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To the Members of
CIBONEY GROUP LIMITED

Auditors' Report

We have audited the financial statements of Ciboney Group Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group") as of and for the year ended May 31, 2006, set out on pages 2 to 21, and have obtained all the information and explanations which we required. These financial statements are the responsibility of the company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

The financial statements have been prepared on the basis that contemplates continuation of the company and the group as going concerns. However, (1) the resort complex, which was substantially the group's only material operating asset, was disposed of effective as of January 1, 2004; (2) as more fully explained in note 2, up to and including the previous year, the company and the group have been experiencing recurring losses, and, at the balance sheet date, had net current liabilities and a stockholders' deficit; and (3) the directors have determined that the operations of the company could be discontinued in the foreseeable future. Accordingly, the continuation of the company and the group as going concerns is uncertain. No adjustments have been made in the financial statements for any effects the resolution of this uncertainty, including the possible discontinuation of operations in the foreseeable future, might have on the carrying values of the company's and group's assets and liabilities as at the balance sheet date.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give, except for the effects, if any, of the resolution of the uncertainties referred to in the immediately preceding paragraph, a true and fair view of the state of affairs of the company and the group as at May 31, 2006 and of the results of operations and cash flows of the group for the year then ended, and comply with the provisions of the Companies Act.

KPMG

September 21, 2006

CIBONEY GROUP LIMITED

Company Balance Sheet
May 31, 2006

	Notes	2006	2005
CURRENT ASSETS			
Cash and cash equivalents		192,015	407,251
Accounts receivable		302,670	302,670
Income tax recoverable		3,087,537	3,086,478
Total current assets		3,582,222	3,796,399
CURRENT LIABILITIES			
Accounts payable and accrued charges		14,923,691	14,924,112
Interest payable		99,447,890	228,593,811
Current portion of long-term loans	12	-	3,297,953
Owed to parent company		-	167,558,698
Owed to ultimate parent company – Finsac Limited		-	3,155,485
Total current liabilities		114,371,581	417,530,059
Net current liabilities		(110,789,359)	(413,733,660)
NON-CURRENT ASSETS			
Interest in subsidiaries	8	49,026,964	395,824,877
Property, plant and equipment	9	92,491	154,151
Total non-current assets		49,119,455	395,979,028
Total assets less current liabilities		$(61,669,904)	(17,754,632)
STOCKHOLDERS' DEFICIT			
Share capital	11	329,436,230	329,436,230
Reserves		-	-
Accumulated deficit		(391,106,134)	(690,166,326)
Total stockholders' deficit		(61,669,904)	(360,730,096)
NON-CURRENT LIABILITY			
Long-term loans, being total non-current liability	12	-	342,975,464
Total stockholders' deficit and non-current liability		$(61,669,904)	(17,754,632)

The financial statements on pages 2 to 21 were approved for issue by the Board of Directors on September 21, 2006 and signed on its behalf by:

_____ Director
Patrick Hylton

_____ Director
Geoffrey Messado

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

CIBONEY GROUP LIMITED

Consolidated Balance Sheet
May 31, 2006

	Notes	2006	2005
CURRENT ASSETS			
Cash and cash equivalents	4	20,498,128	119,192,681
Resale agreements	5	41,563,514	-
Accounts receivable	6	519,883	25,005,320
Time-share receivable	7	-	5,520,312
Current portion of mortgage note receivable	10	-	174,951,758
Income tax recoverable		7,423,595	7,079,993
Total current assets		70,005,120	331,750,064
CURRENT LIABILITIES			
Accounts payable and accrued charges		29,399,906	156,407,685
Interest payable		99,447,890	239,245,037
Current and past due portion of long-term loans	12	-	47,156,229
Owed to parent company		-	167,558,698
Owed to ultimate parent company- Finsac Limited		-	3,155,485
Total current liabilities		128,847,796	613,523,134
Net current liabilities		(58,842,676)	(281,773,070)
NON-CURRENT ASSETS			
Property, plant and equipment	9	44,092,491	44,154,151
Mortgage note receivable	10	-	555,462,058
Total non-current assets		44,092,491	599,616,209
Total assets less current liabilities		$(14,750,185)	317,843,139
STOCKHOLDERS' DEFICIT			
Share capital	11	329,436,230	329,436,230
Reserves		46,213,068	46,213,068
Accumulated deficit		(390,399,483)	(400,781,623)
Total stockholders' deficit		(14,750,185)	(25,132,325)
NON-CURRENT LIABILITY			
Long-term loans, being total non-current liability	12	-	342,975,464
Total stockholders' deficit and non-current liability		$(14,750,185)	317,843,139

The financial statements on pages 2 to 21 were approved for issue by the Board of Directors on September 21, 2006 and signed on its behalf by:

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

CIBONEY GROUP LIMITED

Statement of Consolidated Revenue and Expenses
Year ended May 31, 2006

	Notes	2006	2005
Financial income		44,911,911	105,598,945
Financial expenses		(39,741,126)	(100,369,385)*
Net financial income		5,170,785	5,229,560*
Administrative expenses		(12,061,119)	(13,252,963)*
Depreciation		(61,660)	(61,660)
Net gain/(loss) from fluctuations in exchange rates		17,997,915	(2,744,056)
Profit/(loss) before income tax	13	11,045,921	(10,829,119)
Income tax	14	(663,781)	(4,221,826)
Profit/(loss) after income tax		10,382,140	(15,050,945)
Profit/(loss) for the year attributable to members		$10,382,140	(15,050,945)
Profit/(loss) per stock unit	15	1.9 cents	(2.8)cents

* After reclassifications to conform to the current year's presentation.
The accompanying notes form an integral part of the financial statements.

CIBONEY GROUP LIMITED

Statement of Changes in Deficit
Year ended May 31, 2006

Company:

	Reserves			
	Share capital	Share premium	Accumulated deficit	Total
Balances at May 31, 2004	54,600,000	274,836,230	(664,345,414)	(334,909,184)
Reclassification of share premium (note 11)	274,836,230	(274,836,230)	-	-
Loss for the year, being total recognised losses	-	-	(25,820,912)	(25,820,912)
Balances at May 31, 2005	329,436,230	-	(690,166,326)	(360,730,096)
Profit for the year, being total recognised gains	-	-	299,060,192	299,060,192
Balances at May 31, 2006	$329,436,230	-	(391,106,134)	(61,669,904)

Group:

		Reserves			
	Share capital	Share premium	Other	Accumulated deficit	Total
Balances at May 31, 2004	54,600,000	274,836,230	46,213,068	(385,730,678)	(10,081,380)
Reclassification of share premium (note 11)	274,836,230	(274,836,230)	-	-	-
Loss for the year, being total recognised losses	-	-	-	(15,050,945)	(15,050,945)
Balances at May 31, 2005	329,436,230	-	46,213,068	(400,781,623)	(25,132,325)
Profit for the year, being total recognised gains	-	-	-	10,382,140	10,382,140
Balances at May 31, 2006	$329,436,230	-	46,213,068	(390,399,483)	(14,750,185)

Accumulated deficit retained in:

	2006	2005
The company	(391,106,134)	(690,166,326)
Subsidiaries	706,651	289,384,703
	$(390,399,483)	(400,781,623)

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

CIBONEY GROUP LIMITED

Statement of Consolidated Cash Flows
Year ended May 31, 2006

	2006	2005
Cash flows from operating activities:		
Profit/(loss) for the year	10,382,140	(15,050,945)
Adjustments to reconcile profit/(loss) for the year to cash provided by/(used in) operating activities:		
Items not involving cash:		
Income tax charge	663,781	-
Depreciation	61,660	61,660
Interest income	(44,911,911)	(105,598,945)
Interest expense	39,741,126	100,398,601
Unrealised currency exchange (gains)/losses	-	2,744,056
	5,936,796	(17,445,573)
(Increase)/decrease in current assets:		
Resale agreements	(41,563,514)	67,047,902
Accounts receivable	24,485,437	10,033,270
Income tax recoverable	(1,007,383)	(257,374)
Increase/(decrease) in current liabilities:		
Accounts payable and accrued charges	(127,007,779)	2,169,284
Cash provided by/(used in) operations	(139,156,443)	61,547,509
Interest paid	(179,538,273)	(12,972,446)
Net cash provided by/(used in) operating activities	(318,694,716)	48,575,063
Cash flows from investing activities:		
Interest received	52,441,918	105,598,945
Time-share receivable	5,520,312	7,796,767
Mortgage note receivable	722,883,809	127,041,844
Net cash provided by investing activities	780,846,039	240,437,556
Cash flows from financing activities:		
Long-term loans, being net cash used in financing activities	(560,845,876)	(263,032,117)
Net increase in cash and cash equivalents	(98,694,553)	25,980,502
Cash and cash equivalents at beginning of year	119,192,681	93,212,179
Cash and cash equivalents at end of year	$ 20,498,128	119,192,681

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

1. Identification

(a) Ciboney Group Limited ("the company") is a subsidiary of Crown Eagle Life Insurance Company Limited (“parent”) and its ultimate parent is Finsac Limited. All these companies are incorporated and domiciled in Jamaica. The registered office of the company is located at 9 Dumfries Road, Kingston 10, Jamaica.

Its primary activities are in the hospitality industry.

(b) "Group" refers to the company and its wholly-owned subsidiaries, namely:

(i) Ciboney Hotels Limited

(ii) Leisure Operators Limited

(iii) Luxury Resorts Enterprises Limited and its wholly-owned subsidiary, Number Sixty Limited. These entities were established to engage in the business of acquiring, developing and letting resort properties. The proposal for such development has since been abandoned and the land being held is to be sold [note 9(b)].

(c) The sale of the resort, including the shares of Ciboney Properties Limited, the company which owns and manages the common property, was recognised as effective in the year ended 2004. The legal formalities to effect the transfer were completed during the year ended May 31, 2006.

2. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations issued by the International Accounting Standards Board (“IASB”), and the relevant provisions of the Companies Act (“the Act”).

The financial statements are prepared on the historical cost basis and presented in Jamaica dollars, unless otherwise indicated.

The preparation of the financial statements in conformity with IFRS and the Act requires management to make judgements, estimates and assumptions that affect the reported amounts of, and other disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

There are no significant assumptions and judgements applied in these financial statements, that carry a risk of material adjustment in the next financial year.

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

The preparation of the financial statements in accordance with IFRS also assumes that the company will continue in operational existence for the foreseeable future. This means, *inter alia*, that the balance sheet and the statement of revenue and expenses assume no intention or necessity to liquidate the company or curtail the scale of its operations. This is commonly referred to as the going concern basis. The financial statements have been prepared on the going concern basis; however, the future of the company and the group are uncertain as they have been experiencing recurring losses, have net current liabilities and a stockholders' deficit, and, in the previous period disposed of their only operating asset, the *Beaches Grande Sport at Ciboney* Resort. In addition, the directors of the company have determined that the operations of the company could be discontinued in the forseeable future.

The future of the company and the group as going concerns is, therefore, uncertain. No adjustments have been made in the financial statements for any effects this uncertainty, including the possible discontinuation of operations in the foreseeable future, might have on the carrying values of the company's and group's assets and liabilities as at the balance sheet date.

3. Significant accounting policies

(a) Consolidation:

The consolidated financial statements combine the financial position and results of operations of the company and its subsidiaries [note 1(b)] made up to May 31, 2006, after eliminating material intra-group amounts. Where the minority interest in the losses of a subsidiary exceeds the minority interest in the net assets of the subsidiary, the excess is charged against the majority interest.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost

Property, plant and equipment, except for land, on which no depreciation is provided, are depreciated by the straight-line method at annual rates estimated to write off the depreciable amount of the assets over their expected useful lives.

The depreciation rate for furniture, fixtures and equipment is 10%

(c) Foreign currencies:

(i) Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date. The official spot market weighted average buying exchange rate for the United States dollar at the balance sheet date was J$65.63 (2005: J$61.45) [see note 16(b)(iii)].

3. Significant accounting policies (cont'd)

(c) Foreign currencies (cont'd):

(ii) Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions.

(iii) Gains and losses arising from fluctuations in exchange rates are included in the statement of consolidated revenue and expenses.

(d) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management activities are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(e) Resale agreements:

Securities purchased under resale agreements ("resale agreements") are accounted for as collateralised lending. They are classified as originated loans and carried at amortised cost. The difference between the purchase price and the resale amount is recognised as interest income over the life of each agreement using the effective interest method.

(f) Time-share income and receivable:

Proceeds of sale of time-share weeks are deferred and included in current income in equal annual amounts over the expected life of the contract. Contracts are for periods of up to 60 years.

(g) Income tax:

Income tax is recognised in the statement of consolidated revenue and expenses except to the extent that it relates to items recognised directly to 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.

3. Significant accounting policies (cont'd)

(g) Income tax (cont'd):

Deferred tax is provided using the balance sheet liability 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 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.

(h) Impairment:

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, 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 statement of revenue and expenses.

(i) Calculation of recoverable amount

The recoverable amount of the group's investments in originated securities and 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 to their present value using a pretax 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 an originated and held-to-maturity security or 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2006

4. Cash and cash equivalents

(a) Cash and cash equivalents include US$254,393 (2005: $Nil) held in escrow by a bank for the group pending the fulfilment of all commitments regarding the sale of the resort.

(b) Cash and cash equivalents of the group includes $Nil (2005: $99,644,308) received from time-share owners and held in trust for Ciboney Hotels Limited, pending its transfer to Rios Hotel Management Limited ("Rios") under the terms of the agreement under which it acquired the resort complex from the group. The amount was transferred to Rios during the year on finalisation of the sale of the resort.

5. Resale agreements

The group makes funds available to third parties by entering into short-term agreements with them. The group, on delivering the funds, receives the securities (or other documents evidencing an interest in the securities) and agrees to resell them (or surrender the documents) on a specified date and at a specified price. The securities are not transferred, however, unless the counterparty fails to repurchase them in accordance with the agreement.

At May 31, 2006, the fair value of securities used as collateral for resale agreements amounted to $41,937,664(2005: $Nil).

6. Accounts receivable

Accounts receivable of the group includes stamp duties amounting to $Nil (2005: $22,623,523) recoverable from Rios.

7. Time-share receivable

This represented the balance of proceeds of sale of time-share vacation weeks. Under the terms of the vendor-financed contracts, the purchase price was to be settled by a minimum deposit of 20%, with the balance receivable by 84 monthly instalments and bearing interest at a rate of 14.9% per annum. The time-share receivable was transferred to Rios on completion of the sale of the resort [note 1(c)].

8. Interest in subsidiaries

		Company	
		2006	2005
Ordinary shares, at cost	- Ciboney Hotels Limited	5,026,764	5,026,764
	- Leisure Operators Limited	200	200
	- Luxury Resorts Enterprise	115,800,000	115,800,000
		120,826,964	120,826,964
Loans		-	11,808,500
Current accounts, net		-	334,989,413
		120,826,964	467,624,877
Less: impairment losses		(71,800,000)	(71,800,000)
		$ 49,026,964	395,824,877

The loans are unsecured, non-interest bearing and repayable only upon the winding up of the subsidiary.

9. Property, plant and equipment

Company:

	Furniture & fixtures	Office equipment	Computer equipment	Total
Cost:				
May 31, 2004, 2005 and 2006	328,600	198,000	90,000	616,600
Depreciation:				
May 31, 2004	213,590	128,699	58,500	400,789
Charge for the year	32,860	19,800	9,000	61,660
May 31, 2005	246,450	148,499	67,500	462,449
Charge for the year	32,860	19,800	9,000	61,660
May 31, 2006	279,310	168,299	76,500	524,109
Net book values:				
May 31, 2006	$ 49,290	29,701	13,500	92,491
May 31, 2005	$ 82,150	49,501	22,500	154,151
May 31, 2004	$115,010	69,301	31,500	215,811

Group:

	Land [note (b)]	Furniture, fixtures and	Office equipment	Computer equipment	Total
Cost:					
May 31, 2004, 2005 and 2006	44,000,000	328,600	198,000	90,000	44,616,600
Depreciation:					
May 31, 2004	-	213,590	128,699	58,500	400,789
Charge for the year	-	32,860	19,800	9,000	61,600
May 31, 2005	-	246,450	148,499	67,500	462,449
Charge for the year	-	32,860	19,800	9,000	61,600
May 31, 2006	-	279,310	168,299	76,500	524,109
Net book values:					
May 31, 2006	$44,000,000	49,290	29,701	13,500	44,092,491
May 31, 2005	$44,000,000	82,150	49,501	22,500	44,154,151
May 31, 2004	$44,000,000	115,010	69,301	31,500	44,215,811

(a) Property, plant and equipment are carried at cost; however, the previous carrying amounts (which included amounts based on valuations) were deemed to be cost as at June 1, 2002, the group's date of transition to IFRS.

(b) The carrying value of land, of $44,000,000, was determined in an independent appraisal by The C D Alexander Company Realty Limited in February 2002. Formal transfer to the group of title to the land is yet to be effected.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2006

10. Mortgage note receivable

	2006	2005
Mortgage note receivable	-	730,413,816
Less current portion	-	(174,951,758)
Non-current portion	$ -	555,462,058

Upon sale of the resort [note 1(c)], the company provided Rios with a vendor mortgage for the amount of US$14,875,000, the balance of the purchase price, to be repaid in 60 equal, consecutive, monthly instalments, beginning January 31, 2004 at an interest rate of 12.5% per annum. The full amount was, however, repaid during the year.

11. Share capital

	Company and Group	
	2006	2005
Authorized, issued and fully paid:		
546,000,000 ordinary shares, no par value	$329,436,230	329,436,230

The ordinary shares were, when issued, converted to stock units. The Companies Act 2004, which became effective on February 1, 2005, provides that all shares in issue have no par or nominal value, unless the company, by ordinary resolution, had elected, by July 31, 2005, to retain its shares with a par value for a period of eighteen months. The company did not so elect. Accordingly, the share capital includes the amount previously presented as share premium.

12. Long-term loans

		Company		Group	
		2006	2005	2006	2005
Loan No. 1	[DBJ]	-	-	-	7,071,403
Loan No. 2	[CDC]	-	-	-	36,786,873
Loan No. 3	[Recon]	-	219,926,691	-	219,926,691
Loan No.4	[Recon]	-	3,297,953	-	3,297,953
Loans No. 5 & 6	[Refin]	-	123,048,773	-	123,048,773
		-	346,273,417	-	390,131,693
Less: Current and past-due portions		-	(3,297,953)	-	(47,156,229)
		$ -	342,975,464	-	342,975,464

12. Long-term loans (cont'd)

Note: DBJ = Development Bank of Jamaica Limited, formerly National Development Bank of Jamaica Limited; CDC = Commonwealth Development Corporation; Recon = Recon Trust Limited; Refin = Refin Trust Limited (Recon and Refin are subsidiaries of Finsac Limited [note 1(a)]).

FINSAC Limited, through Recon Trust Limited and Refin Trust Limited, assumed responsibility for repayment of the debts previously owed by the company to certain financial entities and has authorised the cancellation of all interest accrued from 1998 on several loans, those with balances at the balance sheet date being loans 4,5 and 6. New repayment schedules and other terms have not yet been finalised.

Loan No. 1 was the balance on an amount that was disbursed, and repayable, through "approved financial institutions" (AFI). The AFI involved was EMBJ, but the loan had since been assumed by Finsac. It was to have been repaid in 28 equal quarterly instalments, which commenced June 1993. The loan was made up as follows:

	2006	2005	
Finsac (assumed from EMBJ**)	-	6,258,546	at interest rate of 13% p.a.
Finsac (assumed from EMBJ**)	-	812,857	at interest rate of 15% p.a.
	$ -	7,071,403	

** EMBJ = Eagle Merchant Bank of Jamaica Limited

It was secured by the hypothecation of the shares and shareholders unsecured notes related to specified villas, in addition to other securities listed below, viz:

(i) debentures creating a specific charge over specified villa units together with the shares in the common property attaching to them;

(ii) legal assignment of all rentals receivable under leases of the specified villa units owned by Ciboney Hotels Limited ('CHL') and leased to Leisure Operators Limited ('LOL');

(iii) a specific charge by way of supplemental mortgage over specified villas retained by CHL;* and

(iv) the guarantee of the company and/or CHL.

The several securities were the subject of a security sharing agreement among the lenders previously involved in certain of the loans.

12. Long-term loans (cont'd)

Loan No. 2 was rescheduled in 2000 to be repaid by twelve semi-annual instalments, which commenced on January 31, 2000. The rescheduling also included the cancellation of accrued interest of $13,941,589. Interest rate is fixed at 10.5% per annum. The loan is repayable in Pounds Sterling, and the above balance represents the equivalent of £328,427 (2004: £985,582). On November 11, 1998, the House of Representatives of Jamaica approved a Government of Jamaica guarantee of £4,200,000 for this CDC loan. Upon the issue of this guarantee, a Supplemental Agreement was signed transferring all securities from CDC to the guarantor, Government of Jamaica. The loan was fully repaid during the year

Loan No. 3, approximately the equivalent of US$Nil (2005: US$3,578,953), was secured by the guarantee of Ciboney Hotels Limited (CHL) up to US$4 million supported by a charge over nine specified villas.* The loan was fully repaid during the year.

Loan No. 4 was secured by guarantees from the company and CHL stamped to cover $143,000,000 and US$600,000. The guarantee by CHL was supported by first legal mortgages over nineteen villas at the *Beaches Grande Sport at Ciboney* Resort.* The loan was fully repaid during the year.

Loan Nos.5&6, approximately the equivalent of a balance of US$Nil (2005: US$2,002,421), the Jamaica dollar amount of which is $Nil (2005: $123,048,773), was secured by a mortgage on villas owned by CHL stamped to cover US$1,000,000; guarantee of CHL; and assignment of peril insurance for mortgaged property.* The loans were fully repaid during the year.

* These assets are among those disposed of in the year ended May 31, 2004[note 1(c)].

13. Profit/(loss) before income tax

The following are among the items which have been charged in arriving at the consolidated profit/(loss) before income tax:

		2006 $	2005 $
Depreciation		61,660	61,660
Auditors' remuneration		1,500,000	1,540,000
Directors' emoluments	- management	Nil	Nil
	- fees	70,425	73,800
Interest expense		39,741,126	100,369,385

14. Income tax

(a) The underlying hotel property, which was sold in January 2004, was, at commencement, declared an "Approved Hotel Enterprise" under the Hotels (Incentives) Act by virtue of which profits derived from its operations are relieved of income tax. The relief was for fifteen years, which commenced with year of assessment 1991.

(b) The income tax charge in 2005 represents an additional provision for the liability of a subsidiary in respect of a prior year.

(c) At the balance sheet date, income tax losses, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to approximately $179 million (2005: $35 million) for the company and approximately $179 million (2005: $42 million) for the group.

(d) A deferred tax asset has not been recognised because it is not probable that sufficient taxable profits will be available in the foreseeable future to enable the company to benefit.

15. Profit/(loss) per stock unit

Profit/(loss) per stock unit is calculated by dividing profit/(loss) for the year attributable to members of $10,382,140 [2004: $(15,050,945)], by the number of stock units in issue, 546,000,000 (2005: 546,000,000).

16. Financial instruments

A financial instrument is any contract that gives rise to both 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, resale agreements, accounts receivable, time-share receivable, mortgage note receivable, and loans to subsidiaries. Its financial liabilities comprise accounts payable, owed to parent, ultimate parent and subsidiary, and long-term loans. Information relating to fair values and financial instruments is set out below.

(a) Fair values:

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. Where quoted market prices are not available, the fair values of financial instruments have been determined, where practicable, using a generally accepted alternative method. However, considerable judgement is required in interpreting market data to develop estimates of fair value and even greater judgement where there is no public or over-the-counter market. Accordingly, the estimates presented below are not necessarily indicative of the amounts that the group would receive on realisation of its financial assets or would pay to settle its financial liabilities in a current market exchange.

16. Financial instruments (cont'd)

(a) Fair values (cont'd):

The fair values of cash and cash equivalents, resale agreements, accounts receivable and accounts payable are assumed to approximate their carrying values, due to their short-term nature. The fair values of time-share receivable, owed to parent, ultimate parent and subsidiary, and long-term loans cannot practicably be determined due, generally, to the unavailability of quoted market prices or other relevant market information.

The fair value of the mortgage note receivable is considered to approximate its carrying amount because the discount rate approximates the coupon rate.

(b) Financial instruments risks:

The group does not use derivatives as a risk management strategy at this time. Accordingly, exposure to credit, interest rate, foreign currency, liquidity, market and cash flow risks arises in the ordinary course of the group's operations.

(i) Credit risk:

Credit risk is the risk that a loss may occur from the failure of one party to perform according to the terms of a contract. The group has no formal policy for managing credit risk but it does seek to follow up debtors in order to reduce the risk of credit losses; however, the group is involved in a very limited range of activities.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. It arises when there is a mismatch in the maturity profiles of interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustment within a specified period.

The group is exposed to interest rate risk in that it has both interest-earning financial assets and interest-bearing financial liabilities. Some rates are subject to change as market rates move.

The group has no formal interest rate risk management policy. However, it monitors interest rates and adjusts its holding of financial assets and liabilities to the limited extent practicable.

(iii) 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 principal currencies giving rise to this risk are the United States dollar (US$) and the United Kingdom pound (£). The group manages the risk by reviewing foreign exchange rate movements and monitoring the extent to which balances are held in foreign currency against the background that it cannot practicably change some of these foreign currency commitments. There were net foreign currency balances at the balance sheet date as follows:

16. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(iii) Foreign currency risk (cont'd):

	Company		Group	
	2006	2005	2006	2005
Net US$ denominated assets/(liabilities)	US$1,427	(5,569,826)	924,503	6,733,609
Net sterling denominated liabilities	£ -	-	-	339,922

(iv) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities. The company and the group had net current liabilities at the balance sheet date, but are, to some extent, supported by the ultimate parent.

(v) 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. Market risk is of little significance for the group as it does not hold any traded securities.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The group manages this risk by ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched to mitigate any significant adverse cash flows.

17. Employee numbers and costs

The number of persons employed by the company and the group at the end of the year was as follows:

	2006	2005
Company	2	2
Group	2	2

17. Employee numbers and costs (cont'd)

The aggregate payroll costs for these persons were as follows:

	Company		Group	
	2006	2005	2006	2005
Salaries	727,657	720,125	727,657	720,125
Statutory payroll contributions	197,300	78,740	197,300	78,740
	$924,957	798,865	924,957	798,865

18. Related parties

(a) Related parties:

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the company that gives it significant influence over the company; or
- 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 or its parent;

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

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity 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 entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) The company has a related party relationship with its parent and subsidiaries, as well as with its directors and those of the parent and subsidiaries. The directors of the company are collectively referred to as "key management personnel".

18. Related parties

(c) During the year, transactions were entered into with related parties which gave rise to the following amounts, in addition to those shown separately on the balance sheet.

	2006 $	2005 $
Transaction with subsidiary:		
Interest earned on loans to subsidiary	(33,236,463)	(76,614,032)
Transaction with director:		
Consultancy fees paid to Sonado Limited	1,990,000	1,980,000

19. Contingent liability

Several years ago, a hotel guest (at the former Seawind Beach Hotel) alleged that she fell and suffered injuries and, on that basis, has filed a claim, as yet unquantified, for loss of earnings and for medical expenses. The company has filed a defence, and no provision has been made in the financial statements for this claim as the directors are confident that the outcome of the case is not likely to have any material adverse impact on the group.

20. New and revised standards and interpretations effective in 2005

During the year, the company adopted the following new and revised IFRS:

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 24 (revised 2003)	Related Party Disclosures
IAS 32 (revised 2003)	Financial Instruments: Presentation
IAS 36 (revised 2003)	Impairment of Assets
IAS 39 (revised 2003 and 2004)	Financial Instruments: Recognition and Measurement
IFRS 5 (new)	Non-Current Assets Held for Sale and Discontinued Operations

Of the above-listed standards, only IAS 1, 8, and 24 affected the financial statements, as follows:

(i) IAS 1 resulted in additional disclosures and in changes to the format of the balance sheet and income statement;

(ii) IAS 8 resulted in disclosure of new and revised standards and interpretations effective for 2005, and disclosure of those issued but not yet effective;

(iii) IAS 24 resulted in increased disclosure of related party relationships and amounts.

21. New and revised IFRS and interpretations become effective on or after January 1, 2006

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. The standards and interpretations and their effective dates are as follows:

IFRS 6	Exploration for Evaluating of Mineral Resources	January 1, 2006
IFRS 7	Financial Instruments: Disclosure	January 1, 2007
IFRIC 4	Determining whether an Arrangement Contains a Leas	January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioni Restoration and Environmental Rehabilitation Funds	January 1, 2006
IFRIC 6	Liabilities arising from Participating in a Specific Mar – Waste, Electrical and Electronic Equipment	December 1, 2006
IFRIC 7	Applying the Restatement Approach under IAS Financial Reporting in Hyper-Inflationary Economies	March 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosure	January 1, 2006
IAS 39 Amendments	The Fair Value Option	January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting Forecast Intra-group Transactions	January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	January 1, 2006
IFRIC 8	Scope of IFRS 2	May 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006

The adoption of IFRS 7 is expected to result in additional disclosures for financial instruments. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the financial statements.