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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 statement of financial position as at May 31, 2016, the company's and the group's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that gives a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. 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, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company and the group as at May 31, 2016, and of the company's and the group's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(d) which discloses that 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.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

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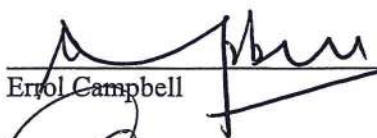
Chartered Accountants
Kingston, Jamaica

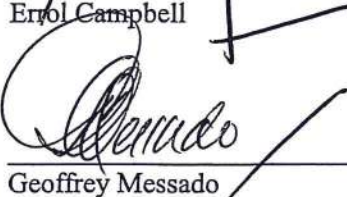
August 22, 2016

CIBONEY GROUP LIMITEDCompany Statement of Financial Position
May 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents		460,166	275,806
Resale agreements	4	8,433,695	16,050,187
Income tax recoverable	5	5,334,889	5,283,816
Interest receivable		<u>-</u>	<u>4,535</u>
		<u>14,228,750</u>	<u>21,614,344</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	7	728,417	647,169
Interest payable	8	99,447,890	99,447,890
Due to subsidiary		<u>46,093,390</u>	<u>46,093,390</u>
		<u>146,269,697</u>	<u>146,188,449</u>
NET CURRENT LIABILITIES		<u>(132,040,947)</u>	<u>(124,574,105)</u>
NON-CURRENT ASSETS			
Investment in subsidiaries	9	49,026,764	49,026,764
Property, plant and equipment	10	<u>1</u>	<u>1</u>
		<u>49,026,765</u>	<u>49,026,765</u>
		<u>\$(83,014,182)</u>	<u>(75,547,340)</u>
EQUITY			
Share capital	11	329,436,230	329,436,230
Accumulated deficit		<u>(412,450,412)</u>	<u>(404,983,570)</u>
		<u>\$(83,014,182)</u>	<u>(75,547,340)</u>

The financial statements on pages 3 to 23 were approved for issue by the Board of Directors on August 22, 2016, 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 LIMITEDConsolidated Statement of Financial Position
May 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents		460,166	275,806
Resale agreements	4	8,433,695	16,050,187
Interest receivable		-	4,535
Income tax recoverable	5	5,334,889	5,283,816
Land held for sale	6	<u>44,000,000</u>	<u>44,000,000</u>
		<u>58,228,750</u>	<u>65,614,344</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	7	1,204,626	1,123,378
Interest payable	8	<u>99,447,890</u>	<u>99,447,890</u>
		<u>100,652,516</u>	<u>100,571,268</u>
NET CURRENT LIABILITIES		(42,423,766)	(34,956,924)
NON-CURRENT ASSET			
Property, plant and equipment	10	<u>1</u>	<u>1</u>
		<u>\$(42,423,765)</u>	<u>(34,956,923)</u>
EQUITY			
Share capital	11	329,436,230	329,436,230
Reserves	12	46,213,068	46,213,068
Accumulated deficit		<u>(418,073,063)</u>	<u>(410,606,221)</u>
		<u>\$(42,423,765)</u>	<u>(34,956,923)</u>

The financial statements on pages 3 to 23 were approved for issue by the Board of Directors on August 22, 2016, 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 Profit or Loss and Other Comprehensive Income
Year ended May 31, 2016

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Interest income		205,115	363,254
Administrative expenses	13	(8,348,263)	(5,978,529)
Foreign exchange gains		<u>856,306</u>	<u>751,471</u>
Loss before taxation		(7,286,842)	(4,863,804)
Taxation	14	(<u>180,000</u>)	(<u>180,000</u>)
Loss, being total comprehensive loss for the year	15	\$(<u>7,466,842</u>)	(<u>5,043,804</u>)

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

CIBONEY GROUP LIMITEDStatement of Consolidated Profit or Loss and Other Comprehensive Income
Year ended May 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Interest income		205,115	363,254
Administrative expenses	13	(8,348,263)	(5,978,529)
Foreign exchange gains		<u>856,306</u>	<u>751,471</u>
Loss before taxation		(7,286,842)	(4,863,804)
Taxation	14	(<u>180,000</u>)	(<u>180,000</u>)
Loss attributable to members, being total comprehensive loss for the year		\$(<u>7,466,842</u>)	(<u>5,043,804</u>)
Loss per stock unit	15	\$(<u>0.014</u>)	(<u>0.009</u>)

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

CIBONEY GROUP LIMITEDStatement of Changes in Equity
Year ended May 31, 2016**Company:**

	<u>Share capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balances at May 31, 2014	329,436,230	(399,939,766)	(70,503,536)
Total comprehensive loss	-	(5,043,804)	(5,043,804)
Balances at May 31, 2015	329,436,230	(404,983,570)	(75,547,340)
Total comprehensive loss	-	(7,466,842)	(7,466,842)
Balances at May 31, 2016	<u>\$329,436,230</u>	<u>(412,450,412)</u>	<u>(83,014,182)</u>

Group:

	<u>Share capital</u>	<u>Reserves</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balances at May 31, 2014	329,436,230	46,213,068	(405,562,417)	(29,913,119)
Total comprehensive loss	-	-	(5,043,804)	(5,043,804)
Balances at May 31, 2015	329,436,230	46,213,068	(410,606,221)	(34,956,923)
Total comprehensive loss	-	-	(7,466,842)	(7,466,842)
Balances at May 31, 2016	<u>\$329,436,230</u>	<u>46,213,068</u>	<u>(418,073,063)</u>	<u>(42,423,765)</u>

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

CIBONEY GROUP LIMITEDStatement of Cash Flows
Year ended May 31, 2016

	<u>Company and Group</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Loss for the year:	(7,466,842)	(5,043,804)
Adjustments for:		
Income tax expense	180,000	180,000
Interest income	(205,115)	(363,254)
	(7,491,957)	(5,227,058)
Increase in income tax recoverable	(51,073)	(90,814)
Increase/(decrease) in accounts payable and accrued charges	<u>81,248</u>	<u>(308,417)</u>
	(7,461,782)	(5,626,289)
Income tax paid	<u>(180,000)</u>	<u>(180,000)</u>
Net cash used by operating activities	<u>(7,641,782)</u>	<u>(5,806,289)</u>
Cash flows from investing activities:		
Interest received	209,650	358,719
Resale agreements	<u>7,616,492</u>	<u>5,245,676</u>
Net cash provided by investing activities	<u>7,826,142</u>	<u>5,604,395</u>
Net increase/(decrease) in cash and cash equivalents	(184,360)	(201,894)
Cash and cash equivalents at beginning of the year	<u>275,806</u>	<u>477,700</u>
Cash and cash equivalents at end of the year	<u>\$ 460,166</u>	<u>275,806</u>

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

CIBONEY GROUP LIMITED

Notes to the Financial Statements
May 31, 2016

1. Identification

- (a) Ciboney Group Limited ("the company") is a subsidiary of Crown Eagle Life Insurance Company Limited ("the parent company") and its ultimate parent company is Finsac Limited. All these companies are incorporated and domiciled in Jamaica. The registered office of the company is located at 41 Caracas Avenue, Kingston Freezone, Jamaica.

The primary activities of the company are the operation of a holding company and the orderly disposal of assets owned by its subsidiaries.

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

- (i) Luxury Resorts Enterprises Limited:

Luxury Resorts Enterprises Limited and its wholly-owned subsidiary, Number Sixty Limited, 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 is being held for sale (note 6).

- (ii) Ciboney Hotels Limited:

Effective May 12, 2010, Ciboney Hotels Limited entered voluntary liquidation proceedings. As at the reporting date, these proceedings have not yet been finalised.

2. Basis of preparation

- (a) Statement of compliance:

The financial statements as at and for the year ended May 31, 2016 (the reporting date) are prepared in accordance with International Financial Reporting Standards ("IFRS") and the provisions of the Jamaican Companies Act ("the Act").

New and revised standards and interpretations that became effective during the year:

Certain new and revised standards and interpretations which were in issue came into effect for the current financial year. The adoption of those standards and amendments did not have any significant impact on the financial statements.

New and revised standards and interpretations that are not yet effective:

At the date of authorisation of the financial statements, certain new and revised standards and interpretations have been issued but are not yet effective, and which the group has not early-adopted.

CIBONEY GROUP LIMITED

Notes to the Financial Statements
May 31, 2016

2. Basis of preparation (cont'd)

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

New and revised standards and interpretations that are not yet effective (cont'd):

Management has assumed the relevance of new and revised standards and has determined that the following may be relevant to the group:

- *IAS 1 Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
 - specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard.
 - the order of notes to the financial statements is not prescribed.
 - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
 - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
 - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.
- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

CIBONEY GROUP LIMITED

Notes to the Financial Statements
May 31, 2016

2. Basis of preparation (cont'd)

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

New and revised standards and interpretations that are not yet effective (cont'd):

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

Management is assessing the impact that these standards may have on the group's financial statements when they are adopted.

(b) 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 reporting 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, and future periods, if the revision affects both current and future periods.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

2. Basis of preparation (cont'd)

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

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.

(c) Going concern:

The preparation of the financial statements in accordance with IFRS assumes that the company and the group will continue in operational existence for the foreseeable future. This means, *inter alia*, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate the company and the group or curtail the scale of operations. This is commonly referred to as the going concern basis, however, this basis 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' net 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 reporting date, and on the profit or loss for the year then ended.

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, 2016, after eliminating intra-group amounts. The company and its subsidiaries are collectively referred to as the "group".

(b) Property, plant and equipment:

Property, plant and equipment are stated at cost.

Property, plant and equipment are depreciated on the straight-line basis at annual rates estimated to write down the assets over their expected useful lives to their estimated residual value.

The depreciation rate for furniture, fixtures and equipment is 10% and computer equipment is 33⅓%. The depreciation method, useful lives and residual values are reassessed at each reporting date.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

3. Significant accounting policies

(c) Foreign currencies:

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions.

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 instruments 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. Cash and cash equivalents are carried at amortised cost.

(e) Resale agreements:

Securities purchased under resale agreements (“resale agreements”) are accounted for as short-term 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.

(g) Accounts payable and accrued charges:

Accounts payable and accrued charges are stated at amortised cost.

(h) Taxation:

Taxation on the results for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the 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 reporting date.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

3. Significant accounting policies (cont'd)

(h) Taxation (cont'd):

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 asset is 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 group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. 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 profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the group's financial assets measured at amortised cost 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of financial assets measured at amortised cost 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.

(j) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the "reporting entity" in this case the group).

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

3. Significant accounting policies (cont'd)

(j) Related parties:

- (a) A person or a close member of that person's family is related to the group if that person:
 - (i) has control or joint control over the group;
 - (ii) has significant influence over the group; or
 - (iii) is a member of the key management personnel of the group or of a parent of the group.
- (b) An entity is considered related to the group if any of the following conditions applies:
 - (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan established for the benefit of employees of either the group or an entity related to the group.
 - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity or any member of a group of which it is a part, provides key management personnel services to the group or to the parent of the group.
- (c) A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(k) Income and expenses:

Income and expenses are recognised on the accrual basis.

(l) Land held for sale:

Land held for sale is shown at the lower of cost and net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the land held for sale is expected to realise. These estimates take into consideration the current market value of properties at comparable locations at the end of the year, and the expected cash flows likely to be realised from the sale of developed lots.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

4. 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 unless the counterparty fails to repurchase them in accordance with the agreement. These resale agreements are collateralised by Government of Jamaica Securities.

At the reporting date, the fair value of securities used as collateral for resale agreements approximated the carrying value of the agreements.

5. Income tax recoverable

This represents tax withheld at source from interest received and is recoverable from the Government of Jamaica.

6. 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. The surplus arising on the revaluation is included in reserves (note 12). The last valuation of the land was done by Breakenridge & Associates on January 31, 2015, which valued the land for \$200,000,000 - \$215,000,000.

7. Accounts payable and accrued charges

	<u>Company</u>		<u>Group</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Professional fees	500,000	500,000	500,000	500,000
Other	<u>228,417</u>	<u>147,169</u>	<u>704,626</u>	<u>623,378</u>
	<u>\$728,417</u>	<u>647,169</u>	<u>1,204,626</u>	<u>1,123,378</u>

8. Interest payable

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

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

9. Investment in subsidiaries

	<u>Company</u>	
	<u>2016</u>	<u>2015</u>
Ordinary shares, at cost [see note 1(b)]:		
- Ciboney Hotels Limited	5,026,764	5,026,764
- Luxury Resorts Enterprises Limited	<u>115,800,000</u>	<u>115,800,000</u>
	120,826,764	120,826,764
Less: Allowance for impairment	<u>(71,800,000)</u>	<u>(71,800,000)</u>
	<u>\$ 49,026,764</u>	<u>49,026,764</u>

10. Property, plant and equipment

Company and Group:

	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Total</u>
Cost:				
May 31, 2014, 2015 and 2016	328,600	198,000	90,000	616,600
Accumulated depreciation:				
May 31, 2014, 2015 and 2016	<u>328,600</u>	<u>197,999</u>	<u>90,000</u>	<u>616,599</u>
Net book values:				
May 31, 2016 and 2015	\$ <u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

11. Share capital

	<u>2016</u>	<u>2015</u>
Authorised:		
546,000,000 (2015: 546,000,000) ordinary stock units		
Stated capital:		
Issued and fully paid:		
546,000,000 (2015: 546,000,000) ordinary stock units	<u>\$329,436,230</u>	<u>329,436,230</u>

12. Reserves

This amount represents revaluation reserves standing at the date of transition to IFRS on June 1, 2002 (note 6).

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
 May 31, 2016

13. Nature of expenses

	<u>Company and Group</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Asset tax	200,000	200,000
Audit fees - current year	500,000	500,000
- prior year over provision	-	(156,267)
Bank charges	50,994	23,490
Consultancy fees (note 18)	1,265,000	1,980,000
Directors' fees	52,875	116,940
Irrecoverable GCT	770,464	612,519
Legal and professional fees	253,952	860,002
Office expenses	301,518	67,000
Utilities	360,000	360,000
Postage and shipping	847,080	-
Printing and stationery	1,278,231	30,977
Registrar expenses	1,259,345	198,602
Repairs and maintenance	8,500	37,000
Property tax	170,500	170,500
Salaries	890,000	977,766
Statutory contributions	<u>139,804</u>	<u>137,766</u>
	<u>8,348,263</u>	<u>6,116,295</u>

14. Taxation

	<u>Company and Group</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Tax expense	<u>180,000</u>	<u>180,000</u>
Reconciliation of effective tax charge:		
Loss before taxation	<u>(7,286,842)</u>	<u>(4,863,804)</u>
Computed "expected" taxation credit @ 25%	(1,821,711)	(1,215,951)
Difference between loss for financial statements and tax reporting purposes on:		
Unrealised foreign exchange gains	(214,077)	(187,868)
Disallowed expense	93,976	95,325
Minimum Business Tax	180,000	180,000
Increase in tax losses	<u>1,941,812</u>	<u>1,308,494</u>
	<u>180,000</u>	<u>180,000</u>

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

14. Taxation (cont'd)

At the reporting date, taxation losses, subject to agreement by the Commissioner General, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to approximately \$212 million (2015: \$205 million) for the company and the group. As at the reporting date, tax losses may be carried forward indefinitely; however, the maximum amount that can be utilised in any one year is restricted to 50% of the taxable profit for that year.

A deferred tax asset of \$53 million (2015: \$50 million), 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 against which the tax losses can be utilised.

15. Loss per stock unit

Loss per stock unit is calculated by dividing group loss for the year attributable to members of \$7,466,842 (2015: \$5,043,804), by the number of stock units in issue, 546,000,000 (2015: 546,000,000).

16. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The company and the group have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The company and its subsidiaries had few transactions during the year and, therefore, have little exposure to credit risk and market risk, including interest rate risk and currency risk, from the use of financial instruments. 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 of financial loss to the group if a counter-party to a financial instrument fails to discharge its obligations. 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.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

16. Financial instruments (cont'd)

(i) Credit risk (cont'd):

Cash and cash equivalents and resale agreements are placed with financial institutions, that are approximately licensed and regulated, for short-term periods, and management believes these institutions have a minimal risk of default.

The carrying amount of financial assets represents the maximum credit exposure and there were no past-due and no impaired financial assets.

There was no change in the way the group manages and measures of credit risk during the 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 reporting date, but are, to some extent, supported by the ultimate parent company in a limited way.

The following table shows the maturities of financial liabilities based on the earliest date on which the group can be required to pay:

Company:

	<u>Within 3 months</u>	<u>No maturity</u>	<u>Carrying amounts</u>	<u>Contractual cash flows</u>
May 31, 2016				
Accounts payable	728,417	-	728,417	728,417
Due to subsidiary	<u>-</u>	<u>46,093,390</u>	<u>46,093,390</u>	<u>46,093,390</u>
	<u>\$728,417</u>	<u>46,093,390</u>	<u>46,821,807</u>	<u>46,821,807</u>
May 31, 2015				
Accounts payable	647,169	-	647,169	647,169
Due to subsidiary	<u>-</u>	<u>46,093,390</u>	<u>46,093,390</u>	<u>46,093,390</u>
	<u>\$647,169</u>	<u>46,093,390</u>	<u>46,740,559</u>	<u>46,740,559</u>

Group:

	<u>Within 3 months</u>	<u>No maturity</u>	<u>Carrying amounts</u>	<u>Contractual cash flows</u>
May 31, 2016				
Accounts payable	<u>\$1,204,626</u>	<u>-</u>	<u>1,204,626</u>	<u>1,204,626</u>
May 31, 2015				
Accounts payable	<u>\$1,123,378</u>	<u>-</u>	<u>1,123,378</u>	<u>1,123,378</u>

There was no change in the group's management of liquidity risk during the year.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

16. Financial instruments (cont'd)

(iii) Market risk:

Market risk is the risk that the value or cash flows 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 or cash flows 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 as it has no interest bearing financial liability. 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.

The company and the group financial assets subject to interest rate risk amounted to \$8,433,695 (2015: \$16,050,187).

Sensitivity Analysis:

An change of 100 (2015: 250) basis points in interest rates would have affected results for the year by \$84,337 (2015: \$401,255) for the company and the group. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

The group does not hold any financial instruments that are carried at fair value. Therefore, a change in interest rates at the reporting date would not affect the carrying value of the group's financial instruments.

(b) Foreign currency risk:

Foreign currency risk is the risk that the value of, or the cash flows from, a 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. There were net foreign currency assets at the reporting date as follows:

	<u>Company and Group</u>	
	<u>2016</u>	<u>2015</u>
US\$ denominated assets	US\$ <u>67,621</u>	<u>138,794</u>

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)

May 31, 201616. Financial instruments (cont'd)(iii) Market risk (cont'd):(b) Foreign currency risk (cont'd):

The exchange rate of the Jamaica dollar to the US\$ was J\$124.7242: US\$1 (2015: J\$115.6405: US\$1).

Sensitivity analysis:

A 1% strengthening (2015: 1%) of the Jamaica dollar against the US dollar at the reporting date would have increased loss for the year by \$84,340 (2015: \$160,502) for the company and the group.

(b) Foreign currency risk:

An 8% weakening (2015: 10%) of the Jamaica dollar against the United States dollar at the reporting date would have reduced loss for the year by \$674,718 (2015: \$1,605,021) for the company and the group. The analysis assumes that all other variables, in particular interest rates, remain constant.

(iv) Capital management:

The company's capital consists of share capital and reserves 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.

17. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instruments. The group does not carry any financial instrument at fair value.

The fair value of cash and cash equivalents, resale agreements and accounts payable and accrued charges are assumed to approximate their carrying values, due to their short-term nature. The fair value of due to subsidiary cannot practicably be determined due to the unavailability of relevant market information and there are no market conditions attached to the balance.

CIBONEY GROUP LIMITED

Notes to the Financial Statements (Continued)
May 31, 2016

18. Related parties

- (a) The company has a related party relationship with its parent and ultimate parent company 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, there were related party transactions in the ordinary course of business as follows:

	<u>Company and Group</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Transactions with a director:		
Consultancy fees paid to Sonado Limited (note 13)	<u>1,265,000</u>	<u>1,980,000</u>

TOP TEN (10) STOCKHOLDERS AS AT MAY 31, 2016

TRUMPTON	223,406,286
CROWN EAGLE LIFE INSURANCE COMPANY	137,454,760
MARSTON GORDON	30,858,007
EAGLE MERCHANT BANK OF JAMAICA LTD.	16,529,376
EAGLE MERCHANT BANK OF JAMAICA LTD. EQUITY A/C	15,500,000
LARRY CHIN	6,277,288
EDWIN MCKIE	5,079,736
KARL P. WRIGHT	3,494,000
GORDON KELVIN GREENWICH SHARP	3,000,000
JOHN MAHFOOD	2,907,530
TOTAL	444,506,983

INTEREST OF DIRECTORS AND SENIOR MANAGEMENT

The interest of the Directors and Senior Management holding office as at May 31, 2016 in the ordinary stock units of the Company were as follows:

GEOFFREY MESSADO	22,000
ROBERT STEPHENS	20,000
MICHAEL CAMPBELL	Nil
ERROL CAMPBELL	Nil
TOTAL	42,000

DIRECTORS, SENIOR MANAGEMENT & CONNECTED PERSON
AS AT MAY 31, 2016

<u>NAME</u>	<u>SPOUSE</u>	<u>COMPANY</u>
GEOFFREY MESSADO	JENNIFER MESSADO	SONADO LIMITED
ROBERT STEPHENS	DONNA STEPHENS	