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INDEPENDENT AUDITORS' REPORT

To the Members of
CIBONEY GROUP LIMITED

Report on the Financial Statements

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"), set out on pages 3 to 22, which comprise the company's and group's balance sheets as at May 31, 2007, the company's and group's statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

To the Members of
CIBONEY GROUP LIMITED

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the company and the group as at May 31, 2007, and of the company's and the group's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the provisions of the Jamaican Companies Act.

Report on additional requirements of 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 are in agreement there and give the information required by the Jamaican Companies Act in the manner so required.

KPMG

August 29, 2007

CIBONEY GROUP LIMITED

Company Balance Sheet
May 31, 2007

	Notes	2007	2006
CURRENT ASSETS			
Cash and cash equivalents		934,556	192,015
Accounts receivable		302,670	302,670
Resale agreements	5	39,634,509	-
Income tax recoverable	6	3,653,016	3,087,537
Total current assets		44,524,751	3,582,222
CURRENT LIABILITIES			
Accounts payable and accrued charges		16,162,903	14,923,691
Interest payable		99,447,890	99,447,890
Owed to subsidiary		43,701,206	-
Total current liabilities		159,311,999	114,371,581
Net current liabilities		(114,787,248)	(110,789,359)
NON-CURRENT ASSETS			
Interest in subsidiaries	7	49,026,964	49,026,964
Property, plant and equipment	8	30,831	92,491
Total non-current assets		49,057,795	49,119,455
Net liabilities		$(65,729,453)	(61,669,904)
STOCKHOLDERS' DEFICIT			
Share capital	9	329,436,230	329,436,230
Accumulated deficit		(395,165,683)	(391,106,134)
Total stockholders' deficit		$(65,729,453)	(61,669,904)

The financial statements on pages 3 to 22 were approved for issue by the Board of Directors on August 29, 2007 and signed on its behalf by:

____________________ Director
Errol Campbell

____________________ Director
Geoffrey Messado

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

CIBONEY GROUP LIMITED

Consolidated Balance Sheet
May 31, 2007

	Notes	2007	2006
CURRENT ASSETS			
Cash and cash equivalents	4	18,975,306	20,498,128
Resale agreements	5	39,634,509	41,563,514
Accounts receivable		519,883	519,883
Income tax recoverable	6	7,210,529	7,423,595
Land held for sale	8	44,000,000	44,000,000
Total current assets		110,340,227	114,005,120
CURRENT LIABILITIES			
Accounts payable and accrued charges		30,453,960	29,399,906
Interest payable		99,447,890	99,447,890
Total current liabilities		129,901,850	128,847,796
Net current liabilities		(19,561,623)	(14,842,676)
NON-CURRENT ASSETS			
Property, plant and equipment, being total non-current assets	9	30,831	92,491
Net liabilities		$(19,530,792)	(14,750,185)
STOCKHOLDERS' DEFICIT			
Share capital	10	329,436,230	329,436,230
Reserves		46,213,068	46,213,068
Accumulated deficit		(395,180,090)	(390,399,483)
Total stockholders' deficit		$(19,530,792)	(14,750,185)

The financial statements on pages 3 to 22 were approved for issue by the Board of Directors on August 29, 2007 and signed on its behalf by:

________________ Director
Errol Campbell

________________ Director
Geoffrey Messado

* Restated to conform to current year classification.
The accompanying notes form an integral part of the financial statements.

CIBONEY GROUP LIMITED

Company Statement of Revenue and Expenses
Year ended May 31, 2007

	Notes	2007	2006
Financial income		2,261,861	33,238,918
Financial expenses		-	(40,554,827)
Net financial income		2,261,861	(7,315,909)
Administrative expenses		(7,690,115)	(8,765,885)
Depreciation		(61,660)	(61,660)
Write off of payables		-	329,407,274
Net gain/(loss) from fluctuations in exchange rates		1,430,365	(14,203,628)
(Loss)/profit for the year	11	(4,059,549)	299,060,192

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

CIBONEY GROUP LIMITED

Statement of Consolidated Revenue and Expenses
Year ended May 31, 2007

	Notes	2007	2006
Financial income		3,259,056	44,911,911
Financial expenses		(24,155)	(39,741,126)
Net financial income		3,234,901	5,170,785
Administrative expenses		(8,478,746)	(12,061,119)
Depreciation		(61,660)	(61,660)
Net gain from fluctuations in exchange rates		2,102,390	17,997,915
(Loss)/profit before income tax	11	(3,203,115)	11,045,921
Income tax	12	(1,577,492)	(663,781)
(Loss)/profit for the year attributable to members		$(4,780,607)	10,382,140
(Loss)/profit per stock unit	13	(0.87) cents	1.9 cents

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

CIBONEY GROUP LIMITED

Statement of Changes in Deficit
Year ended May 31, 2007

Company:

	Share capital	Accumulated deficit	Total
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)
Loss for the year, being total recognised losses	-	(4,059,549)	(4,059,549)
Balances at May 31, 2007	$329,436,230	(395,165,683)	(65,729,453)

Group:

	Share capital	Other	Accumulated deficit	Total
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)
Loss for the year, being total recognised losses	-	-	(4,780,607)	(4,780,607)
Balances at May 31, 2007	$329,436,230	46,213,068	(395,180,090)	(19,530,792)

Accumulated deficit retained in:

	2007	2006
The company	(395,165,683)	(391,106,134)
Subsidiaries	(14,407)	706,651
	$(395,180,090)	(390,399,483)

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

CIBONEY GROUP LIMITED

Statement of Company Cash Flows
Year ended May 31, 2007

	2007	2006
Cash flows from operating activities:		
(Loss)/profit for the year	(4,059,549)	299,060,192
Adjustments to reconcile (loss)/profit for the year to cash provided by/(used in) operating activities:		
Items not involving cash:		
Depreciation	61,660	61,660
Interest income	(2,261,861)	(33,238,918)
Interest expense	-	40,554,827
	(6,259,750)	306,437,761
(Increase)/decrease in current assets:		
Resale agreements	(39,634,509)	-
Income tax recoverable	(565,479)	(1,059)
Increase/(decrease) in current liabilities:		
Accounts payable and accrued charges	1,239,212	(132,444,295)
Cash (used in)/provided by operations	(45,220,526)	173,992,407
Interest paid	-	(40,554,827)
Net cash (used in)/provided by operating activities	(45,220,526)	133,437,580
Cash flows from investing activities:		
Interest received	2,261,861	33,238,918
Interest in subsidiaries	-	346,797,913
Net cash provided by investing activities	2,261,861	380,036,831
Cash flows from financing activities:		
Due to subsidiaries	43,701,206	-
Due to parent company	-	(167,558,698)
Due to ultimate parent company – Finsac	-	(3,155,485)
Long term loans	-	(342,975,464)
Net cash provided by/(used in) financing activities	43,701,206	(513,689,647)
Net increase/(decrease) in cash and cash equivalents	742,541	(215,236)
Cash and cash equivalents at beginning of year	192,015	407,251
Cash and cash equivalents at end of year	$ 934,556	192,015

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

CIBONEY GROUP LIMITED

Statement of Consolidated Cash Flows
Year ended May 31, 2007

	2007	2006
Cash flows from operating activities:		
(Loss)/profit for the year	(4,780,607)	10,382,140
Adjustments to reconcile (loss)/profit for the year to cash provided by/(used in) operating activities:		
Items not involving cash:		
Income tax charge	1,577,492	663,781
Depreciation	61,660	61,660
Interest income	(3,259,056)	(44,911,911)
Interest expense	24,155	39,741,126
	(6,376,356)	5,936,796
(Increase)/decrease in current assets:		
Income tax paid	(798,946)	-
Resale agreements	1,929,005	(41,563,514)
Accounts receivable	-	24,485,437
Income tax recoverable	213,066	(1,007,383)
Decrease in current liabilities:		
Accounts payable and accrued charges	(275,508)	(127,007,779)
Cash used in operations	(4,757,723)	(139,156,443)
Interest paid	(24,155)	(179,538,273)
Net cash used in operating activities	(4,781,878)	(318,694,716)
Cash flows from investing activities:		
Interest received	3,259,056	52,441,918
Time-share receivable	-	5,520,312
Mortgage note receivable	-	722,883,809
Net cash provided by investing activities	3,259,056	780,846,039
Cash flows from financing activities:		
Long-term loans, being net cash used in financing activities	-	(560,845,876)
Net decrease in cash and cash equivalents	(1,522,822)	(98,694,553)
Cash and cash equivalents at beginning of year	20,498,128	119,192,681
Cash and cash equivalents at end of year	$18,975,306	20,498,128

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 76 Knutsford Boulevard, Kingston 5, 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 8).

(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 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 a 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$67.09 (2006: J$65.63) [see note 14(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 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) 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.

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.

3. Significant accounting policies (cont'd)

(g) 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.

3. Significant accounting policies (cont'd)

(h) Adoption of new and revised IFRS and interpretations:

The following new and revised IFRS and interpretations which were in issue became effective for financial periods beginning on or after the dates shown:

IFRS 6	Exploration for and Evaluation of Mineral Resources	January 1, 2006
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendments	The Fair Value Option	January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions	January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	January 1, 2006

There were no changes in the company's significant accounting policies as a result of these new and revised standards and interpretations.

(i) New standards and interpretations not yet effective:

At the date of approval of the financial statements, the following new standards and interpretations were in issue but were not yet effective:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the company's 2008 financial statements, will require additional disclosures with respect to the company's financial instruments and share capital.

- *IFRS 8 Operating Segments* requires disclosures based on the components of the company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. The standard is not considered relevant to the company and is not expected to have any impact on the financial statements.

3. Significant accounting policy (cont'd)

(i) New standards and interpretations not yet effective (cont'd):

- *IFRIC 8 Scope of IFRS 2 Shared-based Payments* addresses the accounting for share based payment transactions in which some or all goods or services received cannot be specifically identified. IFRIC 8 is not considered relevant to the company and is not expected to have any impact on the financial statements.

- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 is not expected to have any impact on the financial statements.

- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost. IFRIC 10 is not considered relevant to the company and is not expected to have any impact on the financial statements.

- *IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent are transferred in settlement of the obligation. IFRIC 11 is not considered relevant to the company and is not expected to have any impact on the financial statements.

- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 is not considered relevant to the company and is not expected to have any impact on the financial statements.

- *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. IAS 23 (Revised) is not expected to have any impact on the financial statements.

- *IFRIC 13 Customer Loyalty Programmes* requires the recognition of award credits as a separately identifiable component of a sales transaction and consequently defer the recognition of revenue for the awards. IFRIC 13 is not expected to have any material impact on the financial statements.

- *IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* addresses the availability of a refund of surplus or a reduction in future contributions when a minimum funding requirement exists. IFRIC 14 is not expected to have any impact on the financial statements.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2007

4. Cash and cash equivalents

Cash and cash equivalents include US$262,421 (2006: $254,393) held in escrow by a bank for the group pending the fulfilment of all commitments regarding 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. These resale agreements are collateralised by Government of Jamaica Securities.

At May 31, 2007, the fair value of securities used as collateral for resale agreements amounted to $39,407,666 (2006: $41,937,664).

6. Income tax recoverable

This represents tax withheld at source from interest received.

7. Interest in subsidiaries

		Company	
		2007	2006
Ordinary shares, at cost	- Ciboney Hotels Limited	5,026,764	5,026,764
	- Leisure Operators Limited	200	200
	- Luxury Resorts Enterprises Limited	115,800,000	115,800,000
		120,826,964	120,826,964
Less: impairment losses		(71,800,000)	(71,800,000)
		$ 49,026,964	49,026,964

8. Land held for sale

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 and treated as deemed cost at June 1, 2002, the group's date of transition to IFRS. Formal transfer to the group of title to the land is yet to be effected.

9. Property, plant and equipment

Company and Group:

	Furniture & fixtures	Office equipment	Computer equipment	Total
Cost:				
May 31, 2005, 2006 and 2007	328,600	198,000	90,000	616,600
Depreciation:				
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
Charge for the year	32,860	19,800	9,000	61,660
May 31, 2007	312,170	188,099	85,500	585,769
Net book values:				
May 31, 2007	$ 16,430	9,901	4,500	30,831
May 31, 2006	$ 49,290	29,701	13,500	92,491
May 31, 2005	$ 82,150	49,501	22,500	154,151

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.

10. Share capital

	Company and Group	
	2007	2006
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.

CIBONEY GROUP LIMITED

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

11. (Loss)/profit before income tax

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

		Company		Group	
		2007	2006	2007	2006
		$	$	$	$
Depreciation		61,660	61,660	61,660	61,660
Auditors' remuneration		600,000	700,000	1,300,000	1,500,000
Directors' emoluments	- management	Nil	Nil	Nil	Nil
	- fees	94,100	70,425	94,100	70,425
Interest expense		-	40,554,827	-	39,741,126

12. 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.

(i) Income tax is computed at 33⅓% of the results for the year, as adjusted for taxation purposes, and comprises:

	2007	2006
	$	$
Current tax charge:		
Provision for charge on current year's results	61,470	663,781
Prior year under provision	1,516,022	-
	1,577,492	663,781

(ii) Reconciliation of effective tax charge and rate:

The effective tax rate for 2007 was 124.68% (2006: 0.23%) compared to the statutory tax rate of 33⅓% (2006: 33⅓%). The actual charge differs from the "expected" tax charge for the year as follows:

	2007	2006
	$	$
Profit for the year before income tax	856,434	(286,827,884)
Computed "expected" tax charge/(credit) at 33⅓%	285,478	(95,609,294)
Tax effect of items treated differently for financial statements and tax reporting purposes:		
Unrealised gain	(224,008)	(10,733,848)
Interest receivable	-	2,510,002
Interest payable	-	(3,550,409)
Disallowed expenses	-	108,047,330
Total effect	61,470	663,781
Under accrual	1,516,022	-
Actual tax charge	1,577,492	663,781

12. Income tax (cont'd)

(b) 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 $185 million (2006: $179 million) for the company and approximately $183 million (2006: $179 million) for the group.

(c) 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.

(d) In his April 2005 budget presentation, the Minister of Finance and Planning announced that, instead of indefinitely, the carry forward of taxation losses would be restricted to five years, with effect from January 1, 2006. Up to the reporting date, enabling legislation had not been passed. The amounts disclosed, therefore, do not reflect any change in the current treatment of taxation losses.

13. (Loss)/profit per stock unit

(Loss)/profit per stock unit is calculated by dividing (loss)/profit for the year attributable to members of ($4,780,607) (2006: $10,382,140), by the number of stock units in issue, 546,000,000 (2006: 546,000,000).

14. 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 and accounts receivable Its financial liabilities comprise accounts payable and owed to subsidiary. 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.

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 value of owed to subsidiary cannot practicably be determined due, generally, to the unavailability of quoted market prices or other relevant market information.

14. Financial instruments (cont'd)

(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:

	Company		Group	
	2007	2006	2007	2006
Net US$ denominated assets	US$590,679	1,427	854,368	924,503

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14. Financial instruments (cont'd)

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

(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 in a limited way.

(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.

15. Staff costs

	Company		Group	
	2007	2006	2007	2006
Salaries	723,248	727,657	723,248	727,657
Statutory payroll contributions	198,200	197,300	198,200	197,300
	$921,448	924,957	921,448	924,957

16. 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 company.

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".

(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.

	Company		Group	
	2007	2006	2007	2006
	$	$	$	$
Transaction with subsidiary:				
Interest earned on loans to subsidiary	-	(33,236,463)	-	(33,236,463)
Owed to subsidiary	43,701,206	-	43,701,206	-
Transaction with director:				
Consultancy fees paid to Sonado Limited	1,980,000	1,980,000	1,980,000	1,980,000