Kingston Properties Limited

ANNUAL REPORT 2009

THE REIT

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CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual report of Kingston Properties Limited (formerly Carlton Savannah REIT (Ja) Limited) for the financial year ended 31 December 2009.

The end of 2009 marked almost a year and a half of Kingston Properties Limited being listed on the Jamaica Stock Exchange and known in the market place as "The REIT".

During the 2009 financial year, The REIT disposed of its first investment, which was the under-construction Carlton Savannah Hotel located in Port of Spain, Trinidad, for a profit and successfully completed the name change of the company to Kingston Properties Limited with a resultant change in the stock symbol to "KPREIT." We are also proud to have distributed dividends twice in 2009.

During the last quarter of 2009, The REIT subsequently identified and sought to acquire a fully tenanted office/warehouse building of approximately 26,000 square feet located on Hagley Park Road in Kingston, Jamaica and 19 condominium apartments in the Loft II building in downtown Miami in the state of Florida, USA.

Looking Ahead

We approach 2010 with optimism as the world recovers from the global recession and new investment opportunities emerge that will allow The REIT to maximize shareholder value.

The REIT will continue to diversify its investment property base by increasingly utilizing its advantage, as the only publicly traded real estate investment company in the region, to access capital markets.

We will continue to maintain a disciplined investment approach, by combining proactive asset management with the application of prudent capital and risk management strategies. We expect this to result in stable and predictable dividend distributions to our shareholders.

In Appreciation

The success of Kingston Properties thus far would not have been possible without the concerted effort of many parties. Firstly, I would like to thank my fellow Board members for their invaluable advice and contributions throughout the year.

I would also like to express my gratitude to our shareholders for their unwavering support and to the extended Kingston Properties team for their dedication in pursuing the business strategies that the Board has established.

With continued focus on our core strategies, I am confident that we will be able to deliver strong and stable results into the foreseeable future.

Garfield Sinclair
26th April 2010

ABOUT THE REIT

Kingston Properties Limited, a company incorporated in Jamaica, is a real estate investment company that primarily invests in income generating real estate and related assets. The company's primary objective is the acquisition of a diversified portfolio of real estate properties throughout the Caribbean and in other markets. The company maintains an asset allocation and income distribution policy that is similar to that of North American REITs.

The small scale of the Caribbean region, along with the potential volatility in these markets due to global shocks, requires that The REIT pursues a diversification strategy in order to prudently mitigate risk. As such, we have embarked on structuring a portfolio that consists of a mix of property types that will include hotels, offices and other commercial buildings in various Caribbean islands and in other markets.

Investors benefit from investing in real estate via The REIT in several ways:

- Tax-efficiency by virtue of owning shares in a Jamaican public company.
- Potential for stable quarterly distributions from a diversified portfolio of real estate properties.
- Potential for long-term capital appreciation of the company's shares.
- Higher level of liquidity from trading the company's shares as opposed to directly buying and selling real estate.
- Enhancement of portfolio diversification for investors. Real estate has proven to be an asset class with a lower correlation to stocks or bonds, thereby providing increased return potential and diversification within a well-balanced portfolio.
- Affordability: Individuals can participate in real estate investing through a small investment in the company's shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KINGSTON PROPERTIES LIMITED will be held at the Knutsford Court Hotel, 85 Chelsea Avenue, Kingston 5 on Thursday, September 9, 2010 at 10 a.m. for the following purposes:

1. To receive the Audited Accounts for the year ended December 31, 2009 and the Reports of the Directors and Auditors thereon

2. To Elect Directors

3. To authorize the Directors to fix the remuneration of the Auditors

4. To transact any other ordinary business of the company

By Order of the Board of Directors

Nicole Fega
Company Secretary
Registered Office:
7 Stanton Terrace,
Kingston 6,
Jamaica

April 26, 2010

Note:
In accordance with the Schedule to the Articles of Incorporation, a shareholder is entitled to vote by proxy. A suitable Form of Proxy is enclosed. 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.

A LOOK AT KINGSTON PROPERTIES LIMITED

CORPORATE DATA

BOARD OF DIRECTORS

- Garfield Sinclair, BSc., C.P.A
- Fayval Williams, CFA, MBA
- Nicole Foga, BA, LLB, LLM

CORPORATE AND REGISTERED OFFICE

7 Stanton Terrace, Kingston 6, Jamaica
Telephone/Fax: : (876) 978-8852
Website: www.kpreit.com
Email: info@kpreit.com

REGISTRAR & TRANSFER AGENT

KPMG Regulatory & Compliance Services

AUDITORS

KPMG

ATTORNEY-AT-LAW

Hylton & Hylton

BROKERS

- NCB Capital Markets Limited
- Guardian Asset management
- Scotia DBG

BANKERS

- National Commercial Bank Limited
- First Caribbean International Bank (St. Lucia)
- Pan Caribbean Bank Limited

ACCOUNTANTS

CrichtonMullings Strategics

SUBSIDIARY COMPANY

Carlton Savannah REIT (St. Lucia) Ltd

STOCK SYMBOL

KPREIT

EXCHANGE

Jamaica Stock Exchange

OUR BOARD OF DIRECTORS

The Board of Kingston Properties Limited is comprised of three diverse and highly accomplished individuals who are dedicated to serving the best interests of the stockholders. The Board, which meets monthly, is responsible for directing and providing oversight of the management of the company in carrying out its responsibilities. The Board reviews the company's strategy, approves and implements governance policies, and provides oversight of financial reporting, regulatory and legal compliance.

During 2009, the Board established a committee for the Evaluation and Compensation of Key Executive Officers. The purpose of the Committee is to review and make recommendations to the Board with respect to compensation of all other key senior executives and elected corporate officers at appropriate time periods.

CORPORATE GOVERNANCE

The REIT maintains a high standard of corporate governance to protect shareholders' interests and to enhance long-term shareholder value. The following outlines the main corporate governance practices:

- **Board of Directors**

The Board is responsible for the overall corporate governance and closely monitors the related areas of business operations, risk and financial performance. The Board has established a framework for the management of the operations, including a system of internal control and a business risk management process. The Board currently consists of three members, two of whom are independent Directors. This number is expected to increase as the company grows.

The composition of the Board has been determined using the following principles:

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 funds management and the real estate industry; and
3. at least one-third of the Board comprises Independent Directors.

The composition will be reviewed regularly to ensure that the Board of Directors has the appropriate mix of expertise and experience.

The Board established the Audit Committee to assist it in discharging its responsibilities.

- **Audit Committee**

The Audit Committee comprises two Directors and an external member. The members are:

Garfield Sinclair (Chairman)
Nicole Foga (Director)
John Bell

- **Audit Committee** - cont'd

John Bell
External Member

Mr. Bell is a former partner with PricewaterhouseCoopers, Jamaica. Mr. Bell was lead partner of the firm's Financial Services Audit and Assurance practice for many years. He holds a Bachelor's degree in Economics and Accounting from the University of the West Indies and is a Fellow of the Institute of Chartered Accountants of Jamaica and the Association of Chartered Certified Accountants of Great Britain and has over 30 years experience in his profession.

The role of the Audit Committee is to monitor and evaluate the effectiveness of the company's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

Other responsibilities include:

1. Review of the nature and extent of non-audit services performed by external auditors
2. Monitor the procedures in place to ensure compliance with applicable legislation
3. Monitor and review the procedures established to regulate interested party transactions

RISK MANAGEMENT

- **Management of Business Risks**

On a monthly basis, the Board reviews the financial performance of the company against a previously approved budget. The Board also reviews the business risks, examines asset and liability management and responds to any comments or issues raised by the auditors.

In assessing business risk, the Board considers the underlying economic environment and risks relevant to the real estate industry. It approves all acquisitions of real estate properties.

- **Related Party Transactions**

Internal Control System
The Board has responsibility for approving the establishment of an internal control system to ensure that all transactions are authorized, all transactions are recorded, access to assets is allowed only for authorized purposes, accounting records describe only real assets and that all Related Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of the shareholders.

DISCLOSURE OF SHAREHOLDING

As of December 31, 2009, the top 10 shareholders of Kingston Properties Limited were as follows:

Names	Shareholding
NCB Capital Markets Limited	13,817,840
Prime Asset Management Ltd. - JPS	12,182,700
NCB Insurance Company Ltd.	8,000,000
Guardian Life Shelter Plus Fund	5,280,000
Guardian Life Limited - Blue Chip	3,874,700
Guardian Life Limited Pooled Pension	3,250,000
NCB Insurance Co. Ltd. A/C WT 157	2,500,000
Manchester Pension Trust Fund	2,500,000
Platoon Limited	2,495,160
Guardian Life Ltd. Cel Growth Fund	1,608,000

SHAREHOLDINGS OF DIRECTORS AND SENIOR MANAGERS

Directors	Shareholding	Connected Shareholders
Garfield Sinclair	Nil	
	2,495,160	Platoon Limited
Fayval Williams	154,930	
	11,000	Leo Williams
Nicole Foga	15,000	

MANAGEMENT DISCUSSION & ANALYSIS

During 2009, The REIT accelerated its operating strategy by identifying properties for redeployment of the funds received from the sale of its Trinidad asset. The investment process focused on existing properties with auditable cashflows in markets with sound fundamentals and tenants with strong credit histories. Our emphasis is on structuring a diversified portfolio of real estate properties throughout the wider Caribbean, Central America and other international markets.

Also, during 2009, the company received permission from its shareholders to proceed with the name change from Carlton Savannah REIT (Jamaica) Limited to Kingston Properties Limited. We subsequently established the new company name in the public's mind via our website, our stationery and correspondence material along with all documents and filings that needed to be changed. These efforts will continue in order to cement the company's position in the minds of investors and institutions that are a source of financing for the various properties that The REIT identifies.

In October 2009, the Directors successfully held the company's first Annual General Meeting during which the Directors were re-elected and shareholders expressed confidence in the strategic direction of the company.

CORPORATE OBJECTIVE

The primary corporate objective of The REIT is to enhance shareholder value through the ownership and management of real estate properties that will generate sustainable, above-average long-term dividend yields. In this regard, management has an intense focus on increasing dividend per share over the long term without employing excessive financial leverage or taking undue amounts of operating risk.

During 2009, the Board of Directors declared the following dividend payments:

Dividends Declared	Amount per stock unit	Record Date	Payment Date	Amount Paid
May 14, 2009	US$0.0004	May 29, 2009	June 11, 2009	US$27,520
November 4, 2009	US$0.0012	December 6, 2009	December 16, 2009	US$82,560

BUSINESS STRATEGY

The primary business objective continued to be maximization of total returns to shareholders from real estate property investments so as to provide consistently superior long-term yields. The strategy to achieve this objective remained as follows:

- **Concentrate on a Few Carefully Selected Geographic Markets**
  The company has begun to structure a diversified portfolio of real estate properties by targeting selected geographic markets that have improving macro-economic fundamentals and that demonstrate a proven hard currency earning capacity.

- **Opportunistically Acquire Assets**
  The company continues to be well positioned to acquire portfolios of real estate assets or individual properties from institutions or individuals if valuations meet our criteria. In addition, the company's relatively low leverage and strategies to access capital have been providing us with a competitive advantage when pursuing real estate transactions.

- **Explore Joint-Venture Opportunities**
  The company explored joint-venture opportunities with existing owners of properties in desirable locations who sought to benefit from the company's access to capital. The company will continue to seek joint venture opportunities with strategic institutional partners that have a preference for owning real estate properties via The REIT structure. We have acquired real estate properties for cash and may continue to do so. Additionally, we are also particularly well-positioned to appeal to sellers wishing to contribute their ownership of property for equity in a diversified real estate operating company that offers liquidity through access to the public equity markets and distribution of dividends.

- **Demonstrate Value Creation.**
  We will pursue, on a selective basis, the sale of properties to take advantage of the demand for any of our premier properties.

  The REIT commits to regularly reviewing its property portfolio and deciding which assets are likely to generate less-than-average cash flows in future years. The proceeds from the sale of these properties will be reinvested in opportunities with higher yielding prospects or provide dividend to shareholders.

INVESTMENT OBJECTIVES

We continue to pursue our investment objectives primarily through the acquisition of moderate-to-heavily-discounted properties with above-average yields.

The REIT remains open to participating with third parties in property ownership through joint ventures or other types of co-ownership. These types of investments should permit the company to own interests in larger assets without unduly restricting diversification and, therefore, add flexibility in structuring its portfolio.

The REIT recognizes that local investors have a desire to diversify their investment portfolios beyond Jamaica. Likewise, there are international investors who want to invest in the Caribbean and Central American region through a transparent, publicly listed vehicle such as The REIT. The company's objective is to scout out the best opportunities that meet the varying needs of investors desirous of investing in the real estate asset class.

SUMMARY OF FINANCIAL RESULTS

Profit for the twelve months ended December 31, 2009 was J$21,692,947 or J$0.31 per share with the primary components being unrealized foreign exchange gains of J$15,043,047 and investment income J$20,506,874. The unrealized foreign exchange gains resulted from depreciation of the Jamaican dollar versus the United States dollar while the company's assets were held in United States dollars.

Profit before income tax for 2009 was J$26,082,254 and income tax was J$4,389,307. Operating expenses were J$9,467,667. These were met by utilizing finance income on escrowed funds as the hotel remained under construction for most of 2009 and thus was not revenue generating. Total assets at December 31, 2009 were J$532,783,046, with current assets being J$532,674,916. Current assets consisted of reverse repurchase agreements of J$469,216,488, which are essentially short term investments held at financial institutions, and deposit of J$26,400,000 on the property at 83 Hagley Park Road in Kingston, Jamaica. Receivables of J$1,603,964 were primarily withholding tax recoverable of J$1,496,338. Cash and cash equivalent was J$35,454,464.

Total current liabilities were J$29,977,202 comprising primarily notes payable of J$26,767,689 and accounts payable and accrued charges of J$3,082,431. Notes payable represent a draw down under a credit facility with Pan Caribbean Bank Limited. The loan is secured against a Carlton Savannah REIT (St. Lucia) Limited deposit of similar amount.

Shareholders equity at December 31, 2009 was J$498,543,619 versus J$450,597,263 at December 31, 2008.

During most of 2009, the primary asset of the company was its ownership of seven (7) apartment units in the business hotel, Carlton Savannah Hotel, in Port of Spain, Trinidad. As the hotel was still in the construction phase, some of the funds were held in an interest bearing escrow account pending hotel completion. After the sale of this property in September 2009, funds were placed with financial institutions pending the purchase of other properties. The primary source of revenues during 2009 was interest income.

COMMUNICATIONS WITH SHAREHOLDERS

The Board acknowledges the importance of regular communication with shareholders and investors to ensure that they are well informed about the activities and performance of the company. The communication channels are the company's website, annual reports, quarterly financial reports and the various disclosures and announcements to the Jamaica Stock Exchange that are also sent electronically via e-mail to shareholders. In addition, we welcome comments and questions from shareholders which can be easily facilitated via e-mail or telephone.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility ("CSR"), in essence, is a set of transparent and ethical actions to give back, nurture and aid in the progress of the various environments in which a company operates. The company is committed to the principles of Corporate Social Responsibility and shows this commitment by aiming to satisfy shareholder expectations, respecting the physical environment and imbuing ethical standards through the company. Additionally, as part of its responsibility to the financial market place, the company's business transactions, deals and relationships with all its groups of customers, suppliers and partners are executed with the highest concern for transparency and ethical conduct, guided by high corporate governance standards.

LEGISLATIVE AGENDA

Many countries have facilitated an increasingly liquid and transparent real estate securities market by passing REIT legislation. In the past years, Japan, Singapore, Hong Kong, Nigeria and France have joined the ranks of REIT participants. Countries like the UK, Germany and Italy converted to REIT status in 2007.

The Caribbean is notably absent from the above list of countries and is therefore not reaping the significant benefits that the REIT structure can bring to the region. Kingston Properties continues

to seek ways to be successful in facilitating the enactment of comprehensive REIT legislation by the Parliament of Jamaica.

In the interim, the company continues its commitment, through its articles and memorandum of association, to adhering to the rules that define a REIT as outlined in the table below.

CHARACTERISTICS OF REITs

TYPICAL REIT IN THE US	KINGSTON PROPERTIES ("KPREIT")
Allowed to own, operate and manage properties, i.e., the professional services are internalized.	Currently KPREIT owns the real estate properties but it utilizes a combination of external and internal professional services much like REITs in South Korea.
Deduct REIT dividend from income before tax. • Avoid high tax equivalent to corporate tax • REIT entities enjoy the same status under state corporate law, but only one tax burden.	Dividend from companies listed on the Jamaica Stock Exchange is distributed free of tax to residents of Jamaica.
REIT company must distribute 90% of its net taxable income to shareholders	The Directors committed to distributing 95% of its net taxable income at IPO of the company.
REIT entity must be managed by one or more directors or trustees.	KPREIT has 3 directors.
Shares or beneficial interest in the entity, if the entity is operated as a trust, are transferable.	KPREIT is operated as a limited liability company. Shares or beneficial interest in the company are transferable.

CHARACTERISTICS OF REITs. Cont'd

TYPICAL REIT IN THE US	KINGSTON PROPERTIES ("KPREIT")
The entity invests at least 75% of its total assets in real estate assets.	Real estate is the sole focus of KPREIT
The entity derives at least 75% of its gross income from real property rents or interest on mortgage on real property.	KPREIT currently derives all of its income from real estate investments
The entity must have a minimum of 100 shareholders. The entity is not closely-held (no more than 50% of the entity's shares may be held by five or fewer individuals).	KPREIT has 197 shareholders. Directors and management own approximately 4% of shares.
M & A possible	There are no restrictions on M&A activity.

THE TEAM & PARTNERS

Fayval Williams
– Executive Director

The REIT uses a combination of internal and external professional services.

Mrs. Williams holds the position of Executive Director of the company and has overall executive responsibility for the company's affairs. The primary objectives remain as follows:

a) Implement the long-term vision and strategy as approved by the board such that it results in creation of shareholder value.
b) Develop and recommend to the board annual business plans and budgets that support the long-term vision and strategy of the company.
c) Lead the company and set a philosophy that is well understood, widely supported, consistently applied and effectively implemented.
d) Ensure that appropriate systems are maintained to protect assets and maintain effective control of operations.
e) Ensure that the day-to-day business affairs of the company are appropriately managed.

f) Develop, attract, retain, motivate and either supervise or partner with an effective top management team capable of achieving objectives.
g) Serve as chief spokesperson, communicating effectively with shareholders, other stakeholders and the public.
h) Manage the reporting and compliance aspects of the company either directly or through appointed professionals.

Prior to joining the company, Mrs. Williams served as Chief Investment Officer of Jamaica Money Market Brokers Limited ("JMMB") with investment responsibilities spanning the trading department, investment research, and pensions. She also consulted with JMMB in the areas of market risk management.

Mrs. Williams was Senior Vice President at Putnam Investments, in Boston, a top-10-global mutual fund manager where her investment work spanned a broad cross-section of industries. Her investment experience also includes approximately five years as Vice President at Wellington Management Company in Boston, Massachusetts. Additional experience includes internship at Equitable Real Estate Investment Management, Inc in Chicago, Illinois. While there, she performed valuation analysis on commercial real estate properties.

Mrs. Williams' educational achievements include the following:

Chartered Financial Analyst (CFA); Master's in Business Administration (MBA) from the Wharton Business School at The University of Pennsylvania; Bachelors of Arts (with honors) from Harvard University, Cambridge, Massachusets

INVESTMENT ANALYSIS

The Investment Management team identifies and evaluates potential acquisitions with the objective of enhancing the portfolio's yield. The team is also involved in the structuring of potential acquisition transactions.

Selected real estate property analysis functions are currently being provided to the company by local Jamaican companies with greater than a decade of evaluating various acquisitions and performing capital market services.

ACCOUNTING

The accounting functions for the company continue to be provided by CrightonMullings Strategics Limited, a local Jamaican company with offices in Florida and Georgia. Operating in the US gives the company exposure and experience in US accounting and thus they are able to bring a global perspective to the services provided. CrichtonMullings is a full service business services firm, providing the full range of attestation, accounting, consulting and technology services.

AUDITING AND COMPANY REGISTRAR

KPMG, Chartered Accountants, provides the auditing and registrar services.

LEGAL/REGULATORY COMPLIANCE

The primary legal services during 2009 were provided by Hylton & Hylton.

PROPERTY MANAGEMENT

The Property Management team is responsible for overseeing the lease and property management activities of the company's portfolio so as to ensure the smooth and efficient operation of all investment properties. This team is also involved in tenant-retention activities, service quality standards and administration of all leases in the various investment properties, which will include rental collections, insurances and property tax matters. This team oversees the marketing function, ensures that the buildings are leased at optimal rents and occupancy levels to meet the financial targets of the portfolio.

FINANCIAL PLANNING

The Financial Planning team oversees the accounting, taxation, treasury, compliance and reporting functions. It is also involved in the areas of strategic planning, budgeting, investor relations, portfolio management, operations and business development opportunities.

In order to maintain an acceptable level of transparency, this team is responsible for facilitating communications with individual and institutional shareholders, analysts and fund managers, and managing the relationship with the investor community. This includes analyst meetings, quarterly performance announcements, production of annual reports and regulatory reporting.

BUSINESS ADMINISTRATION

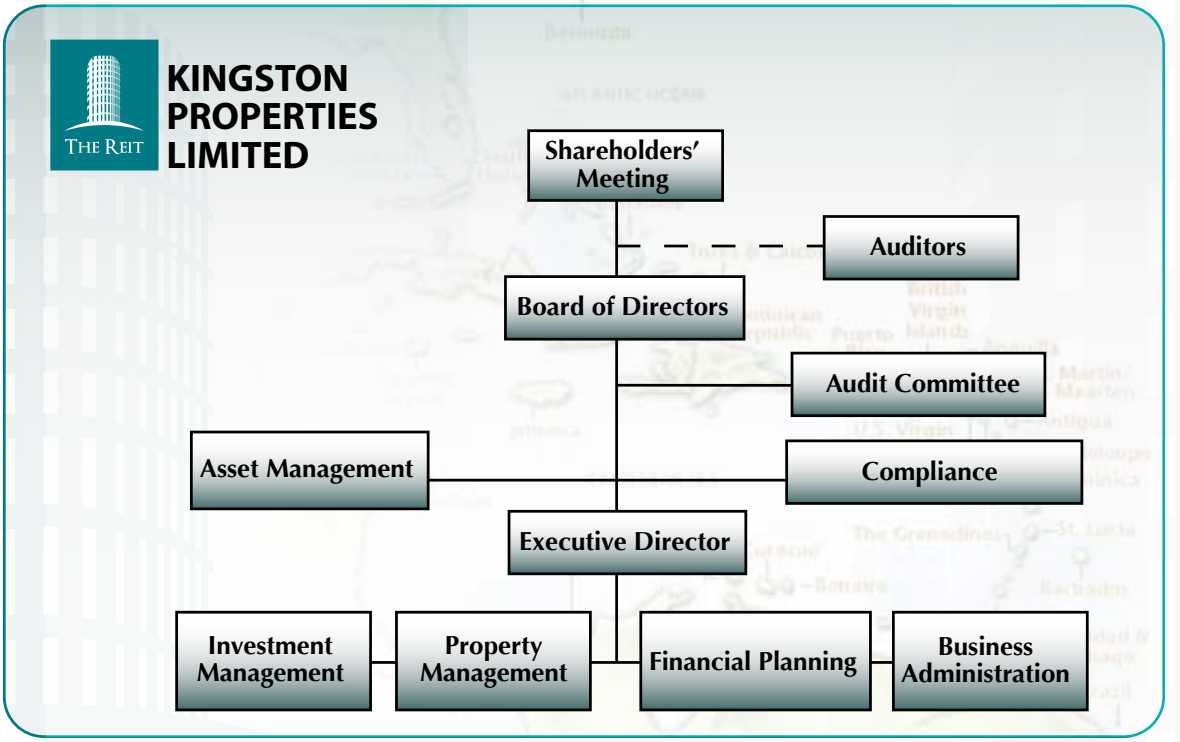
This team is responsible for determining staffing needs, writing job descriptions, recruiting and screening people to fill the positions. The function also involves proper allocation of resources and providing an effective support system.

LOOKING AHEAD

As the company's real estate portfolio expands and the need for optimal operating efficiencies grows, it will add to its management team within the required timeline and along the relevant lines of the company's expanding responsibilities as per the proposed expanded corporate structure chart (page 25).

The Board of Directors is confident that the proper foundation has been set to allow the company to expand its operations and its real estate property portfolio strategically, thus producing the highest value for shareholders. As the company continues to move ahead and execute its strategies and objectives, it remains focused on the primary goal of generating long-term sustainable dividends for the shareholders.

PROPOSED EXPANDED CORPORATE STRUCTURE



THE REIT

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KPMG

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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 29 to 56, 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.

Report on the Financial Statements, (cont'd)

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.

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 29 to 56 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 29 to 56 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

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.

- 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.

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

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

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.

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:

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

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

(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).

(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.

3. Significant accounting policies (cont'd)

(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;

(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;

3. Significant accounting policies (cont'd)

(f) Related parties: (cont'd)

(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.

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:

3. Significant accounting policies (cont'd)

(g) Foreign currencies (cont'd):

(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.

(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.

3. Significant accounting policies (cont'd)

(h) Impairment (cont'd):

(i) Reverse repurchase agreements (cont'd):

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).

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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

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.

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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	16,489,648	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
	15,043,047	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.

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

(b) Liquidity risk (cont'd):

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

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.

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

(c) Market risk (cont'd):

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.

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.

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

(c) Market risk (cont'd):

(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.

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 Knutsford Court Hotel on September 9, 2010 at10:00am and at any adjournment thereof.

Dated this.....day of.....2010

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

Signature.....

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

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

THE REIT

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