islands $	Elimination $	Group $
Balance carried forward	785,231	(202,430)	676,591	-	1,259,392
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

During the year, revenue from two (2020: two) customers of the Group represented approximately $515,838 or 17% (2020: $401,517 or 18%) 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.

Kingston Properties Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2021
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25. Financial instruments and financial risk management (continued)

(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 investment in real estate funds, cash and cash equivalents, receivables and reverse repurchase agreements.

Exposure to credit risks

The maximum credit exposure, the total amount of loss that the Group would suffer if every counterparty to its financial assets were to default at once, is represented by the carrying amount of the financial assets shown on the statement of financial position at the reporting date, as there is no off-balance-sheet exposure to credit risk.

(i) Cash and cash equivalents are held with financial institutions and collateral is not required for such accounts, as management regards the institutions as strong.

(ii) The Group manages credit risk related to receivables by limiting exposure to specific counterparties and by monitoring settlements.

(iii) Securities purchased under resale agreements expose the Group to credit losses as there is a risk that the counterparty will fail to fulfill its contractual obligations. The Group manages this risk by contracting only with counterparties that management considers to be financially sound.

(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).

25. Financial instruments and financial risk management (continued)

(a) Credit risk (continued)

Expected credit loss assessment (continued)

Trade receivables (continued):

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

	2021 Group			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	0.00%	89,009	-	No
31-60 days past due	0.00%	27,310	-	No
More than 60 days past due	100.00%	125,287	45,381	Yes
		241,606	45,381	

	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	

	2021 Company			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	0.00%	58,907	-	No
31-60 days past due	0.00%	35,318	-	No
More than 60 days past due	100.00%	38,067	11,992	Yes
		132,292	11,992	

Kingston Properties Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2021
(Expressed in United States Dollars unless otherwise stated)

25. Financial instruments and financial risk management (continued)

(a) Credit risk (continued)

Expected credit loss assessment (continued)

Trade receivables (continued):

	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	

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.

(Expressed in United States Dollars unless otherwise stated)

25. Financial instruments and financial risk management (continued)

(b) Liquidity risk (continued)

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				
	2021				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over 12 months
Loans payable	17,243,953	20,551,094	418,305	1,248,278	18,884,511
Accounts payable and accrued charges	529,383	529,383	529,383	-	-
	$17,773,336	21,080,477	947,688	1,248,278	17,046,594
	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

	Company				
	2021				
	Carrying value	Contractual cash flows	Within 3 months	3 to 12 months	Over 12 months
Loans payable	8,643,389	9,777,422	220,009	5,166,965	4,390,448
Owed to subsidiaries	8,132,050	8,132,050	8,132,050	-	-
Accounts payable and accrued charges	326,916	326,916	326,916;	-	-
	$17,102,355	18,236,388	8,678,975	5,166,965	4,390,448
	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

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

25. Financial instruments and financial risk management (continued)

(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.

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

	Group		Company	
	2021	2020	2021	2020
	JMD	JMD	JMD	JMD
Foreign currency assets:				
Cash	22,751,436	27,290,419	10,743,114	24,458,451
Receivables	57,454,577	45,328,929	46,674,359	42,250,673
Securities purchased under resale agreements	100,000,000	-	100,000,000	-
	180,206,013	72,619,348	157,417,473	66,709,124
Foreign currency liabilities:				
Loans	(700,000,000)	-	(700,000,000)	-
Payables and accrued charges	(26,732,313)	(17,046,110)	(18,850,751)	(9,164,547)
Net foreign currency assets	$(546,526,300)	55,573,238	(561,433,278)	57,544,577

Sensitivity to foreign exchange rate movements

An 8% (2020: 6%) weakening of the Jamaica dollar against the United States dollar at December 31, 2021 would have decrease the profit of the Group and the Company by $288,366 (2020: $22,199) and $296,232 (2020: $22,986), respectively. The analysis assumes that all other variables, in particular, interest rates, remain constant.

A 2% (2020: 4%) strengthening of the Jamaica dollar against the United States dollar at December 31, 2021 would have increase the profit of the Group and the Company by $72,092 (2020: $16,341) and $74,058 (2020: $16,920) respectively, on the basis that all other variables remain constant.

25. Financial instruments and financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements (continued)

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

	Average rate		Reporting date spot rate			
	2021	2020	2021		2020	
			Buying	Selling	Buying	Selling
	JMD	JMD	JMD	JMD	JMD	JMD
United States Dollar (US$)	151.62	143.27	152.75	155.09	140.77	142.65

(ii) Interest rate risk

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

Even though there is no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the Group's financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close a gap, if it becomes necessary. The Group was not subject to significant interest rate risk, at the reporting date.

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' exposure to market risk or the manner in which it measures and manages risk.

Kingston Properties Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 2021
(Expressed in United States Dollars unless otherwise stated)

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.

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and those inputs have a significant effect on the instrument valuation. This category includes instruments that are valued based on prices for similar instruments for which significant adjustments or assumptions are made to reflect differences between the instruments.

Accounting classification and fair values:

The Company's and the Group's investments measured at fair value are classified at Level 3 in the fair value hierarchy. There were no transfers between levels during the year.

Valuation techniques used in measuring the fair value, as well as the significant unobservable inputs used are disclosed in note 12.

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.

Kingston Properties Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year Ended December 31, 2021

(Expressed in United States Dollars unless otherwise stated)

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

Restructuring of subsidiaries

On January 3, 2022, the Company transferred 100% of its shareholdings in Kingston Properties (St. Lucia) Limited to KPREIT (St Lucia) Limited, a wholly owned subsidiary of the Company.

On January 4, 2022 Kingston Properties (St. Lucia) Limited was re-domiciled in the Cayman Islands by way of continuation, and its name changed on the said date to KPREIT (Cayman) Limited.

KINGSTON PROPERTIES LIMITED

THE REIT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Kingston Properties Limited

OPERATING EXPENSES

Year Ended December 31, 2021

(Expressed in United States Dollars unless otherwise stated)

	Group		Company	
	2021	2020	2021	2020
Accounting fees	5,764	4,400	-	-
Advertising and promotion	19,407	10,628	19,407	10,628
Audit fees	52,621	60,521	29,013	33,688
Bank charges	4,369	3,779	1,319	741
Broker fees	78,972	66,705	75,252	-
Business licenses and permits	6,195	6,496	-	-
Computer and internet expenses	5,305	12,014	5,305	10,739
Courier	4,079	4,754	4,079	4,754
County and state taxes	-	93	-	-
Depreciation	20,078	13,119	15,171	9,337
Development	1,497	540	1,497	540
Directors' fees`	63,750	47,450	31,875	23,725
Donations	9,931	6,953	9,931	6,953
Dues and subscription	5,621	3,920	4,494	2,631
General expense	4,936	5,324	3,724	1,811
Homeowners' Association fees	93,171	177,702	-	-
Insurance	124,476	86,179	82,185	42,889
Management fees	20,707	19,276	-	-
Meals and entertainment	2,428	2,045	2,428	2,045
Meeting expenses	2,322	2,107	2,322	2,107
Office supplies	1,538	1,402	1,512	1,324
Penalties	108	1,557	108	74
Postage and delivery	234	173	-	4
Printing and reproduction	4,839	3,420	4,839	3,420
Professional fees	60,559	34,358	22,392	19,547
Property taxes	52,594	108,302	8,199	6,074
Regulatory fees and charges	22,672	17,833	22,672	17,833
Repairs and maintenance	44,387	28,352	7,895	-
Salaries and related costs	532,525	337,841	460,104	304,057
Security	3,700	-	3,700	-
Strata fees	26,339	26,339	-	-
Telephone & answering services	2,708	1,731	2,708	1,731
Travel accommodations	309	100	309	100
Utilities	4,867	5,069	3,905	1,399
	$1,283,008	1,100,482	826,345	508,151

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 at the Terra Nova All Suite Hotel, 17 Waterloo Road, Kingston 10 in the parish of St. Andrew in Jamaica on **28th June, 2022** at **10:00 a.m** for the following purposes:

RESOLUTIONS	FOR	AGAINST
1. To Receive the Audited Accounts for the year ended December 31, 2021 and the Reports of the Directors and Auditors. **Resolution 1:** "THAT the Audited Accounts for the Year Ended December 31, 2021 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$0.000664 per share paid on March 11, 2021 and US$0.000664 per share paid on August 23, 2021, be and is hereby declared as final for the year ended December 31, 2021".		
3. To elect Directors **a)** The Directors retiring by rotation in accordance with Article 107 of the Company's Article of Incorporation are Mr. Peter Reid and Mrs. Lisa Gomes 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 Peter Reid retiring by rotation, be and is hereby re-elected."		
Resolution 4: "THAT Lisa Gomes retiring by rotation, be and is hereby re-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 5:** "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."		
SPECIAL BUSINESS **5. To Amend the Articles of Incorporation by Special Resolution** The Company is asked to consider and, if thought fit, pass the following Resolutions:-		
Resolution 6: "THAT pursuant to section 10 of the Companies Act, the Articles of Incorporation of the Company be altered by inserting after "director" in Article 1, the following definition: "Electronic Means" shall include technology utilized by multipurpose devices, scanning devices, mobile devices, computers or other automated or photographic devices, as well as webcasting, teleconferencing, videoconferencing, live stream or broadcast or a combination of these."		

RESOLUTIONS	FOR	AGAINST
Resolution 7: "THAT pursuant to section 10 of the Companies Act, the Articles of Incorporation of the Company be altered by inserting after Article 56, the following Article to be numbered 56A: **"56A.** **(1)** Subject to the approval of a simple majority of the Directors and in so far as permitted by law, the Company may in lieu of holding a physical meeting, convene and hold a meeting of its members as a: **(a) hybrid meeting; or** **(b) virtual meeting,** and shall be so identified in the notice convening such a meeting.		
(2) For the purpose of these Articles: **(a)** a "hybrid meeting" means a meeting held at one or more physical venue, as well as virtually, using any technology that gives members and Directors not physically in attendance at any of the venue a reasonable opportunity to attend and participate by Electronic Means; and **(b)** a "virtual meeting" means a meeting held at no physical venue that gives members and Directors, the reasonable opportunity to attend and participate by Electronic Means; and **(3)** Notwithstanding anything to the contrary in these Articles, the notice of a virtual meeting need not specify a place as a physical location but shall include an electronic or virtual location or details sufficient to facilitate the attendance by members at an electronic or virtual location and such a meeting shall be recorded as held in Jamaica. The notice of a hybrid meeting shall specify a physical location as well as an electronic or virtual location.		
(4) If the Company holds a hybrid meeting it shall have power to limit the number of persons in attendance at any physical venue to such number as is reasonable in all the circumstances.		
(5) Where the Company holds a hybrid meeting or a virtual meeting, the use of Electronic Means for the purpose of enabling members to attend and participate in such meetings may be made subject only to such requirements and restrictions as are: **(a)** necessary to ensure the identification of the members of the Company, and the security of the electronic communication; **(b)** necessary to provide reasonable evidence of the entitlement of any person, who is not a member, to attend such meeting; and **(c)** proportionate to achievement of these objectives.		
(6) The right of a member to attend a hybrid meeting or a virtual meeting may be exercised by the member's proxy. Notwithstanding anything to the contrary contained in these Articles, a proxy form may be returned to the Company by Electronic Means, and this shall be deemed as deposited for the purpose of Article 69 and valid, provided that the Company acknowledges receipt of same and is able to identify that the proxy has been duly stamped in accordance with the applicable law.		
(7) A member who participates or votes electronically in a hybrid meeting or a virtual meeting, is deemed to be present in person at the general meeting and shall count to constitute a quorum and a member who casts a vote, electronically shall be deemed to have voted in person. Any hybrid meeting or virtual meeting is deemed to have been convened and held in Jamaica and shall be governed by the laws of Jamaica.		

RESOLUTIONS	FOR	AGAINST
(8) Any failure of technology or any failure or inability of a member to attend or remain in a meeting held in accordance with these Articles as a result of a mistake or of events beyond the control of the Company shall not constitute a defect in the calling of such a meeting and shall not invalidate any resolutions passed or proceedings taking place at that meeting provided that a quorum is present at all times.”		

Dated this ____________________ day of ____________________ 20______

Signature ______________________________ **[J$100 Stamp]**

Signature ______________________________

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 forty-eight hours before the time appointed for holding the meeting.

THE REIT

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