

CIBONEY GROUP LIMITED

FINANCIAL STATEMENTS

MAY 31, 2020



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Chartered Accountants
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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"), set out on pages 7 to 20, which comprise the statement of the financial position as at May 31, 2020, 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 company as at May 31, 2020, and of its 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 International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities



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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 your attention to note 2(d) to the financial statements, which discloses that the company reported losses for the year of \$6,521,369 (2019: \$5,091,768) and, as at the reporting date, had accumulated deficit of \$326,453,643 (2019: \$319,932,274). As stated in note 2(d), these conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our report is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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. Except for the matter described in the material uncertainty related to going concern section, we have not determined any other matter to be key audit matter to be communicated in our report.

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.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CIBONEY GROUP LIMITED

Report on the Audit of the Financial Statements (Continued)

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.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CIBONEY GROUP LIMITED

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.

A handwritten signature in black ink that reads 'KPMG'.

Kingston, Jamaica
Chartered Accountants

September 9, 2020



INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 judgement 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

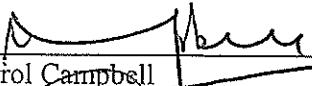
Statement of Financial Position


May 31, 2020

(Expressed in Jamaica dollars, unless otherwise indicated)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents		9,079,192	7,881,088
Income tax recoverable	4	<u>5,711,403</u>	<u>5,706,794</u>
		<u>14,790,595</u>	<u>13,587,882</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	5	1,387,405	713,416
Capital distribution payable	6	<u>10,420,604</u>	<u>3,370,511</u>
		<u>11,808,009</u>	<u>4,083,927</u>
NET CURRENT ASSETS		<u>2,982,586</u>	<u>9,503,955</u>
NON-CURRENT ASSET			
Property, plant and equipment	7	<u>1</u>	<u>1</u>
		<u>2,982,587</u>	<u>9,503,956</u>
EQUITY			
Share capital	8	329,436,230	329,436,230
Accumulated deficit		<u>(326,453,643)</u>	<u>(319,932,274)</u>
		<u>\$ 2,982,587</u>	<u>9,503,956</u>

The financial statements on pages 7 to 20 were approved for issue by the Board of Directors on September 9, 2020, and signed on its behalf by:


 _____ Director
 Errol Campbell


 _____ Director
 Geoffrey Messado

CIBONEY GROUP LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended May 31, 2020

(Expressed in Jamaica dollars, unless otherwise indicated)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Interest income		18,435	54,435
Administrative expenses	9	<u>(6,539,804)</u>	<u>(4,918,258)</u>
Loss before taxation		<u>(6,521,369)</u>	<u>(4,863,823)</u>
Taxation	10	<u>-</u>	<u>(227,945)</u>
Loss, being total comprehensive loss for the year		<u>\$(6,521,369)</u>	<u>(5,091,768)</u>
Loss per stock unit	11	<u>\$(0.01)</u>	<u>(0.01)</u>

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

CIBONEY GROUP LIMITED

Statement of Changes in Equity

Year ended May 31, 2020

(Expressed in Jamaica dollars, unless otherwise indicated)

	<u>Share capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balances at May 31, 2018	329,436,230	(314,840,506)	14,595,724
Total comprehensive loss for the year	<u>-</u>	<u>(5,091,768)</u>	<u>(5,091,768)</u>
Balances at May 31, 2019	329,436,230	(319,932,274)	9,503,956
Total comprehensive loss for the year	<u>-</u>	<u>(6,521,369)</u>	<u>(6,521,369)</u>
Balances at May 31, 2020	<u>\$329,436,230</u>	<u>(326,453,643)</u>	<u>2,982,587</u>

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

CIBONEY GROUP LIMITED

Statement of Cash Flows

Year ended May 31, 2020

(Expressed in Jamaica dollars, unless otherwise indicated)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Loss for the year	(6,521,369)	(5,091,768)
Adjustments for:		
Income tax expense	-	227,945
Interest income	(18,435)	(54,435)
	(6,539,804)	(4,918,258)
Increase in income tax recoverable	(4,609)	(13,608)
Capital distribution payable	7,050,093	-
Increase/(decrease) in accounts payable and accrued charges	<u>673,989</u>	(15,001)
	1,179,669	(4,946,867)
Income tax paid	<u>-</u>	(120,000)
Net cash provided by/(used) operating activities	1,179,669	(5,066,867)
Cash flows from investing activity:		
Interest received, being net cash provided by investing activities	<u>18,435</u>	<u>54,435</u>
Net increase/(decrease) in cash and cash equivalents	1,198,104	(5,012,432)
Cash and cash equivalents at beginning of the year	<u>7,881,088</u>	<u>12,893,520</u>
Cash and cash equivalents at end of the year	<u>\$9,079,192</u>	<u>7,881,088</u>

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

CIBONEY GROUP LIMITED

Notes to the Financial Statements

May 31, 2020

(Expressed in Jamaica dollars, unless otherwise indicated)

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 7 Pechon Street, Kingston, Jamaica.

The primary activities of the company are the operation of a holding company and the orderly disposal of assets owned by its subsidiaries. The company has disposed of all major assets and the subsidiaries have now been deregistered with the Companies Office of Jamaica.

2. Basis of preparation

- (a) Statement of compliance:

The financial statements as at and for the year ended May 31, 2020 (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 came into effect during the current financial year:

The company adopted IFRS 16 *Leases* from June 1, 2019. This eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities are required to bring all major leases on-balance sheet, recognising new assets and liabilities.

The on-balance sheet liability attracts interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. A number of practical expedients exist when applying IFRS 16 to leases previously classified as operating lease under IAS 17. In particular, the company can avoid:

- recognising right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- recognising right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment); and
- including initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The adoption of IFRS 16 *Leases* and other new and amended standards during the year did not result in any changes to the amounts recognised and disclosed in the financial statements.

CIBONEY GROUP LIMITED

Notes to the Financial Statements

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*2. Basis of preparation (cont'd)

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

New and amended standards that are not yet effective:

At the date of approval of these financial statements, certain new and amended standards were in issue but not yet effective. They were not adopted early and therefore have not been taken into account in preparing these financial statements.

Management has evaluated all such new and amended standards and believes none of them will have a significant impact on the company based on its current operations.

(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.

(c) Basis of measurement and functional currency:

The financial statements are prepared on the historical cost basis and are presented in Jamaican dollars (\$), which is the functional currency of the company.

(d) Going concern:

The preparation of the financial statements in conformity with IFRS assumes that the company will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis. The company again reported losses for the year of \$6,521,369 (2019: \$5,091,768) and, as at the reporting date, had accumulated deficit of \$326,453,643 (2019: \$319,932,274).

As a result of the reported losses and accumulated deficit noted above, the ability of the company to continue in operations and meet its obligations as and when they fall due, therefore, is dependent on the company obtaining the required financial support. Further, the majority shareholder is seeking investors to purchase its interest in the company.

These circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to realise its assets and discharge its liabilities in the normal course of business.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*3. Significant accounting policies

(a) 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.

(b) 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.

(c) 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.

(d) Accounts receivable:

Accounts receivable are measured at amortised cost.

(e) Accounts payable and accrued charges:

Accounts payable and accrued charges are measured at amortised cost.

(f) Impairment:

The carrying amounts of the company'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.

Impairment losses of financial assets, including receivables, are recognised using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period. This model considers past events and current conditions, as well as reasonable and supportable forecasts affecting collectability even in the absence of a credit event or if a loss has not yet been incurred.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*3. Significant accounting policies (cont'd)

(g) 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.

(h) 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 company).

- (a) A person or a close member of that person's family is related to the company if that person:
 - (i) Has control or joint control over the company;
 - (ii) Has significant influence over the company; or
 - (iii) Is a member of the key management personnel of the company or of a parent of the company.
- (b) An entity is considered related to the company if any of the following conditions applies:
 - (i) The entity and the company are members of the same company (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 company 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 for the benefit of employees of either the company or an entity related to the company.
 - (vi) The entity is controlled, or jointly controlled by a person identified in (a).

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*3. Significant accounting policies (cont'd)(h) Related parties (cont'd):

(b) An entity is considered related to the company if any of the following conditions applies (cont'd):

(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 company or to the parent of the company.

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

(i) Income and expenses:

Interest income is recognised in profit or loss on the accrual basis using the effective interest method.

Expenses are recognised on the accrual basis.

4. Income tax recoverable

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

5. Accounts payable and accrued charges

	<u>Company</u>	
	<u>2020</u>	<u>2019</u>
Audit fee	500,000	500,000
Accruals	<u>887,405</u>	<u>213,416</u>
	<u>\$1,387,405</u>	<u>713,416</u>

6. Capital distribution payable

This represents capital distribution that was approved for payment in February 2018, which has not been collected by shareholders.

7. Property, plant and equipment

	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Total</u>
Cost:				
May 31, 2018, 2019 and 2020	328,600	198,000	90,000	616,600
Accumulated depreciation:				
May 31, 2018, 2019 and 2020	<u>(328,600)</u>	<u>(197,999)</u>	<u>(90,000)</u>	<u>(616,599)</u>
Net book values:				
May 31, 2019 and 2020	<u>\$ -</u>	<u>1</u>	<u>-</u>	<u>1</u>

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*8. Share capital

	<u>2020</u>	<u>2019</u>
Authorised:		
546,000,000 ordinary stock units at no par value		
Stated capital:		
Issued and fully paid:		
546,000,000 ordinary stock units	<u>\$329,436,230</u>	<u>329,436,230</u>

9. Nature of expenses

	<u>2020</u>	<u>2019</u>
Audit fees	500,000	500,000
Bank charges	31,675	33,484
Consultancy fees (note 14)	1,200,000	1,200,000
Directors' fees	36,000	40,500
Irrecoverable GCT	433,004	441,210
Office expenses	24,998	25,000
Other expenses	15,000	166,600
Utilities	360,000	360,000
Printing and stationery	1,353,913	-
Registrar expenses	1,210,971	1,123,538
Accounting fee	301,704	-
Salaries and related cost	<u>1,072,539</u>	<u>1,027,926</u>
	<u>\$6,539,804</u>	<u>4,918,258</u>

10. Taxation

	<u>2020</u>	<u>2019</u>
Tax expense	<u>\$ -</u>	<u>227,945</u>
Reconciliation of effective tax charge:		
Loss before taxation	\$(6,521,369)	(4,863,823)
Computed "expected" taxation credit @ 25%	(1,630,342)	(1,215,956)
Difference between loss for financial statements and tax reporting purposes on:		
Disallowed expense	1,396,392	1,103,818
Minimum Business Tax	-	120,000
Underprovision of prior year tax expense	-	107,945
Increase in tax losses	<u>233,950</u>	<u>112,138</u>
	<u>\$ -</u>	<u>227,945</u>

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*10. 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 \$217.8 million (2019: \$216.8 million) for the company. 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 \$54.4 million (2019: \$54.2 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.

11. Loss per stock unit

Loss per stock unit is calculated by dividing company's loss for the year attributable to members of \$6,521,369 (2019: \$5,091,768), by the number of stock units in issue, \$546,000,000 (2019: 546,000,000).

12. 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 has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The company and its subsidiary 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 company's exposure to each of the above risks, the company'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 company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the company, 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 company's activities.

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

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*12. Financial instruments (cont'd)

(i) Credit risk:

Credit risk is the risk of financial loss to the company if a counter-party to a financial instrument fails to discharge its obligations. The company 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 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. All the company's cash and cash equivalents are concentrated with one financial institution.

There was no change in the way the company manages and measures its credit risk during the year.

(ii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company 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 following tables show the maturities of financial liabilities based on the earliest date on which the company can be required to pay:

	<u>Within 3 months</u>	<u>Carrying amounts</u>	<u>Contractual cash flows</u>
May 31, 2020			
Capital distribution payable	10,420,604	10,420,604	10,420,604
Accounts payable	<u>1,387,405</u>	<u>1,387,405</u>	<u>1,387,405</u>
	<u>\$11,808,009</u>	<u>11,808,009</u>	<u>11,808,009</u>
May 31, 2019			
Capital distribution payable	3,370,511	3,370,511	3,370,511
Accounts payable	<u>713,416</u>	<u>713,416</u>	<u>713,416</u>
	<u>\$ 4,083,927</u>	<u>4,083,927</u>	<u>4,083,927</u>

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

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*12. 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 company 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 company 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's interest-bearing financial asset is at a fixed rate, therefore changes in market interest rates would not affect the cash flows of the financial instruments.

The company 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 company'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 company manages the risk by reviewing foreign exchange rate movements and monitoring the extent to which balances are held in foreign currency. There was no foreign currency asset or liability at the reporting date.

(iv) Capital management:

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

There were no changes to capital management during the year.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2020*(Expressed in Jamaica dollars, unless otherwise indicated)*13. 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 company does not carry any financial instrument at fair value.

The fair value of cash and cash equivalents and accounts payable and accrued charges is assumed to approximate their carrying values, due to their short-term nature.

14. Related parties

(a) The company has a related party relationship with its parent and ultimate parent company and its subsidiary, as well as with its Directors and those of the parent and subsidiary. 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>2020</u>	<u>2019</u>
Transactions with a director:		
Consultancy fees paid to Sonado Limited (note 9)	<u>1,200,000</u>	<u>1,200,000</u>

15. Impact of Covid 19 on the company

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have disrupted business operations, caused a downturn in the economy and significantly increased economic uncertainty.

The company is not impacted significantly by the pandemic due to its limited activities.