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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 23, which comprise the company's and group's balance sheets as at May 31, 2010, the company's and group's statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



To the Members of
CIBONEY GROUP LIMITED

Report on the Financial Statements (cont'd)

Basis for qualified opinion

As disclosed in note 2(e), the financial statements have been prepared in conformity with International Financial Reporting Standards, on a basis which contemplates continuation of the company and the group as a going concern. This basis, however, may not be appropriate in the preparation of the financial statements. The future of the company and its subsidiaries as a group is uncertain as there is a significant accumulated deficit, continuing negative operating cash flows, net current liabilities, a stockholders' deficit, and, in a previous period, the only operating asset, the *Beaches Grande Sport at Ciboney* Resort was disposed of. In addition, the Directors of the company consider that the operations of the company and its subsidiaries could be discontinued in the foreseeable future.

The specified timing and other terms and the circumstances of the contemplated discontinuation have not yet been determined. Except where subsidiaries have entered liquidation proceedings, no adjustments have been made in the financial statements for any effects this uncertainty might have on the carrying values of the company's and group's assets and liabilities as at the balance sheet date, and on the results of operations for the year then ended.

Opinion

In our opinion, the financial statements give, except for any adjustment as might have been deemed necessary in respect of the of the matter referred to in the preceding paragraph, a true and fair view of the financial positions of the company and the group as at May 31, 2010, 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 the provisions of the Jamaican Companies Act.

Report on other matters required by the Jamaican Companies Act

Except as mentioned above, 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 so required.

KPMG

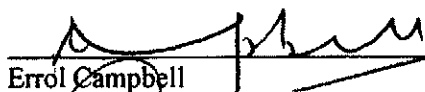
Chartered Accountants
Kingston, Jamaica

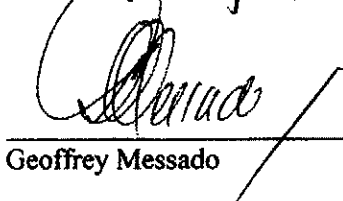
September 7, 2010

CIBONEY GROUP LIMITED**Company Balance Sheet**
May 31, 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS			
Cash and cash equivalents	4	17,448,741	24,925,197
Resale agreements	5	32,511,791	31,586,483
Income tax recoverable	6	<u>5,559,721</u>	<u>4,858,026</u>
Total current assets		<u>55,520,253</u>	<u>61,369,706</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	8	14,240,537	14,434,085
Interest payable	9	99,447,890	99,447,890
Owed to subsidiary		<u>45,946,501</u>	<u>59,884,557</u>
Total current liabilities		<u>159,634,928</u>	<u>173,766,532</u>
Net current liabilities		(104,114,675)	(112,396,826)
NON-CURRENT ASSETS			
Interest in subsidiaries	10	49,026,764	49,026,964
Property, plant and equipment	11	<u>1</u>	<u>1</u>
Total non-current assets		<u>49,026,765</u>	<u>49,026,965</u>
Net liabilities		<u>\$(55,087,910)</u>	<u>(63,369,861)</u>
Represented by :			
STOCKHOLDERS' EQUITY			
Share capital	12	329,436,230	329,436,230
Accumulated deficit		<u>(384,524,140)</u>	<u>(392,806,091)</u>
Total stockholders' net deficit		<u>\$(55,087,910)</u>	<u>(63,369,861)</u>

The financial statements on pages 3 to 23 were approved for issue by the Board of Directors on September 7, 2010 and signed on its behalf by:

 Director
Errol Campbell

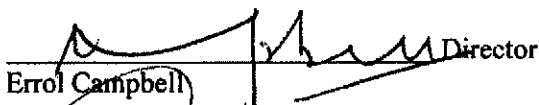
 Director
Geoffrey Messado

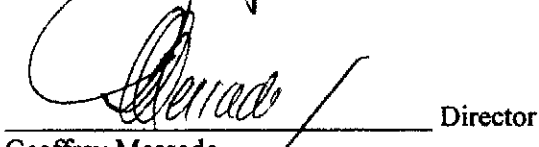
The accompanying notes form an integral part of the financial statements.

CIBONEY GROUP LIMITED**Consolidated Balance Sheet****May 31, 2010**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS			
Cash and cash equivalents	4	17,602,640	25,115,652
Resale agreements	5	32,511,791	31,586,483
Accounts receivable		-	217,213
Income tax recoverable	6	5,559,721	4,858,026
Land held for sale	7	<u>44,000,000</u>	<u>44,000,000</u>
Total current assets		<u>99,674,152</u>	<u>105,777,374</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	8	14,246,199	28,294,809
Interest payable	9	<u>99,447,890</u>	<u>99,447,890</u>
Total current liabilities		<u>113,694,089</u>	<u>127,742,699</u>
Net current liabilities		(14,019,937)	(21,965,325)
NON-CURRENT ASSETS			
Property, plant and equipment, being total non-current assets	11	<u>1</u>	<u>1</u>
Net liabilities		<u>\$(14,019,936)</u>	<u>(21,965,324)</u>
Represented by :			
STOCKHOLDERS' EQUITY			
Share capital	12	329,436,230	329,436,230
Reserves	13	46,213,068	46,213,068
Accumulated deficit		<u>(389,669,234)</u>	<u>(397,614,622)</u>
Total stockholders' net deficit		<u>\$(14,019,936)</u>	<u>(21,965,324)</u>

The financial statements on pages 3 to 23 were approved for issue by the Board of Directors on September 7, 2010 and signed on its behalf by:


 Errol Campbell Director


 Geoffrey Messado Director

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

CIBONEY GROUP LIMITEDCompany Statement of Comprehensive Income
Year ended May 31, 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Interest income		2,806,944	2,678,911
Other income		487,793	-
Dividends received from subsidiary		<u>13,638,056</u>	<u>-</u>
		16,932,793	2,678,911
Administrative expenses		(7,976,748)	(7,140,919)
Net (loss)/gain from fluctuations in exchange rates		(674,094)	<u>11,274,354</u>
Profit attributable to members, being total comprehensive income for the year	14	<u>\$ 8,281,951</u>	<u>6,812,346</u>

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

CIBONEY GROUP LIMITEDStatement of Consolidated Comprehensive Income
Year ended May 31, 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Interest income		2,806,944	3,010,916
Other income		487,793	-
Contingent balances written-back		<u>13,678,662</u>	<u>-</u>
		16,973,399	3,010,916
Administrative expenses		(8,353,917)	(9,562,752)
Net (loss)/gain from fluctuations in exchange rates		(<u>674,094</u>)	<u>11,333,293</u>
Profit before income tax		7,945,388	4,781,457
Income tax	15	<u>-</u>	(<u>3,766,528</u>)
Profit attributable to members, being total comprehensive income for the year	14	\$ <u>7,945,388</u>	<u>1,014,929</u>
Profit per stock unit	16	\$ <u>0.015</u>	<u>0.002</u>

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

CIBONEY GROUP LIMITEDStatement of Changes in Stockholders' Equity
Year ended May 31, 2010

Company:

	<u>Share capital</u> (note 12)	<u>Accumulated deficit</u>	<u>Total</u>
Balances at May 31, 2008	329,436,230	(399,618,437)	(70,182,207)
Total comprehensive income	<u>-</u>	<u>6,812,346</u>	<u>6,812,346</u>
Balances at May 31, 2009	329,436,230	(392,806,091)	(63,369,861)
Total comprehensive income	<u>-</u>	<u>8,281,951</u>	<u>8,281,951</u>
Balances at May 31, 2010	<u>\$329,436,230</u>	<u>(384,524,140)</u>	<u>(55,087,910)</u>

Group:

	<u>Share capital</u> (note 12)	<u>Reserves</u> (note 13)	<u>Accumulated deficit</u>	<u>Total</u>
Balances at May 31, 2008	329,436,230	46,213,068	(398,629,551)	(22,980,253)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>1,014,929</u>	<u>1,014,929</u>
Balances at May 31, 2009	329,436,230	46,213,068	(397,614,622)	(21,965,324)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>7,945,388</u>	<u>7,945,388</u>
Balances at May 31, 2010	<u>\$329,436,230</u>	<u>46,213,068</u>	<u>(389,669,234)</u>	<u>(14,019,936)</u>

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

CIBONEY GROUP LIMITEDStatement of Company Cash Flows
Year ended May 31, 2010

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Profit attributable to members	8,281,951	6,812,346
Adjustments to reconcile profit for the year to net cash used in operating activities:		
Items not involving cash:		
Interest income	(2,806,944)	(2,678,911)
Unrealised currency exchange loss/(gain)	674,094	(11,274,354)
Interest in subsidiaries	<u>200</u>	<u>-</u>
	6,149,301	(7,140,919)
Increase in current assets:		
Income tax paid	(701,695)	(669,773)
Accounts receivable	-	535,432
Decrease in current liabilities:		
Accounts payable and accrued charges	(<u>193,548</u>)	(<u>279,705</u>)
Net cash provided/(used) in operating activities	<u>5,254,058</u>	(<u>7,554,965</u>)
Cash flows from investing activities:		
Interest received	2,806,944	2,678,911
Resale agreements	(<u>925,308</u>)	(<u>425,383</u>)
Net cash provided by investing activities	<u>1,881,636</u>	<u>2,253,528</u>
Cash flows from financing activities:		
Due to subsidiaries, being net cash (used)/provided by financing activities	(<u>13,938,056</u>)	<u>17,096,151</u>
Net (decrease)/increase in cash and cash equivalents	(6,802,362)	11,794,714
Effect of exchange rate fluctuations on cash and cash equivalents	(674,094)	11,274,354
Cash and cash equivalents at beginning of year	<u>24,925,197</u>	<u>1,856,129</u>
Cash and cash equivalents at end of year	<u>\$17,448,741</u>	<u>24,925,197</u>

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

CIBONEY GROUP LIMITEDStatement of Consolidated Cash Flows
Year ended May 31, 2010

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Profit attributable to members	7,945,388	1,014,929
Adjustments to reconcile profit for the year to net cash used in operating activities:		
Items not involving cash:		
Interest income	(2,806,944)	(3,010,916)
Taxes withheld from interest income written off	-	3,766,528
Unrealised currency exchange loss/(gains)	<u>674,094</u>	<u>(11,333,293)</u>
	5,812,538	(9,562,752)
Decrease/(increase) in current assets:		
Accounts receivable	217,213	-
Income tax paid	(701,695)	(752,775)
Decrease in current liabilities:		
Accounts payable and accrued charges	<u>(14,048,610)</u>	<u>(387,687)</u>
Net cash used in operating activities	<u>(8,720,554)</u>	<u>(10,703,214)</u>
Cash flows from investing activities:		
Interest received	2,806,944	3,546,348
Resale agreements	<u>(925,308)</u>	<u>(425,383)</u>
Net cash provided by investing activities	<u>1,881,636</u>	<u>3,120,965</u>
Net decrease in cash and cash equivalents	(6,838,918)	(7,582,249)
Effect of foreign exchange on cash and cash equivalents	(674,094)	11,333,293
Cash and cash equivalents at beginning of year	<u>25,115,652</u>	<u>21,364,608</u>
Cash and cash equivalents at end of year	<u>\$17,602,640</u>	<u>25,115,652</u>

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

CIBONEY GROUP LIMITED

Notes to the Financial Statements May 31, 2010

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 69-75 Constant Spring 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) 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 for sale (note 7).
 - (ii) Ciboney Hotels Limited.
 - (iii) Leisure Operators Limited.

Effective May 12, 2010, Ciboney Hotels Limited and Leisure Operators Limited entered voluntary liquidation proceedings.

2. Basis of preparation

- (a) Statement of compliance:

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 comply with the requirements of the Jamaican Companies Act.

In preparing these financial statements, the company and its subsidiaries have adopted *Revised IAS 1 – Presentation of Financial Statement* which became effective during the year. The adoption of Revised IAS 1 impacted the disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company and its subsidiaries. In accordance with the transitional requirements of the standard, the comparative information has been presented to comply with the amended standard.

At the date of authorisation of the financial statements certain new standards, amendments to standards and interpretations were in issue but not yet effective. These standards and interpretations are effective for the accounting periods beginning on, or after the indicated dates:

- *IFRS 9, Financial Instruments* (effective for annual reporting periods beginning on or after January 1, 2013) introduces new requirements for classifying and measuring financial assets. The standard also amends some of the requirements of *IFRS 7 Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments designated as fair value through other comprehensive income.

CIBONEY GROUP LIMITED**Notes to the Financial Statements (Continued)**
May 31, 2010**2. Basis of preparation (cont'd)****(a) Statement of compliance (cont'd):**

- *IAS 24, Related Party Disclosure, revised* (effective for annual reporting periods beginning on or after January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

The adoption of amendments to IFRS 9 and IAS 24 (revised) may result in adjustments and additional disclosures in future financial statements. Management has not completed its evaluation of the impact on the financial statements of adopting these standards.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis.

(c) Functional currency:

The financial statements are presented in Jamaica dollars, unless otherwise indicated, which is the functional currency of the company and all its subsidiaries.

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS 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 the risk of a material adjustment in the next financial year.

(e) Future of the group:

The preparation of the financial statements in accordance with IFRS 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 comprehensive income 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, however, this basis, may not be appropriate in preparation of the financial statements. The future of the company and its subsidiaries as a group is uncertain as there is a significant accumulated deficit, continuing negative operating cash flows, net current liabilities, a stockholders' deficit, and, in a previous period, the only operating asset, the *Beaches Grande Sport at Ciboney Resort* was disposed of. In addition, the Directors of the company consider that the operations of the company and its subsidiaries could be discontinued in the foreseeable future.

The specified timing and other terms and the circumstances of the contemplated discontinuation have not yet been determined. Except where subsidiaries have entered liquidation proceedings, no adjustments have been made in the financial statements for any effects this uncertainty might have on the carrying values of the company's and group's assets and liabilities as at the balance sheet date, and on the results of operations for the year then ended.

CIBONEY GROUP LIMITED**Notes to the Financial Statements (Continued)**
May 31, 2010**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, 2010, after eliminating material intra-group amounts.

(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, which is the principal intervention foreign currency, at the balance sheet date was J\$87.70 (2009: J\$88.87) [see note 17(iii)(b)].

(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 profit or loss.

(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.

(e) Resale agreements:

Securities purchased under resale agreements ("resale agreements") are accounted for as collateralised lending. They are classified as loans and receivables 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) Accounts receivable:

Accounts receivable are stated at amortised cost, less impairment losses, if any [note 3(i)].

(g) Accounts payable and accrued charges:

Accounts payable and accrued charges are stated at amortised cost.

CIBONEY GROUP LIMITED**Notes to the Financial Statements (Continued)**
May 31, 2010**3. Significant accounting policies (cont'd)****(h) Taxation:**

Income tax is recognised in the statement of comprehensive income 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.

(i) Impairment:

The carrying amounts of the company's and 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 company's and 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.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2010

3. Significant accounting policies (cont'd)

(i) Impairment (cont'd):

(ii) Reversals of impairment (cont'd):

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.

(j) 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 company or the group would receive on realisation of its financial assets or would pay to settle its financial liabilities in a current market exchange.

(k) 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 company, 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.

CIBONEY GROUP LIMITED**Notes to the Financial Statements (Continued)****May 31, 2010****4. Cash and cash equivalents**

Cash and cash equivalents include US\$Nil (2009: US\$2,509) held in escrow by a bank for the group, pending the fulfilment of all commitments related to the sale of a resort property in a previous period.

5. Resale agreements

The company and the group make funds available to third parties by entering into short-term agreements with them. On delivering the funds, securities are received (or other documents evidencing an interest in the securities) and an agreement entered into to resell them (or surrender the documents) on a specified date and at a specified price. The underlying 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, 2010, the fair value of securities used as collateral for resale agreements amounted to \$32,704,099 (2009: \$31,646,421).

6. Income tax recoverable

This represents tax withheld at source from interest received.

7. Land held for sale

The carrying value of land, of \$44,000,000, was determined in an independent appraisal by The CD 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.

8. Accounts payable and accrued charges

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Audit fees	598,000	449,422	598,000	925,632
Due to other hotels	13,495,854	13,800,598	13,245,855	13,800,598
Other	<u>146,683</u>	<u>184,065</u>	<u>402,344</u>	<u>13,568,579</u>
	<u>\$14,240,537</u>	<u>14,434,085</u>	<u>14,246,199</u>	<u>28,294,809</u>

9. Interest payable

Interest payable is in respect of net balances which remain after repayment of debt to the ultimate parent, Finsac Limited.

CIBONEY GROUP LIMITED**Notes to the Financial Statements (Continued)**
May 31, 2010**10. Interest in subsidiaries**

	<u>Company</u>	
	<u>2010</u>	<u>2009</u>
Ordinary shares, at cost - Ciboney Hotels Limited [see note 1(b)]	5,026,764	5,026,764
- Leisure Operators Limited [see note 1(b)]	-	200
- Luxury Resorts Enterprises Limited	<u>115,800,000</u>	<u>115,800,000</u>
	120,826,764	120,826,964
Less: impairment losses	<u>(71,800,000)</u>	<u>(71,800,000)</u>
	<u>\$ 49,026,764</u>	<u>49,026,964</u>

11. Property, plant and equipment**Company and Group:**

	<u>Furniture & fixtures</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Total</u>
Cost:				
May 31, 2009 and 2010	<u>328,600</u>	<u>198,000</u>	<u>90,000</u>	<u>616,600</u>
Depreciation:				
May 31, 2008	328,600	197,999	90,000	616,599
Charge for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
May 31, 2009	328,600	197,999	90,000	616,599
Charge for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
May 31, 2010	<u>328,600</u>	<u>197,999</u>	<u>90,000</u>	<u>616,599</u>
Net book values:				
May 31, 2010	<u>\$ -</u>	<u>1</u>	<u>-</u>	<u>1</u>
May 31, 2009	<u>\$ -</u>	<u>1</u>	<u>-</u>	<u>1</u>

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 (see also note 13).

12. Share capital

	<u>2010</u>	<u>2009</u>
Authorised:		
546,000,000 ordinary stock units, no par value		
Issued and fully paid:		
546,000,000 ordinary stock units, no par value	<u>\$329,436,230</u>	<u>329,436,230</u>

CIBONEY GROUP LIMITEDNotes to the Financial Statements (Continued)
May 31, 201013. Reserves

This amount represents revaluation reserves standing at the date of transition to IFRS on June 1, 2002.

14. Profit attributable to members

The following are among the items which have been charged in arriving at the profit attributable to members:

		<u>Company</u>		<u>Group</u>	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Auditors' remuneration		797,028	400,000	797,028	800,000
Directors' emoluments	- management	1,980,000	1,980,000	1,980,000	1,980,000
	- fees	<u>94,500</u>	<u>45,000</u>	<u>94,500</u>	<u>45,000</u>

15. Income tax(a) Company:

Reconciliation of effective tax charge and rate:

The effective tax rate for 2010 was Nil% (2009: Nil%) compared to the statutory tax rate of 33⅓% (2009: 33⅓%). The actual charge of \$Nil (2009: Nil) differs from the "expected" tax charge for the year as follows:

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
Profit before income tax	<u>8,281,951</u>	<u>6,812,346</u>
Computed "expected" tax charge @33⅓%	2,760,650	2,270,782
Tax effect of treating items differently for financial statements and tax reporting purposes:		
Disallowed expenses	(4,252,560)	(3,786,665)
Effect on tax losses [see (c) below]	<u>1,491,910</u>	<u>1,515,883</u>
	<u>-</u>	<u>-</u>

CIBONEY GROUP LIMITEDNotes to the Financial Statements (Continued)
May 31, 201015. Income tax (cont'd)

(b) Group:

- (i) 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.
- (ii) Income tax is computed at 33½% of the results for the year, as adjusted for taxation purposes, and comprises:

	<u>2010</u>	<u>2009</u>
	\$	\$
Previous year adjustment	<u>-</u>	<u>3,766,528</u>

(iii) Reconciliation of effective tax charge and rate:

The effective tax rate for 2010 was Nil% (2009: Nil%) compared to the statutory tax rate of 33½% (2009: 33½%). The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2010</u>	<u>2008</u>
	\$	\$
Profit for the year before income tax	<u>7,945,388</u>	<u>4,781,457</u>
Computed "expected" tax charge at 33½%	2,648,463	1,593,819
Tax effect of treating items differently for financial statements and tax reporting purposes:		
Disallowed income/(expenses)	293,458	(3,806,312)
Effect of tax losses	1,617,633	2,212,493
Taxes with-held from interest income in prior years, written-off/contingent balances written-back	<u>(4,559,554)</u>	<u>3,766,528</u>
Actual tax charge	<u>-</u>	<u>3,766,528</u>

- (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 \$199 million (2009: \$195 million) for the company and approximately \$200 million (2009: \$195 million) for the group.

A deferred tax asset, in respect of net unutilised tax losses, 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.

16. Profit per stock unit

Profit per stock unit is calculated by dividing group profit for the year attributable to members of \$7,945,388 (2009: \$1,014,929), by the number of stock units in issue, 546,000,000 (2009: 546,000,000).

CIBONEY GROUP LIMITED**Notes to the Financial Statements (Continued)**
May 31, 2010**17. Financial instruments and financial risk management**

The company and its subsidiaries had few transactions during the year and, therefore, have little exposure to the following risks from the use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk and currency risk. Information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk is detailed below.

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 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 and the group's activities.

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

(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.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	17,448,741	24,925,197	17,602,640	25,115,652
Resale agreements	32,511,791	31,586,483	32,511,791	31,586,483
Accounts receivable	-	-	-	217,213
	<u>49,960,532</u>	<u>56,511,680</u>	<u>50,114,431</u>	<u>56,919,348</u>

There were no past-due and no impaired financial assets.

There was no change in the group's management of credit risk since the end of the preceding financial year.

(ii) 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.

CIBONEY GROUP LIMITEDNotes to the Financial Statements (Continued)
May 31, 201017. Financial risk management (cont'd)(ii) Liquidity risk (cont'd):

The following table shows the maturities of the financial liabilities:

Company:

	2010		
	Within 3	No	Total
	months	maturity	
	\$	\$	\$
Accounts payable	744,683	13,495,854	14,240,537
Interest payable	-	<u>99,447,890</u>	<u>99,447,890</u>

	2009		
	Within 3	No	Total
	months	maturity	
	\$	\$	\$
Accounts payable	633,507	13,800,578	14,434,085
Interest payable	-	99,447,890	99,447,890
Owed to subsidiary	-	<u>59,884,557</u>	<u>59,884,557</u>

Group:

	2010		
	Within 3	No	Total
	months	maturity	
	\$	\$	\$
Accounts payable	1,000,344	13,245,855	14,246,199
Interest payable	-	<u>99,447,890</u>	<u>99,447,890</u>

	2009		
	Within 3	No	Total
	months	maturity	
	\$	\$	\$
Accounts payable	1,109,315	27,185,494	28,294,809
Interest payable	-	<u>99,447,890</u>	<u>99,447,890</u>

CIBONEY GROUP LIMITED**Notes to the Financial Statements (Continued)**
May 31, 2010**17. Financial risk management (cont'd)****(iii) 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 comprises interest-rate risk, currency risk and other price risk.

(a) 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 only on its financial assets. 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 to the limited extent practicable.

Financial assets all earn fixed rates of interest and are as follows:

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Financial assets:				
Cash and cash equivalents	17,448,741	24,925,197	17,602,640	25,115,652
Resale agreements	<u>32,511,791</u>	<u>31,586,483</u>	<u>32,511,791</u>	<u>31,586,483</u>
	<u>49,960,532</u>	<u>56,511,680</u>	<u>50,114,431</u>	<u>56,702,135</u>

There are no interest-bearing liabilities.

Average effective yields for financial assets by the earlier of the contractual repricing and maturity dates are presented in the following table:

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>
	<u>Within</u>	<u>Within</u>	<u>Within</u>	<u>Within</u>
	<u>3 months</u>	<u>3 months</u>	<u>3 months</u>	<u>3 months</u>
Cash and cash equivalents	3.8	2.5	3.8	3.0
Resale agreements	<u>5.3</u>	<u>6.1</u>	<u>5.3</u>	<u>6.8</u>

CIBONEY GROUP LIMITEDNotes to the Financial Statements (Continued)
May 31, 201017. Financial risk management (cont'd)(iii) Market risk (cont'd):(a) Interest rate risk (cont'd):Sensitivity Analysis

A change of 200 basis points in interest rates would have increased or decreased results for the year by the amounts shown in the table below. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
Financial assets	<u>999,211</u>	<u>1,130,234</u>	<u>1,002,289</u>	<u>1,134,043</u>

There has been no change in the company's approach to managing its market risk during the year.

(b) 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 currency giving rise to this risk is the United States dollar (US\$). 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:

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
US\$ denominated assets	<u>US\$567,516</u>	<u>634,712</u>	<u>567,516</u>	<u>636,174</u>

Sensitivity analysis

A 5% strengthening (2009: 5%) of the Jamaica dollar (\$) against the US dollar at May 31 would have decreased profit by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2009.

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>\$2,488,558</u>	<u>2,820,265</u>	<u>2,488,558</u>	<u>2,826,763</u>

A 5% weakening (2009: 5%) of the Jamaica dollar against the United States dollar at May 31 would have had the equal but opposite effect, on the basis that all other variables remain constant.

CIBONEY GROUP LIMITEDNotes to the Financial Statements (Continued)
May 31, 201017. Financial risk management (cont'd)

(iv) Capital management:

The company's capital consists of ordinary shares net of accumulated deficit. A capital management policy is not considered necessary, as the Directors expect the company to be wound up in due course and it is not subject to any externally-imposed capital requirements.

There were no changes to capital management during the year.

18. Fair values

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.

19. Staff costs

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Salaries	717,199	682,539	717,199	682,539
Statutory payroll contributions	<u>241,916</u>	<u>219,724</u>	<u>241,916</u>	<u>219,724</u>
	<u>\$959,115</u>	<u>902,263</u>	<u>959,115</u>	<u>902,263</u>

20. Related parties

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

	<u>Company</u>		<u>Group</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
Transactions with Director:				
Consultancy fees paid to Sonado Limited	1,980,000	1,980,000	1,980,000	1,980,000
Transaction with subsidiaries:				
Dividends received	<u>13,638,056</u>	<u>-</u>	<u>-</u>	<u>-</u>

CIBONEY GROUP LIMITED

SUPPLEMENTARY INFORMATION TO THE
FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2010

CIBONEY GROUP LIMITED

Administrative Expenses
Year ended May 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
Company:		
Accounting and audit fees	797,028	400,000
Bank charges	20,648	16,489
Directors remuneration	94,500	45,000
Donations	-	70,421
Office expenses and postage	884,287	875,145
Other expenses	1,084,097	868,102
Printing and stationery	914,888	791,907
Professional fees	2,109,315	2,037,272
Registrar expenses	1,063,870	1,120,820
Repairs and maintenance	29,000	13,500
Salaries and statutory contributions	<u>979,115</u>	<u>902,263</u>
	<u>7,976,748</u>	<u>7,140,919</u>
Group:		
Accounting and audit fees	823,722	800,000
Bank charges	30,510	16,489
Directors remuneration	94,500	45,000
Donations	-	70,421
General Consumption Tax not recoverable	-	120,648
Office expenses and postage	884,287	883,072
Other expenses	1,084,097	868,102
Printing and stationery	914,888	791,907
Professional fees	2,109,315	3,930,530
Registrar expenses	1,063,870	1,120,820
Repairs and maintenance	29,000	13,500
Salaries and statutory contributions	979,115	902,263
Net balances on consolidation written-off	<u>340,613</u>	<u>-</u>
	<u>8,353,917</u>	<u>9,562,752</u>