CIBONEY GROUP LIMITED

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Members of
CIBONEY GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ciboney Group Limited ("the company"), comprising the separate financial statements of the company and consolidated financial statements of the company and its subsidiaries ("the group") set out on pages 7 to 26, which comprise the statement of financial position as at May 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at May 31, 2017, and of the group's and the company's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CIBONEY GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Material Uncertainty Related to Going Concern

We draw attention to note 2(c) of the financial statements, which indicates that the company incurred a net loss of $5,239,949 during the year ended May 31, 2017 and, as at that date, the company had net current liabilities of $137,280,896 and accumulated deficit of $417,690,361. As stated in note 2(c), these conditions, along with other matters as set forth in note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matter described below:

Key Audit Matter	How the matter was addressed in our audit
Carrying value of land held for sale The carrying value of land held for sale may not be recoverable due to possible changes in the current market value of properties at comparable locations.	Our audit procedures in response to this matter, included testing the valuation of the land during the year.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CIBONEY GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

To the Members of
CIBONEY GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 5 to 6, forms part of our auditors' report.

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.

The engagement partner on the audit resulting in this independent auditors' report is Wilbert Spence.

KPMG

Kingston, Jamaica
Chartered Accountants

August 31, 2017

To the Members of
CIBONEY GROUP LIMITED

Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain soley responsible for our audit opinion.

To the Members of
CIBONEY GROUP LIMITED

Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CIBONEY GROUP LIMITED

Company Statement of Financial Position
May 31, 2017
(Expressed in Jamaica dollars, unless otherwise indicated)

	Notes	2017	2016
CURRENT ASSETS			
Cash and cash equivalents		185,306	460,166
Resale agreements	4	3,430,221	8,433,695
Income tax recoverable	5	5,373,274	5,334,889
		8,988,801	14,228,750
CURRENT LIABILITIES			
Accounts payable and accrued charges	7	728,417	728,417
Interest payable	8	99,447,890	99,447,890
Due to subsidiary		46,093,390	46,093,390
		146,269,697	146,269,697
NET CURRENT LIABILITIES		(137,280,896)	(132,040,947)
NON-CURRENT ASSETS			
Investment in subsidiaries	9	49,026,764	49,026,764
Property, plant and equipment	10	1	1
		49,026,765	49,026,765
		(88,254,131)	(83,014,182)
EQUITY			
Share capital	11	329,436,230	329,436,230
Accumulated deficit		(417,690,361)	(412,450,412)
		(88,254,131)	(83,014,182)

The financial statements on pages 7 to 26 were approved for issue by the Board of Directors on August 31, 2017, 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 Statement of Financial Position
May 31, 2017
(Expressed in Jamaica dollars, unless otherwise indicated)

	Notes	2017	2016
CURRENT ASSETS			
Cash and cash equivalents		185,306	460,166
Resale agreements	4	3,430,221	8,433,695
Income tax recoverable	5	5,373,274	5,334,889
Land held for sale	6	44,000,000	44,000,000
		52,988,801	58,228,750
CURRENT LIABILITIES			
Accounts payable and accrued charges	7	1,204,626	1,204,626
Interest payable	8	99,447,890	99,447,890
		100,652,516	100,652,516
NET CURRENT LIABILITIES		(47,663,715)	(42,423,766)
NON-CURRENT ASSET			
Property, plant and equipment	10	1	1
		(47,663,714)	(42,423,765)
EQUITY			
Share capital	11	329,436,230	329,436,230
Reserves	12	46,213,068	46,213,068
Accumulated deficit		(423,313,012)	(418,073,063)
		(47,663,714)	(42,423,765)

The financial statements on pages 7 to 26 were approved for issue by the Board of Directors on August 31, 2017, 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

Statement of Consolidated Profit or Loss and Other Comprehensive Income
Year ended May 31, 2017
(Expressed in Jamaica dollars, unless otherwise indicated)

	Note	Group and Company 2017	2016
Interest income		154,489	205,115
Administrative expenses	13	(5,425,309)	(8,348,263)
Foreign exchange gains		210,871	856,306
Loss before taxation		(5,059,949)	(7,286,842)
Taxation	14	(180,000)	(180,000)
Loss, being total comprehensive loss for the year		(5,239,949)	(7,466,842)
Loss per stock unit		(0.01)	(0.014)

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

CIBONEY GROUP LIMITED

Statement of Changes in Equity
Year ended May 31, 2017
(Expressed in Jamaica dollars, unless otherwise indicated)

Company:

	Share capital	Accumulated deficit	Total
Balances at May 31, 2015	329,436,230	(404,983,570)	(75,547,340)
Total comprehensive loss for the year	-	(7,466,842)	(7,466,842)
Balances at May 31, 2016	329,436,230	(412,450,412)	(83,014,182)
Total comprehensive loss for the year	-	(5,239,949)	(5,239,949)
Balances at May 31, 2017	329,436,230	(417,690,361)	(88,254,131)

Group:

	Share capital	Reserves	Accumulated deficit	Total
Balances at May 31, 2015	329,436,230	46,213,068	(410,606,221)	(34,956,923)
Total comprehensive loss for the year	-	-	(7,466,842)	(7,466,842)
Balances at May 31, 2016	329,436,230	46,213,068	(418,073,063)	(42,423,765)
Total comprehensive loss for the year	-	-	(5,239,949)	(5,239,949)
Balances at May 31, 2017	329,436,230	46,213,068	(423,313,012)	(47,663,714)

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

CIBONEY GROUP LIMITED

Statement of Cash Flows
Year ended May 31, 2017
(Expressed in Jamaica dollars, unless otherwise indicated)

	Company and Group 2017	2016
Cash flows from operating activities:		
Loss for the year:	(5,239,949)	(7,466,842)
Adjustments for:		
Income tax expense	180,000	180,000
Interest income	(154,489)	(205,115)
Unrealised currency exchange gains	(210,871)	(856,306)
	(5,425,309)	(8,348,263)
Increase in income tax recoverable	(38,385)	(51,073)
Increase in accounts payable and accrued charges	-	81,248
	(5,463,694)	(8,318,088)
Income tax paid	(180,000)	(180,000)
Net cash used by operating activities	(5,643,694)	(8,498,088)
Cash flows from investing activities:		
Interest received	154,489	209,650
Resale agreements	5,214,345	8,472,798
Net cash provided by investing activities	5,368,834	8,682,448
Net (decrease)/increase in cash and cash equivalents	(274,860)	184,360
Cash and cash equivalents at beginning of the year	460,166	275,806
Cash and cash equivalents at end of the year	185,306	460,166

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:

On May 12, 2010, Ciboney Hotels Limited entered voluntary liquidation proceedings. The company was dissolved effective October 7, 2016.

2. Basis of preparation

(a) Statement of compliance:

The financial statements as at and for the year ended May 31, 2017 (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 amended standards that became effective during the year:

Certain new and revised standards 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 amended standards and that are not yet effective:

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

2. Basis of preparation (cont'd)

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

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

- 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 recognised.

- 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.

2. Basis of preparation (cont'd)

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

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

Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

- The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
- A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
- Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
- An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
- Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

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.

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.

2. Basis of preparation (cont'd)

(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. The company incurred a net loss of $5,239,949 during the year ended May 31, 2017 (2016: $7,466,842) and, as at that date, the company had net current liabilities of $137,280,896 (2016: $132,040,947), accumulated deficit of $417,690,361 (2016: $412,450,412) and negative operating cash flows of $5,643,694 (2016: $8,498,088) 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. These conditions indicate that a material uncertainty exists that may cast significant doubt on the company's and group's ability to continue as a going concern.

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, 2017, 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 measured at cost, less accumulated depreciation.

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.

3. Significant accounting policies, (cont'd)

(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 measured 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 measured 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 measured at amortised cost.

(g) Accounts payable and accrued charges:

Accounts payable and accrued charges are measured at amortised cost.

3. Significant accounting policies (cont'd)

(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 in 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.

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.

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) 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).

(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.

3. Significant accounting policies (cont'd)

(j) Related parties (cont'd):

(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.

4. Resale agreements

The group makes 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 resale 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.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued
May 31, 2017
(Expressed in Jamaica dollars, unless otherwise indicated)

7. Accounts payable and accrued charges

	Company 2017	Company 2016	Group 2017	Group 2016
Professional fees	500,000	500,000	500,000	500,000
Other	228,417	228,417	704,626	704,626
	728,417	728,417	1,204,626	1,204,626

8. Interest payable

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

9. Investment in subsidiaries

	Company 2017	Company 2016
Ordinary shares, at cost [see note 1(b)]:		
- Ciboney Hotels Limited	5,026,764	5,026,764
- Luxury Resorts Enterprises Limited	115,800,000	115,800,000
	120,826,764	120,826,764
Less: Allowance for impairment	(71,800,000)	(71,800,000)
	49,026,764	49,026,764

10. Property, plant and equipment

Company and Group:

	Furniture and fixtures	Office equipment	Computer equipment	Total
Cost:				
May 31, 2015, 2016 and 2017	328,600	198,000	90,000	616,600
Accumulated depreciation:				
May 31, 2015, 2016 and 2017	328,600	197,999	90,000	616,599
Net book values:				
May 31, 2016 and 2017	$ -	1	-	1

CIBONEY GROUP LIMITED

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11. Share capital

	2017	2016
Authorised:		
546,000,000 ordinary stock units at no par value		
Stated capital:		
Issued and fully paid:		
546,000,000 ordinary stock units	329,436,230	329,436,230

12. Reserves

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

13. Nature of expenses

	Company and Group	
	2017	2016
Asset tax	200,000	200,000
Audit fees	500,000	500,000
Bank charges	52,920	50,994
Consultancy fees (note 18)	1,200,000	1,265,000
Directors' fees	30,375	52,875
Irrecoverable GCT	458,262	770,464
Legal and professional fees	114,560	253,952
Office expenses	361,545	301,518
Utilities	360,000	360,000
Postage and shipping	-	847,080
Printing and stationery	31,063	1,278,231
Registrar expenses	633,300	1,259,345
Repairs and maintenance	12,500	8,500
Property tax	458,600	170,500
Donation	19,500	-
Salaries	862,684	890,000
Statutory contributions	130,000	139,804
	5,425,309	8,348,263

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued
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14. Taxation

	Company and Group	
	2017	2016
Tax expense	180,000	180,000
Reconciliation of effective tax charge:		
Loss before taxation	(5,059,949)	(7,286,842)
Computed "expected" taxation credit @ 25%	(1,264,987)	(1,821,711)
Difference between loss for financial statements and tax reporting purposes on:		
Unrealised foreign exchange gains	(52,718)	(214,077)
Disallowed expense	165,572	93,976
Minimum Business Tax	180,000	180,000
Increase in tax losses	1,152,133	1,941,812
	180,000	180,000

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 $217 million (2016: $212 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 anyone year is restricted to 50% of the taxable profit for that year.

A deferred tax asset of $54 million (2016: $53 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 $5,239,949 (2016: $7,466,842), by the number of stock units in issue, 546,000,000 (2016: 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 group have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

16. Financial instruments (cont'd)

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.

Cash and cash equivalents and resale agreements are placed with financial institutions, that are appropriately 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 group has net current liabilities at the reporting date, but is, to some extent, supported by the ultimate parent company in a limited way.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued
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16. Financial instruments (cont'd)

(ii) Liquidity risk (cont'd):

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

Company:

	Within 3 months	No maturity	Carrying amounts	Contractual cash flows
May 31, 2017				
Accounts payable	728,417	-	728,417	728,417
Interest payable	-	99,447,890	99,447,890	99,447,890
Due to subsidiary	-	46,093,390	46,093,390	46,093,390
	728,417	145,541,280	146,269,697	146,269,697
May 31, 2016				
Accounts payable	728,417	-	728,417	728,417
Interest payable	-	99,447,890	99,447,890	99,447,890
Due to subsidiary	-	46,093,390	46,093,390	46,093,390
	$728,417	145,541,280	146,269,697	146,269,697

Group:

	Within 3 months	No maturity	Carrying amounts	Contractual cash flows
May 31, 2017				
Accounts payable	1,204,626	-	1,204,626	1,204,626
Interest payable	-	99,447,890	99,447,890	99,447,890
	1,204,626	99,447,890	100,652,516	100,652,516
May 31, 2016				
Accounts payable	1,204,626	-	1,204,626	1,204,626
Interest payable	-	99,447,890	99,447,890	99,447,890
	1,204,626	99,447,890	100,652,516	100,652,516

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

(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.

16. Financial instruments (cont'd)

(iii) Market risk (cont'd):

(a) Interest rate risk (cont'd):

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 $3,430,221 (2016: $8,433,695).

Sensitivity Analysis:

A change of 100 (2016: 100) basis points in interest rates would have affected results for the year by $34,302 (2016: $84,337) 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 2016.

The group do 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:

	Company and Group	
	2017	2016
US$ denominated assets	26,357	67,621

The exchange rate of the Jamaica dollar to the US$ was J$130.143: US$1 (2016: J$124.7242: US$1).

(c) Sensitivity analysis:

A 1% strengthening (2016: 1%) of the Jamaica dollar against the US dollar at the reporting date would have increased loss for the year by $34,302 (2016: $84,340) for the company and the group.

A 6% weakening (2016: 8%) of the Jamaica dollar against the United States dollar at the reporting date would have reduced loss for the year by $205,813 (2016: $674,718) for the company and the group. The analysis assumes that all other variables, in particular interest rates, remain constant.

16. Financial instruments (cont'd)

(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.

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:

	Company and Group	
	2017	2016
Transactions with a director:		
Consultancy fees paid to Sonado Limited (note 13)	1,200,000	1,265,000