

CIBONEY GROUP LIMITED

FINANCIAL STATEMENTS

MAY 31, 2019



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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 28, which comprise the company's and group's statements of financial position as at May 31, 2019, the company's and 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 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, 2019, and of the group's and the company's financial performance and 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.



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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 attention to note 2(d) of the financial statements, which indicates that the company disposed of its only remaining tangible asset and that the majority shareholder is considering selling its interest in the company. As stated in note 2(d), this condition, along with other matters as set forth in note 2(d), 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. 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 of the KPMG firm, written in blue ink.

Kingston, Jamaica
Chartered Accountants

August 29, 2019



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 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 solely responsible for our audit opinion.



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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


Company Statement of Financial Position

May 31, 2019

(Expressed in Jamaica dollars, unless otherwise indicated)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents		7,881,088	12,893,520
Income tax recoverable	5	<u>5,706,794</u>	<u>5,801,131</u>
		<u>13,587,882</u>	<u>18,694,651</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	6	713,416	728,417
Capital distribution payable		<u>3,370,511</u>	<u>3,370,511</u>
		<u>4,083,927</u>	<u>4,098,928</u>
NET CURRENT ASSETS		<u>9,503,955</u>	<u>14,595,723</u>
NON-CURRENT ASSET			
Property, plant and equipment	7	<u>1</u>	<u>1</u>
		<u>9,503,956</u>	<u>14,595,724</u>
EQUITY			
Share capital	8	329,436,230	329,436,230
Accumulated deficit		<u>(319,932,274)</u>	<u>(314,840,506)</u>
		<u>9,503,956</u>	<u>14,595,724</u>

The financial statements on pages 7 to 28 were approved for issue by the Board of Directors on August 29, 2019, and signed on its behalf by:


 _____ Director
 Errol Campbell


 _____ Director
 Geoffrey Messado

CIBONEY GROUP LIMITED

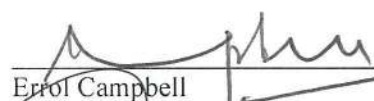
Consolidated Statement of Financial Position

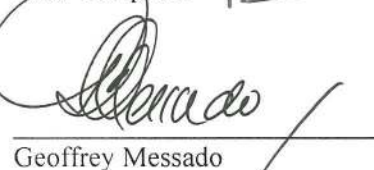
May 31, 2019

(Expressed in Jamaica dollars, unless otherwise indicated)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents		7,881,088	12,893,520
Income tax recoverable	5	<u>5,706,794</u>	<u>5,801,131</u>
		<u>13,587,882</u>	<u>18,694,651</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	6	1,189,625	1,204,626
Capital distribution payable		<u>3,370,511</u>	<u>3,370,511</u>
		<u>4,560,136</u>	<u>4,575,137</u>
NET CURRENT ASSETS		<u>9,027,746</u>	<u>14,119,514</u>
NON-CURRENT ASSET			
Property, plant and equipment	7	<u>1</u>	<u>1</u>
		<u>9,027,747</u>	<u>14,119,515</u>
EQUITY			
Share capital	8	329,436,230	329,436,230
Accumulated deficit		<u>(320,408,483)</u>	<u>(315,316,715)</u>
		<u>9,027,747</u>	<u>14,119,515</u>

The financial statements on pages 7 to 28 were approved for issue by the Board of Directors on August 29, 2019, and signed on its behalf by:

 Director

 Director

CIBONEY GROUP LIMITEDCompany Statement of Profit or Loss Other Comprehensive Income
Year ended May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Interest income		54,435	1,714,597
Other income	9	-	164,541,280
Capital distribution received		-	182,269,489
Administrative expenses	10	(4,918,258)	(59,812,327)
Foreign exchange loss		-	(103,184)
(Loss)/profit before taxation		(4,863,823)	288,609,855
Taxation	11	(227,945)	(120,000)
(Loss)/profit, being total comprehensive (loss)/income for the year		<u>(5,091,768)</u>	<u>288,489,855</u>

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

CIBONEY GROUP LIMITEDConsolidated Statement of Profit or Loss Other Comprehensive Income
Year ended May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Interest income		54,435	1,714,597
Other income	9	-	74,447,890
Gain on disposal of land held for sale		-	182,269,489
Administrative expenses	10	(4,918,258)	(10,785,563)
Foreign exchange loss		_____ - _____	(____ 103,184)
(Loss)/profit before taxation		(4,863,823)	247,543,229
Taxation	11	(227,945)	(____ 120,000)
(Loss)/profit, being total comprehensive (loss)/income for the year		<u>(5,091,768)</u>	<u>247,423,229</u>
(Loss)/profit per stock unit	12	<u>(____ 0.01)</u>	<u>____ 0.45</u>

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

CIBONEY GROUP LIMITEDStatement of Changes in Equity
Year ended May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)***Company:**

	<u>Share capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balances at May 31, 2017	329,436,230	(417,690,361)	(88,254,131)
Total comprehensive income for the year	-	288,489,855	288,489,855
Transaction with owners:			
Capital distribution (note 13)	<u>-</u>	<u>(185,640,000)</u>	<u>(185,640,000)</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	<u>329,436,230</u>	<u>(319,932,274)</u>	<u>9,503,956</u>

Group:

	<u>Share capital</u>	<u>Reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balances at May 31, 2017	329,436,230	46,213,068	(423,313,012)	(47,663,714)
Total comprehensive income for the year	-	-	247,423,229	247,423,229
Transfer of realised gain on disposal of land held for sale	-	(46,213,068)	46,213,068	-
Transaction with owners:				
Capital distribution (note 13)	<u>-</u>	<u>-</u>	<u>(185,640,000)</u>	<u>(185,640,000)</u>
Balances at May 31, 2018	329,436,230	-	(315,316,715)	14,119,515
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>(5,091,768)</u>	<u>(5,091,768)</u>
Balances at May 31, 2019	<u>329,436,230</u>	<u>-</u>	<u>(320,408,483)</u>	<u>9,027,747</u>

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

CIBONEY GROUP LIMITED

Company Statement of Cash Flows

Year ended May 31, 2019

(Expressed in Jamaica dollars, unless otherwise indicated)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
(Loss)/profit for the year	(5,091,768)	288,489,855
Adjustments for:		
Income tax expense	227,945	120,000
Interest income	(54,435)	(1,714,597)
Impairment of investment in subsidiaries	-	49,026,764
Unrealised currency exchange losses	<u>-</u>	<u>103,184</u>
	(4,918,258)	336,025,206
Increase in income tax recoverable	(13,608)	(427,857)
Decrease in due to subsidiary	-	(46,093,390)
Capital distribution payable	-	3,370,511
Decrease in interest payable	-	(99,447,890)
Decrease in accounts payable and accrued charges	<u>(15,001)</u>	<u>-</u>
	(4,946,867)	193,426,580
Income tax paid	<u>(120,000)</u>	<u>(120,000)</u>
Net cash (used)/provided by operating activities	<u>(5,066,867)</u>	<u>193,306,580</u>
Cash flows from investing activities:		
Interest received	54,435	1,714,597
Resale agreements	-	3,327,037
Capital distribution	<u>-</u>	<u>(185,640,000)</u>
Net cash provided/(used) by investing activities	<u>54,435</u>	<u>(180,598,366)</u>
Net (decrease)/ increase in cash and cash equivalents	(5,012,432)	12,708,214
Cash and cash equivalents at beginning of the year	<u>12,893,520</u>	<u>185,306</u>
Cash and cash equivalents at end of the year	<u>7,881,088</u>	<u>12,893,520</u>

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

CIBONEY GROUP LIMITED

Consolidated Statement of Cash Flows

Year ended May 31, 2019

(Expressed in Jamaica dollars, unless otherwise indicated)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
(Loss)/profit for the year	(5,091,768)	247,423,229
Adjustments for:		
Income tax expense	227,945	120,000
Interest income	(54,435)	(1,714,597)
Gain on sale of land held for sale	-	(182,269,489)
Unrealised currency exchange losses	<u>-</u>	<u>103,184</u>
	(4,918,258)	63,662,327
Increase in income tax recoverable	(13,608)	(427,857)
Capital distribution payable	-	3,370,511
Decrease in accounts payable and accrued charges	<u>(15,001)</u>	<u>(99,447,890)</u>
	(4,946,867)	(32,842,909)
Income tax paid	<u>(120,000)</u>	<u>(120,000)</u>
Net cash used by operating activities	<u>(5,066,867)</u>	<u>(32,962,909)</u>
Cash flows from investing activities:		
Interest received	54,435	1,714,597
Resale agreements	-	3,327,037
Proceeds from sale of land held for sale	-	226,269,489
Capital distribution	<u>-</u>	<u>(185,640,000)</u>
Net cash provided by investing activities	<u>54,435</u>	<u>45,671,123</u>
Net (decrease)/increase in cash and cash equivalents	(5,012,432)	12,708,214
Cash and cash equivalents at beginning of the year	<u>12,893,520</u>	<u>185,306</u>
Cash and cash equivalents at end of the year	<u>7,881,088</u>	<u>12,893,520</u>

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

CIBONEY GROUP LIMITED

Notes to the Financial Statements

May 31, 2019

(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 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, Luxury Resorts Enterprises Limited and its wholly-owned subsidiary, Number Sixty Limited. During the year, Number Sixty Limited was removed from the register at the Companies Office of Jamaica.

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 was sold during the prior year.

2. Basis of preparation

- (a) Statement of compliance:

The financial statements as at and for the year ended May 31, 2019 (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 amended standards became effective during the year. The group adopted IFRS 9 Financial Instruments and IFRS 15, Revenue from Contracts with Customers with effect from June 1, 2018.

The effect of initially applying IFRS 9 and IFRS 15 (see note 3) is mainly attributed to the following:

- A change in how impairment losses are recognised on trade receivables;
- additional disclosures related to IFRS 9; and
- additional disclosures related to IFRS 15.

New and amended standards issued but not yet effective:

At the date of authorisation of the financial statements, certain new and amended standards have been issued which are not yet effective for the current year and which the group has not early-adopted. The group has assessed the relevance of all such new and amended standards with respect to its operations and has determined that the following are not expected have a significant change on the financial statements when they become effective:

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*2. Basis of preparation (cont'd)

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

New and amended standards issued but not yet effective (cont'd):

- Amendments to IFRS 9 *Financial Instruments*, effective retrospectively for annual reporting periods beginning on or after January 1, 2019, clarifies the treatment of:

(i) Prepayment features with negative compensation:

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

(ii) Modifications to financial liabilities:

If the initial application of IFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified (but not substantially) - these are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

- Annual Improvements to IFRS Standards 2015-2017 cycle are effective for annual reporting periods beginning on or after January 1, 2019. IAS 12 amendments are deemed applicable to the group.

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for annual reporting periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*2. Basis of preparation (cont'd)

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

New and amended standards and interpretations issued but not yet effective (cont'd):

- Amendments to *References to Conceptual Framework in IFRS Standards* are effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New ‘bundle of rights’ approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on statement of financial position earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

Management is evaluating the impact that the foregoing new and amended standards may have on its 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.

(c) Basis of measurement and functional currency:

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

(d) 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.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019

(Expressed in Jamaica dollars, unless otherwise indicated)

2. Basis of preparation (cont'd)

(d) Going concern (cont'd):

This is commonly referred to as the going concern basis. In prior year, the company disposed of its only tangible asset and the majority shareholder is considering selling its interest in the company. 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 sale of the majority shareholder's interest in the company have not yet been determined.

(e) 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, 2019, after eliminating intra-group amounts. The company and its subsidiaries are collectively referred to as the "group".

3. Changes in significant accounting policies

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the whole hybrid instrument is assessed for classification.

Financial assets, comprising cash and cash equivalents and accounts receivable, were categorised as 'loans and receivables' under IAS 39 and are now classified as 'amortised cost' under IFRS 9. These financial assets continue to be measured at amortised cost as they are held within the business model to collect contractual cash flows representing solely payments of principal and interest.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019

(Expressed in Jamaica dollars, unless otherwise indicated)

3. Changes in significant accounting policies (cont'd)

IFRS 9 Financial Instruments (cont'd)

Classification of financial assets and financial liabilities (cont'd)

IFRS 9 largely retains the existing requirements in IAS 39 for classification and measurement of financial liabilities. Financial liabilities, accounts payable, were categorised as ‘other financial liabilities’ under IAS 39 and are now classified as ‘amortised cost’ under IFRS 9.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The group has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as assets changes. There are no differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9. Accordingly, the information presented for 2018 is comparable to the information presented for 2019 under IFRS 9.

Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The group adopted the simplified approach under IFRS 9, in respect of measuring its trade receivables, which requires the measurement of the loss allowance at an amount equal to lifetime ECL.

The application of IFRS 9’s impairment requirements at June 1, 2018 did not result in a material change in the allowance for impairment recognised in the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 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*.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*3. Changes in significant accounting policies (cont'd)**IFRS 15 Revenue from Contracts with Customers (cont'd)**

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The group reviewed its revenue recognition policies and determined that the group complies with the 5 step approach outlined in IFRS 15 and therefore, apart from providing more extensive disclosures for the group's revenue transactions, there is no change to revenue recognition.

Hence, the adoption of IFRS 15 did not impact the timing or amount of income from contracts with customers and the related assets and liabilities recognised by the group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

4. 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.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*4. Significant accounting policies (cont'd)

(e) Accounts payable and accrued charges:

Accounts payable and accrued charges are measured at amortised cost.

(f) 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.

Financial assets – Policy applicable from June 1, 2018

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.

Financial assets – Policy applicable before June 1, 2018

(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.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*4. 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 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).

4. Significant accounting policies (cont'd)

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*

(h) Related parties (cont'd):

(b) An entity is considered related to the group 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).

(vii) 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.

(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.

5. Income tax recoverable

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

6. Accounts payable and accrued charges

	<u>Company</u>		<u>Group</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Professional fees	500,000	500,000	500,000	500,000
Other	<u>213,416</u>	<u>228,417</u>	<u>689,625</u>	<u>704,626</u>
	<u>713,416</u>	<u>728,417</u>	<u>1,189,625</u>	<u>1,204,626</u>

7. Property, plant and equipment

Group and Company:

	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Total</u>
Cost:				
May 31, 2017, 2018 and 2019	328,600	198,000	90,000	616,600
Accumulated depreciation:				
May 31, 2017, 2018 and 2019	<u>328,600</u>	<u>197,999</u>	<u>90,000</u>	<u>616,599</u>
Net book values:				
May 31, 2018 and 2019	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*8. Share capital

	<u>2019</u>	<u>2018</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. Other income

	<u>Company and Group</u>	
	<u>2019</u>	<u>2018</u>
Debt forgiven (i)	-	74,447,890
Write-off of subsidiary balances	<u>-</u>	<u>90,093,390</u>
	<u>-</u>	<u>164,541,280</u>

(i) In prior year there was interest payable in respect of net balances which remained after repayment of debt to the ultimate parent group, Finsac Limited. As part of settling the debt, a portion was repaid in cash and the remaining amount forgiven.

10. Nature of expenses

	<u>Company</u>		<u>Group</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Asset tax	-	200,000	-	200,000
Audit fees	500,000	500,000	500,000	500,000
Bank charges	33,484	48,566	33,484	48,566
Consultancy fees (note 16)	1,200,000	1,200,000	1,200,000	1,200,000
Directors' fees	40,500	37,125	40,500	37,125
Irrecoverable GCT	441,210	1,086,911	441,210	1,086,911
Impairment of investment in subsidiaries	-	49,026,764	-	-
Legal and professional fees	-	319,539	-	319,539
Office expenses	25,000	1,399,159	25,000	1,399,159
Other expenses	166,600	-	166,600	-
Utilities	360,000	330,000	360,000	330,000
Postage and shipping	-	881,560	-	881,560
Printing and stationery	-	1,952,457	-	1,952,457
Registrar expenses	1,123,538	1,783,675	1,123,538	1,783,675
Repairs and maintenance	-	41,000	-	41,000
Salaries	962,626	940,271	962,626	940,271
Statutory contributions	<u>65,300</u>	<u>65,300</u>	<u>65,300</u>	<u>65,300</u>
	<u>4,918,258</u>	<u>59,812,327</u>	<u>4,918,258</u>	<u>10,785,563</u>

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*11. Taxation

	<u>Company</u>		<u>Group</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Tax expense	<u>227,945</u>	<u>120,000</u>	<u>227,945</u>	<u>120,000</u>
Reconciliation of effective tax charge:				
(Loss)/profit before taxation	<u>(4,863,823)</u>	<u>288,609,855</u>	<u>(4,863,823)</u>	<u>247,543,229</u>
Computed "expected" taxation (credit)/ expense @ 25%	<u>(1,215,956)</u>	<u>72,152,464</u>	<u>(1,215,956)</u>	<u>61,885,807</u>
Difference between loss for financial statements and tax reporting purposes on:				
Unrealised foreign exchange gains	-	25,796	-	25,796
Disallowed expense	1,103,818	(35,069,987)	1,103,818	(24,803,330)
Minimum Business Tax	120,000	120,000	120,000	120,000
Income not subject to tax	-	(45,567,372)	-	(45,567,372)
Underprovision of prior year tax expense	107,945	-	107,945	-
Increase in tax losses	<u>112,138</u>	<u>8,459,099</u>	<u>112,138</u>	<u>8,459,099</u>
	<u>227,945</u>	<u>120,000</u>	<u>227,945</u>	<u>120,000</u>

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 \$216 million (2018: \$216 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 \$54 million (2018: \$54 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.

12. (Loss)/profit per stock unit

(Loss)/profit per stock unit is calculated by dividing group loss for the year attributable to members of \$5,091,768 (2018: profit of \$247,423,229), by the number of stock units in issue - 546,000,000 (2018: 546,000,000).

13. Capital distribution

On February 1, 2018, the Directors approved a capital distribution of 34 cents per stock unit, less transfer tax, payable to shareholders on record at close of business on February 16, 2018. A portion remains uncollected at the reporting dated.

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

- Credit risk
- Liquidity risk
- Market risk

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*14. Financial instruments (cont'd)

The group 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 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 group's cash and cash equivalents are concentrated with one financial institution.

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.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*14. 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:

	<u>Within 3 months</u>	<u>No maturity</u>	<u>Carrying amounts</u>	<u>Contractual cash flows</u>
May 31, 2019				
Capital distribution payable	3,370,511	-	3,370,511	3,370,511
Accounts payable	<u>713,416</u>	<u>-</u>	<u>713,416</u>	<u>713,416</u>
	<u>4,083,927</u>	<u>-</u>	<u>4,083,927</u>	<u>4,083,927</u>
May 31, 2018				
Capital distribution payable	3,370,511	-	3,370,511	3,370,511
Accounts payable	<u>728,417</u>	<u>-</u>	<u>728,417</u>	<u>728,417</u>
	<u>4,098,928</u>	<u>-</u>	<u>4,098,928</u>	<u>4,098,928</u>

Group:

	<u>Within 3 months</u>	<u>No maturity</u>	<u>Carrying amounts</u>	<u>Contractual cash flows</u>
May 31, 2019				
Capital distribution payable	3,370,511	-	3,370,511	3,370,511
Accounts payable	<u>1,189,625</u>	<u>-</u>	<u>1,189,625</u>	<u>1,189,625</u>
	<u>4,560,136</u>	<u>-</u>	<u>4,560,136</u>	<u>4,560,136</u>
May 31, 2018				
Capital distribution payable	3,370,511	-	3,370,511	3,370,511
Accounts payable	<u>1,204,626</u>	<u>-</u>	<u>1,204,626</u>	<u>1,204,626</u>
	<u>4,575,137</u>	<u>-</u>	<u>4,575,137</u>	<u>4,575,137</u>

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.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*14. 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 group financial assets are at fixed rates, therefore changes in market interest rates would not affect the cash flows of the financial instruments.

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 no foreign currency asset or liability at the reporting date.

(iv) Capital management:

The group's capital consists of share capital net of accumulated deficit. A capital management policy is not considered necessary, as the Directors expect the group 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.

15. 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 and accounts payable and accrued charges are assumed to approximate their carrying values, due to their short-term nature.

CIBONEY GROUP LIMITED

Notes to the Financial Statements, Continued

May 31, 2019*(Expressed in Jamaica dollars, unless otherwise indicated)*16. Related parties

- (a) The group has a related party relationship with its parent and ultimate parent group and its subsidiaries, as well as with its Directors and those of the parents and subsidiaries. The Directors of the group 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>2019</u>	<u>2018</u>
Transactions with a director:		
Consultancy fees paid to Sonado Limited (note 10)	<u>1,200,000</u>	<u>1,200,000</u>