KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited

Report on the Financial Statements

We have audited the financial statements of Kingston Properties Limited (formerly Carlton Savannah REIT (Jamaica) Limited) ("the company"), and the consolidated financial statements of the company and its subsidiary ("the group"), set out on pages 3 to 29, which comprise the balance sheets as at December 31, 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

INDEPENDENT AUDITORS REPORT (Cont'd)
To the Members of
KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited

Report on the Financial Statements, (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2009, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

February 26, 2010

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Group Balance Sheet
December 31, 2009

	Notes	2009	2008
NON-CURRENT ASSETS			
Property under construction	4	-	314,363,000*
Office equipment	5	108,130	-
Total non-current assets		108,130	314,363,000
CURRENT ASSETS			
Receivables	7	1,603,964	78,786
Deposit on property	8	26,400,000	-
Reverse repurchase agreements	9	469,216,488	-
Cash and cash equivalents	10	35,454,464	137,992,276
Total current assets		532,674,916	138,071,062
Total assets		$532,783,046	452,434,062
EQUITY			
Share capital	11	406,608,605	406,608,605
Translation reserve		67,952,527	32,170,689*
Retained earnings		23,982,487	11,817,969
Total equity		498,543,619	450,597,263
NON CURRENT LIABILITIES			
Deferred tax liability	12	4,262,225	-
CURRENT LIABILITIES			
Notes payable	13	26,767,689	-
Accounts payable and accrued charges	14	3,082,431	1,836,799
Income tax payable		127,082	-
Total current liabilities		29,977,202	1,836,799
Total equity and liabilities		$532,783,046	452,434,062

The financial statements on pages 3 to 29 were approved for issue by the Board of Directors on February 26, 2010 and signed on its behalf by:

_________________________ Director
Garfield Sinclair

_________________________ Director
Fayval Williams

* Restated (see note 25).
The accompanying notes form an integral part of the financial statements.

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Company Balance Sheet
December 31, 2009

	Notes	2009	2008
NON-CURRENT ASSETS			
Office equipment	5	108,130	-
Investment in subsidiary	6	282,156,561	282,156,561
Total non-current assets		282,264,691	282,156,561
CURRENT ASSETS			
Receivables	7	1,554,538	78,786
Deposit on property	8	26,400,000	
Reverse repurchase agreements	9	469,216,488	-
Cash and cash equivalents	10	8,722,305	137,992,276
Total current assets		505,893,331	138,071,062
Total assets		$788,158,022	420,227,623
EQUITY			
Share capital	11	406,608,605	406,608,605
Retained earnings		11,908,167	12,238,083
Total equity		418,516,772	418,846,688
NON CURRENT LIABILITIES			
Deferred tax liability	12	4,262,225	-
CURRENT LIABILITIES			
Notes payable	13	26,767,689	-
Accounts payable and accrued charges	14	2,465,185	1,380,935
Owed to subsidiary	15	336,146,151	-
Total current liabilities		365,379,025	1,380,935
Total equity and liabilities		$788,158,022	420,227,623

The financial statements on pages 3 to 29 were approved for issue by the Board of Directors on February 26, 2010 and signed on its behalf by:

_________________ Director
Garfield Sinclair

Fayval R. Williams Director
Fayval Williams

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

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Group Statement of Comprehensive Income
Year ended December 31, 2009
(with comparatives for the eight month period ended December 31, 2008)

	Notes	2009	2008
Expenses:			
Company formation, share issue and listing, net	16(a)	-	(370,375)
Operating	16(b)	(9,467,667)	(2,670,941)
Loss before finance income		(9,467,667)	(3,041,316)
Finance income	17	35,549,921	17,052,632
Profit before income tax	18	26,082,254	14,011,316
Income tax	19	(4,389,307)	-
Profit for the year/period		21,692,947	14,011,316
Other comprehensive income			
Foreign currency translation difference for foreign operations, being total other comprehensive income		35,781,838	32,170,689*
Total comprehensive income for the year/period		$57,474,785	46,182,005
Earnings per stock unit	21	31 cents	20 cents

* Restated (see note 25).
The accompanying notes form an integral part of the financial statements.

KINGSTON PROPERTIES LIMITED
(Formerly Carlton Savannah REIT (Jamaica) Limited)

Company Statement of Comprehensive Income
Year ended December 31, 2009
(with comparatives for the eight month period ended December 31, 2008)

	Notes	2009	2008
Income			
Miscellaneous:		1,017,039	-
Expenses:			
Company formation, share issue and listing, net	16(a)	-	(370,375)
Other operating	16(b)	(8,692,391)	(2,250,827)
Loss before finance income		(7,675,352)	(2,621,202)
Finance income	17	21,136,090	17,052,632
Profit before income tax	18	13,460,738	14,431,430
Income tax	19	(4,262,225)	-
Profit for the year/period		9,198,513	14,431,430
Other comprehensive income		-	-
Total comprehensive income for the year/period		$ 9,198,513	14,431,430

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

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Statement of Changes in Group Equity
Year ended December 31, 2009
(with comparatives for the eight month period ended December 31, 2008)

	Share capital (note 11)	Other reserve	Cumulative translation adjustments	Retained earnings	Total
Paid-in capital	406,608,605	-	-	-	406,608,605
Profit for the period -	-	-		14,011,316	14,011,316
Other comprehensive income					
Translation of foreign subsidiary's balances, being total other comprehensive income for the period					
As previously reported	-	-	36,014,756	-	36,014,756
Prior period adjustment	-	-	(3,844,067)	-	(3,844,067)
As restated	-	-	32,170,689	14,011,316	46,182,005
Changes in reserves					
Reserve on consolidation, being total changes in other reserve					
As previously reported	-	23,580,934	-	-	23,580,934
Prior year adjustment (note 25)	-	(23,580,934)	-	-	(23,580,934)
As restated	-	-	-	-	-
Contributions by and distributions to owners					
Dividend paid (note 20), being total distributions to owners	-	-	-	(2,193,347)	(2,193,347)
Balances at December 31, 2008	$406,608,605	-	36,014,756	11,817,969	478,022,264
Balances at December 31, 2008					
As previously reported	406,608,605	23,580,934	36,014,756	11,817,969	478,022,264
Prior period adjustment (note 25)	-	(23,580,934)	(3,844,067)	-	(27,425,001)
As restated	406,608,605	-	32,170,689	11,817,969	450,597,263
Profit for the year	-	-	-	21,692,947	21,692,947
Other comprehensive income					
Translation of foreign subsidiary's balances, being total other comprehensive income for the period	-	-	35,781,838	-	35,781,838
Total comprehensive income for the period	-	-	35,781,838	21,692,947	57,474,785
Contributions by and distributions to owners					
Dividend paid (note 20) being total distributions to owners	-	-	-	(9,528,429)	(9,528,429)
Balances at December 31, 2009	$406,608,605	-	67,952,527	23,982,487	498,543,619

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

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Statement of Changes in Company Equity
Year ended December 31, 2009
(with comparatives for the eight month period ended December 31, 2008)

	Share capital (note 11)	Retained earnings	Total
Paid-in capital	406,608,605	-	406,608,605
Profit, being total comprehensive income for the period	-	14,431,430	14,431,430
Contributions by and distributions to owners:			
Dividend paid (note 20), being total distributions to owners	-	(2,193,347)	(2,193,347)
Balances at December 31, 2008	406,608,605	12,238,083	418,846,688
Profit, being total comprehensive income for the year	-	9,198,513	9,198,513
Contributions by and distributions to owners:			
Dividend paid (note 20) being total distributions to owners	-	(9,528,429)	(9,528,429)
Balances at December 31, 2009	$406,608,605	11,908,167	418,516,772

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

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Statement of Group Cash Flows
Year ended December 31, 2009
(with comparatives for the eight month period ended December 31, 2008)

	Notes	2009	2008
Cash flows from operating activities			
Profit for the year/period		21,692,947	14,011,316
Adjustments to reconcile profit for the year/period to net cash provided by operating activities:			
Translation difference		35,781,838	32,170,689*
Income tax		4,389,307	-
Interest income		(20,506,874)	(2,713,337)
Unrealised foreign exchange gains		(15,043,047)	(14,339,295)
Operating profit before changes in working capital and provisions		26,314,171	29,129,373
Increase in:			
Deposit on property		(26,400,000)	-
Other receivables		(1,475,752)	(78,786)
Accounts payable and accrued charges		1,245,632	1,836,799
Net cash (used)/provided by operations		(315,949)	30,887,386
Cash flows from investing activities			
Property under construction		314,363,000	(314,363,000)*
Interest received		20,457,448	2,713,337
Reverse repurchase agreements		(469,216,488)	-
Additions to office equipment		(108,130)	-
Net cash used by investing activities		(134,504,170)	(311,649,663)
Cash flows from financing activities			
Paid-in capital	11	-	406,608,605
Dividend paid	20	(9,528,429)	(2,193,347)
Notes payable	13	26,767,689	-
Net cash provided by financing activities		17,239,260	404,415,258
Net (decrease)/increase in cash and cash equivalents		(117,580,859)	123,652,981
Cash and cash equivalents at beginning of year/period		137,992,276	-
Effect of exchange rate fluctuations on cash and cash equivalents		15,043,047	14,339,295
Cash and cash equivalents at end of year/period		$ 35,454,464	$137,992,276

* Restated (see note 25).
The accompanying notes form an integral part of the financial statements.

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Statement of Company Cash Flows
Year ended December 31, 2009
(with comparatives for the eight month period ended December 31, 2008)

	Notes	2009	2008
Cash flows from operating activities			
Profit for the year/period		9,198,513	14,431,430
Adjustments to reconcile profit for the year/period to net cash provided/(used) by operating activities:			
Interest income		(6,093,043)	(2,713,337)
Income tax		4,262,225	-
Unrealised foreign exchange gains		(15,043,047)	(14,339,295)
Operating loss before changes in working capital and provisions		(7,675,352)	(2,621,202)
Increase in:			
Other receivables		(1,475,752)	(78,786)
Deposit on property		(26,400,000)	-
Accounts payable and accrued charges		1,084,250	1,380,935
Owed to subsidiary		336,146,151	-
Net cash provided/(used) by operations		301,679,297	(1,319,053)
Cash flows from investing activities			
Interest in subsidiary		-	(282,156,561)
Interest received		6,093,043	2,713,337
Reverse repurchase agreements		(469,216,488)	-
Additions to office equipment		(108,130)	-
Net cash used by investing activities		(463,231,575)	(279,443,224)
Cash flows from financing activities			
Paid-in capital	11	-	406,608,605
Dividend paid	20	(9,528,429)	(2,193,347)
Notes payable	13	26,767,689	-
Net cash provided by financing activities		17,239,260	404,415,258
Net (decrease)/increase in cash and cash equivalents		(144,313,018)	123,652,981
Cash and cash equivalents at the beginning of the year/period		137,992,276	-
Effect of exchange rate fluctuations on cash and cash equivalents		15,043,047	14,339,295
Cash and cash equivalents at end of year/period		$ 8,722,305	137,992,276

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

1. Identification and principal activities

Kingston Properties Limited (formerly Carlton Savannah REIT (Jamaica) Limited) ("the company") was incorporated in Jamaica under the Jamaican Companies Act on April 21, 2008. The company is domiciled in Jamaica, with its registered office at 7 Stanton Terrace, Kingston 6, Jamaica. The company is listed on the Jamaica Stock Exchange.

The company has one subsidiary, which is wholly-owned, Carlton Savannah REIT (St. Lucia) Limited, incorporated in St. Lucia under the International Business Companies Act of 1999 on May 8, 2008. The company and its subsidiary are collectively referred to as "group".

The principal activity of the company and its subsidiary is to make accessible to investors, the income earned from the ownership of real estate properties.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the relevant provisions of the Jamaican Companies Act ("the Act").

New standards and interpretations that became effective during the year:

Certain new standards, amendments to published standards and interpretations, came into effect during the current financial year. The following are considered relevant to the financial statements:

- *IAS 1 (revised 2007) Presentation of Financial Statements* requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement and in a statement of comprehensive income.

- *IAS 23 (Revised) - Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense. The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New standards and interpretations that became effective during the year (cont'd):

- Amendments to IFRS 7 *Financial Instruments: Disclosures* requires enhanced disclosures in respect of two aspects: disclosures over fair value measurement relating to financial instruments specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk to address current diversity in practice.

New standards and interpretations not yet effective:

At the date of approval of the financial statements, certain new and revised standards and interpretations were in issue but were not yet effective. The one which management considers may be relevant to the group is as follows:

- *IFRS 9, Financial Instruments,* is effective for annual reporting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The group is evaluating the impact that the standard will have on the financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis

(c) Functional and presentation currency

The financial statements are presented in Jamaica dollars ($), unless otherwise indicated, which is the functional currency of the company. The financial statements of the subsidiary, which has a different functional currency, are translated into the presentation currency in the manner described in note 3(g)(ii).

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the period then ended. Actual amounts could differ from these estimates. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

2. Statement of compliance and basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd):

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the assumptions concerning the future and other areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

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

- Fair value of financial instruments

  In the absence of quoted market prices, the fair value of the group's financial instruments was determined using a generally accepted alternative method. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

It is possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

(ii) Critical accounting judgements in applying the group's accounting policies

There are no critical accounting judgements in applying the group's accounting policies that have a significant effect on the financial statements.

3. Significant accounting policies

(a) Consolidation:

(i) Subsidiaries

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The consolidated financial statements comprise the financial position of the company and its subsidiary (note 1).

3. Significant accounting policies (cont'd)

(a) Consolidation (cont'd):

(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 subsidiary:

Investment in the wholly-owned subsidiary (note 1) is accounted for at cost less, if any, impairment losses.

(c) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and other interest-bearing accounts.

(d) Accounts payable and accrued charges:

Accounts payable and accrued charges are stated at cost.

(e) Receivables:

Receivables are stated at cost less, if any, impairment losses.

(f) Related parties:

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party:

(a) controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);

(b) has an interest in the entity that gives it significant influence over the company; or

(c) has joint control over the company;

3. Significant accounting policies (cont'd)

(f) Related parties (cont'd):

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venturer;

(iv) the party is a member of the key management personnel of the company;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

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 respective functional currencies of the group at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance sheet 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. 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 carried at historical cost are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments.

3. Significant accounting policies (cont'd)

(g) Foreign currencies (cont'd):

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.

(ii) The assets and liabilities of the foreign operation, which is a "foreign entity", as defined in IFRS, are translated into Jamaica dollars for the purpose of inclusion in these financial statements as follows:

(1) all assets and liabilities at the rate ruling at the balance sheet date;

(2) all income and expense items at the exchange rate ruling at the dates of the transactions;

(3) the resulting exchange differences are included in equity until the disposal of the investment.

(h) Impairment:

The carrying amount of the group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount:

The recoverable amount of the group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3. Significant accounting policies (cont'd)

(h) Impairment (cont'd):

(ii) Reversals of impairment:

An impairment loss in respect of a receivable is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(i) Reverse repurchase agreements:

Reverse repurchase agreements are transactions whereby the company makes funds available to institutions by entering into short-term agreements with those institutions. On delivering the funds, the company receives the securities, or other documents evidencing a claim on the securities, and agrees to resell the securities, or surrender the documents evidencing the claim, on a specified date and at a specified price. Reverse repurchase agreements are accounted for as short-term collateralised lending. The difference between sale and purchase consideration is recognised as interest income on an accrual basis over the term of the agreement.

(j) Financial assets and liabilities:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, receivables and resale agreements. Financial liabilities comprise notes payable, accounts payable and accrued charges, and owed to subsidiary.

(i) Recognition:

The company initially recognises financial assets on the trade date at which the group becomes a party to the contractual provisions of the instrument.

(ii) Derecognition:

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or have expired.

3. Significant accounting policies (cont'd)

(k) Capital

(i) Classification

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the Board of Directors.

(l) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent 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 on the balance sheet if they apply to the same tax authority.

3. Significant accounting policies (cont'd)

(m) Office equipment

(i) Items of office equipment are stated at cost less accumulated depreciation and, if any, impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the 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 are recognised in statement of comprehensive income as incurred.

(ii) Depreciation is recognised in the statement of comprehensive income on the straight-line basis, over the estimated useful life of the asset. The depreciation rate for office equipment is 33⅓%.

4. Property under construction

	Group	
	2009	2008
Amount paid to date on seven (7) units in Carlton Savannah Hotel & Health Club and Spa	$ -	314,363,000

On June, 24 2008, Carlton Savannah REIT (St. Lucia) Limited acquired the rights to purchase seven (7) units in the Carlton Savannah Hotel & Health Club and Spa, when completed, from Balton Properties Limited for which the consideration was seven (7) shares in Carlton Savannah REIT (St. Lucia) Limited. However, on October 12, 2009, a Deed of Rescission, relating to the purchase of the units was signed by Balton Properties Limited. As a consequence of the rescission, the deposit previously made, including interest thereon, and an amount held in escrow were returned (note 15).

5. Office equipment

	Group and Company
Cost:	
January 1, 2009	-
Additions	108,130
December 31, 2009	108,130
Depreciation:	
January 1, 2009	-
Charge for year	-
December 31, 2009	-
Net book value:	
December 31, 2009	$108,130

6. Investment in subsidiary

Investment in subsidiary represents amount paid on shares in Carlton Savannah REIT (St. Lucia) Limited, which were acquired from Balton Properties Limited.

7. Receivables

	Group		Company	
	2009	2008	2009	2008
Withholding tax recoverable	1,496,338	74,586	1,496,338	74,586
Utility deposit	58,200	4,200	58,200	4,200
Other receivables	49,426	-	-	-
	$1,603,964	78,786	1,554,538	78,786

8. Deposit on property

The company paid a deposit of US$300,000 (the Jamaican dollar equivalent being $26,400,000) on December 16, 2009, on a property it intends to purchase. As a result of the agreement, at the balance sheet date, the group was committed to further expenditure of US$1,700,000 (the Jamaica dollar equivalent being $151,395,000).

9. Reverse repurchase agreements

The company entered into reverse repurchase agreements with a major financial institution, collateralised by Government of Jamaica securities.

The fair value of the underlying securities used to collateralise the reverse repurchase agreements was $503,157,000 at the balance sheet date.

10. Cash and cash equivalents

	Group 2009	Company 2009	Group and Company 2008
Amount held in escrow - principal	-	-	134,727,098
- interest	-	-	1,009,296
Total amount held in escrow	-	-	135,736,394
Other interest bearing accounts	35,218,057	8,485,898	2,147,955
Demand deposit	236,407	236,407	107,927
	$35,454,464	8,722,305	137,992,276

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Notes to the Financial Statements (Continued)
December 31, 2009
(with comparatives for the eight month period ended December 31, 2008)

11. Share capital

	2009	2008
Authorised capital:		
500,000,000 ordinary shares of no par value		
Issued and fully paid:		
68,800,102 ordinary shares @ $5.91	$406,608,605	406,608,605

12. Deferred tax liabilities

	Group and Company		
	At beginning of year	Recognised in income 2009	At end of year
Losses brought forward	-	2,666,197	2,666,197
Unrealised foreign exchange gains	-	(6,928,422)	(6,928,422)
	$ -	(4,262,225)	(4,262,225)

13. Notes payable

This represents a draw-down under a credit facility of US$299,988 (JMD 26,767,689), evidenced by a promissory note with Pan Caribbean Bank Limited. The loan is secured against a Carlton Savannah REIT (St. Lucia) Limited deposit of US$300,169 and is repayable December 23, 2010. Interest is payable at a rate of 9% per annum.

14. Accounts payable and accrued charges

	Group		Company	
	2009	2008	2009	2008
Accounts payable	69,900	378,835	69,900	172,933
Short-term loans	17,611	279,628	17,611	279,628
Dividend payable	88,509	28,288	88,509	28,288
Other payables and accrued charges	2,906,411	1,150,048	2,289,165	900,086
	$3,082,431	1,836,799	2,465,185	1,380,935

15. Owed by/to subsidiary

	Company	
	2009	2008
Proceeds of rescission [see (i)]	337,819,862	-
Advances and charges to subsidiary [see (ii)]	(1,673,711)	-
	$336,146,151	-

(i) Proceeds of rescission represents amounts received by the company on behalf of its subsidiary arising from the rescinding of the purchase agreement by Balton Properties (see note 4).

(ii) Advances and charges to subsidiary represent expenses paid by Kingston Properties Limited on behalf of its subsidiary.

KINGSTON PROPERTIES LIMITED
(formerly Carlton Savannah REIT (Jamaica) Limited)

Notes to the Financial Statements (Continued)
December 31, 2009
(with comparatives for the eight month period ended December 31, 2008)

16. Expenses

	Group and Company	
	2009	2008
(a) Company formation, share issue and listing, net		
Share issue costs	-	16,729,706
Company formation and share listing		
Bank charges	-	5,700
Consultancy fees	-	2,971,402
Courier	-	3,208
Listing fees	-	195,615
Printing and reproduction	-	3,182
Professional fees	-	2,867,989
Registrar fees	-	16,000
Total company formation and share listing	-	6,063,096
Total share issue, company formation and share listing	-	22,792,802
Amount reimbursed by Balton Properties Limited	-	(22,422,427)
	$ -	370,375

	Group		Company	
	2009	2008	2009	2008
(b) Other operating:				
Advertising and promotion	860,244	64,221	860,244	64,221
Audit and accounting fees	2,174,966	1,418,659	1,420,580	1,188,300
Annual returns	-	4,000	-	4,000
Assets tax	-	35,000	-	35,000
Bank charges	636,890	26,700	616,000	26,700
Courier	70,497	5,180	70,497	5,180
Miscellaneous	-	58,302	-	58,302
Professional fees	2,101,627	844,342	2,101,627	654,587
Communication	107,359	27,960	107,359	27,960
Travel	285,869	172,851	285,869	172,851
Office supplies	65,023	7,996	65,023	7,996
Postage and delivery	32,748	5,730	32,748	5,730
Directors' remuneration	2,034,078	-	2,034,078	-
Other administrative expenses	1,098,366	-	1,098,366	-
	$9,467,667	2,670,941	8,692,391	2,250,827

17. Finance income

	Group 2009	Company 2009	Group and Company 2008
Interest income - Other	16,489648	2,075,817	2,713,337
Interest income - Escrow account	4,017,226	4,017,226	-
	20,506,874	6,093,043	2,713,337
Unrealised foreign exchange gains on:			
- Reverse repurchase agreement and escrow account	15,043,047	15,043,047	14,050,344
- Other	-	-	288,951
	15,043,024	15,043,047	14,339,295
	$35,549,921	21,136,090	17,052,632

18. Profit for the year/period

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

	Group		Company	
	2009 $	2008 $	2009 $	2008 $
Auditors' remuneration	1,251,773	929,359	958,023	699,000
Key management personnel compensation				
Directors' remuneration - salaries	1,558,041	Nil	1,558,041	Nil
- fees	476,037	Nil	476,037	Nil

Key management personnel comprise the Board of Directors, which includes an executive director.

19. Taxation

(a) Income tax charge comprises:

	Group		Company	
	2009	2008	2009	2008
(i) Current tax expense: Income tax at 1%	(127,082)	-	-	-
(ii) Deferred tax expense: Origination and reversal of temporary differences	(4,262,225)	-	(4,262,225)	-
Total income tax expense	$(4,389,307)	-	(4,262,225)	-

19. Taxation (cont'd)

(b) Reconciliation of effective tax rate:

The tax rate for the company is 33⅓% of profit before income tax adjusted for tax purposes, while the tax rate for the subsidiary is 1% of profits. The actual charge for the year is as follows:

	Group		Company	
	2009	2008	2009	2008
Profit before income tax	$26,082,254	14,011,316	13,460,738	14,431,430
Computed "expected" tax expense at 33⅓%	4,486,913	4,810,477	4,486,913	4,810,477
Computed "expected" tax expense at 1%	126,215	(4,201)	-	-
	4,613,128	4,806,276	4,486,913	4,810,477
Difference between profit for financial statements and tax reporting purposes on:-				
Capital allowances	(15,319)		(15,319)	
Effect of tax losses	(873,467)	-	(873,467)	
Disallowed expenses	664,965	(4,806,276)	664,098	(4,810,477)
Actual tax expense	$ 4,389,307	-	4,262,225	-

(c) Subject to agreement by the Commissioner of Taxpayer Audit and Assessment, taxation losses available for set-off against future taxable profits amounted to approximately $5,378,000 as at December 31, 2009 (2008: $2,621,000).

20. Dividends

	Group and Company	
	2009	2008
Declared and paid/credited, US$0.0016 (2008: US$0.0004) per share	$9,528,429	2,193,347

Dividends were paid twice during the year, as follows:

June 11, 2009	US$0.0004
December 16, 2009	US$0.0012
Total	US$0.0016

21. Earnings per stock unit

Earnings per stock unit ("EPS") is computed by dividing profit for the year/period of $21,692,947 (2008: $14,011,316) by stock units in issue during the year, numbering 68,800,102.

22. Financial instruments and financial risk management

The group has exposure to credit, liquidity, and market risks, which arise in the ordinary course of the group's 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 Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework.

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.

The Board of Directors is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group.

No derivative instruments are presently used by the group to mitigate, manage or eliminate exposure to financial instrument risks.

(a) Credit risk:

Credit risk is the risk of a financial loss arising from a counter-party to a financial contract failing to discharge its obligations. The group manages this risk by establishing policies for granting credit and entering into financial contracts. The group's credit risk is concentrated, primarily, in cash and cash equivalents, receivables, reverse repurchase agreements and deposit on property.

Exposure to credit risk:

	Group 2009	Company 2009	Group and Company 2008
Receivables	1,603,964	1,554,538	78,786
Deposit on property	26,400,000	26,400,000	-
Reverse repurchase agreement	469,216,488	469,216,488	-
Cash and cash equivalents	35,454,464	8,722,305	137,992,276
	$532,674,916	505,893,331	138,071,062

22. Financial instruments and financial risk management (cont'd)

(a) Credit risk (cont'd):

(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) Receivables comprise the amounts set out in note 7. Management considers that the credit risk related to these items is not significant.

(iii) Reverse repurchase agreement expose the group to credit losses as there is a risk that the counterparty will fail to fulfil its contractual obligations. The group manages this risk by contracting only with counterparties that management considers to be financially sound.

The group has no significant concentration of credit risk, except for balances held with an investment broker. The maximum credit exposure, the total amount of loss the group would suffer if every counter-party to the group's financial assets were to default at once, is represented by the carrying amount of financial assets shown on the balance sheets.

There was no change in the group's approach to its credit risk management during the current or prior period.

(b) Liquidity risk:

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

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

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

Group

	2009				
	Contractual cash flows	Carrying value	Within 1 month	1 to 3 months	3 to 12 months
Notes payable	29,123,979	26,767,689	-	-	26,767,689
Accounts payable and accrued charges	3,082,431	3,082,431	-	3,064,820	17,611
	$32,206,410	29,850,120	-	3,064,620	26,785,300

	2008				
	Contractual cash flows	Carrying value	Within 1 month	1 to 3 months	3 to 12 months
Accounts payable and accrued charges	$1,836,799	1,836,799	474,238	1,082,933	279,628

22. Financial instruments and financial risk management (cont'd)

(b) Liquidity risk (cont'd):

Company

	2009				
	Contractual cash flows	Carrying value	Within 1 month	1 to 3 months	3 to 12 months
Notes payable	29,123,979	26,767,689	-	-	26,767,689
Accounts payable and accrued charges	2,465,185	2,465,185	-	2,447,574	17,611
	$31,589,164	29,232,874	-	2,447,574	26,785,300

	2008				
	Contractual cash flows	Carrying value	Within 1 month	1 to 3 months	3 to 12 months
Accounts payable and accrued charges	$19,376	1,380,935	19,376	1,081,931	279,628

(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 market 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 currencies giving rise to this risk is the United States dollar. The group ensures that the risk is kept to an acceptable level by matching foreign currency assets with foreign currency liabilities, to the extent practicable.

22. Financial instruments and financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

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

	Group and Company 2009	Group and Company 2008
Foreign currency assets:		
Cash	97,615	1,724,335
Reverse repurchase agreement	5,268,804	-
	5,366,419	1,724,335
Foreign currency liabilities:		
Payables and accrued charges	(198)	(3,147)
Notes payable	(299,988)	-
Net foreign currency assets	US$5,066,233	1,721,188

Sensitivity analysis

A 10% (2008: 10%) weakening of the Jamaica dollar against the United States dollar at December 31 would have increased the group's and company's profit by $45,119,871 (2008: $13,763,000) and $45,119,871 (2008: $13,763,000), respectively. The analysis assumes that all other variables, in particular, interest rates, remain constant.

A 5% (2008: 10%) strengthening of the Jamaica dollar against United States dollar at December 31 would have decreased the group's and company's profit by $22,559,936 (2008: $13,763,000) and $22,559,936 (2008: $13,763,000), respectively, on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate 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 interest rates daily. Even though there is no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the 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. As at the year end, the group was not subject to significant interest rate risk.

23. Fair value

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

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

24. Capital management

The company's capital consists of ordinary shares and retained earnings. The company maintains a strong capital base to sustain future developments in the business. The company is not subject to any externally-imposed capital requirements.

25. Prior period adjustment

In the prior period, the carrying value of the property under construction was estimated at \$341,788,001. However, it was subsequently determined that a more appropriate carrying amount would be the deposit paid by the company to Balton Properties Limited for the shares the company purchased in Carlton Savannah REIT (St. Lucia) Limited in the amount of \$314,363,000.

This adjustment had no effect on the profit for the year or other amounts presented in the consolidated financial statements as at, and for the period ended, December 31, 2008, except for reducing property under construction by \$27,425,001, and, correspondingly, reducing translation difference and other comprehensive income by \$3,844,067 and other reserves by \$23,580,934, thereby also reducing equity by \$27,425,001.