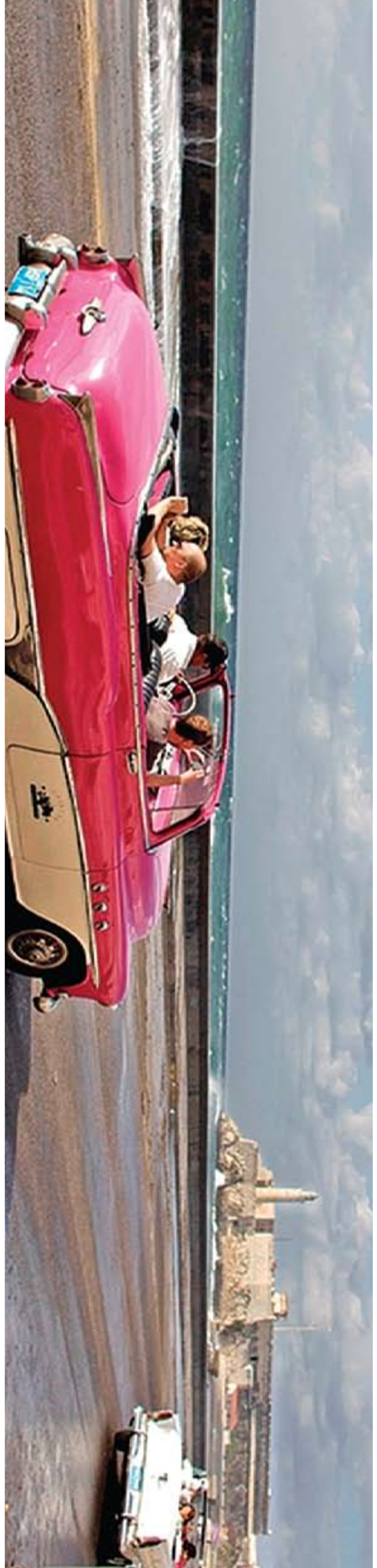

# CEIBA INVESTMENTS Ltd

Annual Report and Consolidated Financial Statements
31 March 2015

Cover: Vintage cars in Havana's Malecon.

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# DIRECTORS AND MANAGEMENT

**DIRECTORS**
John Anthony Herring (Chairman)
Colin Kingsnorth
Sebastiaan A.C. Berger
Enrique Rottenberg
Peter Fletcher

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**REGISTRATION NUMBER**
30083

# ADMINISTRATION AND KEY ADVISERS

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CEIBA Investments Limited (the "Company" or "CEIBA") is an international investment and development company that was incorporated in 1995 in Guernsey, Channel Islands, under registration number 30083, for the purpose of investing in Cuba. The Company is organized under The Companies (Guernsey) Law 2008. The registered office of the Company is located at Frances House, Sir William Place, St. Peter Port, Guernsey, Channel Islands GY1 4HQ.

CEIBA is exclusively dedicated to investment in Cuba. It may invest in any Cuba-related project but its primary focus is on the development and acquisition of commercial real estate and hotel properties and other prioritized sectors of the Cuban economy. The activities of CEIBA are presently comprised of two principal operating segments: (1) commercial real estate investments, and (2) tourism real estate investments. The real estate investments of the Company are primarily made up of participations in Cuban joint venture companies that own the underlying real estate assets.

The following is a summary of the Company's financial information:

| | 31 March 2015 US$ | 31 March 2014 US$ |
|---|---|---|
| **Results of operations** | | |
| Total income | 9,417,091 | 7,428,126 |
| Change in fair value of equity investments | 10,936,797 | 5,772,036 |
| Total comprehensive profit | 15,158,576 | 9,979,179 |
| Basic and diluted earnings per share | 1.14 | 0.73 |
| **Balance Sheet** | | |
| Total assets | 118,501,376 | 108,014,152 |
| Total liabilities | (1,756,480) | (1,696,719) |
| Equity attributable to the shareholders of the parent | 116,062,708 | 104,893,318 |
| Dividends paid | 4,000,000 | 4,000,000 |
| Dividends per share | 0.297 | 0.297 |
| Total shares in issue | 13,458,947 | 13,458,947 |
| Net asset value per share | 8.6235 | 7.7936 |

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual report and consolidated financial statements of CEIBA Investments Limited for the year ended 31 March 2015.

Last year I commented here that "one may hope that US policy towards Cuba ultimately finds a more positive footing, since it remains clear that improved relations between the United States and Cuba will be beneficial to the investments and operations of the Company". On 17th December 2014, this hope came to pass and a long-overdue, major first step in this direction was finally taken. On that date historic announcements were made simultaneously by President Castro and President Obama laying out a new and positive future for US-Cuban relations. While the full embargo has yet to be lifted – since that would require the approval of Congress – the re-establishment of formal diplomatic relations announced on 1 July 2015, after more than 50 years of estrangement, is a further important milestone in the road to normalisation.

In parallel, the internal reforms being implemented by the Cuban government have continued apace, resulting in greater optimism and a wide range of new opportunities in the country, both for the local population and the foreign investment community.

The ongoing favourable effects of these improvements are discussed in greater detail later in this annual report and I shall just observe that I believe that they will have a considerable positive impact on the future of the country as well as on the interests of CEIBA Investments. The first signs of this are demonstrated by the improving foreign investment climate on the ground in Havana and growing investor interest in the affairs of the Company.

During the year, the Company received dividend income from its investments totalling US$7,755,757, an increase of approximately US$1.3 million over the prior year, while operational costs have remained broadly in line with last year. As at 31 March 2015, the net assets of the Company attributable to shareholders were valued at approximately US$116 million (not including non-controlling interests), which compares with approximately US$105 million at 31 March 2014. This increase is primarily driven by uplifts in the fair values of the Company's investments reflecting material enhancements in performance and future outlook, most notably in respect of the Miramar Trade Center, and by increased dividend income received during the year.

Overall, the Board is increasingly optimistic regarding the future prospects for the Company's investments, which are expected to benefit further from the continued modernisation efforts and reforms being implemented, as well as from the ongoing restoration of relations between the United States and Cuba. As outlined in my correspondence to shareholders earlier this year, the Board plans to capitalise on improved market conditions and investor interest by seeking a listing of the shares of the Company on the Toronto Stock Exchange during the present financial year. Given the peculiarities and rapidly evolving nature of the Cuban foreign investment market, as well as the Company´s position as a first mover into international capital markets in the Cuban context, we shall proceed towards a listing with care.

CEIBA has excellent operational assets in Cuba's commercial and tourism real estate sectors, and remains well positioned and fully committed to participate in Cuba's exciting future. The Board's policy will continue to be centred upon properly managing the Company's current portfolio while seeking to position the Company to enable it to enhance its investment pipeline and pursue new opportunities as they arise.

I would like to thank the executive management team for their contribution in managing the assets of the Company portfolio and I would also like to extend my thanks to our shareholders for their continued support.

J.A.Herring.

John Herring
Chairman

## INTRODUCTION

This Management Discussion and Analysis on the results of operations and financial position ("MD&A") of CEIBA Investments Limited contains Management's analysis of the businesses, assets, activities and financial results of the Company and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended 31 March 2015 that have been prepared in accordance with International Financial Reporting Standards (IFRS) as prescribed by the International Accounting Standards Board (IASB).

The information contained in this MD&A relates to CEIBA, its subsidiaries and interests in Cuban joint venture companies for the year ended 31 March 2015, unless otherwise indicated. The information in this MD&A is based on information available to Management as of 30 June 2015.

The financial year of the Company ends on 31 March each year. In this MD&A, references to the "Company" or to "CEIBA" are to CEIBA Investments Limited, together with its consolidated subsidiaries and its proportionate interests in joint venture companies. References to "Management", unless otherwise indicated, are to the management of the Company.

For information purposes, this MD&A contains certain figures representing the operations and performance measures of the Cuban joint venture companies that are included within the equity investments of the Company. These equity investments are accounted for at fair value and as such they have not been consolidated in the audited financial statements of the Company nor have the underlying Cuban joint venture companies been audited by the Company's Independent Auditors. These Cuban joint venture companies are subject to Cuban accounting standards, which may differ from IFRS.

Except as otherwise indicated, all dollar amounts contained in this MD&A are expressed in United States Dollars and references to "US$" or "$" are to US Dollars. References to "€" are to Euros.

## FORWARD–LOOKING STATEMENTS

This MD&A contains certain forward-looking information. Statements other than statements of historical fact may constitute forward-looking information. Forward-looking information generally can be identified by the use of forward-looking terms such as the words "anticipate", "attempt", "believe", "continue", "estimate", "expect", "intend", "may", "objective", "outlook", "plan", "project", "seek", "should" or "will", or similar words or expressions suggesting future outcomes or events. Forward-looking information includes, but is not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the Company's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the Company's or Management's plans, objectives, expectations and estimates or predictions of actions of tenants, tourists, suppliers, competitors or governmental authorities, as well as statements regarding the Company's future financial performance. The Company has based this forward-looking information on Management's current expectations about future events.

Forward-looking information does not take into account the effect of transactions or other items announced or occurring after the particular statements constituting forward-looking information are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after such statements are made.

Although the Company believes it has a reasonable basis for the forward-looking information in this MD&A, the Company can give no assurance that the forward-looking information will prove to be correct. Forward-looking information inherently involves risks and uncertainties, and therefore undue reliance should not be placed on such information. The material factors or assumptions used to develop forward-looking information, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this MD&A, as well as the following: (1) economic circumstances in Cuba will remain consistent with current economic trends for the near future; (2) the U.S. embargo with respect to Cuba and U.S. legal restrictions with respect to Cuba will continue to be in effect; (3) no significant discovery of oil and gas resources will occur in or in the vicinity of Cuba; (4) no significant increase in Cuban gross domestic product will occur; (5) occupancy of the Miramar Trade Center will continue to be between 90%-100%; (6) there will be no material change affecting general economic conditions in North America or Europe or general conditions in the Caribbean tourism industry; and (7) the availability of cost-effective medium to long-term debt financing for real estate assets or projects in Cuba will continue to be extremely limited.

Actual results and events may vary and differ materially from those expressed or implied in any forward-looking information. The material factors that could cause actual results to differ materially from forward-looking information include: (1) political and economic factors in Cuba; (2) the Cuban legal system and the fact that existing laws and regulations in Cuba may be applied inconsistently or in a discretionary manner and, in some circumstances, it may not be possible to obtain the legal remedies provided for under those laws and regulations; (3) the Company may not be successful in achieving any or all of its business strategies; (4) there is a lack of geographical diversity in the Company's asset base because the Company is focused on investment in Cuba; (5) risks related to real estate activities and tourism activities generally; (6) risks with respect to the Hotels maintaining their relationship with the current operator of the Hotels; and (7) the availability of equity and debt financing. These and other risk factors are described in more detail under the heading "Risk Factors".

The forward-looking information contained in this MD&A is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this MD&A speaks as of the date of this MD&A. The Company does not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

## OVERVIEW OF THE BUSINESS

CEIBA Investments Limited is an international investment and development company that was incorporated in 1995 in Guernsey, Channel Islands, under registration number 30083. The Company is organized under The Companies (Guernsey) Law 2008 as an unregulated investment company. The registered office of the Company is located at Frances House, Sir William Place, St. Peter Port, Guernsey, Channel Islands GY1 4HQ.

The core management team of the Company consists of Sebastiaan A.C. Berger, Cameron Young, Paul Austin and Enrique Rottenberg (General Manager of Miramar Trade Center), who have all had a long history with Cuba and as management of the Company.

The Company is represented in Cuba through its wholly-owned subsidiary CEIBA Property Corporation Limited ("CPC"). CPC is the principal holding vehicle through which the investments of the Company in Cuban real estate assets are held and has a licensed branch office in Havana, located at the Miramar Trade Center, Edificio Barcelona, Suite 401, 5ta Avenida, Miramar, Playa, Havana, Cuba. The principal activity of the Havana branch office of CPC is to supervise the activities of the Cuban joint venture companies in which the Company is invested, and to source, analyse and negotiate new acquisitions and other investments.

CEIBA is exclusively dedicated to investment in Cuba, with a focus on investment in Cuba's commercial real estate, tourism and other prioritized sectors of the Cuban economy. The Company may make any investment primarily related to Cuba, but its primary emphasis is on the development and acquisition of commercial and hotel properties, two major segments of Cuba's real estate sector. The Company was established in 1995 and is presently one of the largest foreign holders of tourism and commercial real estate assets in Cuba.

The activities of CEIBA are comprised of two principal operating segments: (1) commercial real estate investments; and (2) tourism real estate investments. The majority of the Company's asset base is made up of direct and indirect equity investments in Cuban joint venture companies governed by the provisions of Law 118 of 2014 on Foreign Investment that operate in the real estate segments mentioned above.

### Commercial Real Estate Segment

In the commercial real estate segment, CEIBA owns a 49% interest in Inmobiliaria Monte Barreto S.A. ("Monte Barreto"), the Cuban joint venture company that owns and operates the Miramar Trade Center, Havana's leading mixed-use office and retail real estate complex. The Miramar Trade Center is a 6 building complex comprising 55,530 square metres (approximately 600,000 square feet) of net rentable area located in the heart of the new Havana business district. The Miramar Trade Center is unique in that it has virtually no competition in the international sub-segment of the Cuban commercial real estate market. It is currently one of only two modern commercial office complexes in Cuba, and is the largest by far in terms of net rentable area. In the estimation of Management, the complex represents approximately 70% of the total available modern office space in Havana.

### Tourism Real Estate Segment

In the tourism real estate segment, CEIBA has indirect interests in Cuban joint venture companies that own four hotel properties: the Meliá Habana Hotel in Havana, and the Meliá Las Americas, the Meliá Varadero and the Sol Palmeras Hotels in Varadero.

The Meliá Habana Hotel is a 397 room 5-star business hotel located on prime ocean-front property in the Miramar business district of Havana, directly across the street from the Miramar Trade Center. The Meliá Las Americas, Meliá Varadero and Sol Palmeras Hotels (collectively, the "Varadero Hotels" and, together with the Meliá Habana Hotel, the "Hotels") have an aggregate of 1,437 hotel rooms (international 4 and 5-star category), located on a prime beach-front property of approximately 28 hectares in Varadero, immediately adjacent to Cuba's only 18 hole golf course, the Varadero Golf Club. The Meliá Habana Hotel and the Varadero Hotels are all managed and operated by the Spanish hotel group Meliá Hotels International, which is the largest international hotel operator in Cuba with 28 hotels presently under management.

In addition to the Meliá Habana Hotel and the Varadero Hotels, CEIBA owns a 40% interest in TosCuba S.A. ("TosCuba"), a Cuban joint venture company that is developing a 400 room 4-star hotel (the "TosCuba Project") on a 4.9 hectare plot at Playa Maria Aguilar near the City of Trinidad, a UNESCO World Heritage Site located in central Cuba in Sancti Spiritus Province.  It is intended that, following its construction, Meliá Hotels International will also manage the Trinidad property.

## BUSINESS STRATEGIES OF THE COMPANY

### Exclusively Dedicated to Investment in Cuba

Since its incorporation in 1995, the Company has been exclusively dedicated to making investments in or with Cuban businesses. This strategy remains unchanged and Management believes that this strategy will result in long-term capital growth.

### Balanced Focus on Established, Revenue–Producing Assets and New Development Projects

The Company's principal strategy is to balance its investment portfolio between established, revenue producing assets in the Company's main operating segments, as exemplified by the Company's indirect interests in the Miramar Trade Center and the Hotels, on the one hand, and new development projects, refurbishments and other capital investments that will contribute to long-term capital growth, on the other hand.  Under this strategy, the Company has invested in existing Cuban joint venture companies that own mature assets, as well as in new development projects. CEIBA believes that this will provide stable and sustainable cash flows, with a strong potential for future growth.

### Remain the Principal Foreign Investor in Cuba's Commercial Real Estate Sector

CEIBA's strategy regarding commercial properties is to remain the principal foreign investor in Cuba's commercial real estate sector through the addition of new properties within the Cuban joint ventures in which it already has an interest, whether by acquisition or new construction.

### Remain a Leading Foreign Investor in Cuba's Tourism Real Estate Sector

CEIBA intends to continue to be one of the leading foreign investors in the tourism real estate sector by maintaining a portfolio of investments in high-end (4 and 5 star) hotels located in Cuba's main tourist and business destinations.

### Investment in other Prioritized Sectors of the Cuban Economy

Given the present efforts of the Cuban government to modernize the Cuban economy, the Company will consider investment opportunities in new sectors of the Cuban economy prioritized by the Cuban government as such opportunities present themselves.

### Be Flexible in the Deployment of Cash Flows

The Company's interests in commercial real estate and hotel properties provide revenue streams that may be utilized for new acquisitions, investments in the development of new properties, upgrading of existing properties or the payment of dividends to shareholders of the Company. Given the time necessary to obtain all government approvals and to construct new projects in Cuba, one of the Company's main focuses in the past has been to generate stable and sustainable cash flows. At the same time, the Company also intends to continue to invest in Cuban joint venture companies that are in the process of developing commercial real estate and hotel projects. The Company believes these development projects have the potential to create long-term capital growth for the Company's shareholders. At times, the Company invests surplus funds in interest-bearing structured finance transactions and other financial instruments and commercial paper relating to Cuba. The Company seeks to structure the repayment terms of such facilities to approximate the time when funds will be required for future investment requirements of new and current investments in Cuban joint venture companies.

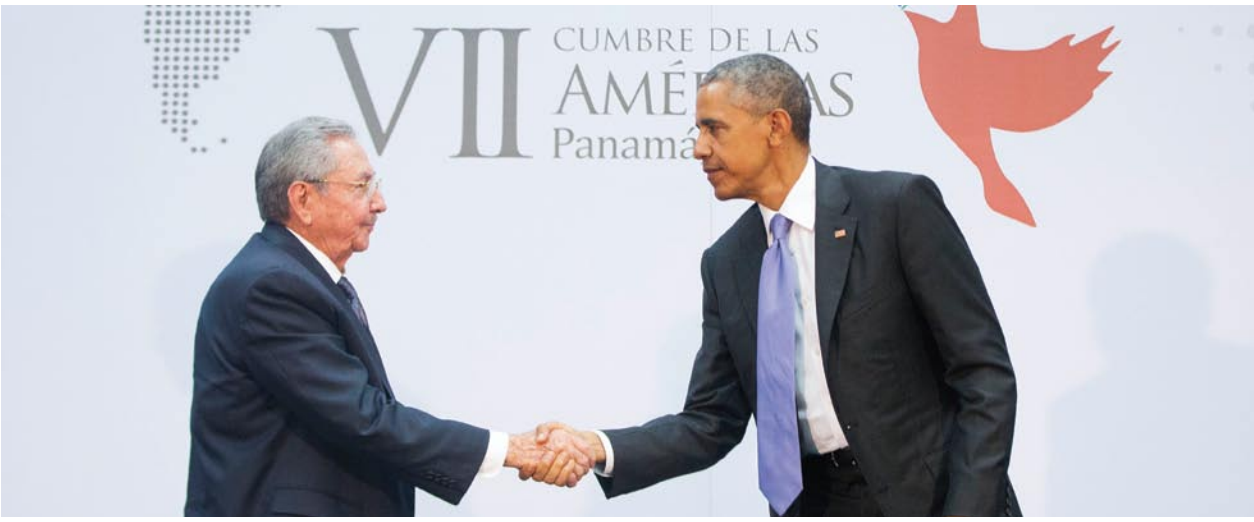
### Use Leverage Prudently and Optimize Capital Structure

The Company is debt-free, both at the holding company level and at the level of each underlying investment, including the Cuban joint venture companies in which the Company has an interest. The Company believes that the absence of debt provides the Company with the ability to leverage its assets in the future, should the cost and other conditions for debt financing of Cuban assets become more attractive, thereby allowing the Company to further optimize its capital structure and to make additional investments or to return capital to shareholders. The future capital structure of the Company will be dependent on the cost and availability of debt financing, the ability of the Company to develop or acquire new investment projects and the continued improvement in local market conditions.

### Changes in Circumstances

The present business strategies of the Company have been developed in the context of the existing circumstances of the Cuban foreign investment market. The Company is presently managed with a view to maximizing profitability and cash flow in existing market conditions. The strategies of the Company are not dependent on any change in these market conditions.

However, the Company believes that the market conditions in Cuba are presently undergoing numerous positive developments. The Cuban government has in recent years demonstrated a significant commitment to its modernization strategy regarding the Cuban economy and since 17 December 2014 the relationship between the United States and Cuba has evolved in a very positive manner. Any further improvement in local market conditions, including new economic, social and political reforms, general economic growth in the Cuban market, the continued increase of tourism in Cuba, the possible discovery of significant new oil reserves in Cuban waters, and the potential further improvement of relations between the United States and Cuba and/or the relaxation or lifting of U.S. travel restrictions or the U.S. Cuban embargo, amongst others, would have a positive effect on the results and performance of the Company. Management follows developments affecting these local and international conditions closely and adapts the strategies of the Company to changing circumstances.




Cuban President Raul Castro and US President Barack Obama shake hands and met for nearly an hour at the Summit of the Americas in Panama City, April 2015. © Pablo Martinez Monsivais, AP

## RECENT DEVELOPMENTS

In general, any event or development that has an impact on the Cuban economy generally, the number of tourists visiting the island, the US embargo against Cuba or the wider relationship between Cuba and the United States, Cuba's relationship with friendly nations such as Venezuela, China, Brazil, Vietnam and Russia, or its internal political stability, may have a direct or indirect impact on the assets and/or operations of the Company. Important recent developments affecting Cuba include the following:

### Accelerating and Deepening Modernization of the Cuban Economy and other Reforms

Since taking over the presidency in 2008, Raúl Castro has slowly but steadily moved the country towards political and economic reforms aimed at the modernization and strengthening of Cuban socialism. At the latest Congress of the Communist Party of Cuba held in April 2011, a number of new reforms and guidelines aimed at increasing local food production, reducing the weight of the state sector in the Cuban economy and encouraging private initiative in certain areas were announced, although the initial pace of implementation of the new measures was slow.

In recent years, however, the pace and depth of reform has been increased, culminating in the opening of the deep-water container terminal and Special Development Zone of Mariel in January 2014, the coming into force of a new foreign investment act in July 2014 and recent announcements suggesting that the unification of Cuba's two currencies is finally approaching implementation. Numerous measures aimed at expanding the role of non-state actors in the economy continue to be implemented first on an exploratory basis and then rolled out more extensively once positive results are confirmed, and Cuba is actively trying to attract new foreign investments on a large scale. Taken together, these reforms and other developments demonstrate that the policy guidelines for reform resulting from the 2011 Communist Party Congress are indeed driving the reform agenda in a controlled and increasingly profound manner.

Under the 2011 policy guidelines, a thorough reorganization of government and modernization of the Cuban economy have been undertaken, including numerous key reforms to the state sector of the economy and government, the management of state-owned businesses, the rise of low-level private enterprise and other non-state actors in the economy (such as cooperatives) and a renewed recognition of the importance of foreign investment for Cuba's future. Highlights of the stated policy goals set out in the guidelines and some of the measures adopted to date include:

- the reduction of state paternalism in the economy and the gradual removal or reduction of numerous universal social benefits, such as subsidized food (la libreta) and a variety of other public services;

- the dismissal of up to 1,000,000 workers (approximately 20% of the Cuban workforce) from the state sector of the economy in the coming years;

- the recognition of the importance of, and of the need to stimulate, a variety of different non-state actors in the Cuban economy, including foreign investors (including joint venture companies), cooperatives, small agricultural producers and the self-employed (small private businesses);

- the official recognition of numerous new categories of allowed self-employment activities and the issuance of hundreds of thousands of new licenses for the self-employed, together with the lease of state-owned assets and properties to cooperatives and the self-employed for the purpose of carrying out private businesses;

- the rise of cooperatives as the principal collective form of non-state participation in the economy;

- the creation of wholesale markets for the acquisition of inputs necessary for the activities of small agricultural producers, cooperatives and the self-employed, the granting by Cuban state banks in favour of small agricultural producers, cooperatives and the self-employed of finance facilities for the purchase of inputs and equipment, and the lifting of restrictions against state entities contracting services from the self-employed;

- the adjustment of the role of the state in the economy towards a focus on the regulation and taxation of economic actors rather than on the direct operation of businesses, and the granting of a greater level of control over business decisions to the managers of state-owned enterprises;

- the reduction or cessation of subsidies to state enterprises and the liquidation of non-performing state enterprises;

- the adoption of changes to the Cuban Civil Code that would allow foreign persons to obtain 99 year surface rights over residential property developed for tourism purposes;

- the adoption of a new immigration law that allows for largely unrestricted international travel by Cuban persons;

- the adoption of a new tax law that includes new income tax provisions regarding the taxation of private sector income;

- the adoption of new legislation allowing for the purchase and sale between Cuban individuals of residential real estate and automobiles;

- the opening of hundreds of public internet access points together with the gradual roll-out of more extensive internet connectivity for the Cuban population.

In concrete terms, the measures adopted in 2014 and the first half of 2015 represent the continued implementation of the core policies outlined above, including as regards the treatment of foreign investment. Recent developments include:

- May 2015: The press reports that more than 300 applications by foreign investors have been submitted to and accepted by the Cuban authorities regarding industrial and business activities to be carried out at the Special Development Zone of Mariel, although it would appear that so far less than ten of such applications have been formally approved. Reportedly, some of the new projects will take the form of 100% foreign capital companies rather than the joint venture structure prevalent in previous foreign investments in the country.

- March 2015: The head of the Paris Club of creditor nations visited Cuba in order to advance discussions regarding the re-initiation of negotiations concerning Cuba's long-outstanding non-performing debt owed to foreign governments, demonstrating Cuba's renewed resolve to improve its standing in international financial markets. By June 2015 Cuba had reached agreement with the Paris Club on the amount of debt outstanding to Paris Club members (approximately US$15 billion), paving the way for negotiations to be carried out on the terms of repayment.

- December 2014: Cuba projects economic growth of 4.0% for 2015 (up from 1.3% in 2014), to be generated largely on the basis of increased foreign investment in the country. In June 2015, this growth target was confirmed.

- September 2014: Cuban state-run tourism agencies report that they are increasingly engaging with private entrepreneurs as part of their tourism offerings on the island, including private residences (casas particulares) and restaurants (paladares). Over two dozen state restaurants aimed at foreign tourists are reported to have been already converted to worker-owned cooperatives, with many more expected to follow.

- July 2014: The new Foreign Investment Act comes into force, largely maintaining the pre-existing framework for foreign investment while nevertheless resulting in (i) a significant reduction in the corporate tax rate applicable to the majority of foreign investment vehicles (from 30% to 15%), as well as the reduction or elimination of numerous other payroll, social security and other taxes and charges on foreign investors, and (ii) a new emphasis on 100% foreign capital companies (suggesting that it may now be possible that such companies will be approved in larger numbers). Numerous other possible benefits may be derived from a potentially more favourable application/interpretation of the pre-existing rules, although certain negative aspects are retained in the new law, such as the continued distortionary requirement that local employees be contracted through government employment agencies. According to announcements made at the time of adoption of the new law, Cuba hopes to attract between US$2.0 to 2.5 billion per year in new foreign investment.

- April 2014: Decentralized management techniques are extended throughout the state sector of the economy under the "perfecionamiento empresarial" model. Corporate managers of state-owned companies will be given much greater control over the use of profits for corporate purposes and the creation of wage and other incentives for employees, and they will have greater flexibility in production and sale decisions and the ability to sell excess products in the open market. It is intended that under these new measures unprofitable businesses will be closed.

- March 2014: Legislation is adopted setting out the manner in which Cuba's two currencies will be gradually unified, although the timing and numerous other details remain unknown. Distortions in the local economy caused by the artificial exchange rates are profound and the unification process is expected to be painful.

- February 2014: Cuba announced that 600,000 public sector jobs have been eliminated since 2009, while more than 1,000,000 Cubans are now working in the non-state sector (up from 500,000 in 2009).

- January 2014: The deep-water container terminal and Special Development Zone of Mariel are officially opened by the presidents of Cuba and Brazil.

When added to the dramatic improvements in the political relationship between the United States and Cuba described in the next section, the deepening reorientation of the internal Cuban economic and political agendas have dramatically improved the prospects for the country in the coming years, including in particular the foreign investment context.

### Relationship with the United States

On 17 December 2014, Presidents Raúl Castro and Barrack Obama proclaimed a new era in US-Cuban relations. During simultaneous speeches to their respective populations, the presidents announced that a relative truce had been reached following months of secret negotiations, as well as numerous measures aimed at the normalization of relations between the long-standing opponents. Initial agreements included the exchange of numerous prisoners and the initiation of discussions regarding the formal re-establishment of diplomatic relations and the opening of embassies in their respective capitals. In addition, the US announced new unilateral measures aimed at further relaxing existing travel restrictions to the island and facilitating the sending of remittances. Numerous meetings have since been held between the two countries in order to advance this new agenda and the two presidents (as well as their respective foreign ministers) met in person at the Summit of the Americas held in Panama in April 2015. In addition, in late May 2015 Cuba was removed from the US list of state sponsors of terrorism, marking another important milestone in the improved relations between the two countries. Subsequently it was agreed that formal diplomatic relations be re-established on 20 July 2015 with the reopening of embassies in Washington D.C. and Havana.

Although the full lifting of the US trade embargo against Cuba falls under the responsibility of Congress rather than the US Administration, it is expected that the above positive developments will have the effect of re-invigorating debate in the US on the question of the embargo and may provide further impetus to its eventual lifting.

These announcements and measures mark the end of over 50 years of enmity between the two neighbouring countries, and they have already resulted in a variety of positive new developments, including significant increased travel from the US to Cuba and rising interest on the part of US investors in Cuban investment projects. It would appear that public opinion in both countries is largely supportive of the initiatives for improved relations between the two cold war enemies.

In the six months since the new measures were first announced, the Cuban tourism sector has shown strong growth generally, supported by rising arrivals from the US as well as from other countries. Numerous high profile US business visits have already taken place, resulting in execution of the first US-Cuba deals in various sectors, including telecommunications, pharmaceuticals and transport, and a number of US businesses are beginning to offer Cuba-related services (Airbnb, Netflix, etc.). It is expected that the number, scope and size of new deals will continue to grow going forward and this is likely to result in continued improvement in the foreign investment climate in the country.

### Cuba–Venezuela Relations

Venezuela remains Cuba's leading trading and investment partner, although the importance of Venezuela appears to be waning. Cuba continues to import approximately 80,000 barrels of oil per day from Venezuela on preferential terms under the oil-for-doctors and other joint programs, and remains largely dependent on the numerous socio-economic exchanges and investment programs between the two countries. Following the death of Venezuelan President Hugo Chávez in early 2013 and the subsequent election of Nicolás Maduro as his successor, it would appear that these exchanges and programs will remain in place for the coming period. However, with the recent rise of renewed political tensions within Venezuela and the continued decline in Venezuelan economic indicators, it remains uncertain how long such preferential terms may be sustained.

### Cuban Economy

Cuba continues to gradually recover from the liquidity crisis suffered in 2009 and 2010 that led to the freezing of numerous foreign bank accounts at Cuban banks and foreign exchange controls remain in place in order to carefully monitor and control Cuban hard currency outflows. The government has announced that the Cuban economy grew by a disappointing 1.3% in 2014, leading certain observers to question the effectiveness of the reforms implemented so far. However, the Cuban government has projected 4.0% growth for 2015 and seems confident that the economic reforms and other changes being implemented will generate sustainable growth in the coming years.

Significant positive momentum has certainly been brought to the economy by the numerous positive developments that have been announced since 17 December 2014, and the tourism sector is expected to be a strong performer throughout 2015. Family remittances are also believed to be on the rise as family members overseas take advantage of the more relaxed US rules and improved investment climate in order to send larger sums for investment in small-scale private businesses. Management believes that the key to reaching the growth targets set by the Cuban government for 2015 remains the ability of the Cuban government to attract and accelerate the approval of new foreign investments as planned. The pending reunification of Cuba's two currencies, although a necessary step, remains a source of short-term uncertainty for the Cuban economy in the coming years.

### Tourism

Following record tourist arrivals of more than 3,000,000 in 2014 and the rapidly improving relationship with the United States resulting from the 17 December 2014 announcements regarding normalization of relations between the US and Cuba, the Cuban tourism sector has shown significant further growth in the first half of 2015. Tourist arrivals are reported to have risen by nearly 15% during the first quarter of 2015, and it is estimated that US arrivals in particular have shown very strong growth during the first quarter, having risen by 36% over the preceding year. This positive trend, especially as regards US arrivals, is expected to continue and indeed accelerate in the coming years as the relationship with the United States continues to expand and improve.

In conjunction with rising tourist arrivals, there is renewed foreign interest in investment projects in the tourism sector. With demand expected to continue its upward trend in the coming years, Cuba wants to increase the supply side and intends to construct up to 20,000 new hotel rooms by 2020, together with a variety on non-hotel support services and related infrastructure to meet the growing demand. At the May 2015 tourism fair held in Cayo Guillermo it was reported that up to 60 new tourism investments were presently under negotiation, including ambitious plans to develop new golf, hotel and marina projects throughout the island. Although many of these large-scale projects have been under development for a number of years, there would appear to be a strong impetus to advance these deals in the improved investment climate resulting from the December 2014 announcements by the Cuban and US presidents. In recent months, a number of new projects have been agreed in the tourism sector, including the construction of a Sofitel hotel on the Malecon in Havana and the development of major integrated resorts near Havana and Varadero, and numerous additional deals are presently in the pipeline.

Although US travel for pure tourism purposes is still prohibited under present US travel restrictions that provide for 12 categories of authorized US travel, interest levels in the US travel industries have risen dramatically since the December 2014 announcements. US travel industry participants, including airlines, traditional travel agencies and online travel companies, are presently planning and expanding their Cuba strategies and hoping to be allowed in to this interesting market as soon as possible.

### Oil Exploration

Cuba is presently highly dependent on the import of foreign oil from Venezuela. However, both Cuban and U.S. specialists agree that Cuba may have considerable oil and natural gas reserves in its territorial waters. A 2004 assessment by the U.S. Geological Study reported that approximately 5 billion barrels of oil and substantial deposits of natural gas may lie trapped in the sediment just north of Cuba, while Cuba's estimate of potential reserves is more than four times larger.

Notwithstanding the above, numerous exploratory offshore wells were drilled by foreign investors in 2012 and the first months of 2013, both in shallow and deep waters, all with disappointing results. No new exploration is presently underway and it is as yet unclear whether improved relations between the US and Cuba will lead eventually to the execution of new exploration agreements with US interests or other foreign companies in the coming years.

The discovery of significant new exploitable oil reserves would represent a dramatic change in Cuba's economic prospects going forward.

### Telecommunications

In June 2011 the island of Cuba was connected to Venezuela by undersea fibre-optic cable. A second connection with Jamaica from Cuba was also completed. Although few public statements have been made concerning the status of operations or the reasons for delay, it appears that the new cable is at least partially functional. When these new systems become fully operational, Cuba's telecommunications capability and internet bandwidth is expected to grow dramatically. Previously, with no operational undersea connection, Cuba relied on satellite communications for all telecommunications services with the outside world.

Cuba has recently begun increasing public access to the internet through the establishment of hundreds of paid public access points, although no increase in home connections has yet been carried out. The government has stated that international websites are accessible through these new portals, unlike previous connections that were primarily aimed at Cuban government sites. The high cost of public access has been widely criticized both in Cuba and abroad.

There is significant interest on the part of US telecommunications companies to participate in the process of modernization that has been undertaken. Senior executives of Google and other major US telecommunications companies have made high profile visits to Cuba in recent months, and numerous US service providers, such as Netflix and Airbnb, have begun including Cuba in their service offerings. Early deals have already been executed between US telecommunications companies and ETECSA regarding the provision of telecommunications services between the two countries, and US software companies have also been able to execute agreements in the health sector. Both of these areas are presently excluded from the US embargo rules.

### Outlook

The economic outlook for Cuba during the remainder of 2015 continues to be mixed. On the one hand, the complicated reunification of the country's dual currencies remains on the agenda, while on the other it would appear that the economic momentum has now shifted to positive territory as a result of the December 2014 announcements. Cuba is projecting strong growth of 4.0% for the year, and Management of the Company believes that the government of Raúl Castro will continue to gradually broaden the scope and pick up the pace of changes undertaken since coming to power in 2008, and is highly optimistic that the present economic conditions will be conducive to further reform of the economy.

In particular, the Company believes that the timing is very good for further investment and consolidation of the Company's position in the Cuban tourism sector, which the Cuban government has confirmed is a preferred sector for further investment, both Cuban and foreign. Tourism arrivals are expected to surpass 3,200,000 in 2015, representing strong growth over 2014, and the government has announced plans to construct up to 20,000 new hotel rooms by 2020.

As Cuba strives to attract significant new levels of foreign investment, the Company also believes that opportunity for new investment in other sectors, including commercial real estate, will arise in the coming months and years, and Management is following new developments closely.

## INVESTMENTS OF THE COMPANY

The investments of the Company are accounted for at fair value. Therefore, the financial statements of the underlying joint venture companies are not consolidated in the audited financial statements of the Company. The following table shows the investments of the Company:

| | 31 March 2015 US$ | 31 March 2014 US$ |
|---|---|---|
| **Commercial Property Investments** | | |
| Inmobiliaria Monte Barreto S.A. | 69,349,635 | 59,590,508 |
| **Hotel Property Investments** | | |
| Miramar S.A. | 21,168,150 | 19,874,018 |
| Corporación Interinsular Hispana S.A.[1] | 19,579,156 | 19,695,618 |
| | 40,747,306 | 39,569,636 |
| **Hotel Development Project Investments** | | |
| TosCuba S.A. | 3,054,707 | 2,904,707 |
| **Other Investments** | | |
| Caricel Inc. | 225,000 | 225,000 |
| **Total Investments** | **113,376,648** | **102,289,851** |

1 Corporación Interinsular Hispana S.A. is a Spanish holding company that holds a 50% interest in the Cuban joint venture company Cuba Canarias S.A. and is accounted for at fair value in the consolidated financial statements of the Company.

### Performance Measurement

The key indicators by which the Company measures the performance of the commercial and hotel properties in which it is invested are:

- Total income
- Earnings before interest, taxes, depreciation and amortization ("EBITDA")
- Earnings before income taxes ("EBIT")
- Net income after tax
- Occupancy levels

Specifically for commercial properties, other key indicators include:

- Average monthly rate per square meter ("AMR")

Specifically for hotel properties, other key indicators include:

- Average Daily Rate per room ("ADR")
- Revenue per available room ("Rev PAR")

The Company monitors the financial performance of its interests in the commercial and hotel properties using these key indicators with the objective of generating reliable and growing cash flow for the Company. This information is produced by the management of the underlying Cuban joint venture companies and may not be calculated in accordance with IFRS or have any standardized meaning prescribed by IFRS. Consequently, comparisons to similar measures presented by other entities operating in other places should be undertaken with care.

**Total income**

Total income of the commercial properties is defined as all income earned by the Cuban joint venture company including rental income, administration fees, tenant improvements and parking income.

Total income of the hotel properties is defined as all income earned by the Cuban joint venture company including room fees and charges, additional food and beverage sales, activities fees, rental income from commercial retail space and other incidental fees.

**AMR**

Average monthly rate per square meter is calculated as total income for the period divided by the amount of square meters occupied on a monthly basis.

**ADR**

Average daily rate is calculated as total income over the number of rooms occupied during the period on a daily basis.

**Rev PAR**

Revenue per available room is calculated as total income over the total number of rooms available during the period on a daily basis.

### Key Performance Drivers

In addition to monitoring and analysing the performance of the interests of the Company in the hotel and commercial properties in terms of the key indicators mentioned above, the following are considered to be important drivers of the current and anticipated financial performance:

- The ability to increase rental rates of the commercial properties and room rates of the hotel properties as market conditions permit;
- The level of occupancies;
- The reduction in operating costs by the upgrading of electrical and other equipment (air conditioning, etc.).

The following are considered to be key external performance drivers:

- The international price of oil and its relation to the price of electricity;
- The pricing and popularity of similar tourist destinations such as the Dominican Republic and Mexico;
- Foreign exchange rates which affect the level of hotel rates for Canadian and European tourists;
- The availability of debt at a cost and on terms conducive to the goals of the Company;
- The approval by the Cuban government of additional phases of commercial property construction and the renovation and upgrading of hotel properties;
- The general improvement of the Cuban economy, the attitude of the Cuban government towards foreign investment and preferred sectors for future development, and other changes in local market conditions;
- The state of relations between the United States and Cuba.

### Commercial Properties

The strategy of the Company regarding commercial properties is to remain the dominant foreign investor in Cuba's commercial real estate sector through the addition of new properties within the Cuban joint ventures in which it already has an interest, whether by acquisition or new construction.

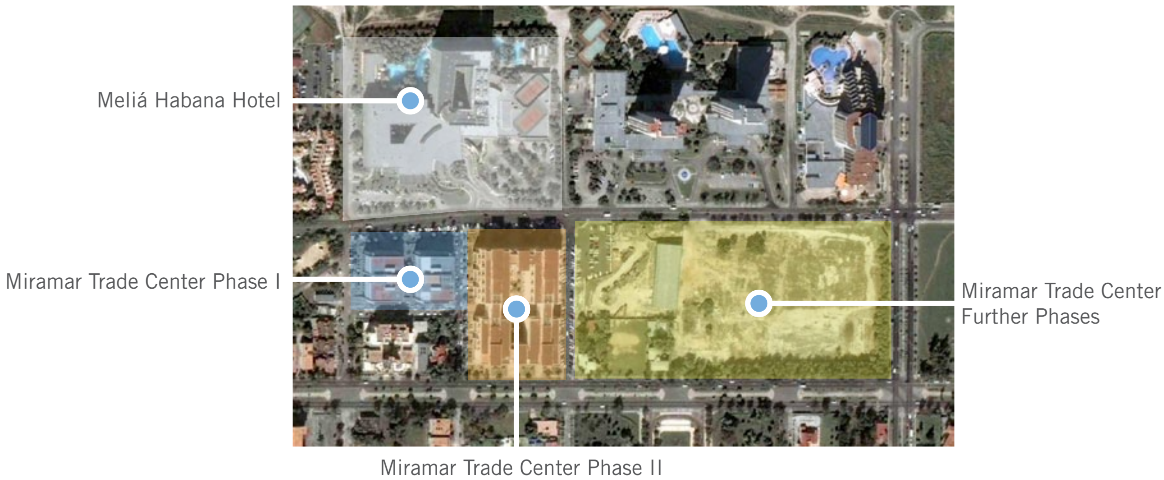
The current investment in commercial properties consists of the interest of the Company, held through its subsidiaries, in the Cuban joint venture company Inmobiliaria Monte Barreto S.A. ("Monte Barreto"), which owns and operates the Miramar Trade Center. In successive transactions carried out between March 2004 and March 2008, the Company acquired the full foreign equity interest of 49% in Monte Barreto. The Cuban partner that holds the other 51% interest is Inmobiliaria LARES S.A., a wholly-owned subsidiary of Corporación CIMEX S.A. The interest of the Company in Monte Barreto is accounted for at fair value and as such its individual financial statements are not consolidated within the audited consolidated financial statements of the Company.

The principal strategy of Monte Barreto is to maintain and possibly expand its position as the leading commercial real estate company in Cuba. During the past few years, Monte Barreto has developed and presented various new commercial property projects for approval to the Cuban authorities, including projects regarding the execution of further phases of the Miramar Trade Center, the construction of a new office complex in a new industrial park to be located in the outskirts of Havana, the construction of an office and apartment complex in Cienfuegos and the construction of an office and apartment complex in Varadero. Management does not expect that any of the presented projects will be approved during the current fiscal year.

The primary focus of Monte Barreto during the next few years is the substitution of Cuban tenants (i.e. state-owned companies) by foreign representative and branch offices, diplomatic missions and Cuban joint venture companies (having foreign interests). Primarily as a result of timing, this may result in a temporary decrease in occupancy and income levels. However, considering the medium to long term, it is considered important to have a tenant mix that is principally comprised of foreign representative and branch offices, diplomatic missions and Cuban joint venture companies (having foreign interests) as these types of tenant are more likely to accept higher rental rates and are more likely to be attractive to potential international lenders, which will increase the possibility of obtaining leverage in the future.

In addition, efforts are being made to increase the efficiency of operations and to reduce the operational costs of the buildings making up the Miramar Trade Center, with a focus on energy efficiency that could lead to lower energy costs, which presently represent approximately 60% of the total operating expense (excluding depreciation and amortization).

The Company's 49% proportionate interest in the Miramar Trade Center is equivalent to 27,244 square meters (approximately 293,000 square feet) of rentable office space in Havana, Cuba. At 31 March 2015, the fair value of the Company's interest in Monte Barreto was US$69,349,635, compared to US$59,590,508 as at 31 March 2014. See note 6 of the consolidated financial statements for more information. The principal asset of Monte Barreto is the Miramar Trade Center:



*Miramar Trade Center*

The Miramar Trade Center is Havana's leading mixed-use commercial and retail real estate complex and represents the heart of the new Havana business district. To date, six buildings have been completed, representing 55,530 square meters (approximately 600,000 square feet) of rentable area. Approximately 150,000 square meters (approximately 1.6 million square feet) of further rentable area were originally planned for future phases. The principal tenants of the Miramar Trade Center include Cuban companies, foreign diplomatic and trade missions, representative and branch offices of major foreign companies, foreign non-governmental organizations and Cuban joint venture companies having foreign shareholders.

The following table shows key metrics and financial data of Monte Barreto. Income amounts are not consolidated in the audited financial statements of the Company as the interest in Monte Barreto is accounted for at fair value:

| | 3 months ended 31 March US$ | | Year ended 31 December US$ | |
|---|---|---|---|---|
| | 2015 | 2014 | 2014 | 2013 |
| **Inmobiliaria Monte Barreto S.A.** | | | | |
| Total income | 4,833,060 | 4,627,108 | 18,828,984 | 19,910,895 |
| EBITDA | 3,329,427 | 3,070,453 | 11,916,016 | 12,040,579 |
| EBIT | 2,970,664 | 2,727,937 | 10,530,731 | 10,648,210 |
| Net income after tax | 2,512,439 | 1,913,648 | 8,906,357 | 7,469,719 |
| Occupancy | 92.7% | 90.0% | 92.8% | 90.2% |
| AMR | 32.99 | 31.96 | 32.25 | 32.15 |

## Discussion of Commercial Property Results and Outlook

The net income after tax of Monte Barreto for calendar year 2014 was approximately US$1,437,000 higher than previous year. However, the EBITDA for 2014 was relatively unchanged. This is the result of the implementation of a lower tax rate (from 30% to 15%) under the new Foreign Investments Act of 2014. During calendar 2014, total operational costs (excluding depreciation) were higher by 2.6% almost exclusively as a result of a 5.5% increase in energy costs.

Economic conditions began to significantly improve for the Miramar Trade Center during the final months of 2014 and into the beginning of 2015. In the latter part of 2014, more economically efficient air conditioning units were installed in 4 of the 6 buildings. This combined with a lowering of electricity rates has resulted in a 22% reduction in the electricity costs in the first quarter of 2015 when compared with the average costs of 2014. As well, occupancy rates have begun to steadily increase and it is anticipated that the complex will be near 100% occupancy by the end of 2015. As a result of the higher occupancy rates, Monte Barreto has also been able to increase rental rates resulting in a higher AMR overall. In light of these factors, it is estimated that the net income after tax will increase by approximately 10% in 2015 compared to the previous year.

### Hotel Properties

The strategy of the Company regarding hotel properties is to continue to be one of the leading foreign investors in the tourism real estate sector by maintaining a portfolio of investments in high end (4 and 5 star) hotels located in Cuba's main tourist and business destinations.

Hotel property investments consist of the interests of the Company, held through its subsidiaries, in Cuban joint venture companies that own and operate individual hotels. All of the operating hotels have been managed since start-up by the Spanish international hotel chain Meliá Hotels International, which operates 28 hotels in Cuba and is the dominant international hotel management company in the country. The Cuban partner that holds the other 50% equity interest in the two Cuban joint venture companies owning operating properties is Corporación de Turismo y Comercio Internacional, Cubanacán S.A. ("CUBANACÁN"), one of Cuba's principal tourism companies. The interests of the Company in the Cuban joint venture companies that own operating hotel properties are held by HOMASI S.A. ("HOMASI") and Corporación Interinsular Hispana S.A. ("CIHSA"). The Company holds 100% of the share equity of HOMASI, therefore it is fully consolidated by the Company and the underlying Cuban joint venture company, Miramar S.A. ("Miramar"), is shown as an equity investment in the consolidated financial statements. Miramar is accounted for at fair value and as a result its individual financial statements are not consolidated within the audited consolidated financial statements of the Company. CIHSA is accounted for at fair value and as a result its individual financial statements and the financial statements of the underlying Cuban joint venture company, Cuba Canarias S.A. ("Cubacan") are not consolidated within the consolidated financial statements of the Company.

At 31 March 2015, the Company had an indirect interest equivalent to 170.7 hotel rooms in Havana and 199.4 hotel rooms in Varadero. At that date, the fair value of the Company's interest in Miramar and CIHSA was US$40,747,306 compared to a fair value of US$39,569,636 at 31 March 2014. The net increase in the fair value of Miramar and CIHSA is attributable to an increase in the fair value of Miramar by US$1,294,132 and a decrease in the estimated fair value of CIHSA by US$116,462. These changes in fair value are net of surface/usufruct rights expiry provisions. See note 6 of the consolidated financial statements for more information.

The Company has indirect interests in the following two joint venture companies that own operating hotel properties:

#### Miramar S.A.

The Company holds an economic interest of 86% in HOMASI (compared to an 83.05% interest in the prior year), the Spanish holding company which has a 50% equity interest in the Cuban joint venture company Miramar. Miramar has constructed and owns a 397 room hotel in Havana known as the Meliá Habana Hotel. At 31 March 2015 the fair value of the Company's interest in Miramar was US$21,168,150, compared to US$19,874,018 at 31 March 2014. Details of the Meliá Habana Hotel are as follows:

*Meliá Habana Hotel*

The 5-star Meliá Habana Hotel has 397 rooms, including 16 suites, and is one of only five 5-star hotels presently operating in Havana. The Meliá Habana Hotel is internationally rated under the OHG International System as "Superior First Class". The hotel has been managed since start-up in September 1998 by the Spanish international hotel chain Meliá Hotels International, which operates 28 hotels in Cuba and is the dominant international hotel management company in the country. The Meliá Habana Hotel is one of the leading business hotels of Havana (given its prime ocean-front location directly across the street from the Miramar Trade Center) and its business attributes include conference facilities, numerous meeting rooms, a business centre and 3 executive floors. It has approximately 40,000 square metres (approximately 430,000 square feet) of constructed area on a prime oceanfront property. The vast majority of rooms have direct ocean views, and the site has extensive gardens and the largest swimming pool of all Cuban city hotels.

The economic interest of the Company in HOMASI consists of mixed equity and quasi-equity positions. The Company holds an equity interest of 100% of the share capital of HOMASI (compared to a 95% equity interest in the prior year), as well as a quasi-equity participation in the form of a "participation agreement" pursuant to which HOMASI has transferred a portion of its economic interest in Miramar to the Company. Under this participation agreement the Company is entitled to receive distributions prior to other dividends equivalent to 27% of HOMASI's economic interest in Miramar. HOMASI has also sold participation agreements representing an additional 14% of its economic interest in Miramar to third parties. The net economic interest of the Company in HOMASI is 86% (compared to an 83.05% interest in the prior year) taking into account the participation agreements in favour of third parties, which represents a 43% economic interest in Miramar.

In January 2015, the Company, through its subsidiary CEIBA Tourism Cooperatief U.A. ("CEIBA Tourism"), acquired a 5% equity interest (equivalent to a 2.95% economic interest) in HOMASI for a total purchase price of US$646,212. This 5% equity interest (2.95% economic interest) had previously been accounted for as a minority interest in these financial statements.

As a result of this purchase, the Company's interest in the share equity of HOMASI increased to 100% (compared to the share equity interest at 31 March 2014 of 95%). The Company's interest regarding the quasi-equity participation in HOMASI in the form of a "Participation Agreement" remains at 27%.

The Company holds its interest in HOMASI through its wholly-owned Netherlands subsidiary CEIBA Tourism. The remaining economic interests in HOMASI are held by other foreign investors (as to 14%). Miramar is held 50% by HOMASI and 50% by CUBANACAN. Meliá Hotels International is responsible for the day-to-day management of the hotel. The directors of CEIBA Tourism are actively involved in the supervision of the management of the hotel assets and have representation on the board of directors of Miramar.

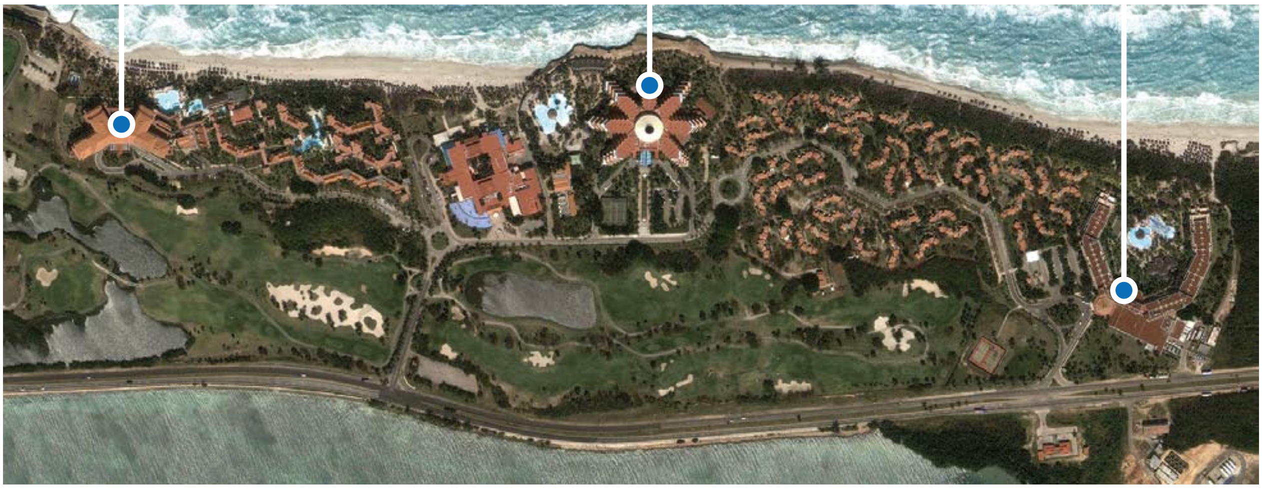
Miramar has been granted surface rights over the land upon which the Meliá Habana Hotel is constructed for an initial term of 25 years ending in 2023. The Miramar surface rights may be extended upon request by the joint venture company prior to expiry of the initial term and with prior Cuban government approval. Under the Miramar Deed of Incorporation, Miramar may be liquidated in the following circumstances: (i) expiry of its term of incorporation without such term being extended, (ii) impossibility of carrying out its social object, (iii) failure by one of the parties to pay in the agreed manner for shares subscribed for, (iv) declaration of one of the parties in insolvency or bankruptcy, (v) repeated failure to convene a quorate shareholder meeting, (vi) agreement between the parties, (vii) total loss of the social capital of the company, and (viii) bankruptcy of the joint venture company. In the event of the liquidation of Miramar, the net assets of the joint venture company will be distributed between the shareholders in accordance with their shareholdings (following the payment of all outstanding liabilities) in accordance with a final statement of financial position to be prepared by liquidators appointed by the shareholders. For purposes of calculating the liquidation value of the assets of the joint venture company, the Miramar Deed of Incorporation provides that in the case of liquidation following expiry of the initial term or any renewal thereof, the valuation of assets will be agreed between the parties or, in the case of disagreement, made by an independent valuator chosen by the parties. It has been assumed that such valuation would be equal to the fair value of Miramar based on the present value of estimated future cash flows.

The following table shows key metrics and financial data of Miramar and the Meliá Habana Hotel. Income amounts are not consolidated in the audited financial statements of the Company as the interest in HOMASI, which holds the interest in Miramar, is accounted for at fair value:

| | **3 months ended 31 March US$** | | **Year ended 31 December US$** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2014** | **2013** |
| **Meliá Habana** | | | | |
| Total income | 5,716,118 | 5,533,615 | 18,659,435 | 16,854,263 |
| EBITDA | 2,522,783 | 2,276,051 | 6,415,131 | 5,379,192 |
| EBIT | 2,140,662 | 1,890,310 | 4,958,561 | 3,750,442 |
| Nº of guests | 54,855 | 51,718 | 186,785 | 176,019 |
| Room Occupancy | 94.27% | 89.07% | 82.86% | 76.41% |
| ADR | 169.70 | 173.88 | 155.41 | 152.22 |
| Rev PAR | 159.98 | 154.87 | 128.77 | 116.31 |
| **Miramar S.A.** | | | | |
| Total income | 5,716,118 | 5,533,615 | 18,659,435 | 16,854,263 |
| EBITDA | 2,513,272 | 2,265,531 | 6,322,536 | 5,118,165 |
| EBIT | 2,128,460 | 1,877,099 | 4,910,594 | 3,700,015 |
| Net income after tax | 1,810,787 | 1,596,942 | 4,168,745 | 3,112,146 |

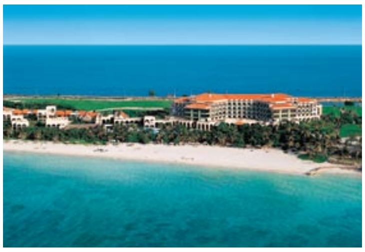
## Cuba Canarias S.A.

The Company holds an economic interest of 27.75% in CIHSA, the Spanish holding company which has a 50% equity interest in the Cuban joint venture company Cuba Canarias S.A. ("Cubacan"). Cubacan has constructed and owns three hotels in Varadero known as the Meliá Las Americas, Meliá Varadero and Sol Palmeras Hotels, having an aggregate total of 1,437 rooms. The three hotels are all located on prime beach-front property adjacent to Cuba's only 18-hole golf course. At 31 March 2015 the fair value of the Company's interest in CIHSA was US$19,579,156, compared to US$19,695,618 at 31 March 2014.



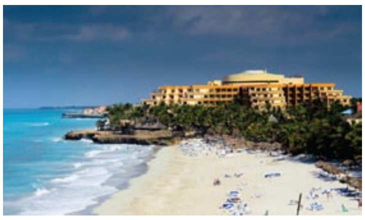

Details of the Cubacán hotels are as follows:

*Meliá Las Americas Hotel*



The Meliá Las Americas Hotel is a 5-star luxury beach resort hotel located next to the famous Dupont House and the Varadero Golf Course. It has 340 rooms, including 90 bungalows and 14 suites, and is presently one of only four 5-star hotels in Varadero having a foreign ownership interest. It has 400 metres of prime beachfront and is internationally rated under the OHG International System as "Moderate Deluxe". The hotel is an all-inclusive luxury beach resort and has been operated by the Spanish international hotel chain Meliá Hotels International since the start-up of operations in 1994.

*Meliá Varadero Hotel*



The 5-star Meliá Varadero Hotel is located next to the Meliá Las Americas Hotel and is also adjacent to the Varadero Golf Course. It has 490 rooms, including 7 suites, and is another one of only four 5-star hotels in Varadero having a foreign ownership interest. It has 300 metres of prime beachfront and is internationally rated under the OHG International System as "Moderate First Class". The hotel has been operated by Meliá Hotels International as an all-inclusive luxury beach resort since the start-up of operations in 1992.

*Sol Palmeras Hotel*

The Sol Palmeras Hotel is located next to the Meliá Varadero Hotel and also borders on the Varadero Golf Course. It has 607 rooms, including 200 bungalows, of which 90 are of suite or deluxe standard and 500 metres of beachfront. The hotel has been operated by Meliá Hotels International as a 4-star all-inclusive beach resort hotel since it began operations in 1990.

The economic interest of the Company in CIHSA consists of mixed equity and quasi-equity positions. The Company holds an equity interest of 15% of the share capital of CIHSA, as well as an additional economic interest in the form of a "participation agreement" pursuant to which CIHSA has transferred a portion of its economic interest in Cubacan to the Company. Under this participation agreement, the Company is entitled to receive distributions prior to other dividends equivalent to 15% of CIHSA's economic interest in Cubacan. The net economic interest of the Company in CIHSA is 27.75% taking into account all third party interests, representing a 13.875% interest in Cubacan.

The Company holds its interests in CIHSA through its wholly-owned Netherlands subsidiary CEIBA Tourism. The remaining economic interests in CIHSA are held by other foreign investors (as to 72.25%). Cubacan is held 50% by CIHSA and 50% CUBANACAN.

Meliá Hotels International is responsible for the day-to-day management of the hotels. The directors of CEIBA Tourism are actively involved in the supervision of the management of these hotel assets and have representation on the board of directors of Cubacan.

Cubacan was granted usufruct rights over the parcels of land upon which the Varadero Hotels were constructed for an initial term of 25 years beginning in each case upon the start-up of operations of each hotel. The corporate documents stipulate that the Cubacan usufruct rights may, upon request by the joint venture company prior to expiry of the initial term and with prior Cuban government approval, be extended for successive periods of 5 years up to a maximum extension of 25 years.

The usufruct rights relating to the three Varadero Hotels will expire on staggered dates corresponding in each case to the date that falls 25 years following the start-up of operations of each hotel.

Under the Cubacan Deed of Incorporation, Cubacan may be liquidated in the following circumstances: (i) mutual agreement between the parties, and (ii) expiry of the rights of usufruct over the properties. In the event of the liquidation of Cubacan, all of the assets of the joint venture company will be distributed to the Cuban shareholder, subject to the payment of compensation to the foreign shareholder for the value of its interest therein. If the parties are not able to reach agreement on the value of such compensation, then the amount of compensation will be fixed by an independent valuation entity chosen from a list of 3 such firms chosen by the Chamber of Commerce of Geneva.

In May 2015, the initial term of the usufruct rights of the Sol Palmeras Hotel expired. The usufruct rights of the Meliá Varadero Hotel will expire in 2017 and those of the Meliá Las Americas Hotel will expire in 2019. The expiry of the term of incorporation of the joint venture company is linked to the expiry of the usufruct right of the Meliá Las Americas Hotel (the last of the Varadero Hotels to start up operations and consequently the last to expire). CIHSA has been informed by CUBANACAN of its decision not to request the extension of the Sol Palmeras usufruct rights and instead to liquidate this asset, with payment of the required compensation (50% of the value of the Sol Palmeras Hotel) to CIHSA. Negotiations aimed at reaching agreement on the valuation and liquidation of the Sol Palmeras Hotel are presently underway. Notwithstanding the above formal steps, the Directors believe that there remains a possible scenario whereby the Company will retain an interest in the Sol Palmeras Hotel. In the meantime, pending the outcome of these negotiations, Cubacan continues to operate the Sol Palmeras Hotel.

The following table shows key metrics and financial data of Cubacán and its hotel properties in Varadero. Income amounts are not consolidated in the audited financial statements of the Company as the interest in CIHSA, which holds the interest in Cubacan, is accounted for at fair value:

| | 3 months ended 31 March US$ | | Year ended 31 December US$ | |
|---|---|---|---|---|
| | 2015 | 2014 | 2014 | 2013 |
| **Sol Palmeras** | | | | |
| Total income | 7,939,725 | 9,119,192 | 26,138,581 | 25,621,177 |
| EBITDA | 3,241,087 | 4,230,223 | 7,785,325 | 7,416,180 |
| EBIT | 2,794,902 | 3,803,664 | 5,864,476 | 5,769,202 |
| Nº of guests | 97,144 | 102,264 | 392,021 | 373,093 |
| Room Occupancy | 88.91% | 92.65% | 88.28% | 83.29% |
| ADR | 163.46 | 180.17 | 133.64 | 138.84 |
| Rev PAR | 145.34 | 166.93 | 117.98 | 115.64 |
| **Meliá Varadero** | | | | |
| Total income | 7,528,251 | 7,420,033 | 20,247,518 | 19,500,976 |
| EBITDA | 3,230,547 | 3,375,939 | 5,585,161 | 5,249,818 |
| EBIT | 2,760,839 | 2,886,295 | 3,737,276 | 3,513,336 |
| Nº of guests | 77,004 | 75,529 | 257,751 | 245,887 |
| Room Occupancy | 92.82% | 90.23% | 75.55% | 71.11% |
| ADR | 183.91 | 186.47 | 149.85 | 153.33 |
| Rev PAR | 170.71 | 168.25 | 113.21 | 109.04 |
| **Meliá Las Américas** | | | | |
| Total income | 6,384,254 | 6,915,538 | 19,138,563 | 18,184,901 |
| EBITDA | 2,551,154 | 3,013,846 | 5,955,458 | 5,242,746 |
| EBIT | 2,209,351 | 2,673,019 | 4,574,038 | 3,867,795 |
| Nº of guests | 56,194 | 53,512 | 188,266 | 179,820 |
| Room Occupancy | 97.33% | 94.73% | 84.46% | 81.05% |
| ADR | 214.36 | 238.57 | 182.59 | 180.79 |
| Rev PAR | 208.64 | 226.00 | 154.22 | 146.53 |
| **Cuba Canarias S.A.**[1] | | | | |
| Total income | 22,600,157 | 24,263,212 | 68,616,970 | 66,466,520 |
| EBITDA | 9,027,156 | 10,626,133 | 18,875,858 | 17,774,658 |
| EBIT | 7,727,481 | 9,331,146 | 14,009,065 | 12,868,610 |
| Net income after tax | 6,958,597 | 8,402,697 | 12,513,904 | 11,138,486 |

[1] As well as the operations of the three individual hotels, the consolidated accounts of Cuba Canarias S.A. contain amounts from the common activities of the head office including a bakery, laundry services, warehousing and insurance. Head office also records rental income from retail space leased within the hotels.

## Discussion of Hotel Property Results and Outlook

In aggregate, the net income after tax of the four operating hotel properties during calendar year 2014 was approximately US$2,432,000 higher in comparison to the previous calendar year. All of the hotels obtained higher occupancy levels during calendar year 2014. However, the ADR was negatively affected by the drop in the Euro against U.S. dollars due to the fact that a large percentage of rooms are pre-sold months in advance to tour operators at a fixed Euro amount and the revenue is recognized at the time the rooms are occupied. This issue was more prevalent in the Sol Palmeras and the Meliá Varadero where the ADR decreased from the previous year.

During the first quarter of 2015, the fall in the Euro continued to have a negative effect on the rate of the rooms that were pre-sold to tour operators in the prior year. In addition, the Sol Palmeras has closed 82 rooms for the majority of 2015 to undergo renovations which will decrease its overall occupancy level. Except for the Sol Palmeras, the first quarter of 2015 has shown a strong increase in occupancy levels of the other hotels and it is anticipated that the negative effects from the decrease in the Euro will be corrected during the second quarter of 2015.

It is projected that the higher occupancy levels and the improved room rates for the remainder of 2015 will result in a modest increase in the EBITDA of the hotel properties with a corresponding increase in the level of dividends distributed by CIHSA and Miramar.

The joint venture companies intend to continue to focus their attention on the reduction of operating expense, particularly energy costs, which account for approximately 20% of the total operating expense of the hotels. This will be accomplished by continuing to upgrade air conditioning equipment to more efficient systems where possible. As well, the Meliá Habana hotel will increase efforts to market the hotel to business visitors and the Varadero hotels will try to maximize marketing efforts emphasizing the fact that these properties are all immediately adjacent to what is presently Cuba's only 18-hole golf course.

### Development Projects

The Company currently has an interest in one development project that consists of a 40% interest, held through its subsidiaries, in the joint venture company TosCuba S.A. ("TosCuba"). TosCuba was incorporated for the purpose of constructing a beach resort hotel at Playa Maria Aguilar, Trinidad, Province of Sancti Spiritus, Cuba. The Cuban partner that holds a 50% equity interest is CUBANACÁN. The interest of the Company in TosCuba is accounted for at fair value and as such its individual financial statements are not consolidated within the audited consolidated financial statements of the Company.

In February 2013, the Company, through its subsidiary, CEIBA Tourism, incorporated Mosaico B.V., a Dutch limited liability company for the purpose of holding the interest of the Company in TosCuba. The Company has an 80% equity interest in Mosaico B.V. The remaining 20% equity of MOSAICO B.V. is held by Hoteles Internacionales MCA S.A. ("HIMCA"). CEIBA Tourism and HIMCA have agreed to make up to US$30,000,000 of funding available to Mosaico B.V. As a first step, HIMCA will contribute $701,177 to Mosaico B.V. to reach par with CEIBA Tourism's contributions to date, of which US$451,177 remains outstanding at 31 March 2015. Thereafter both parties will make pari pasu payments.

Aerial view depiction of the TosCuba Project under development at María aguilar beach, south of Trinidad, Cuba.

To date, TosCuba S.A. has invested approximately US$5.3 million in the acquisition of surface rights over the 6 hectare property, the development of architectural works and drawings, and ground preparation, of which the Company has contributed US$3,054,707. Since the Company has been involved in this project, TosCuba has been able to extend the term of the surface rights from 25 to 50 years and has received permission to build a total of 400 rooms instead of the initially authorized number of 292 rooms. All of the necessary government approvals have been obtained for the project and the Company is in the process of obtaining bids from construction companies to oversee and manage the construction of the hotel. Once a construction company has be selected, construction is anticipated to begin within a few months thereafter. Following completion, it is intended that the new hotel will also be managed by Meliá Hotels International. At 31 March 2015 the fair value of the Company's interest in TosCuba was US$3,054,707 compared to US$2,904,707 at 31 March 2014.

### Other Investments

The Company has a 10% interest in Caricel Inc., which holds through its subsidiary a 50% interest in the Cuban joint venture company Productos Sanitarios S.A. ("PROSA"). PROSA operates a tissue paper mill that supplies the Cuban market. At 31 March 2015 and 2014, the fair value of the Company's interest in Caricel Inc. was US$225,000.

## OTHER ASSETS AND ACTIVITIES

The Company has a number of other assets and activities, the aggregate of which represents less than 1% of the total assets of the Company.

### CEIBA Publications Limited

CEIBA Publications Limited ("CEIBA Publications") is a wholly-owned subsidiary of the Company that is fully consolidated in the financial statements of the Company and is included within the "Other" business segment. For the year ended 31 March 2015 and 2014, the net assets and economic activity of CEIBA Publications was not significant.

### GrandSlam Limited

GrandSlam Limited ("GrandSlam") is a wholly-owned subsidiary of the Company and is fully consolidated in the accounts of the Company and is included within the "Tourism / Leisure" business segment. GrandSlam operates a travel agency out of Havana specialising in ecotourism and sports fishing (including the joint products mentioned above). The consolidated net assets of GrandSlam at 31 March 2015 were US$119,469, compared to US$81,043 at 31 March 2014.

For the year ended 31 March 2015, GrandSlam had modest results with total income of US$1,590,650 and a net income of US$90,971, compared to total income of US$913,076 and a net income of US$37,692 for the year ended 31 March 2014.

### Cuban Art

Over the years, the Company has accumulated a respectable collection of works of art of Cuban contemporary artists. These works of art are included within the property, plant and equipment of the Company and have a net value of US$309,800. The works of art are on display at the Havana branch office of CPC and the Havana office of the travel agency of GrandSlam.

## COMMITMENTS AND CONTINGENCIES

### Operating Lease Commitments

The Company has executed operating leases for office building space in the Miramar Trade Center. These have a contractual life of one year with automatic renewal of one year after each maturity. There are no restrictions placed upon the Company by entering into these leases. The total annual operating lease payments in effect at 31 March 2015 were US$133,491.

## LIQUIDITY

As at 31 March 2015, cash and cash equivalents totalled US$2,659,040, compared to US$3,864,143 at 31 March 2014. Cash flows from operating activities totalled US$3,005,042 in fiscal 2015 compared to US$4,188,928 in fiscal 2014. The decrease in cash flows from operating activities in fiscal 2014 can be attributed primarily to the loss on foreign exchange of the Euro denominated bank accounts.

There were negative cash flows from investing activities totalling US$210,145 in fiscal 2015 compared to negative cash flows of US$99,859 in fiscal 2014. The cash flows of fiscal 2014 included the disbursement of a €500,000 (US$688,694) loan which was then repaid in fiscal 2015 at the converted value of US$604,885. This positive inflow was offset by the purchase of equity investments which include an additional capital contribution to TosCuba of $150,000 and the purchase of the 5% share equity interest in HOMASI for US$646,212.

There were negative cash flows from financing activities totalling US$4,000,000 in fiscal 2015 compared to negative cash flows of US$4,000,000 in fiscal 2014. As in fiscal 2014, there was a payment of cash dividends by the Company of US$4,000,000 in fiscal 2015.

The principal liquidity needs of the Company for the next twelve months are to:

- fund recurring expenses;
- provide funding for capital expenditures of underlying investments which are deemed necessary; and
- fund investing activities, which could include:
  - the extension of the term of incorporation of Cubacan and the usufruct rights over its properties;
  - the funding of development costs of TosCuba, including architectural drawings, engineering studies and construction costs; and
  - the development or acquisition of new interests in existing or new Cuban investment projects.

The construction of the TosCuba hotel development project is anticipated to begin within a few months of contracting a construction company to oversee and manage the construction of the hotel. TosCuba will require additional equity or debt financing in order to carry out the construction. It is expected that the Company will be called upon to play an important role in providing or securing such finance.

The Company believes that its current liquidity needs will be satisfied using its current cash at bank and cash flows generated from operations. Available cash balances and dividend income from interests in Cuban joint venture companies are the principal sources of liquidity used to pay operating expenses and fund capital expenditures of underlying investments and to make new investments.

The Company believes that its income will continue to provide the necessary funds for short-term liquidity needs. However, material changes may arise, such as new investment opportunities or a change in timing of the TosCuba hotel development, whereby the Company will be required to obtain additional sources of funding or capital.

In the absence of appropriate Cuban security mechanisms over real estate (i.e. mortgage or hypothec) and given the perceived high level of risk associated with lending to Cuban borrowers, there is a lack of cost-effective leverage in the Cuban market, and the Company consequently does not currently have any loan or other credit facility indebtedness, either at the holding company level or at the level of each underlying investment. As a result, the Company is highly dependent on cash flows from operations and access to international capital markets in order to fund its operations and investment program. It is for this reason that the Company is considering a listing on an international stock exchange. Depending on the timing of new investment projects, the Company may need to raise significant new capital in order to fund its development activities in future.

However, Management believes that this absence of debt will allow the Company to successfully leverage its assets in the future, when the cost and other conditions of debt for Cuban assets becomes more acceptable, thereby allowing the Company to optimize its capital structure and to make further investments or to return capital to Shareholders.

## DISCLOSURE OF OUTSTANDING SHARE DATA

The Company has the power to issue an unlimited number of ordinary shares of no par value.

The total number of ordinary shares issued and fully paid as at 31 March 2015 and 2014 was 13,458,947.

## DIVIDENDS

Dividends paid during the 12 months ended for both 31 March 2015 and 2014 amounted to US$4,000,000 or US$0.297 per share.

## OPERATING RESULTS

Set out below is a summary of various components of the consolidated statement of comprehensive income of the Company. Discussion of these components is set out below.

| | 31 March 2015 US$ | 31 March 2014 US$ |
|---|---|---|
| **Income** | | |
| Dividend income | 7,755,757 | 6,423,689 |
| Interest income | 70,684 | 83,824 |
| Other income | 1,590,650 | 920,613 |
| | 9,417,091 | 7,428,126 |
| **Expenses** | | |
| Investment Manager fees | - | (215,528) |
| Selling costs | (1,381,263) | (845,239) |
| Management costs | (757,575) | (690,706) |
| Other staff costs | (419,045) | (362,737) |
| Other operating expenses | (1,050,579) | (1,133,510) |
| | (3,608,462) | (3,247,720) |
| Change in fair value of equity investments | 10,936,797 | 5,772,036 |
| Participation agreement payments to 3rd parties | (207,669) | (227,132) |
| Foreign exchange gain (loss) | (1,222,988) | 253,859 |
| **Net income for the year** | 15,314,769 | 9,979,169 |
| **Other comprehensive income** | | |
| Exchange differences of translation of foreign operations | (156,193) | - |
| **Total comprehensive profit** | 15,158,576 | 9,979,169 |
| **Net income for the year attributable to:** | | |
| Shareholders of the parent | 15,325,583 | 9,886,387 |
| Non–controlling interest | (10,814) | 92,782 |

### Income

The principal source of income of the Company is dividends received from the investments of the Company in Cuban joint venture companies that own commercial and hotel properties.

#### Dividend income

Dividend income earned by the Company from its investments in commercial and hotel properties is shown in the table below:

| | 31 March 2015 US$ | 31 March 2014 US$ |
|---|---|---|
| **Commercial property investments** | | |
| Inmobiliaria Monte Barreto S.A. | 4,897,304 | 3,959,189 |
| **Hotel property investments** | | |
| Miramar S.A. | 1,625,000 | 1,775,000 |
| CIHSA | 1,178,701 | 689,500 |
| | 2,803,701 | 2,464,500 |
| **Other investments** | | |
| Caricel Inc. | 54,752 | - |
| | 7,755,757 | 6,423,689 |

Dividend income of Monte Barreto was approximately US$938,000 higher in fiscal 2015 compared to fiscal 2014. The higher dividend income can be attributable to the increase in net income of Monte Barreto primarily as a result the implementation of a lower tax rate (from 30% to 15%) under the new Foreign Investments Act of 2014.

The dividend income of the Company relating to CIHSA and Miramar include dividends from the Company's equity interests as well as payments received under participation agreements. The dividends distributed by CIHSA represent dividends received from Cubacan, net of operating expenses and payments made under participation agreements of CIHSA.

### Interest Income

Interest income totalled US$70,684 for the twelve months ended 31 March 2015 compared to US$83,824 at 31 March 2014. Interest income derived primarily from a €500,000 loan facility extended by the Company that was repaid in January 2015 (see note 5 of the financial statements) as well as interest earned on bank deposits.

### Other Income

Other income totalled US$1,590,650 for the twelve months ended 31 March 2015 compared to US$920,613 at 31 March 2014. Other income was higher in fiscal 2015 is due to a higher sales income of GrandSlam. Included in other income is sales income of US$1,590,650 earned by GrandSlam (compared to US$913,076 in fiscal 2014).

## Operating Expenses

### Operating Expenses

*Investment Manager Fees*

Under the Investment Management Agreement dated 1 January 2008 (the "IMA"), the Investment Manager was entitled to receive compensation in the form of base fees, performance fees and IM Warrants. The IMA was terminated with effect on 30 April 2013 and management has been internalized as from 1 May 2013. Subsequently, the services of the principal managers of the Company have been contracted by the Company rather than through the Investment Manager.

Management fees totalled US$215,528 during fiscal 2014. As the IMA was terminated with effect on 30 April 2013, there was only one month of management base fees incurred during fiscal 2014 and no Management fees in fiscal 2015.

### Selling Costs

Selling costs totalled US$1,381,263 for the twelve months ended 31 March 2015, compared to US$845,239 for the period ended 31 March 2014. Selling costs are comprised of the costs of sales of GrandSlam and are a direct function of the level of sales income generated by GrandSlam that is included within other income.

### Management Costs

Management costs totalled US$757,575 for the twelve months ended 31 March 2015, compared to US$690,706 for the period ended 31 March 2014. Management costs are comprised of salaries and other employment costs of the Management of the Company. Management costs in fiscal 2014 represent 11 months of salaries and other costs of management subsequent to the termination of the IMA on 30 April 2014.

### Other Staff Costs

Other staff costs totalled US$419,045 for the twelve months ended 31 March 2015, compared to US$362,737 for the period ended 31 March 2014. Other staff costs are comprised of salaries and other employment costs of the employees of the Company's subsidiaries including the employees of the Havana offices of CPC responsible for the negotiation, acquisition, development and implementation of projects in Cuba.

### Other Operating Expenses

Operating expenses, excluding Investment Manager fees and staff costs, totalled US$1,050,579 for the twelve months ended 31 March 2015, compared to US$1,133,510 for the period ended 31 March 2014. These operating expenses were lower in fiscal 2015 primarily due to lower operational costs and administration fees, which was offset in part by higher legal fees, promotional expenses, and audit fees.

A discussion of selected operating expenses is provided below:

*Legal Expenses*

Legal expenses totalled US$229,000 for the twelve months ended 31 March 2015, compared to US$184,007 for the period ended 31 March 2014. Legal expenses were higher in fiscal 2014 primarily due to tax advisor fees of the Company's subsidiary, CEIBA Tourism in The Netherlands.

*Administration Fees and Expenses*

Administration fees and expenses totalled US$160,446 for the twelve months ended 31 March 2015, compared to US$233,836 for the period ended 31 March 2014. The administration fees and expenses are primarily comprised of the fees of the administrator of the Company, JTC (Guernsey) Limited ("JTC") and the administrator of the Company's subsidiaries CEIBA Tourism and Mosaico B.V., Intertrust (Netherlands) B.V. Included within the administration fees and expenses are administration fees earned by JTC of US$69,168 (2014: US$120,253). Under an administration and secretarial agreement that took effect 1 October 2013, JTC is entitled to receive an annual administration fee of £40,000 (US$59,272) from the Company. Prior to 1 October 2013, JTC was entitled to receive an administration fee from the Company based on a percentage of the net asset value. See note 14 of the financial statements for more information.

*Travel Expenses*

Travel expenses totalled US$120,414 for the twelve months ended 31 March 2015, compared to US$115,695 for the period ended 31 March 2014. Travel expenses are comprised primarily of travel between Cuba and Europe by the Executives and to Board meetings by the Directors. Also included within travel expenses are automotive costs of the representation office of CPC in Havana.

*Audit fees*

Audit fees totalled US$82,772 for the twelve months ended 31 March 2015, compared to US$73,411 for the period ended 31 March 2014. Audit fees consist primarily of fees of the Company's auditor, Ernst & Young.

### **Change in Fair Value of Equity Investments**

The investments of the Company in Cuban joint venture companies are recorded at fair value. Any changes in fair value are recognised in the consolidated statement of comprehensive income as change in fair value of equity investments in the period of the change. During the year ended 31 March 2015, the Company recognized an increase in the fair value of equity investments of US$10,936,797 compared to an increase of US$5,772,036 at 31 March 2014. The Company reviews the fair value of the equity investments each period to determine if adjustments are required due to the movement of various parameters based on available information relating to the underlying properties, including independent third party valuations, current working capital and the present value of future operating costs of the foreign shareholder.

Changes in the fair values of the equity investments of the Company are shown in the table below:

| | 31 March 2015 US$ | 31 March 2014 US$ |
|---|---|---|
| **Commercial property investments** | | |
| Inmobiliaria Monte Barreto S.A. | 9,759,127 | 2,467,969 |
| **Hotel property investments** | | |
| Miramar S.A. | 1,294,132 | 968,474 |
| CIHSA | (116,462) | 2,335,593 |
| | 1,177,670 | 3,304,067 |
| Total change in fair value of investments | 10,936,797 | 5,772,036 |

*2014 Foreign Investment Law*

On 29 March 2014, the National Assembly of Cuba approved 2014 Law No. 118 on Foreign Investment. The law came into force at the end of June 2014 and replaced the former 1995 Law No.77 on Foreign Investment. Changes in the 2014 law, compared to the 1995 law, include a reduction of the standard corporate tax rate applicable to Cuban joint venture companies from 30% to 15% and the removal of a tax on labour (see note 6).

*Fair Value of Monte Barreto*

Each period the fair value of the Company's interest in Monte Barreto is determined by the Directors of the Company taking into consideration various factors, including estimated future cash flows from the investment, estimated replacement costs, transactions in the private market and other available market evidence to arrive at an appropriate value. The Directors also take into account available information relating to the underlying properties, including current working capital.

At 31 March 2015, the Directors have determined that an appropriate fair value of the Company's 49% interest in Monte Barreto is US$69,349,635, after taking into consideration the current working capital of Monte Barreto. This resulted in an increase in the fair value of this investment by US$9,759,127, compared to an increase of US$2,467,969 in the prior fiscal year. See note 6 of the consolidated financial statements for more information.

*Fair Value of Miramar*

Each period the fair value of the equity investment in Miramar is determined by the Directors of the Company taking into consideration various factors including estimated future cash flows of the investment, estimated replacement costs, transactions in the private market and other available market evidence to arrive at an appropriate value. The Directors also take into account available information relating to the underlying hotel property, including historical cash flows generated by the underlying hotel properties and current working capital.

As noted previously, Miramar has been granted surface rights over the land upon which the Meliá Habana Hotel is constructed for an initial term of 25 years ending in 2023. The Miramar surface rights may be extended upon request by the joint venture company prior to expiry of the initial term and with prior Cuban government approval.

The Directors are confident that the term of the surface rights and the life of the joint venture will be extended in 2023. However, based on current discussions relating to the expiry of the usufruct rights of Cubacan, the Directors have determined that there is an increase in the level of uncertainty surrounding the question as to whether or not the term of the Miramar surface rights will be extended in 2023, as previously expected, or if the Joint Venture will then be liquidated. For this reason both the discount and capitalisation rates of the discounted cash flow model include, as a component, an additional 1% specific risk premium.

At 31 March 2015, the Directors have determined that the appropriate fair value of the Company's 43% interest in Miramar is US$21,168,150, after taking into consideration the current working capital of Miramar.

This resulted in an increase in the fair value of US$1,294,132, compared to an increase of US$968,474 in the prior fiscal year. See note 6 of the consolidated financial statements for more information.

*Fair Value of CIHSA*

Each period the fair value of the equity investment in CIHSA is determined by the Directors of the Company taking into consideration various factors including estimated future cash flows from the underlying investment in the Cuban joint venture company (Cubacan), estimated replacement costs, transactions in the private market and other available market evidence to arrive at an appropriate value. The Directors also take into account available information relating to the underlying hotel properties, including historical cash flows generated by the underlying hotel properties, current working capital and the present value of future operating costs of CIHSA.

As noted previously, Cubacan was granted usufruct rights over the parcels of land upon which the Varadero Hotels were constructed for an initial term of 25 years beginning in each case upon the start-up of operations of each hotel. The corporate documents stipulate that the Cubacan usufruct rights may, upon request by the joint venture company prior to expiry of the initial term and with prior Cuban government approval, be extended for successive periods of 5 years up to a maximum extension of 25 years. The usufruct rights relating to the three Varadero Hotels will expire on staggered dates corresponding in each case to the date that falls 25 years following the start-up of operations of each hotel.

In May 2015, the initial term of the usufruct rights of the Sol Palmeras Hotel expired. The usufruct rights of the Meliá Varadero Hotel will expire in 2017 and those of the Meliá Las Americas Hotel will expire in 2019. The expiry of the term of incorporation of the joint venture company is linked to the expiry of the usufruct right of the Meliá Las Americas Hotel (the last of the Varadero Hotels to start up operations and consequently the last to expire). CIHSA has been informed by CUBANACAN of its decision not to request the extension of the Sol Palmeras usufruct rights and instead to liquidate this asset, with payment of the required compensation (50% of the value of the Sol Palmeras Hotel) to CIHSA. Negotiations aimed at reaching agreement on the valuation and liquidation of the Sol Palmeras Hotel are presently underway. Notwithstanding the above formal steps, the Directors believe that there remains a possible scenario whereby the Company will retain an interest in the Sol Palmeras Hotel. In the meantime, pending the outcome of these negotiations, Cubacan continues to operate the Sol Palmeras Hotel.

In light of the information received from CUBANACAN, the Directors have taken the decision to calculate the fair value of CIHSA at March 31, 2015 as presented in these consolidated financial statements based upon the assumption that the usufruct rights of the Meliá Las Americas, Meliá Varadero and Sol Palmeras will not be renewed and that each hotel will be liquidated in 2019, 2017 and 2015, respectively; and that the joint venture will be dissolved in 2019. The discount and capitalisation rates of the discounted cash flow model include, as one of its components, an additional 1% specific risk premium to reflect the exposure, referred to above, concerning the final amount and timing of compensation that will be received.

In the financial statements at March 31, 2014, CIHSA's fair value was determined on the assumption that renewals were to take place, as this was deemed the most likely scenario on the basis of information available and expectations of the Directors at said date. Had the March 31, 2014 financial statements been prepared in accordance with the non-renewal premise, the value of CIHSA at the end of the prior financial year would have been US$21,023,050.

At 31 March 2015, the Directors have determined that the appropriate fair value of the Company's 27.75% interest in CIHSA (13.875% interest in Cubacan) is US$19,579,156, after taking into consideration the current working capital of Cubacan and the present value of future operating costs of CIHSA. This resulted in a decrease in the fair value by US$116,462, compared to an increase of US$2,335,593 in the prior fiscal year. See note 6 of the consolidated financial statements for more information.

*Fair Value of TosCuba*

As TosCuba currently has a hotel project under development, the Company has decided that an appropriate fair value of its interest in TosCuba is equal to the capital contributions that have been made by Mosaico to TosCuba to date. During fiscal 2015, capital contributions of US$150,000 were made to TosCuba.

*Fair Value of Caricel*

At 31 March 2015 and 2014, the Company had a 10% interest in Caricel Inc., which holds through its subsidiary a 50% interest in the Cuban joint venture company PROSA. PROSA operates a tissue paper mill that supplies the Cuban market. Each period the fair value of the Company's interest in Caricel Inc. is reviewed to determine if a fair value adjustment is required due to the movement of various parameters including changes in the projected cash flows of PROSA and other available market evidence. The current estimated fair value of the Company's interest in Caricel Inc. is US$225,000. There has not been a change in this fair value estimate from the prior fiscal year.

### Taxation

The Company had no charge for taxation for the 12 months ended 31 March 2014 or 2013. However, the investments of the Company in Cuban joint venture companies, which are accounted for at fair value and are not consolidated in the audited financial statements of the Company, are liable for the payment of Cuban corporate tax applicable to each joint venture company. For more detailed information regarding the tax status of the Company, its subsidiaries and investments, see note 3.8 of the audited consolidated financial statements.

## RISKS AND UNCERTAINTIES

In addition to the other information contained in this MD&A, the following factors should be carefully considered in evaluating the performance of or an investment in the Company. Investment in the securities of the Company, and in Cuban projects and businesses in general, involves certain inherent risks of a nature and degree not normally associated with an investment in companies holding similar assets in other locations.

The risks outlined below are additional to the normal risks inherent in any investment and are not exhaustive.

### Cuba Risks

#### Political and Economic Factors

Cuba remains a socialist country where the Cuban government maintains a very high degree of control over economic matters. Cuban government policies may have a significant impact on business in general and the prospects of the Company in particular. In addition, social and political goals may profoundly affect the use of market mechanisms and modern management systems to economic ends. There remain a large number of restrictions on the operations of foreign companies and foreign investment vehicles in Cuba and future changes in government policy may adversely affect the Company or its investments in Cuba.

Although Cuba has adopted a legal and regulatory system that encourages and protects foreign investment, this legal system and the institutions that implement it are not characteristic of a parliamentary democracy or a market economy. In addition, they are not as firmly entrenched as in more developed countries and lack an independent institutional history and regularly observed procedural safeguards. Although the Cuban market has been liberalized to a certain extent in recent years as regards foreign investment, and present policy appears to be aimed at further reform, the local economy remains highly centralized and regulated and there can be no assurance that such liberalization will be extended, that previously relaxed controls or regulations will not be re-imposed or that new restrictions will not be imposed in the future.

Although the Cuban economy has shown growth in recent years, continued growth and development will depend, among other factors, upon the ability of the Cuban government and people to successfully adapt to new circumstances, upon continued government support of foreign investment and upon external factors such as world oil prices, the state of the world tourism market, and the development of Cuba's relationships and alliances with countries such as the United States, Venezuela, China, its Caribbean neighbours and the other nations of Latin America. The depth and rate of implementation of announced reforms may have an important impact on the Cuban economy.

The U.S. Cuban Embargo has had, and is expected to continue to have, a significant adverse effect on the Cuban economy and the value of the investments of the Company. The restrictions imposed by the U.S. Cuban embargo affect the Cuban economy by prohibiting the purchase of Cuban products in the U.S. market and depriving Cuba of U.S. sources of capital, investment, finance, services and supplies (with the exception of agricultural commodities, certain medical products and food related consumer goods for which Cuba has to pay the U.S. sellers on a cash basis prior to shipment). Moreover, the U.S. travel restrictions imposed on U.S. citizens deprives the Cuban tourism industry of its most important natural source of tourists located just 150 km to the north.

### Cuban Legal System

The new Foreign Investment Act that came into force in July 2014 provides basic protections for foreign investments in Cuba, but such protections lack a detailed, comprehensive regulatory regime to provide consistent support and predictability.

In general, Cuban law derives from a variety of revolutionary and pre-revolutionary legislative instruments, and Cuban foreign investment vehicles are subject to certain provisions of the Cuban Commercial Code, Civil Code and other general legislation, but the legal rights of foreign investors may not be enforceable in Cuba to the same extent as they would be in fully developed industrialized states.

As in many other emerging markets, Cuba's legal and regulatory system is in a formative stage and lacks an independent institutional history and regularly observed procedural safeguards. There can be no assurance that previously relaxed controls or regulations will not be re-imposed or that new restrictions will not be imposed in the future. Existing laws and regulations may be applied inconsistently or in a discretionary manner and, in some circumstances, it may not be possible to obtain the legal remedies provided for under those laws and regulations, or to do so in a reasonably timely manner, and this may negatively affect the operations of the companies in which the Company has invested.

### Liquidity of Investments, Government Approval and Deadlock

All direct investments in Cuban joint venture companies and other foreign investment vehicles will generally be illiquid. Significant legislative changes will be required before direct interests in Cuban foreign investment vehicles can he held in a form that can be freely traded. In addition, although Cuba's Foreign Investment Act confirms that foreign investors have the right to transfer their interest in a Cuban foreign investment vehicle to the Cuban government or to a third party, all such transfers will be subject to the agreement of the Cuban partner in such vehicle and the prior approval of the Cuban government, and will be subject to the prevailing Cuban regulations and government policies at that time. In many cases, the Cuban partner or the Cuban government has a right of pre-emption in respect of direct and indirect transfers of interests in Cuban foreign investment vehicles.

Although the Company generally tries to structure its equity investments in Cuban foreign investment vehicles so as to include a viable exit strategy, these factors may limit the ability of the Company to formulate and execute appropriate realization strategies or to realize investments in the short or medium term and it is possible that no liquid market for the investments of the Company will develop. There can be no assurance that any required government approval will be granted when required by the Company.

The fact that many Cuban foreign investment vehicles in which the Company invests are structured as joint ventures where the Cuban and foreign parties have equal representation on management and other decision-making bodies may give rise to deadlock situations which may have an adverse effect on the ability of such partnerships to make key decisions affecting operations. Although generally no major decision affecting operations may be taken without the approval of the foreign party, the ongoing potential for deadlock may have a negative impact on the day-to-day management operations of one or more of the foreign investment vehicles in which the Company is invested.

### Achievement of Business Strategy and Competition

It is the belief of Management that the Company will be able to achieve significant shareholder value through its business strategy of engaging in direct equity investments in Cuba and finance transactions with Cuban parties and that there are presently no significant competitors for this strategy in Cuba. However, the Company is operating in high risk activities in an emerging market. No assurance may be given that the Company will be successful in achieving its business strategy as set out herein. Adverse changes or developments in economic, political, competitive or regulatory conditions, in the financial condition of persons to whom the Company has issued finance and many other factors may negatively impact the Company's ability to achieve its objective.

## Dependence on Key Officers

The Managers of the Company have significant experience in structuring, executing and implementing direct investment and finance transactions in Cuba, and in managing Cuban assets. The success of the investment strategy of the Company in Cuba will largely depend on the efforts and abilities of these Managers, and of the principal managers of the Subsidiaries of the Company, and their ability to perform their duties. There can be no assurance that these key managers will remain with the Company or that adequate replacement personnel with Cuba-relevant experience may be recruited in the event of departure. The key Managers include in particular Sebastiaan A.C. Berger, Cameron Young, Enrique Rottenberg and Paul Austin.

## Lack of Geographical Diversity in Asset Base

All of the revenues of the Company are derived from assets located in or related to Cuba. A prolonged downturn or other deterioration of economic or other conditions in the primary local market segments in which the Company is invested (commercial real estate, tourism), or in the Cuban economy generally, may negatively impact the performance of the Company, which would not be compensated by better performing assets located in other places.

## U.S. Issues

### *Helms–Burton Risk*

The Helms-Burton Act provides under Title III that U.S. Nationals that own a claim to property in Cuba will have a cause of action in U.S. federal courts against persons who "traffic" in such property if it was confiscated by the Cuban government on or after 1 January 1959. The application of Title III of the Helms-Burton Act has been suspended by Presidents Clinton, Bush and Obama since its adoption in 1996 and so no such claims have ever been brought. The term "U.S. National" is defined very broadly to include any U.S. citizen or legal entity organized under the laws of the United States, including persons who were not U.S. citizens at the time of confiscation but later became U.S. citizens and all U.S. companies formed prior to 12 March 1996 (the date of entry into force of the Helms-Burton Act). The term "confiscated" refers to the nationalization, expropriation or other seizure by the Cuban government of ownership or control of property on or after 1 January 1959, without the property having been returned or adequate and effective compensation provided, or without the claim to the property having been settled. A person "traffics" if that person knowingly (or having reason to know) and intentionally sells, manages, brokers, disposes of, acquires, holds an interest in, engages in a commercial activity using or otherwise benefiting from confiscated property or causes, directs or profits from trafficking. Given the broad definitions of these terms, there is no certain way for the Company to diligently verify whether or not a Helms-Burton action may exist in respect of a particular property. In addition, the wide scope of the term trafficking may be interpreted to include other trafficking activities of a Cuban partner unrelated to the property to be developed, from which the Company may be deemed to indirectly profit or benefit. Although the Company carries out reasonable due diligence investigations in respect of each investment of the Company, in the event that the President of the United States ever ceases to suspend the application of Title III of the Helms-Burton Act, the Company could be named as a defendant in one or more civil actions in the United States. Although it is expected that Title III of the Helms-Burton Act would be challenged as an illegal extra-territorial measure if it ever came fully into force, it remains entirely unclear whether U.S. courts, if and when called upon to review these provisions, will adopt a broad or narrow interpretation.

Because similar terms are used in Title IV of the Helms-Burton Act in connection with the exclusion of certain foreign persons from the United States, it is also possible that certain key officers, directors and/or managers of the Company could be excluded from the United States in the event that the U.S. authorities determine that the Company "traffics" in confiscated property and the Company fails to divest from such property or otherwise cease such activity.

### *Transfer Risks and Use of Intermediaries*

The Cuban Assets Control Regulations (CACR) provide that all transactions, transfers of credit and payments between, by, through, or to any banking institution, wherever located, with respect to any property subject to the jurisdiction of the United States (including currency, securities and certificates) or by any person (including a banking institution) subject to the jurisdiction of the United States are prohibited if they are made by or on behalf of any Cuban national. In addition, there is a total freeze on all Cuban assets located in the United States, both governmental and private, and on all financial dealings with Cuba. All property belonging to Cuban nationals in the possession or control of persons subject to the jurisdiction of the United States is "blocked" by operation of law. As a result, banks, clearing houses or other intermediaries that fall under the broad definition of U.S. Person contained in the CACR (including non-U.S. entities owned or controlled by U.S. entities), receiving unlicensed wire transfer instructions in which there is a Cuban interest, or any instrument in which there is a Cuban interest, must freeze the funds on their own books or block the instrument, regardless of origin or destination. Similarly, U.S. Persons that are depositaries, custodians, or other intermediaries must block all shares, certificates and/or other securities that fall into their possession. In practice, banks, clearing houses and other financial institutions, as well as depositaries, custodians and other intermediaries that are U.S. Persons or foreign subsidiaries of U.S. Persons normally freeze all funds, transfers, shares, certificates and/or other securities that have any relationship with or mention Cuba or a Cuban company at all.

Consequently, banking and financial institutions and clearing houses that are U.S. Persons may refuse to give effect to payment instructions or currency transfers and may freeze or block payments, funds, securities and/or certificates in their possession if such payments, funds, securities and/or certificates belong or relate to Cuba or to Cuban parties. In practice, many foreign banking and financial institutions that are not subject to the jurisdiction of the United States also comply with these provisions out of fear of reprisal. The Company is aware of these restrictions and risks, and carries out its international transfers so as to minimize the risk of seizure. However, certain payments and transfers may be made, without the knowledge of the Company, through intermediary banks that are U.S. Persons or foreign subsidiaries of U.S. Persons or otherwise decide to comply in certain circumstances, and there can be no assurance that funds of the Company will not be frozen by a bank, financial institution or clearing house in these cases or that the Company will not be adversely affected if for any reason any asset of the Company falls into the custody or control of any bank, financial institution, clearing house, depositary, custodian or other intermediary that is a U.S. Person or that otherwise falls under the jurisdiction of the United States or decides to comply with these provisions.

SHARES MAY NOT BE HELD, DIRECTLY OR INDIRECTLY, BY OR FOR THE BENEFIT OF ANY U.S. PERSON. SHAREHOLDERS OF THE COMPANY SHOULD BE AWARE OF THE ABOVE RISKS AND TAKE APPROPRIATE PRECAUTIONS SO AS TO ENSURE THAT THEIR SHARES AND/OR SHARE CERTIFICATES ARE NOT, AT ANY TIME, HELD OR TRANSFERRED THROUGH CUSTODIANS, DEPOSITARIES, OR OTHER INTERMEDIARIES THAT MAY IN ANY WAY BE CONSIDERED A U.S. PERSON WITHIN THE MEANING OF THE CACR.

### Cuban Statistics

The statistical information concerning Cuba in this document has been derived from sources the reliability of which cannot be assured and for which independent verification is often unavailable. Some of these statistics could be materially inaccurate and they should, therefore, be treated with due caution.

### Currency and Transfer Risk

In order to mitigate currency risk and any negative effect resulting from movements in the exchange rate between the Euro and the US Dollar, the Company may hedge its liquid investments in Euros.

The Cuban Convertible Peso ("CUC") is the single currency for all hard currency transactions in Cuba. Its value is presently pegged to be equivalent to the US Dollar. All Cuban state owned companies operate in CUCs and Cuban Pesos ("CUP"). Foreign companies are presently not allowed to operate in CUCs or CUPs and must carry out all transactions in foreign currency. The Cuban government has announced that it plans to unify the CUC and the CUP in the future, and consequently the fixed exchange rate between the US Dollar and the CUC, or between the CUC and the CUP, may be re-valued by the Cuban Central Bank and the CUC or the CUP may be imposed in all transactions in Cuba. It remains unknown how the unification of the CUC and the CUP will be carried out and how the operations of the Company will be effected thereby, although Cuba's Foreign Investment Act guarantees the free repatriation of profits and liquidation proceeds in freely convertible currency.

From 2009 to 2011, significant delays were reported in the transfer of hard currency (from Cuban to foreign bank accounts), a number of Cuban government bonds and other financial instruments were rescheduled to later dates and certain defaults under finance facilities were reported. The Cuban government announced that all of these problems were resolved by the end of 2011, but Cuba remains subject to various internal foreign exchange controls and the Company believes that the level of transfer risk associated with the repatriation of hard currency from Cuba is high and should be taken into account in all operations.

### Accounting Standards and Audit

The Company prepares its financial statements in accordance with IFRS. Where possible, the Company requires that its subsidiaries and all investment companies adhere to IFRS and that the financial statements of such subsidiaries and investment companies be audited by an international audit firm. However, it should be noted that Cuban companies (including joint venture companies in which the Company has invested) must generally prepare their financial statements in accordance with Cuban Financial Reporting Standards. Although existing Cuban Financial Reporting Standards have been modelled on IFRS, they may differ from internationally-recognized standards in important ways.

## Real Estate Risks

### Risks Incidental to the Ownership and Operation of Real Properties

The economic performance of the Company, the value of its real estate assets and ultimately the value of shareholder investments are subject to the risks normally associated with the ownership and operation of real properties. These real estate risks are applicable to both the commercial real estate and tourism real estate segments of the Company's business and include, without being limited to: regular downturns and other trends in the general economy; the cyclical nature of the real estate industry; local conditions in Cuba; changes in interest rates and the availability of financing; competition from other properties in Cuba; changes in market rental rates and the ability to rent space on favorable terms; the bankruptcy, insolvency, credit deterioration or other default by tenants; the need to periodically renovate, repair and re-lease space and the costs thereof; increases in maintenance, insurance and operating costs; civil disturbances, hurricanes, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses; the attractiveness of properties to tenants; and unpredictable changes to certain significant expenditures, including energy costs, property taxes, maintenance costs, mortgage payments, insurance costs and related charges that must be made regardless of whether or not a property is producing sufficient income to service these expenses.

### Joint Venture Risks

The Company is a shareholder of numerous Cuban joint venture companies that own the commercial and tourism real estate assets that the Company has invested in. Holding real estate assets through joint venture companies involves certain additional risks, including but not limited to: the possibility that joint venture partners may at any time have economic or business interests or goals that are inconsistent with those of the Company or take actions that may be contrary to its business strategy, requests, policies or objectives with respect to its real estate investments; the risk that joint venture partners may refuse or be unable to fund their agreed joint venture obligations, which may result in additional unforeseen financial demands on the Company to maintain and operate such properties; the risk that joint venture partners may, through their activities on behalf of or in the name of, the joint venture company, expose or subject the Company to liability; and the need to obtain the prior consent of joint venture partners with respect to certain major decisions, including the decision to distribute cash generated from the underlying assets or to refinance or sell a property. In addition, the sale or transfer of interests in Cuban joint venture companies are often subject to rights of first refusal and always require prior approval of the Cuban government.

### Tenant Risks

In the case of commercial real estate assets, the dividend income of the Company will be sensitive to the ability of key tenants of the underlying joint venture companies to meet their rent obligations and the ability to collect rent from these tenants. The amount of profits may be largely dependent on income derived from rent paid by such tenants. In the event that a key tenant defaults on or ceases to satisfy its payment obligations under, or terminates its lease, the business, operating results and financial condition of the underlying joint venture companies could be adversely affected and there may be a corresponding negative impact on the Company. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced on economically attractive terms. In certain cases, tenants may have a contractual or statutory right to terminate leases prior to the expiration of their term. In the event that a lease is terminated prior to its term, the terms of any subsequent lease may be less favourable to the underlying joint venture company than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as a lessor may be experienced and substantial costs in protecting lessor rights may be incurred. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow of the joint venture company. Costs may be incurred in making improvements or repairs required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the financial condition of the joint venture company, and ultimately on the Company.

### Access to Capital and Global Capital Market Conditions

The commercial and tourism real estate sectors are very capital intensive. The Company will require access to capital to fund its joint venture obligations, as well as to fund its growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms and the Company may be impacted by continued concerns and uncertainty in global capital markets. Failure by the Company to access required capital could adversely impact the Company's financial condition and results of operations and decrease the amount of cash available for distribution.

### Liquidity of Real Property Investments

Real property investments are relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. In addition, there is presently no free market for the purchase and sale of real estate assets in Cuba and all real estate transactions presently require prior Cuban government approval, rendering further illiquid the real estate assets in which the Company invests. Such illiquidity may tend to limit the ability of the Company to vary its portfolio promptly in response to changing economic or investment conditions. If the Company or the joint venture companies in which it has invested were to be required to liquidate their real property investments, the resulting proceeds may be significantly less than the aggregate carrying value on the books of the Company.

### Acquisition and Development Risk

An element of the Company's business strategy is to increase the number of commercial properties and hotels under ownership. Growth prospects will therefore depend in large part on identifying suitable acquisition and development opportunities, pursuing such opportunities and carrying out acquisitions and development activities, in both the commercial and tourism segments of its business. If the Company is unable to manage its growth and integrate its acquisitions and development activities effectively, its business, operating results and financial condition could be adversely affected. Acquisition and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities, delays, cost overruns and other factors which may have a material adverse impact on the operations and financial results of the Company. Representations and warranties given by third parties to the Company may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, properties acquired by the Company or the joint venture companies in which it has invested may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

The Company will also face construction, finance and capital risks associated with the development of new construction projects in Cuba. There can be no assurance that the Company will be able to obtain financing or capital for projects or that the terms on which such financing or capital can be obtained will be acceptable.

Additionally, any construction project entails significant construction risks that could delay or result in a substantial increase in the cost of construction. The completion and opening of newly constructed properties, in particular, is contingent upon, among other things, receipt of all required licences, permits and authorizations, including local land use permits, building and zoning permits, health and safety permits and others.

### Competition

Although generally there are high barriers to entry into the Cuban real estate investment market, other developers, managers and owners of properties may compete with the Company and the joint venture companies in which it has invested. Some of these competitors may be better capitalized and stronger financially and hence better able to withstand an economic downturn, or may be Cuban government entities that have other competitive advantages. The existence of competition for tenants could have an adverse effect on the ability of the Company and the joint venture companies in which it has invested to lease space in their properties and on the rents charged or concessions granted, and could adversely affect the revenues of the Company.

### General Uninsured Losses

The joint venture companies in which the Company has invested carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. The underlying assets will have insurance for earthquake and hurricane risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, the Company may lose its investment in, and anticipated profits and cash flows from, one or more of its properties.

### Interest Rate Exposure

At present, given the absence of external debt, CEIBA has limited exposure to interest rate fluctuations. However, certain financial assets of CEIBA have floating interest rate components and consequently fluctuations may have an impact on the earnings of the Company.

### Environmental and other Regulatory Liabilities

As an owner of interests in real property, the Company and the joint venture companies it has invested in are subject to various Cuban laws relating to environmental matters. The Company acts at all times so as to cause the joint venture companies in which it has invested to comply fully with such laws. These laws could hold the joint venture companies liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in their properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the financial position of the joint venture companies as well as the ability of the Company to sell its investment therein or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings. The Company is not aware of any material non-compliance with environmental laws at any of the properties in which it has invested, which were all green-field developments. CEIBA is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of these properties, or any material pending or threatened claims relating to environmental conditions. The Company will at all times vote its shares so as to cause the joint venture companies to make the necessary capital expenditures for compliance with environmental laws and regulations.

Environmental laws and regulations can change rapidly and the joint venture companies may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the business, financial condition and results of operations of the joint venture companies and of the Company.

The joint venture companies may also incur significant costs complying with other regulations. Their properties are subject to various regulatory requirements, such as fire, health and safety requirements. In the event that the joint venture companies fail to comply with these requirements, they could incur fines or private damage awards. The Company believes that the properties in which it has invested are currently in material compliance with all of these regulatory requirements. However, existing requirements may change and compliance with future requirements may require significant unanticipated expenditures that will affect cash flow and results of operations.

## Tourism Risks

### General Tourism Risks

The Company holds significant interests in Cuban joint venture companies that own hotel properties. The operations and results of these properties are subject to operating risks inherent to the tourism industry generally. These risks include, among other things:

- changes in general, international, local and industry–specific economic and financial conditions
- the cost and availability of air travel
- seasonal variations in cash flow
- periodic overbuilding in the industry or a specific market
- varying levels of demand for rooms and related services (including food and beverage and function space) caused by seasonal and other variations in the travel industries, both in outbound and inbound markets
- competition from other properties
- changes in travel patterns
- the recurring need for renovation, refurbishment and improvement of hotel and resort properties
- changes in wages, benefits, prices, construction and maintenance, insurance and operating costs that may result from inflation or otherwise
- government regulations
- changes in taxes and interest rates
- currency fluctuations
- the availability and cost of capital and financing for operating or capital requirements
- natural disasters and extreme weather conditions such as hurricanes
- labour disputes
- infectious diseases
- war, civil unrest, terrorism, international conflict and political instability.

The conditions listed above may have a significant adverse impact upon individual properties or particular regions. A period of economic recession or downturn in any of the world's primary outbound travel markets could materially and adversely affect the business, results of operations and financial condition of the Company. An economic downturn generally affects ownership results to a significantly greater degree than management results due to the high fixed costs associated with hotel ownership.

### Extreme Weather Conditions and other Disasters

Some of the properties in which the Company has invested may experience extreme weather conditions, including in particular hurricanes and related flooding, which may affect the hotels as well as customer travel. From time to time, this can have a significant adverse financial impact on the properties or the regions in which they are located. Properties are also vulnerable to the effects of destructive forces, such as earthquakes, fire, storms and flooding. Although the properties are insured against property damage, damages resulting from acts of God or terrorism may exceed the limits of the insurance coverage or be outside the scope of the coverage.

### Competition

Each of the Company`s hotel properties competes with other hotel properties in Cuba to attract guests. Competition for guests is based primarily on brand name recognition, convenience of location, quality of the property, room rates and the diversity and quality of food, services and amenities offered. Demographic, political or other changes in Cuba could adversely affect the convenience or desirability of the Company's properties. The Company also competes for employees.

The Company's ability to remain competitive and to attract and retain business and leisure travelers will depend on its success in distinguishing the quality, value, and efficiency of its lodging products and services from those offered by others. If the Company is unable to compete successfully in these areas, operating margins, market share and earnings may be affected.

### Management Risk

All of the operating hotel properties in which the Company has an interest are managed by a third-party hotel operator. Hotel management contracts are executed and expire, and may be terminated or renegotiated, in the normal course of business. Although the Company has invested in properties that are managed by the dominant hotel operator in Cuba, there can be no assurance that the joint venture companies that own the properties will be able to successfully maintain their relationship with this operator, or that the management efforts of this operator will be successful in the future.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

### Changes in Accounting Policies

*Standards and interpretations applicable in this year*

The accounting policies are consistent with those applied in the previous year.

During the year ended 31 March 2015 the following new IFRS and/or modifications became effective. There were no significant effects to the consolidated financial statement as a result of the adoption of these standards.

#### Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company.

#### Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company, since none of the entities in CEIBA has any offsetting arrangements.

#### Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as CEIBA has not novated its derivatives during the current or prior periods.

#### IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

#### Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

#### Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since CEIBA is an existing IFRS preparer.

*Standards and interpretations issued by the IASB, but not applicable in this year*

At the date of publication of the financial statements, the following standards, amendments and interpretations had been issued by the IASB, but they were not mandatory:

### IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

### IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

### Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

### Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

### IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

### IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

### IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

### IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

### IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

### Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

### IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

### IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

### IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

### Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

### Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

The Company intends to adopt these standards, amendments and interpretation, if they apply, when they become effective. The Company is currently assessing the impact of them.

## Critical Accounting Policies

The critical accounting policies of the Company are those that management believes are the most important in portraying the financial condition and results of operations, and require the most subjective judgment and estimates on the part of management.

### Equity Investments

Equity investments include the direct and indirect interests of the Company in Cuban joint venture companies, which in turn hold commercial properties, hotel properties and hotel properties under development. Cuban joint venture companies are incorporated under Cuban law and have both Cuban and foreign shareholders.

Equity investments of the Company are recorded at fair value in accordance with IAS 39, Financial Instruments: Recognition and Measurement, on the basis of the exception provided for per IAS 28.18. Changes in fair value are recognised in the statement of comprehensive income in the period of the change. Dividends from equity investments are recognised when the Company's right to receive payment of the dividend is established.

### Dividend Income

Dividend income arising from the Company's equity investments designated at fair value through profit or loss is recognised in the consolidated statement of comprehensive income when the Company's right to receive payment is established.

### Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is recognised in the consolidated statement of comprehensive income.

### Fees and Expenses

All fees and expenses are recognised in the statement of comprehensive income on the accrual basis as the related services are performed. Transaction costs incurred during the acquisition of an investment are recognised within the expenses in the consolidated statement of comprehensive income. Transaction costs incurred on the disposal of investments are deducted from the proceeds of sale.

### Use of Estimates

The preparation of the Company's consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the loan provision and the valuation of equity investments. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

In determining estimates of recoverable amounts and fair values for its loans and advances and equity investments, the Company relies on independent valuations, historical experience, and assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the carrying amounts could change and, potentially, by a material amount. No loan loss provision was necessary at 31 March 2015 and 2014.

## RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company enters into various transactions on market terms with related parties that have been measured at exchange value and are recognized in the audited consolidated financial statements.

The compensation of the Directors and their individual interest in the share capital of the Company is disclosed in note 14 of the consolidated financial statements.

Enrique Rottenberg and Sebastiaan A.C. Berger are Directors of the Company and also directors of various subsidiaries of the Company. Enrique Rottenberg, Sebastiaan A.C. Berger and Colin Kingsnorth are Directors of the Company and also directors and shareholders of the former Investment Manager, CEIBA International Management Ltd., which received compensation from the Company in the form of management fees for the year ended 31 March 2014 totalling US$215,528. Cameron Young is also a director of various subsidiaries of the Company and was also a director of the Investment Manager. The Investment Management Agreement was terminated with effect from 30 April 2013.

The Company, through a subsidiary, had an agreement with the Investment Manager for the use of office space, furnishings, equipment, and communication facilities. For the year ended 31 March 2014, the Company earned total fees for the above of US$3,846. These fees are accounted for as other income. The agreement with the Investment Manager was terminated with effect from 30 April 2013.

Included within management costs for the year ended 31 March 2015 of US$757,575 (2014: US$690,706) are costs related to payments regarding Sebastiaan A.C. Berger for his services as country representative of CPC, and fees payable by CEIBA Tourism and CEIBA Investments Limited to companies in which he has a non-controlling interest totalling US$253,261 (2014: US$234,631). Also included within management costs for the year ended 31 March 2015 are costs related to payments regarding Enrique Rottenberg for his services as General Manager of Monte Barreto and director of CEIBA MTC totalling US$261,450 (2014: US$229,800).

Certain subsidiaries of the Company lease office space from Monte Barreto, a commercial property investment in which the Company holds a 49% interest. The rental charges paid under these leases are accounted for in operational costs and for the year ended 31 March 2015 and 2014 amounted to US$133,648.

# DIRECTORS' REPORT

The Directors present their consolidated financial statements for the year ended 31 March 2015.

### Activities

The principal investment objective of CEIBA Investments Limited ("CEIBA" or the "Company") is to achieve long-term capital growth from direct and indirect investment in or with Cuban businesses, primarily in the tourism and commercial real estate sectors, and other financial transactions and revenue-generating investments primarily related to Cuba.

The Company is represented in Cuba by CEIBA Property Corporation Limited ("CPC"), a wholly-owned subsidiary of the Company. CPC's Havana office has a team of Cuban and foreign professionals with a proven track record of successful negotiation, acquisition, development and implementation of projects in Cuba. In particular, the following activities are carried out from the Havana office:

(i) The monitoring and supervision of the activities of the operating assets that the Company has invested in;
(ii) The sourcing, analysis and negotiation of potential acquisitions and new development projects; and
(iii) The structuring and coordination of treasury and finance operations.

### Performance and Results

The income of the Company is primarily represented by dividend income of US$7,755,757 (2014: US$6,423,689) earned by the Company from its commercial and tourism real estate investments (see note 6). Changes in the fair value of equity investments resulted in an increase in value of US$10,936,797 (2014: US$5,772,036).

The net income attributable to the shareholders for year ended 31 March 2015 amounted to US$15,325,583 (2014: US$9,886,387). There was no charge for taxation.

### Dividends

Dividends paid during each of the years ended 31 March 2015 and 2014 amounted to US$4,000,000 or US$0.297 per share.

### Directors and their interests

Except as stated in note 14 to the consolidated financial statements, no Director has had an interest in any transaction which, during the reporting period, was carried out by the Company, or any interest, direct or indirect, in the promotion of the Company or in any assets which have been acquired or disposed of or leased to the Company or are proposed to be acquired, disposed of by or leased to the Company. The names of the Directors and their interests in the share capital of the Company as at 31 March 2015 are shown in note 14.

### Auditors

The appointment of Ernst & Young as the Company's auditors was approved at the Annual General Meeting of the Company held on 11 December 2014.

Approved by the Board of Directors on 7 July 2015 and signed on its behalf:

| | |
|---|---|
| Sebastiaan A.C. Berger | John Herring |
| Director | Director |

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have elected to prepare consolidated financial statements of the Company for the year ended on 31 March 2015, which give a true and fair view of the state of affairs of the Company and of the income or loss for the year then ended. In preparing these consolidated financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors have assumed responsibility for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and for ensuring that the consolidated financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls and engaging the independent auditors. The Directors carry out this responsibility through the Audit Committee, which meets regularly with Management and the independent auditors. The Audit Committee is composed of three members who are independent of Management. The consolidated financial statements have been reviewed and approved by the Directors and the Audit Committee. The independent auditors have direct and full access to the Audit Committee and Directors. In so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

# INDEPENDENT AUDITORS' REPORT

**To the Shareholders of CEIBA Investments Limited:**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of CEIBA Investments Limited (hereinafter the "Company"), which include the consolidated statement of financial position as at 31 March 2015, and the consolidated statements of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Director's Responsibility for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the Companies (Guernsey) Law, 2008. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies (Guernsey) Law, 2008.

**Emphasis paragraph**

Without affecting our favorable audit opinion, we draw attention to the contents of note 6, which details the assumptions made in determining the fair value of investments whose concessions are subject to periodic renewal upon maturity. As shown in the note, the Company has analyzed alternative scenarios and has used the one that has yielded the more likely scenario on the basis of information available and expectations of the Directors. Notwithstanding, both the outcome of future renewals and their costs inevitably have an element of uncertainty, which could impact the basis which has been used currently for the said valuation.

Caribbean Professional Services, Ltd
Worthing Corporate Center
Christ Church, Bridgetown
Barbados, W.I.

**Report on other legal and regulatory requirements**
We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

– The Company has not kept proper accounting records; or
– The consolidated financial statements are not in agreement with the accounting records; or
– We have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

30 July 2015

Ernst & Young

**Ernst & Young**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## As at 31 March 2015

| | Note | 2015 US$ | 2014 US$ |
|---|---|---|---|
| **NON–CURRENT ASSETS** | | | |
| Equity investments | 6 | 113,376,648 | 102,289,851 |
| Accounts receivable and accrued income | 8 | 131,983 | 231,783 |
| Property, plant and equipment | 7 | 396,375 | 419,191 |
| | | **113,905,006** | **102,940,825** |
| **CURRENT ASSETS** | | | |
| Accounts receivable and accrued income | 8 | 1,937,330 | 520,490 |
| Loans and advances | 5 | - | 688,694 |
| Cash and cash equivalents | 9 | 2,659,040 | 3,864,143 |
| | | **4,596,370** | **5,073,327** |
| **TOTAL ASSETS** | | **118,501,376** | **108,014,152** |
| **CURRENT LIABILITIES** | | | |
| Accounts payable and accrued expenses | 10 | 1,756,480 | 1,696,719 |
| | | **1,756,480** | **1,696,719** |
| **TOTAL LIABILITIES** | | **1,756,480** | **1,696,719** |
| **TOTAL NET ASSETS** | | **116,744,896** | **106,317,433** |
| **REPRESENTED BY:** | | | |
| **EQUITY** | | | |
| Share capital | 11 | 19,014,379 | 19,014,379 |
| Share premium | 11 | 49,657,630 | 49,657,630 |
| Special reserve held for distribution | | 33,620,289 | 37,620,289 |
| Revaluation reserve | | 173,199 | 173,199 |
| Retained earnings / (deficit) | | 13,753,404 | (1,572,179) |
| Other components of equity | | (156,193) | - |
| **EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT** | | **116,062,708** | **104,893,318** |
| Non–controlling interest | | 682,188 | 1,424,115 |
| **TOTAL EQUITY** | | **116,744,896** | **106,317,433** |
| Net asset value per share attributable to the shareholders of the parent | | 8.6235 | 7.7936 |

Notes 1 to 21 form an integral part of these consolidated financial statements.

J.A.H.

Sebastiaan A.C. Berger
Director

John Herring
Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
### For the year ended 31 March 2015

| | Note | 2015 US$ | 2014 US$ |
|---|---|---|---|
| **INCOME** | | | |
| Dividend income | 6 | 7,755,757 | 6,423,689 |
| Interest income | | 70,684 | 83,824 |
| Other income | | 1,590,650 | 920,613 |
| | | **9,417,091** | **7,428,126** |
| **EXPENSES** | | | |
| Management fees | 14 | - | (215,528) |
| Selling costs | | (1,381,263) | (845,239) |
| Management costs | 14 | (757,575) | (690,706) |
| Other staff costs | | (419,045) | (362,737) |
| Operational costs | | (217,664) | (308,375) |
| Administration fees and expenses | 13 | (160,446) | (233,836) |
| Legal expenses | | (229,000) | (184,007) |
| Travel | | (120,414) | (115,695) |
| Director fees and expenses | 14 | (111,844) | (101,974) |
| Audit fees | | (82,772) | (73,411) |
| Miscellaneous expenses | | (86,806) | (62,348) |
| Depreciation | 7 | (41,633) | (49,986) |
| Custodian fees | 13 | - | (3,878) |
| | | **(3,608,462)** | **(3,247,720)** |
| Change in fair value of equity investments | 6 | 10,936,797 | 5,772,036 |
| Foreign exchange gain (loss) | | (1,222,988) | 253,859 |
| Participation agreement payments to 3rd parties | | (207,669) | (227,132) |
| **NET INCOME FOR THE YEAR** | | **15,314,769** | **9,979,169** |
| **NET OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS** | | | |
| Exchange differences of translation of foreign operations | | (156,193) | - |
| **TOTAL COMPREHENSIVE PROFIT** | | **15,158,576** | **9,979,169** |
| **NET INCOME FOR THE YEAR ATTRIBUTABLE TO:** | | | |
| Shareholders of the parent | | 15,325,583 | 9,886,387 |
| Non–controlling interest | | (10,814) | 92,782 |
| Basic and diluted earnings per share | 15 | 1.14 | 0.73 |

Notes 1 to 21 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

John Herring
Director

## CONSOLIDATED STATEMENT OF CASH FLOWS
## For the year ended 31 March 2015

| | Note | 2015 US$ | 2014 US$ |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net comprehensive profit for the year | | 15,158,576 | 9,979,169 |
| **Items not effecting cash:** | | | |
| Depreciation | | 41,633 | 49,986 |
| Non-controlling interest acquired in excess of purchase price | | (84,901) | - |
| Interest income | | (70,684) | (83,824) |
| Write off of loans and advances | | - | 47,683 |
| Change in fair value of equity investments | 6 | (10,936,797) | (5,772,036) |
| | | 4,107,827 | 4,220,978 |
| (Increase) decrease in accounts receivable and accrued income | | (1,290,239) | 56,372 |
| Increase (decrease) in accounts payable and accrued expenses | | 59,761 | (115,238) |
| Interest received | | 127,693 | 26,816 |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | | **3,005,042** | **4,188,928** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of equity investments | 6 | (150,000) | (100,000) |
| Purchase of non-controlling interest | 4 | (646,212) | - |
| Sale of equity interest in subsidiary | | - | 730,156 |
| Purchase and disposal of property, plant & equipment (net) | 7 | (18,817) | (41,321) |
| Loans and advances disbursed | | - | (688,694) |
| Loans and advances repaid | | 604,884 | - |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | | **(210,145)** | **(99,859)** |
| **FINANCING ACTIVITIES** | | | |
| Payment of cash dividends | | (4,000,000) | (4,000,000) |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | | **(4,000,000)** | **(4,000,000)** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | | **(1,205,103)** | **89,069** |
| Cash and cash equivalents at start of the year | | 3,864,143 | 3,775,074 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | | **2,659,040** | **3,864,143** |

Notes 1 to 21 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

John Herring
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
### For the year ended 31 March 2015

| | Note | 2015 US$ | 2014 US$ |
|---|---|---|---|
| **SHARE CAPITAL** | | | |
| Initial balance | | 19,014,379 | 19,014,379 |
| Final balance | | **19,014,379** | **19,014,379** |
| **SHARE PREMIUM** | | | |
| Initial balance | | 49,657,630 | 49,657,630 |
| Final balance | | **49,657,630** | **49,657,630** |
| **SPECIAL RESERVE** | | | |
| Initial balance | | 37,620,289 | 41,620,289 |
| Dividends paid | | (4,000,000) | (4,000,000) |
| Final balance | | **33,620,289** | **37,620,289** |
| **REVALUATION RESERVE** | | | |
| Initial balance | | 173,199 | 173,199 |
| Final balance | | **173,199** | **173,199** |
| **RETAINED EARNINGS / (DEFICIT)** | | | |
| Initial balance | | (1,572,179) | (11,458,566) |
| Net income for the year attributable to shareholders of the parent | | 15,325,583 | 9,886,387 |
| Final balance | | **13,753,404** | **(1,572,179)** |
| **OTHER COMPONENTS OF EQUITY** | | | |
| Initial balance | | - | |
| Net other comprehensive loss to be reclassified to profit or loss in subsequent periods | | (156,193) | - |
| Final balance | | **(156,193)** | **-** |
| **EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT** | | **116,062,708** | **104,893,318** |
| **NON–CONTROLLING INTEREST** | | | |
| Initial balance | | 1,424,115 | - |
| Non–controlling interest (acquired) generated during year | | (731,113) | 1,331,333 |
| Net (loss) income for the year attributable to non–controlling interest | | (10,814) | 92,782 |
| Final balance | | **682,188** | **1,424,115** |
| **TOTAL EQUITY** | | **116,744,896** | **106,317,433** |

Notes 1 to 21 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

John Herring
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

## 1. CORPORATE INFORMATION

These consolidated financial statements for the year ended 31 March 2015 include the accounts of CEIBA Investments Limited and its subsidiaries, which are collectively referred to as the "Company" or "CEIBA". These consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 7 July 2015.

CEIBA, through its subsidiaries, is an international investment and development company that was incorporated in 1995 in Guernsey, Channel Islands as a Registered Closed Ended Collective Investment Scheme for the purpose of investing in Cuba. On 1 May 2013, the status of the Company changed to an unregulated investment company rather than a regulated investment fund. The registered office of the Company is located at Frances House, Sir William Place, St. Peter Port, Guernsey, Channel Islands GY1 4HQ.

The principal holding and operating subsidiary of the Company is CEIBA Property Corporation Limited ("CPC") which holds a license issued by the Cuban Chamber of Commerce and has offices in Cuba located at the Miramar Trade Center, Edificio Barcelona, Suite 401, 5ta Avenida, esq. a 76, Miramar, Playa, La Habana, Cuba.

The principal investment objective of CEIBA is to achieve long-term capital growth from direct and indirect investment in or with Cuban businesses, primarily in the tourism and commercial real estate sectors, and other financial transactions and revenue-generating investments primarily related to Cuba.

The Company invests in Cuban joint venture companies that are active in two major segments of Cuba's real estate industry: (i) the development, ownership and management of revenue-producing commercial properties, and (ii) the development, ownership and management of hotel properties. In addition, the Company occasionally arranges and participates in secured finance facilities and other interest-bearing financial instruments granted in favour of Cuban borrowers, primarily in the tourism sector. The Company's asset base is primarily made up of equity investments in Cuban joint venture companies that operate in the real estate segments mentioned above.

The majority of employees are contracted through third party entities or receive a fixed monthly salary. The Company and its subsidiaries do not have any obligations in relation to other future employee benefits.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance and basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value through the statement of comprehensive income, in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB").

### 2.2 Functional and presentation currency

These consolidated financial statements are presented in United States Dollars ("US$"), which is the Company's functional currency.

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates.

### 2.3 Use of estimates and judgments

The preparation of the Company's consolidated financial statements, in conformity with IFRS, requires Management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the loan provision and the valuation of equity investments. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

In determining estimates of recoverable amounts and fair values for its loans and advances and equity investments, the Company relies on independent valuations, historical experience, assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events (see note 6).

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the carrying amounts could change and, potentially, by a material amount.

### 2.4 Changes in accounting policies

*Standards and interpretations applicable in this year*

The accounting policies are consistent with those applied in the previous year.

During the year ended 31 March 2015 the following new IFRS and/or modifications became effective. There were no significant effects to the consolidated financial statement as a result of the adoption of these standards.

*Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company.

*Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company, since none of the entities in CEIBA has any offsetting arrangements.

*Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as CEIBA has not novated its derivatives during the current or prior periods.

*IFRIC 21 Levies*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010–2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

### Annual Improvements 2011–2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since CEIBA is an existing IFRS preparer.

*Standards and interpretations issued by the IASB, but not applicable in this year*

At the date of publication of the financial statements, the following standards, amendments and interpretations had been issued by the IASB, but they were not mandatory:

*IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

*IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

*Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

### Annual improvements 2010–2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

*IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

*IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

*IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

### Annual improvements 2011–2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

*IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

*IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

*Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

*Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

The Company intends to adopt these standards, amendments and interpretation, if they apply, when they become effective. The Company is currently assessing the impact of them.

### 2.5 Segment reporting

A segment is a distinguishable component of the Company that is engaged in the provision of products or services (business segment), which is subject to risks and rewards that are different from those of other segments. The primary segment reporting format of the Company is determined to be business segments as the Company's risks and returns are affected by the differences in investment activities. Geographical segment information is not relevant since all the Company's operating businesses are located in Cuba.

### 2.6 Equity investments

Equity investments include the direct and indirect interests of the Company in Cuban joint venture companies, which in turn hold commercial properties, hotel properties and hotel properties under development. Cuban joint venture companies are incorporated under Cuban law and have both Cuban and foreign shareholders.

Equity investments of the Company are recorded at fair value in accordance with IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), on the basis of the exception provided for per IAS 28.18. Changes in fair value are recognised in the statement of comprehensive income in the period of the change. Dividends from equity investments are recognised when the Company's right to receive payment of the dividend is established.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### 3.1 Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2015. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control. The Company has direct and indirect interests in Cuban joint venture companies that are not consolidated in the consolidated financial statements, but are accounted for in accordance with IAS 39. Consequently, the investments in these entities are recorded at fair value, with changes in fair value recognised in the statement of comprehensive income in the period of the change.

The Company had direct and indirect equity interests in the following entities as at 31 March 2015 and 2014:

| Entity Name | Country of Incorporation | Equity interest held by the Company or holding entity | |
|---|---|---|---|
| | | 2015 | 2014 |
| 1. CEIBA Property Corporation Limited (a) (i) | Guernsey | 100% | 100% |
| 1.1. CEIBA Publications Limited (a) (ii) | Guernsey | 100% | 100% |
| 1.2. GrandSlam Limited (a) (iii) | Guernsey | 100% | 100% |
| 1.3. Antilles Property Limited (a) (v) | Guernsey | 100% | 100% |
| 1.4. CEIBA MTC Properties Inc. (a) (iv) | Panama | 100% | 100% |
| 1.4.1. Inmobiliaria Monte Barreto S.A. (b) (vi) | Cuba | 49% | 49% |
| 1.5. CEIBA Tourism Coöperatief U.A. (a) (vii) | Netherlands | 100% | 100% |
| 1.5.1. Corporación Interinsular Hispana S.A. (b) (iv) | Spain | 15% | 15% |
| 1.5.1.1. Cuba Canarias S.A. (c) (viii) | Cuba | 50% | 50% |
| 1.5.2. HOMASI S.A. (a) (iv) | Spain | 100% | 95% |
| 1.5.2.1. Miramar S.A. (b) (ix) | Cuba | 50% | 50% |
| 1.5.3. Mosaico B.V. (a) (iv) | Netherlands | 80% | 80% |
| 1.5.3.1. Mosaico Hoteles S.A. (a) (iv) | Switzerland | 100% | 100% |
| 1.5.3.1.1. TosCuba S.A. (b) (x) | Cuba | 50% | 50% |
| 2. Industrias Antillanas Limited (a) (iv) | Guernsey | 100% | 100% |
| 2.1. Caricel Inc. (b) (iv) | Barbados | 10% | 10% |
| 2.1.1. Caripap Inc. (c) (xi) | Barbados | - | 50% |
| 2.1.2. Intercan Inc. (c) (iv) | Barbados | 100% | 100% |
| 2.1.2.1. Productos Sanitarios S.A. (c) (xii) | Cuba | 50% | 50% |
| 3. CEIBA Finance Corporation Limited (a) (xiii) | Guernsey | 100% | 100% |

(a) Company consolidated at 31 March 2015 and 2014.
(b) Company accounted at fair value at 31 March 2015 and 2014.
(c) Underlying operating company.

(i) Holding company for the Company's interests in real estate investments in Cuba that are facilitated by a representative office in Havana.
(ii) Publication company dedicated to publications related to Cuba.
(iii) Operates a travel agency that provides services to international clients for travel to Cuba.
(iv) Holding company for underlying investments, conducting no operating activity and with no other significant assets.
(v) Company which is currently inactive and in the process of being liquidated.
(vi) Joint venture company that holds the Miramar Trade Center as its principal asset.
(vii) Dutch co–operative responsible for the management of the Company's investments in tourism.
(viii) Joint venture company that holds as its principal assets the Meliá Las Américas Hotel, Meliá Varadero Hotel and Sol Palmeras Hotel.
(ix) Joint venture company that holds the Meliá Habana Hotel as its principal asset.
(x) Joint venture company incorporated to build a beach hotel in Trinidad, Cuba.
(xi) Trading company that imports and exports paper products primarily to/from Cuba. This company was dissolved on 3 October 2014.
(xii) Company that operates a paper mill in Cuba producing tissue paper products.
(xiii) Finance company that invests primarily in short–term financing instruments related to Cuba.

All inter-company transactions, balances, income, expenses and unrealised surpluses and deficits on transactions between CEIBA Investments Limited and its subsidiaries have been eliminated on consolidation. Non-controlling interest represent the interests in the operating results and net assets of subsidiaries attributable to minority shareholders.

### 3.2 Foreign currency translation

Transactions denominated in foreign currencies during the period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date into functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognised in the consolidated statement of comprehensive income as foreign exchange income (loss).

The financial statements of foreign subsidiaries included in the consolidation are translated into the reporting currency in accordance with the method established by IAS 21, The Effects of Changes in Foreign Exchange Rates.  Assets and liabilities are translated at the closing rates at the statement of financial position date, and income and expense items at the average rates for the period. Translation differences are taken to other comprehensive income and shown separately as foreign exchange reserves on consolidation without affecting income. Translation differences during the year ended 31 March 2015 were U$S 156,193 (As at 31 March 2014  were not significant).

The exchange rate used in these consolidated financial statements at 31 March 2015 is 1 Euro = 1.073224 US$ (31 March 2014: 1 Euro = 1.377387 US$).

### 3.3 Change in fair value from equity investments at fair value through profit or loss

Changes in fair value from equity investments at fair value through profit or loss includes all realised and unrealised fair value changes, but excludes interest and dividend income.

### 3.4 Dividend income

Dividend income arising from the Company's equity investments designated at fair value through profit or loss is recognised in the consolidated statement of comprehensive income when the Company's right to receive payment is established.

### 3.5 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is recognised in the consolidated statement of comprehensive income.

### 3.6 Sales income

Sales income earned by the Company's wholly-owned subsidiary, GrandSlam Limited, is recognised in the consolidated statement of comprehensive income within other income as the related services are performed.

### 3.7 Fees and expenses

All fees and expenses are recognised in the statement of comprehensive income on the accrual basis as the related services are performed. Transaction costs incurred during the acquisition of an investment are recognised within the expenses in the consolidated statement of comprehensive income. Transaction costs incurred on the disposal of investments are deducted from the proceeds of sale.

### 3.8 Taxation

**(a) Guernsey**

The Company and its subsidiaries incorporated in Guernsey are taxed at the company standard income tax rate of 0% under the provisions of the Income Tax Ordinance of Guernsey, 1989 (Exempt Bodies).

**(b) Barbados**

The entities that are resident in Barbados in which the Company has an interest are subject to tax on their taxable income at the maximum rate of 2.50% per annum in accordance with section 1D (1) of the International Business Companies Act of Barbados. The interest of the Company in these entities is recorded at fair value.

**(c) The Netherlands, Panama, Spain**

Under the current structure and operations of the subsidiaries and investments resident in The Netherlands, Panama and Spain, the income and dividend distributions of these companies are exempt from taxation in their respective jurisdictions.

**(d) Switzerland**

Mosaico Hoteles S.A. is a tax resident in Switzerland and as such is subject to federal and municipal tax on its taxable income. Dividend distributions are subject to a withholding tax to any entities outside of Switzerland.

Mosaico Hoteles S.A. operates as the holding vehicle for the interest of the Company in the Cuban joint venture TosCuba S.A., which currently has a hotel project under development which did not generate any taxable income during the period.

**(e) Cuba**

The direct and indirect interests of the Company in Cuban joint venture companies are recorded at fair value in these consolidated financial statements. As such, the results of the Cuban joint venture companies, including taxation, are not consolidated in the statement of comprehensive income. There is no Cuban withholding tax on dividends declared by Cuban joint venture companies.

On 16 April 2014, the National Assembly of Cuba approved a new foreign investment law, which came into force in July 2014. Changes brought by the new law, compared to the foreign investment law previously in effect, include a reduction of the standard corporate tax rate of Cuban joint venture companies from 30% to 15% and the removal of a tax on labour. The changes included in the new foreign investment law have been taken into consideration for the determination of the fair values of the Company's investments (see note 6).

The taxation of the Cuban joint venture companies are as follows:

(i) Inmobiliaria Monte Barreto S.A.:

A tax benefit was granted in favour of Inmobiliaria Monte Barreto S.A. ("Monte Barreto") consisting of the right to exclude from the calculation of its net taxable income for corporate tax purposes all undistributed net income generated by Monte Barreto during the first 10 years of its operations (calculated from the start-up of operations of the first phase of the Miramar Trade Center in June 1999). In the event that this undistributed net income (relating to the 10-year benefit period) is subsequently distributed to shareholders, then such amounts would be subject to taxation at the rate of 30% for distributions made prior to 2014 and at the rate of 15% for distributions made thereafter (in accordance with the new foreign investment law mentioned above). Otherwise, the undistributed amounts may be capitalized (in which case they will be tax exempt).

The benefit described above expired on 30 June 2009 and, consequently, since that date, Monte Barreto has paid corporate tax on its net taxable income at the general tax rate of 30%, regardless of whether such net income is distributed to shareholders. Beginning in 2014, the general tax rate that is applicable to Monte Barreto was reduced to 15% (in accordance with the new foreign investment law mentioned above).

(ii) Miramar S.A.:

A special tax regime was granted in favour of Miramar S.A. ("Miramar") consisting of the following benefits: (i) a full exemption on the payment of corporate tax for the first 3 years of operation (until the end of 2001), (ii) the application of a corporate tax rate of 15% during the period of 14 years from 2002 to 2016, and (iii) the application of the general corporate tax rate of 15% during subsequent periods (in accordance with the new foreign investment law mentioned above).

(iii) Cuba Canarias S.A.:

A special tax regime was granted in favour of Cuba Canarias S.A. ("Cubacan") consisting of the following benefits: (i) a full exemption on the payment of corporate tax for the first 13 years of operations (until the end of 2004), and (ii) the application of a corporate tax rate of 10% until 2019, at which time discussions with Cuban tax authorities will be required to determine the corporate tax rate to be applied during subsequent periods.

(iv) TosCuba S.A.:

A special tax regime was granted in favour of TosCuba S.A. consisting of the following benefits: (i) a full exemption on the payment of corporate tax for the first years of operation until the point in time that the initial capital investment has been recuperated by the shareholders through the distribution of dividends, and (ii) the application of the general corporate tax rate of 15% during subsequent periods (in accordance with the new foreign investment law mentioned above).

(v) Productos Sanitarios S.A.:

A special tax regime was granted in favour of Productos Sanitarios S.A. consisting of the following benefits: (i) a full exemption on the payment of corporate tax for any taxation year prior to the redemption of all Class B shares of its capital structure, and (ii) the application of the general corporate tax rate of 30% during subsequent periods, which began in calendar 2012. Beginning in 2014, the general tax rate that is applicable to Productos Sanitarios S.A. will be reduced to 15% (in accordance with the new foreign investment law mentioned above).

### 3.9 Financial assets and financial liabilities

**(a) Recognition and initial measurement**

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the consolidated statement of comprehensive income.

**(b) Classification**

The Company has classified financial assets and financial liabilities into the following categories:

Financial assets:

- Measured at fair value through profit or loss: equity investments
- Measured at amortised cost: cash and cash equivalents, accounts receivable and accrued income, loans and advances

Financial liabilities at amortised cost:

- Other liabilities: accounts payable and accrued expenses, short–term borrowings

A financial asset is classified as measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of principal and interest.

Financial assets other than those qualifying for amortised cost measurement are classified as measured at fair value with all changes in fair value recognised in the statement of comprehensive income.

**(c) Fair value measurement**

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction on the measurement date.

The Company does not have any instruments quoted in an active market. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

As the financial instruments of the Company are not quoted in an active market, the Company establishes their fair values using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, estimated replacement costs and discounted cash flow analyses. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions of similar instruments or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the other instruments that are substantially the same or based on a valuation technique whose variables include only data from observable markets.

All changes in fair value of financial assets, other than interest and dividend income, are recognised in the consolidated statement of comprehensive income as change in fair value of financial instruments at fair value through profit or loss.

**(d) Identification and measurement of impairment**

At each reporting date, the Company assesses whether there is objective evidence that financial assets measured at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group. When a subsequent event causes the amount of loss to decrease, the decrease in impairment is reversed through the statement of comprehensive income.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows. Impairment losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognised in the statement of comprehensive income.

The Company writes off financial assets carried at amortised cost when they are determined to be uncollectible.

**(e) Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the consolidated statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the consolidated statement of comprehensive income.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

### 3.10 Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

### 3.11 Loans and advances

Loans and advances comprise investments in unquoted interest-bearing financial instruments. They are carried at currency adjusted amortised cost. Interest receivable is included in accrued income.

### 3.12 Property, plant and equipment

Property, plant and equipment held by the Company and its subsidiaries are stated at cost. Depreciation is calculated at rates to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|---|---|
| Office furniture and equipment | 4 to 7 years |
| Motor vehicles | 5 years |
| Leasehold improvements | 3 years |

Works of art are carried at their revalued amount, which is the fair value at the date of revaluation. Increases in the net carrying amount are recognised in the related revaluation reserve in shareholders' equity. Valuations of works of art are conducted with sufficient regularity to ensure the value correctly reflects the fair value at the statement of financial position date. Valuations are mostly based on active market prices, adjusted for any difference in the nature or condition of the specific asset.

The carrying amounts are reviewed at each statement of financial position date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

### 3.13 Short–term borrowings

Short-term borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised value. The related interest expense is accrued in the statement of comprehensive income on a time basis, by reference to the principal outstanding and at the effective interest rate applicable using the effective interest method.

### 3.14 Share capital

Ordinary shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option. Up until 30 March 2011, the issued shares of the Company were ordinary shares having a nominal par value of €0.10 each. Issuances of ordinary shares until this date have been translated into US$ using the exchange rates prevailing at the dates of the transactions. The equivalent of €0.10 of each ordinary share issued has been allocated to the share capital account and the remaining balance of the proceeds received to the share premium account. The share premium account is not held for distribution, but with the approval of the Shareholders it may be converted into a special reserve to allow for the distribution of dividends.

On 15 August 2011, the shares of the Company were consolidated on a 10-for-1 basis, and consequently each shareholder of the Company received 1 new consolidated ordinary share of no par value for each 10 ordinary shares held. All existing ordinary shares of €0.10 each were automatically cancelled.

### 3.15 Special reserve held for distribution

The special reserve was created by the conversion of the share premium account to allow for the distribution of dividends. Dividends paid by the Company may be accounted for as a reduction in the special reserve.

### 3.16 Non-controlling interest

The non-controlling interest corresponds to the 20% participation of Hoteles Internacionales de MCA, S.A., in equity of Mosaico B.V. The principal financial information of Mosaico B.V is as follows:

| | 2015<br>US$ |
|---|---|
| Current assets | 468,868 |
| Non-current assets | 3,054,707 |
| Current liabilities | (112,633) |
| Net loss | 54,068 |

## 4. CHANGES IN EQUITY INVESTMENTS DURING THE YEAR

### HOMASI S.A.

HOMASI S.A. ("HOMASI") is a Spanish company that owns a 50% equity interest in the Cuban joint venture company Miramar S.A. ("Miramar"), which has constructed and owns a 397-room hotel in Havana, Cuba known as the Meliá Habana Hotel.

In January 2015, the Company, through its subsidiary CEIBA Tourism Coöperatief U.A. ("CEIBA Tourism"), acquired a 5% equity interest (equivalent to a 2.95% economic interest) in HOMASI for a total purchase price of US$646,212. This 5% equity interest (2.95% economic interest) was previously accounted for as a non-controlling interest in these financial statements.

As a result of this sale, the Company's interest in the share equity of HOMASI increased to 100% (compared to the share equity interest at 31 March 2014 of 95%). The Company's interest regarding the quasi-equity participation in HOMASI in the form of a "Participation Agreement" remained at 27%.

Under this Participation Agreement, HOMASI has agreed to transfer a portion of its economic interest in the underlying Cuban joint venture company Miramar to the Company, whereby the Company is entitled to receive distributions prior to other dividends equivalent to 27% of HOMASI's economic interest in Miramar. In a prior period, HOMASI also sold Participation Agreements representing an additional 14% (2014:14%) of its economic interest in Miramar to third parties. At 31 March 2015, the combined economic interest of the Company in HOMASI by way of its share equity interest and the Participation Agreement was 86% (compared to 83.05% at 31 March 2014).

## 5. LOANS AND ADVANCES

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| **Jos Ebbers** | | |
| Loan facility (i) | - | 688,694 |
| **TOTAL** | **-** | **688,694** |
| **CURRENT PORTION** | **-** | **688,694** |
| **NON–CURRENT PORTION** | **-** | **-** |

(i) In June 2013, the Company extended a loan facility to Jos Ebbers Beheer B.V. with a principal amount of €500,000 (US$688,694). The facility had a term of 12 months from the date of disbursement and an interest rate of 10% per annum.

The loans and advances portfolio have the following maturities:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Between 31 and 90 days | - | 688,694 |
| | **-** | **688,694** |

The above gross amounts are split into the following industry groupings:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Banking | - | 688,694 |
| | **-** | **688,694** |

## 6. EQUITY INVESTMENTS

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Monte Barreto | 69,349,635 | 59,590,508 |
| Miramar (i) | 21,168,150 | 19,874,018 |
| CIHSA (ii) | 19,579,156 | 19,695,618 |
| TosCuba S.A. (iii) | 3,054,707 | 2,904,707 |
| Caricel Inc. | 225,000 | 225,000 |
| | **113,376,648** | **102,289,851** |

(i) The equity investments in Miramar are comprised of: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in Miramar is 43% (31 March 2014: 41.525%).

(ii) The equity investments in CIHSA are comprised of: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in CIHSA is 27.75% (31 March 2014: 27.75%).

(iii) The Company owns an 80% interest in Mosaico B.V., which in turn has an indirect 50% share equity interest in TosCuba S.A., a Cuban joint venture company that is developing a 400 room 4-star hotel at Playa Maria Aguilar near the city of Trinidad, Cuba. To date, TosCuba S.A. has invested approximately US$6.7 million in the acquisition of surface rights, the development of architectural works and technical drawings, ground preparation and other capitalized costs. The Company has made capital contributions of US$3,054,707 (31 March 2014: US$2,904,707) which is the estimated fair value of the investment. The 20% interest in Mosaico B.V. held by a third party has been accounted for as a non-controlling interest in these financial statements. Total capital contributions made by the non-controlling interest as of 31 March 2015 were US$250,000 (31 March 2014: US$100,000) with additional capital contributions pending to be made of US$451,177 (31 March 2014: US$601,177) (see note 8).

The movements and changes in the fair value of the equity investments are as follows:

| | 2015<br>US$ | 2014<br>US$ |
|---|---|---|
| Initial balance | 102,289,851 | 96,417,815 |
| Movement during the year: | | |
| Capital contributions–TosCuba S.A. | 150,000 | 100,000 |
| Changes in fair value: | | |
| Revaluation of equity investment–Monte Barreto | 9,759,127 | 2,467,969 |
| Revaluation of equity investment–Miramar | 1,294,132 | 968,474 |
| Revaluation of equity investment–CIHSA | (116,462) | 2,335,593 |
| Carrying amount at fair value | **113,376,648** | **102,289,851** |

Below is a description of the principal equity investments of the Company and the key assumptions used to estimate their fair values.

### Monte Barreto

The Company holds the full foreign equity interest of 49% in the Cuban joint venture company Monte Barreto, incorporated in 1996 for the construction and subsequent operation of the Miramar Trade Center. The Miramar Trade Center is a six-building complex comprising 79,900 square meters of constructed area of which 55,530 square meters is net rentable area.

The Company is the sole foreign investor in Monte Barreto and holds its 49% interest in the joint venture company through its wholly-owned subsidiary CEIBA MTC Properties Inc. ("CEIBA MTC"), incorporated in Panama. The remaining 51% interest in Monte Barreto is held by the Cuban company Inmobiliaria LARES S.A. ("LARES"), a wholly-owned subsidiary of Corporación CIMEX S.A., a diversified commercial corporation owned by the Cuban government.

The incorporation and operations of Monte Barreto are governed by a deed of incorporation (including an association agreement and corporate by-laws) dated 7 March 1996 between LARES and CEIBA MTC. Under the Monte Barreto Deed of Incorporation, Monte Barreto was incorporated for an initial term of 50 years expiring in 2046. All decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders.

Monte Barreto has been granted surface rights over the land upon which Phases I and II of the Miramar Trade Center have been constructed for an initial term of 50 years ending in 2046. These surface rights have been contributed to Monte Barreto by the Cuban shareholder and have been duly registered in the name of Monte Barreto at the Land Register of Havana. The Monte Barreto surface rights may be extended upon request by Monte Barreto prior to expiry of the initial term and with prior Cuban government approval.

Under the Monte Barreto Deed of Incorporation, Monte Barreto may be liquidated before the end of the term of incorporation, in the following circumstances: (i) impossibility of carrying out its corporate purpose, (ii) agreement between the parties, (iii) total loss of the social capital of the company, and (iv) bankruptcy. If liquidation takes place due to any of these causes, the net assets of the company will be distributed between the shareholders in accordance with their shareholdings (following the payment of all outstanding liabilities) in accordance with a final statement of financial position to be prepared by three liquidators appointed in accordance with the provisions of the Monte Barreto Deed of Incorporation.

For purposes of calculating liquidation value, the Monte Barreto Deed of Incorporation provides that constructions erected on land granted by way of surface rights will be valued by an independent local or international specialized valuation entity, and in such case, the remaining term of the surface rights, if any, will be included in such valuation.

Key assumptions used in the estimated fair value of Monte Barreto:

The fair value of the equity investment in Monte Barreto is determined by the Directors of the Company taking into consideration various factors, including estimated future cash flows from the investment, estimated replacement costs, transactions in the private market and other available market evidence to arrive at an appropriate value. The Directors also take into account available information relating to the underlying properties, including current working capital.

The key assumptions used in the discounted cash flow model are the following:

Cash flow period: Cash flows have been estimated until 2046 when the joint venture expires. The discounted cash flow model does not include amounts subsequent to 2046.

Occupancy: Occupancy of the Miramar Trade Center, the complex of six office buildings held by Monte Barreto, is estimated to be 87.3% (2014: 84.7%) increasing on a straight line basis over the next 18 months to achieve a permanent occupancy of 98% by the end of 2016 (2014: increasing on a straight line basis over the next 21 months to achieve a permanent occupancy of 92.4% by 2016). These assumptions have been based on the current occupancy and the fact that the Miramar Trade Center is the only modern office complex in Havana and currently has a near monopoly position in the market. Currently the Company does not believe that there are any commercial real estate projects planned or anticipated in the foreseeable future and any such construction would take several years to complete due to the high barriers of entry into the market. It is anticipated that demand will remain high in the commercial real estate market during the projection period.

Rental rates: Due to the current near monopoly position and short-term leases (1 to 2 years), for the current and prior year projections, rental income (excluding administration fees for services) is estimated to be US$22.40 (2014: US$22.60) per square meter in the first 2 years of the projections and to increase by 2% for each of the remaining years of the projection period.

Discount rates: The applicable discount rate applied to the discounted cash flow approach of the projections is 9.5% after tax (2014: 10.5%). The improvement in relations between the United States and Cuba would indicate a reduction and the risk profile of Cuba, together with the decrease of the US 10-year bond used as risk-free rate in the calculation of the discount and capitalization rate, would justify a reduction in the valuation parameters applicable to investments in Cuba.

Capital investments: Assumptions of future capital investments required as necessary to maintain and/or replace property and equipment have been included in the projections at a rate of 2% of gross rents per year (2014: 2% of gross rents per year).

Taxation: The discounted cash flow projections include corporate tax obligations of Monte Barreto on its net taxable income at a rate of 15% (2014: 15%) as per the new Cuban Foreign Investment Law.

**Miramar**

At 31 March 2015, the combined economic interest of the Company in HOMASI by way of its share equity interest and the Participation Agreement is 86%, representing a 43% interest in Miramar (2014: 83.05%, representing a 41.525% interest in Miramar). The Company's interest in HOMASI is comprised of a share equity interest, equal to 100% (2014: 95%) of the share equity of HOMASI (representing an economic interest of 59% (2014: 56.05%), as well as a quasi-equity participation in the form of a Participation Agreement whereby HOMASI has agreed to transfer a portion of its economic interest in Miramar to the Company. Under this Participation Agreement the Company is entitled to receive distributions prior to other dividends equivalent to 27% (2014: 27%) of HOMASI's economic interest in Miramar. HOMASI has also sold Participation Agreements representing an additional 14% (2014: 14%) of its economic interest in Miramar to third parties. The share equity holders of HOMASI receive dividends based on the net income of HOMASI which is reduced by the cost of the Participation Agreement distributions that represent a total of 41% of HOMASI's economic interest in Miramar. HOMASI is the foreign shareholder (incorporated in Spain) that owns a 50% share equity interest in the Cuban joint venture company Miramar, which has constructed and owns the Meliá Habana Hotel, a 5-star hotel that has 397 rooms, including 16 suites. The remaining economic interests in Miramar not held by the Company are held by other foreign investors (as to 7%) and by the Cuban company, Corporación de Turismo y Comercio Internacional, Cubanacán S.A. ("CUBANACAN") (as to 50%).

The incorporation and operations of Miramar are governed by a deed of incorporation (including an association agreement and corporate by-laws) dated 22 October 1993 between CUBANACAN and HOMASI. Under the Miramar Deed of Incorporation, Miramar was incorporated for an initial term of 25 years from the start-up of operations of the Meliá Habana Hotel (which began operations in September 1998), thus expiring in September 2023. All decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders.

Surface rights and joint venture term

Miramar has been granted surface rights over the land upon which the Meliá Habana Hotel is constructed for an initial term of 25 years ending in 2023. The Miramar surface rights may be extended upon request by the joint venture company prior to expiry of the initial term and with prior Cuban government approval. Under the Miramar Deed of Incorporation, Miramar may be liquidated in the following circumstances: (i) expiry of its term of incorporation without such term being extended, (ii) impossibility of carrying out its social object, (iii) failure by one of the parties to pay in the agreed manner for shares subscribed for, (iv) declaration of one of the parties in insolvency or bankruptcy, (v) repeated failure to convene a quorate shareholder meeting, (vi) agreement between the parties, (vii) total loss of the social capital of the company, and (viii) bankruptcy of the joint venture company. In the event of the liquidation of Miramar, the net assets of the joint venture company will be distributed between the shareholders in accordance with their shareholdings (following the payment of all outstanding liabilities) in accordance with a final statement of financial position to be prepared by liquidators appointed by the shareholders. For purposes of calculating the liquidation value of the assets of the joint venture company, the Miramar Deed of Incorporation provides that in the case of liquidation following expiry of the initial term or any renewal thereof, the valuation of assets will be agreed between the parties or, in the case of disagreement, made by an independent valuator chosen by the parties. It has been assumed that such valuation would be equal to the fair value of Miramar based on the present value of estimated future cash flows.

The Directors are confident that the term of the surface rights and the life of the joint venture will be extended in 2023. However, based on current discussions relating to the expiry of the usufruct rights of Cubacan (see below), the Directors have determined that there is an increase in the level of uncertainty surrounding the question as to whether or not the term of the Miramar surface rights will be extended in 2023, as previously expected, or if the Joint Venture will then be liquidated. For this reason both the discount and capitalisation rates of the discounted cash flow model (see below) include, as a component, an additional 1% specific risk premium.

Key assumptions used in the estimated fair value of Miramar:

The fair value of the equity investment in Miramar is determined by the Directors of the Company taking into consideration various factors including estimated future cash flows of the investment, estimated replacement costs, transactions in the private market and other available market evidence to arrive at an appropriate value. The Directors also take into account available information relating to the underlying hotel property, including historical cash flows generated by the underlying hotel properties and current working capital.

The key assumptions used in the discounted cash flow model are the following:

Cash flow period: Cash flows have been estimated for a ten year period. Cash flows from year 11 onward are equal to the capitalised amount of the cash flows at year 10.

Occupancy: Average annual room occupancy for the Meliá Habana is estimated to be 80% in 2015, 81% in 2016, declining to 79% in 2017, 80% in 2018, and stabilizing at 81% by 2019. In the prior year, average annual room occupancy for the Meliá Habana was estimated to be 77% in 2014, 79% in 2015, 80% in 2016, declining to 77% in 2017, 78% in 2018 and stabilizing at 79% by 2019.

ADR: The average daily rate per guest during the first year of the projection period for the hotel is estimated to be US$110.14. Subsequently, the ADR is estimated to increase by 3% for the next 2 years of the projections. The growth in ADR is estimated to be negligible in 2017 and 2018 and increase to 1-2% per annum in 2019 for the remainder of the projection period.

In the prior year, the average daily rate per guest during the first year of the projection period for the hotel was estimated to be US$110.31. Subsequently, the ADR of the hotel was estimated to increase by 3-4% for the first 3 years of the projections and growth was estimated to be negligible in 2017 and 2018 and increase to 2% per annum in 2019 for the remainder of the projection period.

Discount rates: The applicable discount rate applied to the discounted cash flow approach of the projections is 12% after tax (2014: 12%). The improvement in relations between the United States and Cuba would indicate a reduction and the risk profile of Cuba and therefore would justify a reduction in the discount rate applicable to investments in Cuba. However, the rate applied in the current year is the same as applied in the previous year, as it includes for the first time a specific risk component (as comment above), which offsets the favourable effect of the estimated improvement in the general country risk of Cuba.

Capitalisation rates: A capitalisation rate of 10% (2014: 10%) has been applied to the year 11 income, thus assuming a permanent accumulative increase in cash flows of 2% per year subsequent to 2024. As noted above, the current year capitalisation rate includes an additional 1% risk premium regarding the extension in 2023 of the surface rights of Miramar.

Capital investments: Similar to the prior year, assumptions of future capital investments required as necessary to maintain and/or replace property and equipment have been included in the projections at a rate of 5% of total revenue annually.

Surface rights: As in the prior year, it has been assumed that the extension of the surface rights will be granted at a reasonable cost in 2023 which has been estimated to be in the range of US$5,500,000.

Taxation: The discounted cash flow projections include the corporate tax obligations of Miramar on its net taxable income at a rate of 15% until 2016 and at a rate of 15% for periods thereafter. The discounted cash flow projections have taken into consideration the change in the taxation of joint venture companies under the new Cuban Foreign Investment Law.

## CIHSA

At 31 March 2015 and 2014, the combined economic interest of the Company in CIHSA by way of its share equity interest and a Participation Agreement is 27.75% (representing a 13.875% interest in Cubacan). The Company's interest in CIHSA is comprised of a share equity interest, equal to 15% of the share equity if CIHSA (representing an economic interest of 12.75%), as well as a quasi-equity participation in the form of a Participation Agreement whereby CIHSA has agreed to transfer a portion of its economic interest in Cubacan to the Company. Under this Participation Agreement the Company is entitled to receive distributions prior to other dividends equivalent to 15% of CIHSA's economic interest in Cubacan. The share equity holders of CIHSA receive dividends based on the net income of CIHSA which is reduced by the cost of the Participation Agreement distributions that represent a total of 15% of CIHSA's economic interest in Cubacan. CIHSA is the foreign shareholder (incorporated in Spain) that owns a 50% share equity interest in the Cuban joint venture company Cubacan. Cubacan has constructed and owns three beach resort hotels in Varadero known as the Meliá Las Americas, Meliá Varadero and Sol Palmeras Hotels (the "Varadero Hotels"), having an aggregate total of 1,437 rooms. The hotels are adjacent to the Varadero Golf Course and are operated by Grupo Sol Meliá. The remaining economic interests in Cubacan not held by the Company are held by other foreign investors (as to 36.125%) and by CUBANACAN (as to 50%).

The Meliá Las Americas Hotel and Bungalows is a 5-star luxury beach resort hotel with 340 rooms, including 90 bungalows and 14 suites and began operations in 1994. The 5-star Meliá Varadero Hotel is located next to the Meliá Las Americas Hotel and has 490 rooms, including 7 suites and began operations in 1992. The Sol Palmeras Hotel is located next to the Meliá Varadero Hotel and has 607 rooms, including 200 bungalows, of which 90 are of suite or deluxe standard and began operations 1990.

The incorporation and operations of Cubacan are governed by a Deed of Incorporation (including an association agreement and corporate by-laws) dated 28 November 1987 between CUBANACAN and CIHSA.

Under the Cubacan Deed of Incorporation and its authorising resolution, the term of incorporation of Cubacan corresponds to the term of the land rights granted. Consequently, Cubacan was incorporated for an initial term of 25 years from the start-up of operations of each hotel. All decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders.

### Usufruct rights and joint venture term

Cubacan was granted usufruct rights over the parcels of land upon which the Varadero Hotels were constructed for an initial term of 25 years beginning in each case upon the start-up of operations of each hotel. The corporate documents stipulate that the Cubacan usufruct rights may, upon request by the joint venture company prior to expiry of the initial term and with prior Cuban government approval, be extended for successive periods of 5 years up to a maximum extension of 25 years.

The usufruct rights relating to the three Varadero Hotels will expire on staggered dates corresponding in each case to the date that falls 25 years following the start-up of operations of each hotel.

Under the Cubacan Deed of Incorporation, Cubacan may be liquidated in the following circumstances: (i) mutual agreement between the parties, and (ii) expiry of the rights of usufruct over the properties. In the event of the liquidation of Cubacan, all of the assets of the joint venture company will be distributed to the Cuban shareholder, subject to the payment of compensation to the foreign shareholder for the value of its interest therein. If the parties are not able to reach agreement on the value of such compensation, then the amount of compensation will be fixed by an independent valuation entity chosen from a list of 3 such firms chosen by the Chamber of Commerce of Geneva.

In May 2015, the initial term of the usufruct rights of the Sol Palmeras Hotel expired. The usufruct rights of the Meliá Varadero Hotel will expire in 2017 and those of the Meliá Las Americas Hotel will expire in 2019. The expiry of the term of incorporation of the joint venture company is linked to the expiry of the usufruct right of the Meliá Las Americas Hotel (the last of the Varadero Hotels to start up operations and consequently the last to expire). CIHSA has been informed by CUBANACAN of its decision not to request the extension of the Sol Palmeras usufruct rights and instead to liquidate this asset, with payment of the required compensation (50% of the value of the Sol Palmeras Hotel) to CIHSA. Negotiations aimed at reaching agreement on the valuation and liquidation of the Sol Palmeras Hotel are presently underway. Notwithstanding the above formal steps, the Directors believe that there remains a possible scenario whereby the Company will retain an interest in the Sol Palmeras Hotel. In the meantime, pending the outcome of these negotiations, Cubacan continues to operate the Sol Palmeras Hotel.

In light of the information received from CUBANACAN, the Directors have taken the decision to calculate the fair value of CIHSA at March 31, 2015 as presented in these consolidated financial statements based upon the assumption that the usufruct rights of the Meliá Las Americas, Meliá Varadero and Sol Palmeras will not be renewed and that each hotel will be liquidated in 2019, 2017 and 2015, respectively; and that the joint venture will be dissolved in 2019. The discount and capitalisation rates of the discounted cash flow model (see below) include, as one of its components, an additional 1% specific risk premium to reflect the exposure, referred to above, concerning the final amount and timing of compensation that will be received.

In the financial statements at March 31, 2014, CIHSA's fair value was determined on the assumption that renewals were to take place, as this was deemed the most likely scenario on the basis of information available and expectations of the Directors at said date. Had the March 31, 2014 financial statements been prepared in accordance with the non-renewal premise, the value of CIHSA at the end of the prior financial year would have been US$21,023,050, applying the same discount and capitalization rates at that date, without taking into account the risk premium concerning the final amount and timing of compensation that will be received.

Key assumptions used in the estimated fair value of CIHSA:

The fair value of the equity investment in CIHSA is determined by the Directors of the Company taking into consideration various factors including estimated future cash flows from the underlying investment in the Cuban joint venture company (Cubacan), estimated replacement costs, transactions in the private market and other available market evidence to arrive at an appropriate value.

The Directors also take into account available information relating to the underlying hotel properties, including historical cash flows generated by the underlying hotel properties, current working capital and the present value of future operating costs of CIHSA.

The key assumptions used in the discounted cash flow model are the following:

Cash flow period: Cash flows have been estimated for each hotel up to the year of expiration of its usufruct rights. Cash flows subsequent to the year of expiration of the usufruct rights are equal to the capitalised amount of the cash flows of the year that the usufruct rights expire, which reflects the estimated compensation to be received upon liquidation. The usufruct rights of the Meliá Las Americas, Meliá Varadero and Sol Palmeras will expire in 2019, 2017 and 2015, respectively.

Occupancy: Average annual room occupancy for the Meliá Las Americas is estimated to be 82% in 2015, declining to 81% in 2016, 80% in 2017, 78% in 2018, and 79% in 2019. Average annual room occupancy for the Meliá Varadero is estimated to be 74% from 2015, declining to 73% in 2016, and 72% in 2017. Average annual room occupancy for the Sol Palmeras is estimated to be 78% in 2015.

In the prior year, average annual room occupancy for the Meliá Las Americas was estimated to be 80% from 2014, declining to 77% in 2016, 75% in 2017, 77% in 2018 and stabilizing at 80% by 2019. Average annual room occupancy for the Meliá Varadero was estimated to be 72% from 2014, 73% in 2015, declining to 70% in 2016, 68% in 2017, 70% in 2018 and stabilizing at 72% by 2019. Average annual room occupancy for the Sol Palmeras was estimated to be 82% from 2014, declining to 79% in 2016, 77% in 2017, 79% in 2018 and stabilizing at 81% by 2019.

ADR: The average daily rate per guest during the first year of the projection period for the hotels is estimated to be US$127.63, US$98.94 and US$84.10 for the Meliá Las Americas, Meliá Varadero; and Sol Palmeras, respectively. Subsequently, the ADR is estimated to increase by 2% per annum during the projection period for the Meliá Las Americas and Meliá Varadero, respectively. For the Sol Palmeras, the ADR is estimated to increase by 9% in the first year of the projections.

In the prior year, the average daily rate per guest during the first year of the projection period for the hotels was estimated to be US$125.46, US$97.49 and US$92.42 for the Meliá Las Americas, Meliá Varadero; and Sol Palmeras, respectively. Subsequently, the ADR was estimated to increase by 2% and 2-3% per annum during the projection period for the Meliá Las Americas and Meliá Varadero, respectively. For the Sol Palmeras, the ADR was estimated to increase by 5% in the first year of the projections and then by 2% for each of year thereafter.

Discount rates: The applicable discount rate applied to the discounted cash flow model of the projections is 12% after tax (2014: 12%). The improvement in relations between the United States and Cuba would indicate a reduction of the risk profile of Cuba and therefore would justify a reduction in the discount rate applicable to investments in Cuba. However, the rate applied in the current year is the same a applied in the previous year, as it includes for the first time a specific risk component (as commented above), which offsets the favourable effect of the estimated improvement in the general country risk of Cuba.

Capitalisation rates: A capitalisation rate of 10% (2014: 10%) has been applied, for each hotel, to the amount of cash flows of the year that the usufruct rights expire (thus assuming a permanent accumulative increase in cash flows of 2% per year thereafter), which reflects the estimated compensation to be received upon liquidation. The usufruct rights of the Meliá Las Americas, Meliá Varadero and Sol Palmeras will expire in 2019, 2017 and 2015, respectively. As noted above, the current year capitalisation rate includes an additional 1% risk premium to reflect the exposure concerning the final amount and timing of compensation that will be received.

Capital investments: Similar to the prior year, assumptions of future capital investments required as necessary to maintain and/or replace property and equipment have been included in the projections at a rate of 5% of total revenue annually.

Usufruct rights: It has been assumed that the usufruct rights of the three hotels will not be renewed. Therefore an estimated cost to renew the usufruct rights has not been included in the discounted cash flow models. In the prior year, it was assumed that the extension of the usufruct rights would be granted in 2019 at a reasonable cost which was estimated to be approximately US$4,697,000, US$6,769,000, and US$8,344,000, for the Meliá Las Americas, Meliá Varadero; and Sol Palmeras, respectively.

Taxation: It has been assumed that the proceeds received by the Company as a result of the liquidation process would not be subject to taxation in Cuba as stipulated in the corporate documents of Cubacan and guaranteed under the Foreign Investment Act. The discounted cash flow projections include the corporate tax obligations of Cubacan on its net taxable income at a rate of 10%. The discounted cash flow projections have taken into consideration the change in the taxation of joint venture companies under the new Cuban Foreign Investment Law.

**Sensitivity analysis of Miramar and CIHSA fair values under different possible scenarios**

The Directors believe that there are different possible scenarios that may reasonably occur regarding the expiry of the surface and usufruct rights of the Meliá Habana and the Varadero Hotels, respectively, which would require changes to the key assumptions made herein and would cause a change in the fair values of the equity investments. The different possible scenarios and the resulting fair values of the Company's interests in Miramar and CIHSA applying the applicable assumptions are detailed below.

*Scenario 1: Miramar*

In the event that Miramar is to be liquidated at the time its surface rights expire, as per the joint venture documents (see above), the foreign shareholder will be compensated for its share of the fair value of the hotel property. Under this scenario, the cash flow projections would be affected by the following items: (i) the non-payment for the renewal of the surface rights; (ii) the termination of cash flows from the business as of the surface rights expiration date; and (iii) the receipt of the compensation upon liquidation of Miramar, referred to above.

*Scenario 2: CIHSA*

In the event that the CIHSA hotels are not liquidated at the time of expiry of each of their usufruct rights and that Cubacan is not liquidated thereafter, but instead the usufruct rights of the CIHSA hotels are renewed, the cash flow projections would be affected by the following items: (i) the payment for the renewal of the usufruct rights at the cost as estimated in the prior year; (ii) the continuation of cash flows from the business subsequent to the usufruct right expiry dates; and (iii) the non-receipt of the compensation upon liquidation of Cubacan, referred to above.

*Summary*

As noted above, the fair values of Miramar and CIHSA as presented in these consolidated financial statements are based on the assumption that Cubacan will be liquidated after the usufruct rights of the hotels will have expired and that the surface rights and joint venture term of Miramar will be extended at the date of expiry of its surface rights, which are deemed to be the more likely premises. Under Scenario 1 and Scenario 2 above, there would be a change in the assumptions of the discounted cash flow models at 31 March 2015 that would affect the fair values of the Company's equity investments, although it has been determined that the differences would not be material to the financial statements taken as a whole, as detailed below:

| | Financial statements US$ | Alternative 1 US$ | Alternative 2 US$ | Alternative 3 US$ |
|---|---|---|---|---|
| Monte Barreto | 69,349,635 | 69,349,635 | 69,349,635 | 69,349,635 |
| Miramar | 21,168,150 | 21,513,831 | 21,168,150 | 21,513,831 |
| CIHSA | 19,579,156 | 19,579,156 | 19,253,998 | 19,253,998 |
| TosCuba S.A. | 3,054,707 | 3,054,707 | 3,054,707 | 3,054,707 |
| Caricel Inc. | 225,000 | 225,000 | 225,000 | 225,000 |
| | **113,376,648** | **113,722,329** | **113,051,490** | **113,397,171** |

Alternative 1: Scenario 1 – Miramar is liquidated at the date of expiry of its surface rights.

Alternative 2: Scenario 2 – The surface rights and joint venture term of Cubacan is renewed.

Alternative 3: Both Scenario 1 and Scenario 2, altogether.

*Sensitivity to changes in the discount and capitalisation rates*

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying both discount and capitalisation rates between 5% lower and 5% higher than the rates used in these consolidated financial statements. As well, the change in fair values of Miramar and CIHSA under Scenarios 1 and 2 above are shown when applying the higher and lower discount and capitalization rates.

The following table details the fair values of the equity investments when applying lower discount and capitalization rates:

| | Financial statements US$ | -1% US$ | -2% US$ | -3% US$ |
|---|---|---|---|---|
| Monte Barreto | | | | |
| Financial statements | 69,349,635 | 76,449,749 | 84,884,937 | 94,981,166 |
| Miramar | | | | |
| Financial statements | 21,168,150 | 23,341,232 | 26,068,870 | 29,590,600 |
| Under scenario 1 | - | 23,690,527 | 26,415,360 | 29,924,024 |
| CIHSA | | | | |
| Financial statements | 19,579,156 | 21,582,278 | 24,087,793 | 27,311,200 |
| Under scenario 2 | - | 21,302,570 | 23,875,270 | 27,197,871 |

The following table details the fair values of the equity investments when applying higher discount and capitalization rates:

| | Financial statements US$ | +1% US$ | +2% US$ | +3% US$ |
|---|---|---|---|---|
| Monte Barreto | | | | |
| Financial statements | 69,349,635 | 63,329,631 | 58,189,162 | 53,769,529 |
| Miramar | | | | |
| Financial statements | 21,168,150 | 19,397,326 | 17,927,340 | 16,688,068 |
| Under scenario 1 | - | 19,735,343 | 18,255,158 | 17,004,150 |
| CIHSA | | | | |
| Financial statements | 19,579,156 | 17,941,301 | 16,577,303 | 15,423,886 |
| Under scenario 2 | - | 17,585,936 | 16,202,681 | 15,038,021 |

*Sensitivity to changes in other variables*

The discounted cash flow models of Miramar and CIHSA include, when applicable, an estimated cost for the renewal of the surface and usufruct rights based on historical amounts, adjusted for inflation. In the event that the costs for the renovation of the surface and usufruct rights are higher than expected, by the percentage indicated below, the estimated fair values of Miramar and CIHSA would be as follows:

| | Financial statements US$ | +10% US$ | +20% US$ | +30% US$ |
|---|---|---|---|---|
| Miramar | | | | |
| Financial statements | 21,168,150 | 21,067,062 | 20,965,975 | 20,864,888 |
| CIHSA | | | | |
| Under scenario 2* | - | 19,088,935 | 18,923,871 | 18,758,808 |

* As shown above the estimated fair value of CIHSA under scenario 2 was US $ 19,253,998.

*Dividend income from equity investments*

Dividend income (including participation payments) from the equity investments above during the year is as follows:

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Monte Barreto | 4,897,304 | 3,959,189 |
| Miramar | 1,625,000 | 1,775,000 |
| CIHSA | 1,178,701 | 689,500 |
| Caricel Inc. | 54,752 | - |
| | **7,755,757** | **6,423,689** |

## 7. PROPERTY, PLANT AND EQUIPMENT

| | Motor vehicles US$ | Leasehold improvements US$ | Office furniture and equipment US$ | Works of art US$ | Total US$ |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 April 2013 | 329,824 | 92,468 | 104,932 | 311,800 | **839,024** |
| Additions | 39,421 | - | 3,900 | 6,000 | **49,321** |
| Disposals | (39,665) | (5,116) | (334) | (8,000) | **(53,115)** |
| At 31 March 2014 | 329,580 | 87,352 | 108,498 | 309,800 | **835,230** |
| Additions | 5,500 | - | 13,318 | - | **18,818** |
| Disposals | (66,938) | - | - | - | **(66,938)** |
| At 31 March 2015 | 268,142 | 87,352 | 121,816 | 309,800 | **787,110** |
| **Accumulated Depreciation:** | | | | | |
| At 1 April 2013 | 228,245 | 92,468 | 90,455 | - | **411,168** |
| Additions | 41,510 | - | 8,476 | - | **49,986** |
| Disposals | (39,665) | (5,116) | (334) | - | **(45,115)** |
| At 31 March 2014 | 230,090 | 87,352 | 98,597 | - | **416,039** |
| Additions | 34,939 | - | 6,694 | - | **41,633** |
| Disposals | (66,937) | - | - | - | **(66,937)** |
| At 31 March 2015 | 198,092 | 87,352 | 105,291 | - | **390,735** |
| **Net book value:** | | | | | |
| At 31 March 2015 | 70,050 | - | 16,525 | 309,800 | **396,375** |
| At 31 March 2014 | 99,490 | - | 9,901 | 309,800 | **419,191** |

Property, plant and equipment that has been fully amortised amounts to the following: Motor vehicles: US$150,764; Leasehold improvements: US$87,352; and Office furniture and equipment US$87,894.

The fair value of the property, plant and equipment is not materially different than its accounting value.

## 8. ACCOUNTS RECEIVABLE AND ACCRUED INCOME

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Dividend receivable – Monte Barreto | 1,511,447 | - |
| Capital contributions due from non-controlling interest (note 6) | 451,177 | 601,177 |
| Accrued interest income | - | 57,009 |
| Other accounts receivable and deposits | 106,689 | 94,087 |
| | **2,069,313** | **752,273** |
| **Current portion** | **(1,937,330)** | **(520,490)** |
| **Non–current portion** | **131,983** | **231,783** |

Accounts receivable and accrued income have the following maturities:

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Up to 30 days | 35,983 | 187,905 |
| Between 31 and 90 days | 1,635,358 | 68,301 |
| Between 91 and 180 days | 9,135 | 8,335 |
| Between 181 and 365 days | 256,854 | 255,949 |
| Over 365 days | 131,983 | 231,783 |
| | **2,069,313** | **752,273** |

## 9. CASH AND CASH EQUIVALENTS

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Cash on hand | 35,085 | 48,368 |
| Bank current accounts (i) | 2,623,955 | 3,815,775 |
| | **2,659,040** | **3,864,143** |

(i) Balance without restriction

## 10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Due to Miramar S.A. (i) | 1,354,246 | 1,348,794 |
| Participation payments payable (ii) | 82,689 | 2,760 |
| Accrued audit fees | 91,250 | 69,408 |
| Withholding taxes (iii) | 65 | 91,275 |
| Accrued Directors fees | 25,112 | 21,005 |
| Deferred revenue | 1,133 | 7,641 |
| Other accrued expenses | 44,557 | 47,002 |
| Other accounts payable | 157,428 | 108,834 |
| | **1,756,480** | **1,696,719** |

(i) Due to Miramar S.A. relates to advances received by HOMASI. It is anticipated that the amount will be settled against future declared dividends of Miramar S.A.

(ii) Participation payments payable relate to amounts earned by third parties under participation agreements with HOMASI, a subsidiary of the Company, and are pending distribution.

(iii) HOMASI is required to retain and submit withholding taxes related to participation agreement payments paid to third parties that are domiciled in Spain.

Maturity profile of accounts payable and accrued expenses based on contractual undiscounted payments:

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Up to 30 days | 191,534 | 267,175 |
| Between 31 and 90 days | 210,700 | 80,750 |
| No specific dates of repayment | 1,354,246 | 1,348,794 |
| | **1,756,480** | **1,696,719** |

## 11. SHARE CAPITAL AND SHARE PREMIUM

### Authorised

The Company has the power to issue an unlimited number of shares. The issued shares of the Company are ordinary shares of no par value.

### Issued

The following table shows the movement of the issued shares during the period:

| | Number of ordinary shares | Share capital US$ | Share premium US$ |
|---|---|---|---|
| **SHARE CAPITAL AND SHARE PREMIUM** | | | |
| Share capital and share premium at 1 April 2013 | 13,458,947 | 19,014,379 | 49,657,630 |
| Share capital and share premium at 31 March 2014 | **13,458,947** | **19,014,379** | **49,657,630** |
| Share capital and share premium at 31 March 2015 | **13,458,947** | **19,014,379** | **49,657,630** |

## 12. SEGMENT REPORTING

The primary segment reporting format is determined to be business segments as the Company's risks and returns are affected by the differences in investment activities. No geographical information is reported since all investment activities are located in Cuba. The operating businesses are organised and managed separately through different companies. For management purposes, the Company is organised into four business segments:

- Commercial property: Activities concerning the Company's interests in commercial real estate investments in Cuba that are facilitated by a representative office in Havana.

- Tourism / Leisure: Activities concerning the Company's interests in hotel investments in Cuba and operations of a travel agency that provides services to international clients for travel to Cuba.

- Finance: Finance activities consisting in medium-term secured facilities and short-term financial instruments related to Cuba.

- Other: Includes the Company's interest in a Cuban joint venture company that operates a paper mill in Cuba producing tissue paper products as well as publishing activities related to Cuba.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with operating income or loss in the consolidated financial statements.

| | Commercial property | Tourism / Leisure | 31 March 2015 US$ Finance | Other | Total |
|---|---|---|---|---|---|
| Total assets | 71,715,848 | 46,539,865 | 4,163 | 241,500 | **118,501,376** |
| Total liabilities | (181,751) | (1,574,729) | - | - | **(1,756,480)** |
| **Total net assets** | **71,534,097** | **44,965,136** | **4,163** | **241,500** | **116,744,896** |
| Allocated income | 14,673,408 | 5,585,769 | 39,959 | 54,752 | **20,353,888** |
| Allocated expenses | (1,482,353) | (2,314,726) | (7,319) | (11,733) | **(3,816,131)** |
| Foreign exchange gain | - | - | - | (1,222,988) | **(1,222,988)** |
| **Total profit** | **13,191,055** | **3,271,043** | **32,640** | **(1,179,969)** | **15,314,769** |
| **Other comprehensive income** | - | - | - | **(156,193)** | **(156,193)** |
| **Total comprehensive income** | **13,191,055** | **3,271,043** | **32,640** | **(1,336,162)** | **15,158,576** |
| **Other segment information:** | | | | | |
| Property, plant and equipment additions | 10,076 | 8,742 | - | - | **18,818** |
| Depreciation | (40,020) | (1,613) | - | - | **(41,633)** |

| | Commercial property | Tourism / Leisure | 31 March 2014 US$ Finance | Other | Total |
|---|---|---|---|---|---|
| Total assets | 62,040,611 | 44,940,597 | 791,444 | 241,500 | **108,014,152** |
| Total liabilities | (30,118) | (1,583,854) | (82,747) | - | **(1,696,719)** |
| **Total net assets** | **62,010,493** | **43,356,743** | **708,697** | **241,500** | **106,317,433** |
| Allocated income | 6,438,614 | 6,693,045 | 68,194 | 309 | **13,200,162** |
| Allocated expenses | (1,401,144) | (2,035,870) | (20,438) | (17,400) | **(3,474,852)** |
| Foreign exchange loss | - | - | - | 253,859 | **253,859** |
| **Total profit** | **5,037,470** | **4,657,175** | **47,756** | **236,768** | **9,979,169** |
| **Other comprehensive income** | - | - | - | - | - |
| **Total comprehensive income** | **5,037,470** | **4,657,175** | **47,756** | **236,768** | **9,979,169** |
| **Other segment information:** | | | | | |
| Property, plant and equipment additions | 49,321 | - | - | - | **49,321** |
| Depreciation | (49,087) | (899) | - | - | **(49,986)** |

## 13. ADMINISTRATION AND REGISTRAR FEES

JTC (Guernsey) Limited ("JTC") (formerly named Ardel Fund Services Limited) receives from the Company fees which cover administration, corporate secretarial and other back office services to the Company in Guernsey.

Under an administration and secretarial agreement that took effect 1 October 2013, JTC is entitled to receive an annual administration fee of £40,000 (US$59,272) from the Company, computed and paid monthly in arrears. In addition, the Company has agreed to reimburse JTC its expenses and services that are outside the scope of the agreement. Included within the administration fees and expenses for the year ended 31 March 2015 of US$160,446 (2014: US$233,836) are administration fees earned by JTC of US$69,158 (2014: US$120,253). As of 1 October 2013, JTC does not charge the Company separately for custodian services. Custodian fees for the year ended 31 March 2014 amounted to US$3,878.

The registrar of the Company is Ansons Registrars Limited ("Ansons"). Ansons receives from the Company an annual base fee of £4,000 (US$6,666), plus transactional and service fees when incurred.

## 14. RELATED PARTIES DISCLOSURES

### Compensation of Directors

Each Director receives a fee of €9,000 (US$9,659) per annum with the Chairman receiving €25,000 (US$26,831). The Chairman and Directors also receive €1,700 (US$1,824) in attendance fees per quarterly meeting and are reimbursed other expenses properly incurred by them in attending meetings and other business of the Company. No other compensation or post-employment benefits are provided to Directors. Total Director fees, including the fees of the Chairman, for the year ended 31 March 2015 were US$111,844 (2014: US$101,974).

### Transactions with Directors and shareholders

Enrique Rottenberg and Sebastiaan A.C. Berger are Directors of the Company and also directors of various subsidiaries of the Company. Enrique Rottenberg, Sebastiaan A.C. Berger and Colin Kingsnorth are Directors of the Company and also directors and shareholders of the former Investment Manager, CEIBA International Management Ltd., which received compensation from the Company in the form of management fees for the year ended 31 March 2014 totalling US$215,528. Cameron Young is also a director of various subsidiaries of the Company and was also a director of the Investment Manager. The Investment Management Agreement was terminated with effect from 30 April 2013.

The Company, through a subsidiary, had an agreement with the Investment Manager for the use of office space, furnishings, equipment, and communication facilities. For the year ended 31 March 2014, the Company earned total fees for the above of US$3,846. These fees are accounted for as other income. The agreement with the Investment Manager was terminated with effect from 30 April 2013.

Included within management costs for the year ended 31 March 2015 of US$757,575 (2014: US$690,706) are costs related to payments regarding Sebastiaan A.C. Berger for his services as country representative of CPC, and fees payable by CEIBA Tourism and CEIBA Investments Limited to companies in which he has a non-controlling interests totalling US$253,261 (2014: US$234,631). Also included within management costs for the year ended 31 March 2015 are costs related to payments regarding Enrique Rottenberg for his services as General Manager of Monte Barreto and director of CEIBA MTC totalling US$261,450 (2014: US$229,800).

### Transactions with other related parties

Certain subsidiaries of the Company lease office space from Monte Barreto, a commercial property investment in which the Company holds a 49% interest. The rental charges paid under these leases are accounted for in operational costs and for the year ended 31 March 2015 and 2014 amounted to US$133,648.

### Directors' interests in the share capital

Colin Kingsnorth is a director and shareholder of Laxey Partners Limited ("Laxey"). Laxey holds 1,373,841 shares. Funds managed by Laxey hold 1,709,508 shares.

Sebastiaan A.C. Berger has an interest in 329,683 Shares. In addition, he is a shareholder of a company that holds a 90% interest in Caricel Inc., in which the Company also holds a 10% interest.

Enrique Rottenberg has an interest in 575,155 shares.

Peter Fletcher is managing director of an investment advisory firm that advises an investment company that holds 2,120,641 Shares.

John Herring is the principal of an investment advisory firm that provides advice to a private investment company that holds 2,082,885 Shares.

## 15. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share has been calculated on a weighted-average basis and is arrived at by dividing the net income for the year attributable to shareholders by the weighted-average number of shares in issue.

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Weighted average of ordinary shares in issue | 13,458,947 | 13,458,947 |
| Net income for the year attributable to the shareholders | 15,325,583 | 9,886,387 |
| Basic and diluted earnings per share | 1.14 | 0.73 |

## 16. COMMITMENTS AND CONTINGENCIES

### Operating lease commitments

The Company has operating leases for office building space. These have a contractual life of one year with automatic renewal of one year after each maturity. There are no restrictions placed upon the lessee by entering into these leases. The annual lease payments in place at 31 March 2015 are US$133,491 (2014: US$133,491).

The rental charges paid under operating leases accounted for in operational costs of the statement of comprehensive income for the year ended 31 March 2015 and 2014 amounted to US$133,648.

## 17. FINANCIAL RISK MANAGEMENT

### Introduction

The Company is exposed to financial risks that are managed through a process of identification, measurement and monitoring and subject to risk limits and other controls. The objective of the Company is, consequently, to achieve an appropriate balance between risk and benefits, and to minimize potential adverse effects arising from its financial activity.

The main risks arising from the Company's financial instruments are market price risk, credit risk and liquidity risks. Management reviews policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the period to which these consolidated financial statements relate.

### Market price risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables. Market price risk comprises two types of risks: foreign currency risk and interest rate risk.

#### (i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The statement of comprehensive income and NAV of investments can be affected by currency translation movements as certain assets and income are denominated in currencies other than US$. Management has identified the following three main areas of foreign currency risk:

- Movements in rates affecting the value of loans and advances denominated in Euros;
- Movements in rates affecting the value of cash and cash equivalents denominated in Euros; and
- Movements in rates affecting any interest income received from loans and advances denominated in Euros.

The sensitivity of the income (loss) to a variation of the exchange rate (EUR/US$) in relation to Euro denominated assets as at 31 March 2015 is the following:

| Effect of the variation in the foreign exchange rate | Income (loss) US$ |
|---|---|
| +15% | 332,885 |
| +20% | 443,847 |
| -15% | (332,885) |
| -20% | (443,847) |

### (ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows may fluctuate due to changes in market interest rates.

At any time that it is not fully invested in equities, surplus funds may be invested in fixed-rate and floating-rate securities both in Euro and in currencies other than Euro. Although these are generally short-term in nature, any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or Management being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of securities held. In general, if interest rates rise, income potential also rises but the value of fixed rate securities may decline. A decline in interest rates will in general have the opposite effect.

The interest rate risk profile of the Company's consolidated financial assets was as follows:

| | Total US$ | Fixed rate US$ | Floating rate US$ | Non–interest bearing US$ |
|---|---|---|---|---|
| **31 MARCH 2015** | | | | |
| Equity investments (US$) | 113,376,648 | - | - | 113,376,648 |
| Accounts receivable and accrued income (US$) | 2,052,625 | - | - | 2,052,625 |
| Accounts receivable and accrued income (€) | 16,688 | - | - | 16,688 |
| Cash at bank (€) | 2,356,490 | 2,355,448 | - | 1,042 |
| Cash at bank (US$) | 267,465 | - | - | 267,465 |
| Cash on hand (€) | 3,026 | - | - | 3,026 |
| Cash on hand (CUC) | 32,059 | - | - | 32,059 |
| **31 MARCH 2014** | | | | |
| Equity investments (US$) | 102,289,851 | - | - | 102,289,851 |
| Loans and advances (€) | 688,694 | 688,694 | - | - |
| Accounts receivable and accrued income (US$) | 677,858 | - | - | 677,858 |
| Accounts receivable and accrued income (€) | 74,415 | - | - | 74,415 |
| Cash at bank (€) | 3,290,836 | 3,290,836 | - | - |
| Cash at bank (US$) | 524,939 | - | - | 524,939 |
| Cash on hand (CUC) | 48,368 | - | - | 48,368 |

The Company did not have any loans and advances outstanding at 31 March 2015. The weighted-average interest rate of loans and advances at 31 March 2014 was 10.0%. The Company did not have any loans and advances with floating interest rates at 31 March 2015 or 2014.

## Credit risk

Credit risk is the risk that the borrower (or counterparty) is unable to meet its financial obligations. In the event of a default, the Company generally incurs a loss equal to the amount owed by the debtor. The Company does not have a significant amount of exposure to credit risk.

### Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for each component of the consolidated statement of financial position, irrespective of guarantees received:

| | 2015 US$ | 2014 US$ |
|---|---|---|
| Loans and advances | - | 688,694 |
| Accounts receivable and accrued income | 2,069,313 | 752,273 |
| Cash and cash equivalents | 2,659,040 | 3,864,143 |
| **Total maximum exposure to credit risk** | **4,728,353** | **5,305,110** |

The Company holds its cash and cash equivalents at financial institutions located in the countries listed below. Also included in the following table are the credit ratings of the corresponding financial institutions, as determined by Moody's:

| | Credit Rating | 2015 US$ | 2014 US$ |
|---|---|---|---|
| **Cash at bank** | | | |
| Cuba | Caa2 | 215,931 | 473,172 |
| Guernsey | A2 | 278,372 | 65,146 |
| The Netherlands | A2 | 1,226,715 | 420,948 |
| Spain | Ba2 | 902,937 | 2,856,509 |
| | | **2,623,955** | **3,815,775** |
| **Cash on hand** | | | |
| Cuba | | 35,085 | 48,368 |
| | | **35,085** | **48,368** |
| **Total cash and cash equivalents** | | **2,659,040** | **3,864,143** |

### Guarantees received

The amount and type of guarantees required depends on an assessment of the credit risk of the counterparty. The Company has neither financial nor non-financial assets obtained as property on executed guarantees.

## Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising its non-cash assets or otherwise raising funds to meet financial commitments. Assets principally consist of unlisted securities and loans, which are not readily realisable. If the Company, for whatever reason, wished to dispose of these assets quickly, the realisation values may be lower than those at which the relevant assets are held in the consolidated statement of financial position.

Management assesses the liquidity risk of the Company to be low because of the high liquidity in cash and cash equivalents and the practically non-material amount of liabilities payable in cash.

## Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When established internal controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risk, but through a control framework and monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorization, and reconciliation procedures, staff education and assessment.

### Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business. The Company manages its capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders or the issuance of capital. No changes were made in the objectives, policies, and processes from the previous period.

The capital base managed by the Company is composed of share capital, share premium, reserves and retained profits that amount at 31 March 2015 and 2014 to a total of US$116,744,896 and US$106,317,433, respectively. The Company is not subject to external capital requirements.

## 18. USE OF ESTIMATES AND JUDGEMENTS

### Key sources of estimation uncertainty

#### Determining fair values

The determination of fair values for investment and financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 3.9 (c). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

### Critical accounting judgements in applying the Company's accounting estimates

#### Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in note 3.9 (c).

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations. The Company does not currently have any financial assets or financial liabilities trading in active markets.

For all other financial instruments, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

For certain instruments, the Company uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include the equity investments of the Company in Cuban joint venture companies. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | 31 March 2015 US$ | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity investments | - | - | 113,376,648 | 113,376,648 |
| | **-** | **-** | **113,376,648** | **113,376,648** |

| | 31 March 2014 US$ | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | |
| Equity investments | - | - | 102,289,851 | 102,289,851 |
| | **-** | **-** | **102,289,851** | **102,289,851** |

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

| | Unlisted private equity investments |
|---|---|
| **Balance at 1 April 2014** | 102,289,851 |
| Total gains recognised in income or loss | 10,936,797 |
| Purchases and additions | 150,000 |
| **Balance at 31 March 2015** | **113,376,648** |
| Total losses for the year included in income or loss relating to assets and liabilities held at the end of the reporting period | - |
| | - |

Losses related to unlisted private equity investments are recognised as change in fair value of equity investments in the consolidated statement of comprehensive income.

## Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Company operates. When indicators of the primary economic environment are mixed, Management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Management has determined that the functional currency of the Company is US$, as the functional currency for the majority of is business activities are denominated in US$, with the exception of HOMASI, whose functional currency is the Euro. The majority of the Company's income, equity investments and transactions are denominated in US$.

## 19. CLASSIFICATIONS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table below provides a reconciliation of the line items in the Company's consolidated statement of financial position to the categories of financial instruments.

| | | 31 March 2015 US$ | | | |
|---|---|---|---|---|---|
| | Note | Designated at fair value through profit or loss | Loans and receivables | Other liabilities | Total carrying amount |
| Equity investments | 6 | 113,376,648 | - | - | 113,376,648 |
| Accounts receivable and accrued income | 8 | - | 2,069,313 | - | 2,069,313 |
| Cash and cash equivalents | 9 | - | 2,659,040 | - | 2,659,040 |
| | | **113,376,648** | **4,728,353** | **-** | **118,105,001** |
| Accounts payable and accrued expenses | 10 | - | - | 1,756,480 | 1,756,480 |
| | | **-** | **-** | **1,756,480** | **1,756,480** |

| | | 31 March 2014 US$ | | | |
|---|---|---|---|---|---|
| | Note | Designated at fair value through profit or loss | Loans and receivables | Other liabilities | Total carrying amount |
| Loans and advances | 5 | - | 688,694 | - | 688,694 |
| Equity investments | 6 | 102,289,851 | - | - | 102,289,851 |
| Accounts receivable and accrued income | 8 | - | 752,273 | - | 752,273 |
| Cash and cash equivalents | 9 | - | 3,864,143 | - | 3,864,143 |
| | | **102,289,851** | **5,305,110** | **-** | **107,594,961** |
| Accounts payable and accrued expenses | 10 | - | - | 1,696,719 | 1,696,719 |
| | | **-** | **-** | **1,696,719** | **1,696,719** |

The financial instruments not accounted for at fair value through profit or loss are short-term financial assets and liabilities whose carrying amounts approximate fair value due to their short-term maturity. The carrying amounts of long-term financial assets not accounted for at fair value through profit or loss are also estimated to approximate fair value.

There were no reclassifications of financial assets during the year ended 31 March 2015 (2014: nil).

## 20. INVESTORS HOLDING GREATER THAN 10% INTEREST

As at 31 March 2015 and 2014, the Absolute Return Fund held 2,120,641 shares, Northview Investment Fund Limited held 2,082,885 shares and the Value Catalyst Fund Limited held 1,709,508 shares, representing 15.76%, 15.48% and 12.7% of the Company's shares, respectively. As at 31 March 2015, Laxey Partners Limited held 1,373,841 shares, representing 10.21% of the total shares of the Company outstanding of 13,458,947.

## 21. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

Sebastiaan A.C. Berger
Director

John Herring
Director