CEIBA INVESTMENTS Ltd

Annual Report and Consolidated Financial Statements
31 March 2012

Cover: Central Plaza of the Miramar Trade Center with
José Emilio Fuentes Fonseca’s artwork “Memoria & Memory”

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DIRECTORS AND MANAGEMENT

DIRECTORS
John Anthony Herring (Chairman from 25 June 2012)
Colin Kingsnorth
Sebastiaan A.C. Berger
Enrique Rottenberg
Peter Fletcher
Enrique Martinón García (resigned 2 January 2012)
Manuel Roumain (resigned 29 June 2011)
Sir John Morgan (Chairman up to 29 June 2011, passed away 24 June 2012)
Jaime García–Andrade (Chairman from 29 June 2011, resigned 25 June 2012)

REGISTERED OFFICE
CEIBA Investments Limited
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INVESTMENT MANAGER
CEIBA International Management Ltd.
c/o CEIBA Property Corporation Limited
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ISIN CODE (ORDINARY SHARES)
GG00B5491D76

REGISTRATION NUMBER
30083

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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 three principal operating segments: (1) commercial real estate investments; (2) tourism real estate investments; and (3) finance. The real estate investments of the Company are 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 for each of the three most recently completed fiscal years:

	31 March 2012 US$	31 March 2011 US$	31 March 2010 US$
Results of operations			
Total income	7,862,760	9,907,291	5,879,557
Net income (loss) for the year	(19,726,384)	12,908,228	528,258
Total comprehensive income (loss)	(19,726,384)	12,984,784	(3,675,037)
Basic earnings (loss) per share	(1.19)	0.98	0.04
Balance Sheet			
Total assets	118,401,365	201,058,668	149,218,480
Total liabilities[1]	(460,676)	(52,032,797)	(5,222,471)
Total equity	117,940,689	149,025,871	143,996,009
Dividends paid	11,901,456	11,502,474	Nil
Dividends per share	0.90	0.87	Nil
Total shares in issue[2]	13,223,840	17,754,912	13,221,235
Net asset value per share[3]	8.9188	11.2695	10.8913

1 Included in total liabilities at 31 March 2011 is an amount of US$51,064,954 representing 45,310,518 shares of the Company that were classified as liabilities (2012: nil, 2010: nil).

2 Shares in issue represent all issued shares of the Company including share capital classified as liabilities. Share amounts have been presented on a post-share consolidation basis.

3 The value of the share capital classified as liabilities is considered to be equity for purposes of calculating the net asset value per share.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to start this year's Chairman's statement by saying how sorry we were at CEIBA Investments Limited to learn of Sir John Morgan's death in June of this year. Sir John was Chairman of the Company from February 2002 until handing over to Jaime García–Andrade in June 2011 and continuing on as a non–executive director. He oversaw a period of very successful growth and consolidation in the Company's asset base and his advice and presence on the board will be very much missed.

In June, Jaime García–Andrade stepped down as interim–Chairman of the Company, and we would like to record our thanks for his past contributions as a non–executive director.

The Company's focus remains fixed on the proper supervision of its current investments, and exploring new investment opportunities, in Cuba so I believe it is important to provide a summary of where the country is presently positioned and where the Board of the Company believes it is headed.

The legislative initiatives introduced in 2010 and 2011 which saw the economy begin a gradual move away from being entirely state–controlled have been augmented by some further recent reforms by the government. In particular, the government has announced that it would further loosen its grip on some state companies and convert over 200 small and medium–sized state businesses into co–operatives. These changes will see such businesses operate more like private organizations. Overall, these and other comparable changes appear to show that the government is keen to continue moving away from complete reliance on the state sector and creating a more important role for private enterprise. The government has recently announced that 22% of Cuban workers were employed in non–governmental jobs in 2011, up from 16% in 2010. While many observers continue to view these changes as overly timid or inadequate, the Company views them as very positive developments and it is hoped that the pace will pick up.

Exploration for oil in Cuban waters in the Gulf of Mexico continues, but to date has not been successful, with the first and second wells, drilled by international consortia coming up dry. Cuba believes that it may have up to 20 billion barrels of oil offshore and, for its economy, it is important to develop this resource to free it from its deep dependence on oil from Venezuela.

The principal drivers of Cuba's economy continue to be the export of services to befriended nations like Venezuela and Angola, mining (Cuba has the world's third largest nickel reserves) and tourism.

The latter of these, which is clearly relevant to the Company, continues to show good growth, with 2.7 million visitors in 2011. Furthermore some 1.6 million visitors came to the island in the first six months of 2012, an increase of over 5.8% on the previous year. The Company believes that the tourism sector will continue to show growth in the coming years.

As regards CEIBA, the Company continues to undergo important changes. The current management contract, which was designed for the investment fund structure under which the Company has always operated, is coming to an end in the coming months and the Company is presently agreeing terms upon which the management team will be employed directly by the company – we have referred to this in the past as "internalizing management". Your board believes that together with other cost cutting measures this will significantly reduce the overhead within the Company and materially enhance its ability to pay dividends out of income. The Company is effectively ready to make its formal application for the listing of its shares on the Toronto Stock Exchange, however, prior to taking that step it is important to ensure that the market conditions are right for the Company and that it is supported by the majority of shareholders. The contents and level of detail contained in the financial statements and report of the Investment Manager are reflective of the level of disclosure the Company would make if a listing were in place.

Having a footprint in Cuba, with both operational and development assets in Cuba's commercial and tourism real estate sectors, CEIBA Investments Limited continues to be well–positioned to participate in Cuba's future. Our investment policy will continue to be centered upon properly managing the Company's current portfolio and pursuing new investment opportunities that may arise as the economic evolution of the country plays out.

Your board appreciates your continued support in the Company.

John Herring
Chairman

REPORT OF THE INVESTMENT MANAGER

INTRODUCTION

This Investment Manager's report on the results of operations and financial position (the "IM Report") of CEIBA Investments Limited ("CEIBA" or the "Company") contains the Investment Manager'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 2012 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 IM Report relates to CEIBA, its subsidiaries and interests in Cuban joint venture companies for the year ended 31 March 2012, unless otherwise indicated. The information in this IM Report is based on information available to management as at 26 September 2012.

The financial year of the Company ends on 31 March each year. In this IM Report, 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" or the "Investment Manager", unless otherwise indicated, are to the Investment Manager of the Company, CEIBA International Management Ltd.

For information purposes, this IM Report 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.

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. Unless otherwise indicated, share amounts in these consolidated financial statements have been presented on a post–share consolidation basis.

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

FORWARD–LOOKING STATEMENTS

This IM Report 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 IM Report, 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 IM Report, as well as the following: (1) economic circumstances in Cuba will remain similar to current economic circumstances 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 85%–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 debt financing for real estate assets or projects in Cuba will continue to be limited due to the inability of lenders to take effective security over Cuban real estate assets and other factors.

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 IM Report is expressly qualified in its entirety by these cautionary statements. All forward–looking information in this IM Report speaks as of the date of this IM Report. 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 as a Closed Ended Registered Collective Investment Scheme, 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.

The securities of the Company were listed on the Channel Islands Stock Exchange from May 2004 to December 2010, at which time the listing was cancelled and trading on the SETSqx platform of the London Stock Exchange was ceased at the request of the Company. In recent months, the Company has undertaken a process of corporate reorganization in order to convert its corporate form from a Closed Ended Registered Collective Investment Scheme in Guernsey to an internally managed investment company. It is intended that the Company will, over the coming months, complete this process by internalizing the management of the Company and undertaking an application for listing on the Toronto Stock Exchange.

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, esquina a 76, Miramar, Playa, Ciudad La Habana, 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 a major foreign investor in tourism and commercial real estate assets in Cuba. In addition, CEIBA provides structured finance to Cuba's tourism sector.

The activities of CEIBA are comprised of three principal operating segments: (1) commercial real estate investments; (2) tourism real estate investments; and (3) finance. The majority of the Company's asset base is made up of direct and indirect equity investments in Cuban joint venture companies incorporated under and governed by *Law 77 of 1995 on Foreign Investment* that operate in the real estate segments mentioned above, and secured finance facilities.

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, Cuba'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") have an aggregate of 1,437 5–star and 4–star hotel rooms and are located on prime beach–front property in Varadero, immediately adjacent to 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 25 hotels under management.

In addition to the Meliá Habana Hotel and the Varadero Hotels, CEIBA owns a 50% 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 Meliá Hotels International will also manage the Trinidad property following its construction.

Finance Segment

In the finance segment, the Company arranges and participates in secured finance facilities and other interest–bearing financial instruments granted in favour of Cuban borrowers, primarily in the tourism sector. As at 31 March 2012, the net exposure of the Company under these facilities is US$10,588,030, compared to US$22,672,580 at 31 March 2011.

BUSINESS STRATEGIES OF THE COMPANY

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 Dominant Foreign Investor in Cuba's Commercial Real Estate Sector

CEIBA's strategy 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.

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 last five years 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.

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 for Cuban assets become more acceptable, thereby allowing the Company to optimize its capital structure and to make further 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 any improvement in local market conditions, including 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, the possible adoption by the Cuban government of new economic reforms, and the potential 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 conditions closely and adapts the strategies of the Company to changing circumstances.

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 and Brazil, 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:

Easing of U.S. Travel Restrictions and Relationship with the United States

In January 2011, the Obama administration announced new measures easing restrictions on the sending of remittances and licensed travel from the United States to Cuba. New rules have also allowed 18 new US airports to provide services to licensed charter carriers to Cuba. These measures are likely to result in a substantial increase in the number of US persons visiting Cuba, although tourism travel remains prohibited.

Throughout 2011 and the first half of 2012, political relations between the United States and Cuba remained tense. The principal point of disagreement between the United States and Cuba is the continued incarceration of Allan Gross, a U.S. development contractor arrested in December 2009 for distributing prohibited satellite and other telecommunications equipment under U.S. government financed programs. In March 2011, after 15 months in detention without trial, Mr Gross was tried and found guilty of "acts against the independence or territorial integrity of the state", and sentenced to 15 years of incarceration. Further improvement in relations between the United States and Cuba will prove difficult until the issue of Mr Gross is resolved.

Cuba–Venezuela Relations

Venezuela remains Cuba's leading trading and investment partner. Cuba presently imports over 110,000 barrels of oil per day from Venezuela on preferential terms, and is largely dependent on the continuation of socio–economic exchanges and investment programs between the two countries. In June 2011 Venezuelan President Hugo Chávez announced that while visiting Cuba he had a cancerous tumour removed, and in late February 2012 he returned to Cuba for a second operation to remove a further lesion, thus bringing into doubt his ability to stand for re–election in presidential elections scheduled for October 2012. Any discontinuation of his role in the relationship between the two countries would likely have a serious economic impact on Cuba.

Lineamientos adopted by the VIth Congress of the Cuban Communist Party

Since taking over the presidency in 2008, Raúl Castro has slowly moved the country towards political and economic reforms aimed at strengthening 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 pace of implementation of the new measures has been slow.

A reorganization of government has been undertaken, with the elimination of the sugar ministry and the division of the former Ministry of Basic Industries into new energy and mining ministries. The number of state sector employees continues to be gradually reduced and the number of persons working independently in the private sector continues to grow, although slower than initially announced in both cases. Pilot programs under which state–run service businesses such as taxis, barber shops and beauty salons are leased to employees were expanded as of 1 January 2012 to include additional service businesses such as appliance and watch repair, locksmiths and carpentry shops. New measures have also been adopted that allow the purchase and sale by Cuban nationals of residential real estate and automobiles. Idle agricultural land continues to be leased to individual farmers in the hope of increasing food production, with mixed results so far.

Taken together, new policy statements announced in the social and economic sphere throughout 2011 and early 2012 and the new policies adopted at the April 2011 Congress represent a profound reorientation of the direction of the Cuban economy. Highlights of these changes 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 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 up to 250,000 new licenses for the self–employed;
- the creation of wholesale markets for the acquisition of inputs necessary for the activities of small agricultural producers and the self–employed, the granting by Cuban state banks in favour of small agricultural producers 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 full control over business decisions to the managers of state–owned enterprises;
- the 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;

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 President Castro announced to the National Assembly in December 2011 that all frozen funds were finally released. The government has announced that the Cuban economy grew by 2.7% in 2011, up from 2.1% in 2010. The principal hard currency sectors of medical services, tourism and nickel are performing well. It is also believed that foreign currency reserves were bolstered by the lack of hurricanes affecting the country in the 2011 hurricane season.

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.

In early February 2012 a new Chinese–built oil rig (the Scarabeo 9) arrived in Cuba, where it will be used by various foreign companies to drill exploratory wells. It was inspected by U.S. experts prior to arrival and it has been reported that operations will be carried out in compliance with US safety regulations. The Scarabeo 9 is scheduled to drill at least five exploratory wells. The first well drilled by a consortia led by the Spanish oil company Repsol YPF at a depth of approximately 1,700 metres was completed in May 2012 without positive results. A second well drilled by Malaysia's Petronas, in partnership with Russia's Gazprom Neft, was completed in July 2012 also without positive results. The third well using the Scarabeo 9 began drilling in August 2012 by Venezuela's PDVSA at Cuba's western tip.

The discovery of significant exploitable oil reserves would represent a dramatic change to Cuba's economic future and could also have a significant impact on the relationship between the United States and Cuba.

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. When these new systems become fully operational (announced for the summer of 2011, although there have been no subsequent public statements concerning the status of operations or reasons for delay), Cuba's telecommunications capability and internet bandwidth is expected to grow dramatically. At present, with no operational undersea connection, Cuba relies on satellite communications for all telecommunications services with the outside world.

Outlook

Although the economic outlook for Cuba during the remainder of 2012 continues to be mixed, 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 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 local and foreign.

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 2012 US$	31 March 2011 US$
Commercial Property Investments		
Inmobiliaria Monte Barreto S.A.	65,671,641	72,975,496
Hotel Property Investments[1]		
Corporación Interinsular Hispana S.A.	20,763,003	67,971,219
HOMASI S.A.	9,076,166	25,962,264
	29,839,169	93,933,483
Hotel Development Project Investments		
TosCuba S.A.	2,804,707	2,804,707
Other Investments		
Caricel Inc.	225,000	225,000
Total Investments	**98,540,517**	**169,938,686**

1 Corporación Interinsular Hispana S.A. and HOMASI S.A. are Spanish holding companies that hold a 50% interest in the Cuban joint venture companies Cuba Canarias S.A. and Miramar S.A., respectively, and are 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 two 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 over 45% of the total operating expense (excluding depreciation and amortization).

At 31 March 2012, the Company's proportionate interest in Monte Barreto was equivalent to 27,244 square meters (approximately 293,000 square feet) of rentable office space in Havana, Cuba. At that date, the fair value of the Company's interest in Monte Barreto was US$65,671,641, compared to US$72,975,496 as at 31 March 2011. The decrease in fair value in fiscal 2012 can be primarily attributable to a change in the discount rate applied to the estimated future cash flows. At 31 March 2012, the applicable discount rate was 12.0%, compared to 10.6% at 31 March 2011. 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$	
	2012	**2011**	**2011**	**2010**
Inmobiliaria Monte Barreto S.A.				
Total income	4,706,686	5,418,633	20,905,028	22,060,476
EBITDA	3,164,472	3,982,786	14,212,390	15,230,021
EBIT	2,568,264	3,395,778	11,842,233	12,821,832
Net income after tax	1,863,309	2,427,981	8,466,481	9,165,998
Occupancy[1]	88.4%	97.0%	95.1%	100%
AMR	31.98	33.24	33.01	33.11
Dividends[2]	Nil	4,250,764	7,850,404	8,501,529

1 Occupancy represents the average occupancy during the period.

2 Dividends represent the dividends that have been declared relating to the applicable period. The actual declaration and distribution of dividends may have occurred subsequent to the end of the fiscal period.

Discussion of Commercial Property Results and Outlook

The net income after tax of Monte Barreto for calendar year 2011 was approximately US$565,000 lower than previous year. Net income after tax for calendar year 2012 is anticipated to be lower than 2011 income levels due to a decrease level of occupancy.

The decrease in occupancy levels to approximately 88% is principally as a result of the continued departure by certain Cuban (State–owned) tenants. The management of Monte Barreto is in the process securing new tenants to fill this available space. For calendar year 2012, the net income after tax of Monte Barreto is anticipated to be lower to that of 2011 due to the lower level in occupancy and a modest decrease in the level of AMR. It is anticipated that occupancy level will return to approximately 96% by the end of calendar 2013.

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.

The directors of CEIBA Tourism Cooperatief U.A., a wholly–owned subsidiary of the Company that is the holding vehicle for its tourism real estate investments, are actively involved in the supervision of the management of these hotel investments.

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 25 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 Corporación Interinsular Hispana S.A. ("CIHSA") and HOMASI S.A. ("HOMASI"). CIHSA and HOMASI are accounted for at fair value and as a result their individual financial statements and the financial statements of the underlying Cuban joint venture companies, Cuba Canarias S.A. ("Cubacán") and Miramar S.A. ("Miramar"), respectively, are not consolidated within the audited consolidated financial statements of the Company.

At 31 March 2012, the Company had an indirect interest equivalent to 102.3 hotel rooms in Havana and 199.4 hotel rooms in Varadero. At that date, the fair value of the Company's interest in CIHSA and HOMASI was US$29,839,169 compared to a fair value of US$93,933,483 at 31 March 2011. The decrease in the fair value of CIHSA and HOMASI is attributable to the reversal of the acquisitions completed in March 2011 of additional interests in CIHSA and HOMASI that had a value of US$52,000,000 and a decrease in the estimated fair values of CIHSA and HOMASI by US$12,094,314. The decrease in fair value in fiscal 2012 can be primarily attributable to an increase in the discount rate to 12% that is applied to the estimated future cash flows. See note 6 of the consolidated financial statements for more information.

Currently in Cuba, foreign investors own interests representing a total of 405 hotel rooms in Havana, 1,459 rooms in Varadero and 2,628 rooms in all of Cuba (excluding Cuban interests). Of these hotel rooms, the Company presently has an interest equivalent to 25.3% of the total hotel rooms in Havana in which there is a foreign interest, 13.7% of the total hotel rooms in Varadero in which there is a foreign interest and 11.5% of the total hotel rooms in Cuba in which there is a foreign interest. The Company has indirect interests in the following two joint venture companies that own operating hotel properties:

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 Cubacán. Cubacán 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 beachfront property adjacent to Cuba's only 18–hole golf course. At 31 March 2012 the fair value of the Company's interest in CIHSA was, US$20,763,003 compared to US$67,971,219 at 31 March 2011.

Details of the Cubacán hotels are as follows:

Meliá Las Américas 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 Cubacán 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 Cubacán. 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 Cubacán.

The Company holds its interests in CIHSA through its wholly–owned Netherlands subsidiary CEIBA Tourism Cooperatief U.A. ("CEIBA Tourism"). The remaining economic interests in CIHSA are held by other foreign investors (as to 72.25%). Cubacán is held 50% by CIHSA and 50% by Corporación de Turismo y Comercio Internacional, Cubanacán S.A. ("CUBANACÁN"). CUBANACÁN is a diversified tourism company owned by the Cuban government

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 Cubacán.

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 Cubacán, is accounted for at fair value:

	3 months ended 31 March US$		Year ended 31 December US$	
	2012	2011	2011	2010
Sol Palmeras				
Total income	8,549,236	8,012,179	25,096,455	23,998,561
EBITDA	3,650,675	3,498,397	7,182,238	7,086,967
EBIT	3,248,653	3,106,027	5,570,217	5,604,304
Nº of guests	106,221	101,596	390,468	395,028
Room Occupancy	93.03%	90.53%	86.53%	86.86%
ADR	166.37	160.22	130.91	124.70
Rev PAR	154.77	145.05	113.27	108.32
Meliá Varadero				
Total income	7,562,800	7,122,080	20,494,913	19,944,856
EBITDA	3,154,207	3,073,495	5,646,698	5,792,656
EBIT	2,724,242	2,641,681	3,980,697	4,143,313
Nº of guests	80,738	76,391	258,956	260,664
Room Occupancy	93.67%	91.55%	76.01%	77.52%
ADR	181.07	174.47	150.76	143.86
Rev PAR	169.61	159.72	114.59	111.52
Meliá Las Américas				
Total income	6,563,505	6,354,354	16,937,096	16,808,700
EBITDA	2,744,493	2,638,673	4,464,145	4,746,478
EBIT	2,419,065	2,331,087	3,185,891	3,517,489
Nº of guests	55,201	52,896	168,869	177,646
Room Occupancy	96.51%	95.10%	78.11%	82.33%
ADR	219.81	215.96	174.73	164.51
Rev PAR	212.14	205.38	136.48	135.44
Cuba Canarias S.A.[1]				
Total income	22,675,541	22,268,928	65,654,557	63,761,121
EBITDA	9,555,648	9,212,996	17,288,134	17,615,470
EBIT	8,360,498	8,043,731	12,581,322	13,112,606
Net income after tax	7,528,628	7,243,380	11,310,757	11,786,923
Dividends[2]	Nil	Nil	11,247,850	11,721,360

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.

2 Dividends represent the dividends that have been declared relating to the applicable period. The actual declaration and distribution of dividends may have occurred subsequent to the end of the fiscal period.

Miramar S.A.

The Company holds an economic interest of 51.55% in HOMASI, 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 2012 the fair value of the Company's interest in HOMASI was US$9,076,166, compared to US$25,962,264 at 31 March 2011. Details of the Meliá Habana Hotel are as follows:

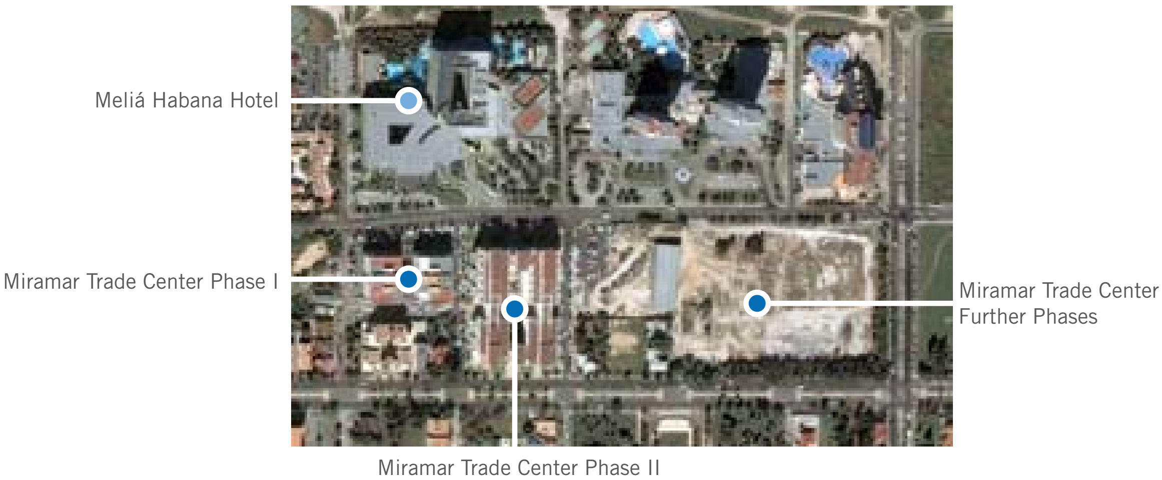
Meliá Habana Hotel

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 25 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 45% of the share capital of HOMASI, 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 25% of HOMASI's economic interest in Miramar. HOMASI has also sold participation agreements representing an additional 16% of its economic interest in Miramar to third parties. The net economic interest of the Company in HOMASI is 51.55% taking into account the participation agreements in favour of third parties, which represents a 25.775% economic interest in Miramar.

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 48.45%). Miramar is held 50% by HOMASI and 50% by the Cuban company, CUBANACÁN.

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.



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$	
	2012	2011	2011	2010
Meliá Habana				
Total income	4,629,530	4,259,042	15,366,045	14,016,164
EBITDA	1,651,218	1,369,135	3,657,776	4,039,423
EBIT	1,402,117	1,092,296	2,458,986	2,546,457
Nº of guests	54,566	53,079	191,766	180,735
Room Occupancy	92.73%	89.02%	81.66%	77.64%
ADR	138.19	132.43	129.86	124.58
Rev PAR	128.15	117.89	106.04	96.73
Miramar S.A.				
Total income	4,629,530	4,259,042	15,366,045	14,016,164
EBITDA	1,639,146	1,355,367	3,610,840	3,997,211
EBIT	1,386,954	1,075,836	2,378,950	2,504,245
Net income after tax	1,179,951	913,654	1,991,920	2,112,444
Dividends[1]	Nil	Nil	1,980,025	2,099,923

[1] Dividends represent the dividends that have been declared relating to the applicable period. The actual declaration and distribution of dividends may have occurred subsequent to the end of the fiscal period.

Discussion of Hotel Property Results and Outlook

In aggregate, the net income after tax of the four operating hotel properties during calendar year 2011 was approximately US$600,000 lower in comparison to the previous calendar year. In spite of higher ADR and RevPAR figures and consistent occupancy levels, net income decreased primarily due to higher energy costs during calendar 2011.

For the current calendar year (2012), it is anticipated that total income of the hotel properties will rise due to a slight increase in occupancy levels as well as higher levels of ADR and RevPAR. As such, there is projected to be a modest increase in the EBITDA of the hotel properties with a corresponding increase in the level of dividends distributed by CIHSA and HOMASI.

For calendar year 2012, the joint venture companies intend 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 upgrading 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.

Reversal of Hotel Transactions of March 2011

Agreements executed in March 2011 in relation to the acquisition of an additional 43.78% economic interest in CIHSA and 34.45% economic interest in HOMASI contain conditions subsequent, under which the Company was obligated to list its securities on the Toronto Stock Exchange ("TSX") prior to 31 December 2011 with an opening price of at least US$1.20 per share (or an equivalent proportional value if the number or nominal value of the shares are changed prior to listing). Due to these conditions, the shares issued as consideration for the March 2011 transactions were classified as liabilities at 31 March 2011.

The Company was not able to meet the contractual deadline for listing its securities on the TSX and was unsuccessful in negotiating a suitable extension of the deadline with the seller of these interests. Consequently, as stipulated in the agreements, the transactions were reversed in December 2011, at which time the Company returned the shares of CIHSA and HOMASI and the rights under the Participation Agreements acquired in March 2011 and the sellers returned the shares of the Company issued for the transaction to its wholly–owned subsidiary CEIBA Tourism. The total value attributed to the reversal of the transactions was US$52,000,000, equal to the value of the March 2011 acquisitions.

Development Projects

The Company currently has an interest in one development project that consists of a 50% 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 María Aguilar, Trinidad, Province of Sancti Spiritus, Cuba. The Cuban partner that holds the other 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.

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 technical drawings, and ground preparation, of which the Company has contributed US$2,804,707. 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. Currently, a Cuban architectural and engineering firm is developing conceptual ideas for the hotel. Construction is anticipated to begin during the year 2013 immediately following the completion of technical drawings and receipt of all necessary permits and approvals. At 31 March 2012 and 2011, the fair value of the Company's interest in TosCuba was US$2,804,707.

Clockwise from top left: View of the City of Trinidad, declared an UNESCO World Heritage site in 1988; María Aguilar beach; Aerial day view of the TosCuba Project; Aerial night view of the TosCuba Project; Plan of the TosCuba Hotel property.

Other Investments

At 31 March 2011, the Company had 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 2012 and 2011, the fair value of the Company's interest in Caricel Inc. was US$225,000.

LOANS AND ADVANCES RECEIVABLE

The strategy of the Company includes placing its available cash reserves that are not required in the near term into interest–bearing financial instruments. The strategy is to match the timing of principal repayments of these instruments to approximate the time funds are required for additional investments. At 31 March 2012, the Company had the following loans and advances receivable:

	31 March 2012 US$	31 March 2011 US$
Casa Financiera FINTUR S.A.		
€50 million facility – Tranche B	9,338,777	19,868,380
Banco Internacional de Comercio S.A.		
€3 million facility	1,000,583	2,483,548
Other loans and advances		
Empresa Flora y Fauna	248,670	320,652
Total	**10,588,030**	**22,672,580**
Current portion	**(10,339,360)**	**(11,425,342)**
Non–current portion	**248,670**	**11,247,238**

FINTUR Facility

Casa Financiera FINTUR S.A. ("FINTUR") is the main collection agent for Cuba's tourism income. The Company has been one of the principal lenders to FINTUR since 2002, when it structured and participated in the first syndicated facility agreement to FINTUR secured by offshore tourism proceeds. Since that time, the Company has arranged and participated in numerous subsequent facilities extended to FINTUR as previous facilities were repaid. Since 2002, FINTUR has made payments on these facilities without default or delay.

In July 2008, the Company arranged and executed the most recent facility in favour of FINTUR, a €50,000,000 syndicated facility agreement (the "FINTUR Facility") consisting of 2 equal tranches in the principal amount of €25,000,000 each (with different terms). Tranche A of the FINTUR Facility was fully repaid in November 2010, and Tranche B, the repayment of which began in April 2010, is scheduled to be fully repaid in January 2013.

The participation of the Company in Tranche B of the FINTUR Facility was €21,000,000, disbursed in October 2008, of which €7,000,000 was outstanding as at 31 March 2012, compared to €14,000,000 outstanding at 31 March 2011. Tranche B had an initial term of 48 months (12 month interest–only grace period and 36 month repayment period) and a floating interest rate of 1–month EURIBOR plus 5.9%, adjusted at the time of each quarterly payment if certain conditions are met. The effective interest rate during the 2011 fiscal year was 6.33%. The rate was adjusted to 7.056% on 14 April 2011 which remained in effect for the remainder of fiscal 2012. The rate was subsequently adjusted to 6.31% on 14 April 2012.

The FINTUR Facility is secured by Euro–denominated off–shore tourism proceeds payable to FINTUR by certain international hotel operators managing hotels in Cuba and by selected European and other tour operators. These tourism proceeds are flowed through secured facility accounts located outside Cuba at a Spanish bank having a representative office in Havana. Actual tourism proceeds flowing through the facility accounts have at all times exceeded the required security ratios set out in the facility documents.

BICSA Facility

Banco Internacional de Comercio S.A. ("BICSA") is one of Cuba's principal retail banks. In December 2008, the Company converted unsecured financial instruments in its favour owed by BICSA into a new €3,000,000 facility guaranteed by FINTUR. This facility has a term of 48 months (12 month interest–only grace period, followed by a 36 month repayment period) and is scheduled to be fully repaid in December 2012. The facility has a fixed interest rate of 10.5%. As at 31 March 2012, the principal amount outstanding to the Company under this facility was €750,000 (2011: €1,750,000).

Other Loans and Advances

Other loans and advances consist of loan facilities extended by GrandSlam Limited, a subsidiary of the Company, in favour of the Cuban company Empresa Flora y Fauna in connection with the finance of the construction of two small–size ecotourism properties which began in August 2005. These facilities have a fixed interest rate of 8% and the principal and accumulated interest is to be paid from a percentage of the income earned by the underlying properties. These facilities have not performed as expected, although a provision is not deemed necessary at this time.

OTHER ASSETS AND ACTIVITIES

The Company has a number of other assets and activities, the aggregate of which represents less than 2% of the total assets of the Company.

CEIBA Publications Limited

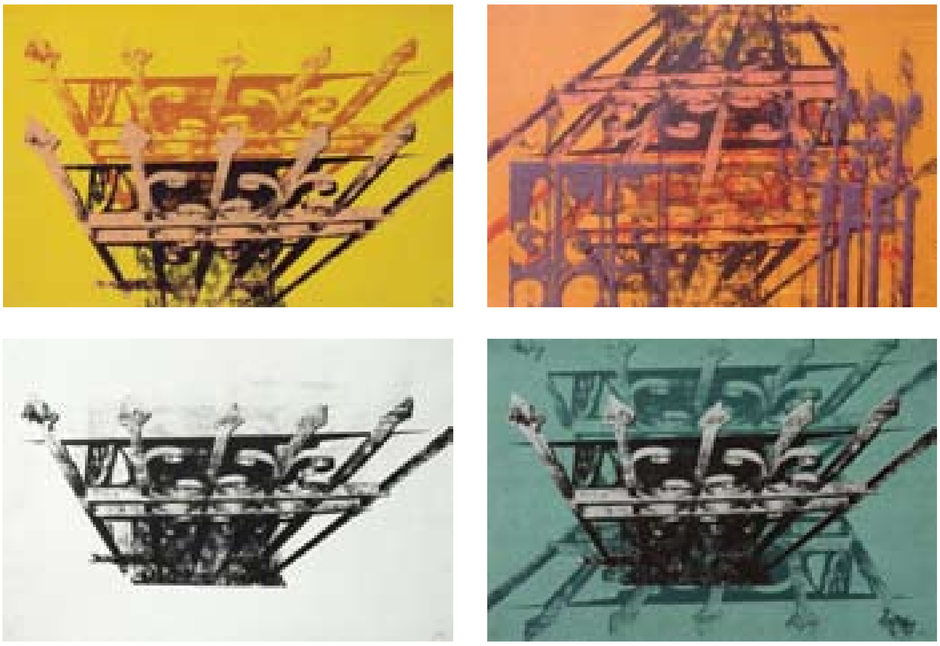
CEIBA Publications Limited ("CEIBA Publications") is a wholly–owned subsidiary of the Company that is fully consolidated in the financial statements of the Company and is included within the "Other" business segment. CEIBA Publication recently published a 296 page bilingual art book, "CUBA: Arte Contemporáneo / Contemporary Art", which contains the work of 59 contemporary Cuban artists. For the year ended 31 March 2012, the 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 results of GrandSlam for the year ended 31 March 2012 were approximately breakeven with total income of US$368,886 and a net income of US$32,720, compared to total income of US$245,395 and a net loss of US$33,936 for the year ended 31 March 2011.

Cuban Art

Over the years, the Company has accumulated a respectable collection of works of art of Cuban contemporary artists, some of which were included in the art book "CUBA: Arte Contemporáneo / Contemporary Art". These works of art are included within the property, plant and equipment of the Company and have a net value of US$311,800. The works of art are on display at the Havana branch office of CPC and the Havana office of the travel agency of GrandSlam.



From the Company's collection by Hanoi Pérez: Untitled, from the series *Regresos y comienzos* (Returns and beginnings), 2006, four screen prints, 55 × 80 cm each.

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 2012 were US$193,472.

Internalisation of Management

On 27 June 2011, the Company and the Investment Manager executed a termination agreement (the "IMA Termination Agreement") for the purpose of terminating the existing investment management agreement dated 1 January 2008 (the "IMA"). Under the IMA Termination Agreement, the termination of the IMA will become effective from the last day of the month during which the Company receives conditional approval from the Toronto Stock Exchange to list its Shares on the TSX.

At present, the Investment Manager manages the investment portfolio of the Company as an outside manager and receives – as per the terms of the IMA – a base fee of 2.5% calculated over the total assets of the Company, a performance fee, payable in Shares, of 20% of the uplift in the net asset value per share of the Company with a high watermark, and Investment Manager Warrants ("IM Warrants") equal to 2% of the outstanding capital at the end of each financial year for five years. A detailed description of the terms of the IMA is provided under the section Operating expenses and in note 12 of the audited consolidated financial statements.

The IMA Termination Agreement was executed in order to reduce the cash outlay of the Company, to further align the interests of the principal executives of the Company with the interests of Shareholders, and as part of the strategy of the Company to convert itself from a Closed Ended Registered Collective Investment Scheme in Guernsey to an operating investment company with internalised management.

Under the terms of the IMA Termination Agreement, the Investment Manager will receive the following compensation in connection with termination (all share amounts are subsequent to the 10–for–1 share consolidation that took place on 15 August 2011):

- 600,000 Shares of the Company, of which 300,000 will be payable on the termination date of the IMA and 300,000 will be payable on 27 June 2012 (the date that falls 1 year following the date of execution of the IMA Termination Agreement); and
- 1,200,000 Termination Warrants (each granting the right to acquire one Share of the Company at a subscription price equal to the final audited net asset value of the Company as at 31 March 2011).

As of the termination date, the Investment Manager will immediately waive its entitlement to (i) the performance fee earned under the IMA for the 12 months ended 31 March 2011 (in the amount of US$2,649,546) and for all subsequent periods prior to termination; and (ii) all IM Warrants under the existing IMA during the next 2 years, and all previously accrued and issued IM Warrants under the IMA will be surrendered for cancellation.

In addition, employment and executive services agreements (collectively the "Executive Arrangements") have been executed in order to secure the services of the principal investment managers of the Investment Manager that have been managing the investment portfolio of the Company as executives of the Company on an internalised basis.

The total base compensation of the executives under the new Executive Arrangements will be in the initial amount of US$1,274,000 per annum, representing a significant reduction in the base management fee payable under the IMA (equal to 2.5% of assets under management or US$3,431,792 for the year ended 31 March 2011). Similarly, potential performances bonuses payable to executives under the new Executive Arrangements are at the discretion of the Compensation Committee of the Board of Directors of the Company, are capped at US$1,972,000, and can be paid in cash or in Shares, representing a further reduction in management expense (equal to 20% of uplift in net asset value or US$2,649,546 for the year ended 31 March 2011). It is intended that the Compensation Committee will in the future establish detailed performance criteria relating to the performance bonuses.

As the listing of the shares of the Company on the Toronto Stock Exchange has not taken place and given the length of time that has passed since the conditional IMA Termination Agreement and Executive Arrangements were reached, the terms contained within these agreements detailed above are presently being renegotiated.

LIQUIDITY

As at 31 March 2012, cash and cash equivalents totalled US$7,954,474, compared to US$4,884,981 at 31 March 2011. Cash flows from operating activities totalled US$2,891,806 in fiscal 2012 compared to US$3,068,573 in fiscal 2011. The decrease in cash flows from operating activities in fiscal 2012 can be attributed to lower dividend income, interest income and foreign exchange income as well as higher legal and audit fees expenses. These decreases in cash flows were offset in part by positive cash flow changes in the accounts receivable and accounts payable accounts of the Company.

Cash flows from investing activities totalled US$12,079,143 in fiscal 2012 compared to negative cash flows of US$16,200,227 in fiscal 2011. The decrease in cash flows from investing activities in fiscal 2012 is primarily due to a decrease in proceeds received from the repayment of loans and advances of US$12,084,550, compared to US$16,222,891 in fiscal 2011 primarily due to the variance in foreign exchange rates.

There were negative cash flows from financing activities totalling US$11,901,546 in fiscal 2012 compared to negative cash flows of US$15,984,909 in fiscal 2011. The higher negative cash flows in fiscal 2011 were due to short–term borrowings obtained to facilitate the acquisitions of the interests in CIHSA and HOMASI in fiscal 2010, of which a significant portion was repaid to the lender in fiscal 2011. In fiscal 2012, there was a payment of cash dividends by the Company of US$11,901,456, compared to a payment of cash dividends of US$11,473,929 in fiscal 2011.

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:
  - acquisitions of new interests in Cuban investments; and
  - the funding of development costs of TosCuba, including architectural drawings, engineering studies and tendering construction bids.

The construction of the TosCuba hotel development project is anticipated to begin during 2013 following the completion of technical drawings and receipt of all necessary permits and approvals. Subsequently, 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 and investing activities. Available cash balances, dividend income from interests in Cuban joint venture companies and proceeds from the repayment of loans and advances receivable by the Company 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, along with proceeds from the repayment of loans and advances, 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 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 planning to apply for a listing on the Toronto Stock Exchange, a highly liquid international market. 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.

During the prior fiscal year, 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 having a nominal value of €0.10 held, rounded down to the next whole number. All existing ordinary Shares of €0.10 each were automatically cancelled. Unless stated otherwise, figures below are presented on a post–consolidation basis.

The total number of ordinary shares issued and fully paid as at 31 March 2012 was 13,223,840, compared to 17,754,892 at 31 March 2011.

On 19 May 2011, 71,709 ordinary Shares of the Company were issued as payment for the transaction completed in March 2011 to acquire an increased interest in HOMASI, bringing the total number of Shares issued and fully paid at that date to 17,826,601.

The agreements executed in March 2011 in relation to the acquisition of the additional 43.78% economic interest in CIHSA and 34.45% economic interest in HOMASI contained conditions subsequent, under which the Company was required to list its securities on the TSX prior to 31 December 2011 with an opening price of at least US$12.00 per share.

The Company was not able to meet the contractual deadline for listing its securities on the TSX and was unsuccessful in negotiating a suitable extension of the deadline with the seller of these interests. Consequently, as stipulated in the agreements, the transactions were reversed in December 2011, at which time the Company returned the shares of CIHSA and HOMASI and the rights under the Participation Agreements acquired in March 2011 and the sellers returned the 4,602,761 shares of the Company issued for the transaction to its wholly–owned subsidiary CEIBA Tourism. The total value attributed to the reversal of the transactions was US$52,000,000, equal to the value of the March 2011 acquisitions. The 4,602,761 shares of the Company were subsequently cancelled on 30 March 2012.

DIVIDENDS

Dividends paid during the 12 months ended 31 March 2012 amounted to US$11,901,456 or US$0.90 per share, compared to US$11,502,474 or US$0.87 per share in fiscal 2011.

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 2012 US$	31 March 2011 US$
Income		
Dividend income	5,822,298	6,939,139
Interest income	1,063,889	2,208,431
Other income	976,573	759,721
	7,862,760	9,907,291
Expenses		
Investment Manager fees and warrants	(3,897,586)	(6,950,799)
Other operating expenses	(3,031,552)	(2,507,827)
	(6,929,138)	(9,458,626)
Change in fair value of equity investments	(19,398,169)	11,288,388
Foreign exchange income (loss)	(1,261,837)	1,171,175
Net income for the year	(19,726,384)	12,908,228
Other comprehensive income	-	76,556
Total comprehensive income (loss)	(19,726,384)	12,984,784

Income

The principal sources of income of the Company are (i) dividends received from the investments of the Company in Cuban joint venture companies that own commercial and hotel properties, and (ii) interest income earned on loans and advances made by the Company.

Dividend income

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

	31 March 2012 US$	31 March 2011 US$
Commercial property investments		
Monte Barreto	3,846,698	5,133,653
Hotel property investments		
CIHSA	1,455,293	1,462,502
HOMASI	520,307	342,984
	1,975,600	1,805,486
	5,822,298	6,939,139

Dividend income from Monte Barreto for 2012 is in relation to its 2011 calendar fiscal year. Dividend income of Monte Barreto was higher in the prior fiscal year because it included dividends totaling US$967,904 in relation to its 2009 calendar fiscal year in addition to the dividends of the 2010 calendar fiscal year of Monte Barreto. The dividend income from Monte Barreto for fiscal 2012 was also lower due to a decrease level of occupancy during calendar 2011.

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

Interest Income

Interest income totalled US$1,063,889 for the twelve months ended 31 March 2012 compared to US$2,208,431 at 31 March 2011. Interest income was lower in fiscal 2012 primarily due to the principal of the loans and advances made by the Company being repaid and no new loans being issued during the period.

Other Income

Other income totalled US$976,573 for the twelve months ended 31 March 2012 compared to US$759,721 at 31 March 2011. Other income was higher in fiscal 2012 primarily due to higher sales income of US$368,886 earned by GrandSlam (compared to US$238,840 in fiscal 2011).

Also included in other income is an amount of US$442,437 (compared to US$388,941 in fiscal 2011) which represents the difference between the actual 2011 calendar year dividends of CIHSA and HOMASI guaranteed by the seller to the Company in agreements completed in March 2010 and the dividends actually earned by the Company (specifically relating to the 15% equity interest in CIHSA and 45% equity interest in HOMASI).

Operating Expenses

Operating expenses may be separated between amounts representing Investment Manager fees and related warrants, and other operating expenses of the Company.

Operating Expenses – Investment Manager Fees and IM Warrants

The investment portfolio of the Company is presently managed by the Investment Manager, CEIBA International Management Ltd. Under the existing IMA, the Investment Manager is entitled to receive compensation in the form of base fees, performance fees and IM Warrants.

Investment Manager Base Fees

Management base fees totalled US$3,428,528 for the twelve months ended 31 March 2012, compared to US$3,431,792 for the same period ended 31 March 2011. The Investment Manager is entitled to receive annual base fees in the amount of 2.5% of the average quarterly total assets under management of the Company, calculated and payable at the beginning of each quarter. Therefore, the amount of management fees is a function of the net assets of the Company during the period.

Investment Manager Performance Fees

There were no performance fees earned for the period ended 31 March 2012, compared to performance fees of US$2,649,546 for the twelve months ended 31 March 2011. The Investment Manager receives a performance fee, payable annually at the rate of 20% of the uplift in the net asset value per share excluding any liability in respect of performance fees (which increase includes the increase of the profit and loss and the capital account of the Company) with a high watermark (whereby the net asset value per share at the end of the fiscal year will be carried forward to future periods for the calculation until a higher net asset value per share is obtained), after adjusting for the value of any distributions made, exclusive of value added tax or any similar tax where appropriate. The performance fee is payable in shares calculated at the audited net asset value per share at the financial year end of the Company for the year in respect of which the performance fee is payable. As there was no increase in the net asset value per share for the fiscal year ended 31 March 2012, the Investment Manager did not earn a performance fee for that period. As part of the IM Termination Agreement, it is intended that the issuance of the shares related to the 2011 performance fee will be waived by the Investment Manager in exchange for certain payments.

Investment Manager Warrants

The charge for IM Warrants totalled US$469,058 for the twelve months ended 31 March 2012, compared to US$869,461 for the period ended 31 March 2011. Under the existing IMA, with respect to the financial years falling in the period between 1 April 2008 and 31 March 2013, the Company will on an annual basis issue in favour of the Investment Manager such number of IM Warrants as will confer the right to subscribe for IM Warrant Shares representing 2.0% of the outstanding Shares of the Company at the relevant financial year–end. The IM Warrants are calculated and issued with a subscription price equal to the audited net asset value per Share at the financial year–end in respect of which they are issued. The fair value of the IM Warrants is estimated by using the Black–Scholes option–pricing model.

As part of the IM Termination Agreement, it is intended that the issuance of the outstanding IM Warrants described above will be waived by the Investment Manager in exchange for certain payments, and all previously issued IM Warrants issued in favour of the Investment Manager will be returned for cancellation.

Other Operating Expenses

Operating expenses, excluding Investment Manager fees and IM Warrants, totalled US$3,031,551 for the twelve months ended 31 March 2012, compared to US$2,507,827 for the period ended 31 March 2011. These operating expenses were lower in fiscal 2011 primarily due to lower legal expenses, interest expense and amortization, partially offset by higher travel expenses.

A discussion of selected operating expenses is provided below:

Staff Costs

Staff costs totalled US$682,723 for the twelve months ended 31 March 2012, compared to US$686,563 for the period ended 31 March 2011. Staff costs are comprised of salaries and other employment costs of 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.

Selling and Operational Costs

Selling and operational costs totalled US$595,656 for the twelve months ended 31 March 2012, compared to US$494,808 for the periods ended 31 March 2011. Included in selling and operational costs are the costs of sales of GrandSlam totalling $265,705 (compared to US$212,803 in fiscal 2011) and cost of sales of CEIBA Publications of US$51,560 (CEIBA Publications did not have any cost of sales in fiscal 2011). This account also contains rent and other office expenses of the subsidiaries of the Company.

Legal Expenses

Legal expenses totalled US$544,455 for the twelve months ended 31 March 2012, compared to US$244,046 for the period ended 31 March 2011. Legal expenses were higher in fiscal 2012 primarily due to legal fees in relation to the proposed application for a listing of the securities of the Company on the Toronto Stock Exchange.

Travel Expenses

Travel expenses totalled US$187,241 for the twelve months ended 31 March 2012, compared to US$239,618 for the period ended 31 March 2011. Travel expenses were higher in fiscal 2011 primarily due to travel related to the proposed application for a listing on the Toronto Stock Exchange and increased travel by the Board to attend meetings in Havana and Toronto. Numerous travel expenses were also incurred in fiscal 2011 in connection with the acquisition of the addition interests in CIHSA and HOMASI.

Audit fees

Audit fees totalled US$336,268 for the twelve months ended 31 March 2012, compared to US$127,623 for the period ended 31 March 2011. Audits were higher in fiscal 2012 primarily due to additional audit work performed in relation to the underlying Cuban joint venture companies.

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 2012, the Company recognized a decrease in the fair value of equity investments of US$19,398,169, compared to an increase of US$11,288,388 at 31 March 2011. 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 2012 US$	31 March 2011 US$
Commercial property investments		
Monte Barreto	(7,303,855)	-
Hotel property investments		
CIHSA	(5,608,216)	10,813,611
HOMASI	(6,486,098)	1,686,923
TosCuba S.A.	-	(422,175)
	(12,094,314)	12,078,359
Other investments		
Caricel Inc.	-	(789,971)
Total change in fair value of investments	(19,398,169)	11,288,388

Fair Value of Monte Barreto

In successive transactions carried out between March 2004 and July 2008, the Company acquired a 49% interest in Monte Barreto, incorporated for the construction and operation of the Miramar Trade Center. Each period the fair value of the Company's interest in Monte Barreto is reviewed to determine if a fair value adjustment is required based upon estimated future cash flows from the investment. The Company determines the reasonableness of the fair value taking into account available information relating to the underlying properties, including current working capital and the present value of future operating costs of the foreign shareholder. At 31 March 2012, the fair value of Monte Barreto was adjusted lower by US$7,303,855 compared to the prior fiscal year. This decrease in fair value can be primarily attributable to a change in the discount rate applied to the estimated future cash flows. At 31 March 2012, the applicable discount rate was 12.0%, compared to 10.6% at 31 March 2011. See note 6 of the consolidated financial statements for more information.

Fair Values of CIHSA and HOMASI

The current interests of the Company in CIHSA and HOMASI were completed in March 2010 whereby the Company acquired a total economic interest of 27.75% in CIHSA (representing 13.875% in Cubacán) and a total economic interest of 51.55% in HOMASI (representing 25.775% in Miramar).

In fiscal 2011, there was a second stage of acquisitions that consisted of share–for–share transactions completed in March 2011. The transactions related to this second stage of acquisitions were subsequently reversed in December 2011. Prior to these March 2011 transactions being reversed, the Company's total economic interest in CIHSA was increased to 71.525% (representing 35.7625% in Cubacán) and its total economic interest in HOMASI increased to 86% (representing 43% in Miramar).

The fair values of the additional interests in CIHSA and HOMASI acquired during the second stage of acquisitions in March 2011 were based on the agreed purchase price of the sales agreements. As the purchase price of the second stage acquisitions was higher than the first stage completed in March 2010, the fair value of the Company's interests in CIHSA and HOMASI acquired during the first stage acquisitions were adjusted upwards to be equal to the purchase price of the second stage. As a result, the Company recognized an increase in the fair value of US$10,813,611 in CIHSA and US$1,686,923 in HOMASI as at 31 March 2011.

At 31 March 2012, the fair values of the Company's interests in CIHSA and HOMASI were reviewed to determine if a fair value adjustment was required based upon estimated future cash flows from the investments. Management has determined the reasonableness of the fair values taking 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 the foreign shareholder. At 31 March 2012, the fair values of CIHSA and HOMASI were adjusted lower by US$5,608,216 and US$6,486,098, respectively, compared to 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. There has not been a change in this fair value estimate from the prior fiscal year.

Fair Value of Caricel

At 31 March 2012 and 2011, 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 2012 or 2011. 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 3.9 of the audited consolidated financial statements.

RISKS AND UNCERTAINTIES

In addition to the other information contained in this IM Report, 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 affects 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 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 or tourists located just 150 km to the north.

Cuban Legal System

The Foreign Investment Act 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 balances its portfolio between debt and equity instruments and 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 Executive Officers 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 Executive Officers, and of the principal executives of the Subsidiaries of the Company, and their ability to perform their duties. There can be no assurance that these key executives and 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 executives 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 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 cause, 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 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. The Company is aware of these restrictions 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 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 that is a U.S. Person 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.

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. The fixed exchange rate between the US Dollar and the CUC may be re–valued by the Cuban Central Bank and the CUC may be imposed in all transactions in Cuba. Such an extension of the use of the CUC as the single currency for all transactions and operations in Cuba may adversely affect the direct investments of the Company in Cuba, although Cuba's Foreign Investment Act guarantees the free repatriation of profits in freely convertible currency.

Since the first half of 2009, 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 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. In the first half of 2011, the situation greatly improved and the Cuban government announced at the end of 2011 that all remaining hold–backs of foreign currency transfers outside of Cuba have been resolved.

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 at all times 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

There were no changes in the accounting policies of the Company during the year.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2012, and have not been applied in preparing these consolidated financial statements.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company does not plan to adopt this standard early.

(a) IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 *Financial Instruments* ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

(b) IFRS 10, *Consolidated Financial Statements* ("IFRS 10")

In May 2011, the IASB issued IFRS 10. IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC–12, *Consolidation – Special Purpose Entities* ("SIC–12"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC–12. This new standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

(c) IFRS 11, *Joint Arrangements* ("IFRS 11")

In May 2011, the IASB issued IFRS 11. IFRS 11, which replaces the guidance in IAS 31, *Interests in Joint Ventures*, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring interests in jointly controlled entities to be accounted for under the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. This new standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

(d) IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12")

In May 2011, the IASB issued IFRS 12. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

(e) IFRS 13, *Fair Value Measurement* ("IFRS 13")

In May 2011, the IASB published IFRS 13. IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

(f) Amendments to IFRS 7, *Disclosures – Transfers of Financial Assets* ("IFRS 7")

In October 2010, the IASB issued IFRS 7. This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets. This amendment is effective for the Company's consolidated financial statements commencing 1 April 2012. The Company is currently evaluating the impact of IFRS 7 on its consolidated financial statements.

(g) Amendments to IAS 12, *Deferred Tax: Recovery of Underlying Assets* ("IAS 12")

In December 2010, the IASB amended IAS 12. IAS 12 will now introduce an exception to the measurement principles for deferred tax assets and liabilities related to the depreciable component of investment properties that are measured at fair value under IAS 40, *Investment Property*, and to the depreciable component of investment properties acquired in a business combination that will subsequently be measured using the fair value model. This amendment is effective for the Company's financial statements commencing 1 April 2012. The Company does not expect the amendments to IAS 12 to have a material impact on the financial statements.

(h) Amendments to IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28")

In May 2011, the IASB issued IAS 28. IAS 28 requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method, until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires for it to be continued to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control. This amended standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 28 on its consolidated financial statements.

(i) Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1")

In June 2011, the IASB amended IAS 1. This amendment requires that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. This amended standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IAS 1 on its consolidated financial statements.

(j) Amendments to IAS 19, *Employee Benefits* ("IAS 19")

In June 2011, the IASB amended IAS 19. Adoption of the amendment is required for annual periods beginning on or after January 1, 2013, with early adoption permitted. This amendment eliminated the use of the 'corridor' approach and mandates that all remeasurement impacts be recognized in OCI. It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when a company should recognize a liability and an expense for termination benefits. This amended standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IAS 19 on its consolidated financial statements.

(k) Amendments to IAS 32, *Financial Instruments – Presentation* ("IAS 32"), and IFRS 7

In December 2011, the IASB amended IAS 32 to clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The IASB also amended IFRS 7 to include new disclosure requirements for financial assets and liabilities that are offset in the consolidated balance sheets or subject to master netting arrangements or similar arrangements.

The amendments to IAS 32 are effective for fiscal periods beginning on 1 April 2014 and the amendments to IFRS 7 are effective for fiscal periods beginning on 1 April 2013. These amendments are to be applied retrospectively. The extent of the impact of adoption of the amendments is currently being evaluated by the Company.

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. Cuban joint venture companies are generally granted surface rights or usufruct rights over land. Once constructed, the buildings making up a project are owned by the Cuban joint venture company, although the underlying land remains owned by the Cuban State.

Equity investments of the Company are recorded at fair value in accordance with IAS 39. 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.

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.

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 financial statements, and the recognised amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the loan provision and the valuation of income producing properties and properties under development supporting 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.

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 2012 and 2011.

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 15 of the audited consolidated financial statements.

Northview Investment Fund Limited is a shareholder of the Company and is also a participant in the syndicated facilities with Casa Financiera FINTUR S.A.

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 Investment Manager, CEIBA International Management Ltd., which receives compensation from the Company in the form of management fees, performance fees and IM Warrants.

The Company, through its subsidiary, has an agreement with the Investment Manager for the use of office space, furnishings, equipment, and communication facilities. For the year ended 31 March 2012, the Company earned total fees for the above of US$50,066 (compared to US$47,575 for fiscal 2011). These fees are accounted for as other income.

The Company, through its subsidiary, has an agreement with a Director of the Company, for the use of office space, furnishings, equipment, communication facilities and other services. For the year ended 31 March 2012, the Company earned total fees for the above of US$42,482 (compared to US$44,772 for fiscal 2010). These fees are accounted for as other income.

In relation to the agreements completed in March 2010 concerning the acquisition of the 15% equity interest in CIHSA and the 45% equity interest in HOMASI, the seller Mexmark (a major shareholder of the Company during the period of March to December 2011), has guaranteed to the Company average annual dividends totalling US$1,287,216 applicable to these equity interests for each calendar year of 2010, 2011 and 2012. If the total dividends received from CIHSA and HOMASI applicable to these equity interests are less than the guaranteed amount, Mexmark is obligated to pay the Company the difference. The amounts received under this guarantee, if any, are accounted for by the Company as other income. For the calendar year 2010, the amount earned under this guarantee was US$388,941, which was receivable at 31 December 2011. Amounts that are received under this guarantee in respect to 2010 and 2011 may require to be returned to Mexmark in part or in their entirety to the extent that the dividends received from CIHSA and HOMASI relating to 2011 and 2012 exceed the agreed upon average annual dividends.

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 selling and operational costs and for the year ended 31 March 2011 amounted to US$193,472, compared to US$193,736 for fiscal 2011.

DISCLOSURE CONTROLS AND PROCEDURES

Management is in the process of designing and implementing disclosure controls and procedures as defined in the Canadian Securities Administrators National Instrument 52-109. Management is of the view that disclosure controls and procedures as of 31 March 2012 are effective in providing reasonable assurance that material information relating to the Company would be made known to the Company.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 (one post is presently vacant) 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.

Internal controls over financial reporting is a process designed by, or under the supervision of, Management and adopted by the Board of Directors, Management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management is in the process of amending the design and operating effectiveness of the Company's internal controls over financial reporting so that same will be based on criteria established by the COSO control framework and National Instrument 52-109. Management believes that, as at 31 March 2012 the Company's internal controls over financial reporting currently in place are effective.

Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation to the effectiveness of internal controls over the financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management took appropriate steps that enabled it to conclude that during the fiscal year ended 31 March 2012 no changes were made to internal controls over financial reporting that would have materially affected or would be reasonably considered to materially affect these controls.

The Directors present their consolidated financial statements for the year ended 31 March 2012.

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, balanced by current income from interest–bearing financial instruments 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 professional team of 14 members and 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 is invested in;
(ii) The sourcing, analysis and negotiation of potential acquisitions and new development projects; and
(iii) The structuring and implementation of treasury and finance operations.

Results

The net loss for year ended 31 March 2012 amounted to US$19,726,384 (2011: profit of US$12,908,228). There was no charge for taxation.

Performance

The income of the Company is primarily represented by dividend and interest income. During the year, dividend income earned by the Company is from its commercial real estate investments (see note 6). Interest income consists primarily of interest earned from the participation by the Company in facilities provided to Casa Financiera FINTUR S.A.

The most significant operating expense of the Company was the management fees of CEIBA International Management Ltd. (the "Investment Manager"). As well, net changes in the fair value of equity investments resulted in a decrease in value of US$19,398,169.

Dividends

Dividends paid during the year ended 31 March 2012 amounted to US$11,901,456 or US$0.90 per share. Total dividends paid for the year ended 31 March 2011 amounted to US$11,502,474 or US$0.87 per share (see note 11).

Directors and their interests

Except as stated in note 15 to the consolidated financial statements, no Director has had an interest in any transaction which, during the reporting period, has been effected 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 2012 are shown in note 15.

Auditors

The re–appointment of KPMG LLP as the Company's auditors was approved at the Annual General Meeting of the Shareholders held on 29 December 2011.

Approved by the Board of Directors on 26 September 2012 and signed on its behalf:

Sebastiaan A.C. Berger
Director

J. A. Herring

John Herring
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 2012, 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 to enable them to ensure 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.

CONSOLIDATED FINANCIAL STATEMENTS

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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, which comprise the consolidated statement of financial position as at March 31, 2012, the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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 our 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, we consider internal control 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of CEIBA Investments Limited as at March 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies (Guernsey) Law, 2008.

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.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 26, 2012
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2012 and 2011

	Note	2012 US$	2011 US$
NON–CURRENT ASSETS			
Loans and advances	5	248,670	11,247,238
Equity investments	6	98,540,517	169,938,686
Accounts receivable and accrued income	8	90,712	90,837
Property, plant and equipment	7	396,079	377,512
		99,275,978	**181,654,273**
CURRENT ASSETS			
Accounts receivable and accrued income	8	831,553	3,094,072
Loans and advances	5	10,339,360	11,425,342
Cash and cash equivalents	9	7,954,474	4,884,981
		19,125,387	**19,404,395**
TOTAL ASSETS		**118,401,365**	**201,058,668**
CURRENT LIABILITIES			
Accounts payable and accrued expenses	10	460,676	967,843
Share capital classified as liabilities	11	-	51,064,954
		460,676	**52,032,797**
TOTAL LIABILITIES		**460,676**	**52,032,797**
TOTAL NET ASSETS		**117,940,689**	**149,025,871**
REPRESENTED BY:			
EQUITY			
Share capital	11	16,364,833	16,364,833
Share premium	11	49,657,630	49,657,630
Special reserve		51,620,287	51,620,287
Revaluation reserve		173,199	99,599
Retained profits		124,740	31,283,522
TOTAL EQUITY		**117,940,689**	**149,025,871**
Net asset value per share		8.9188	11.2695

Notes 1 to 23 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

J.A.Herring

John Herring
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 March 2012 and 2011

	Note	2012 US$	2011 US$ As restated (Note 25)
INCOME			
Dividend income	6	5,822,298	6,939,139
Interest income		1,063,889	2,208,431
Other income		976,573	759,721
		7,862,760	**9,907,291**
EXPENSES			
Management fees	12	(3,428,528)	(3,431,792)
Performance fees	12	-	(2,649,546)
IM Warrants	16	(469,058)	(869,461)
Staff costs		(682,723)	(686,563)
Selling and operational costs		(595,656)	(494,808)
Administration fees and expenses	14	(382,282)	(287,578)
Legal expenses		(544,455)	(244,046)
Travel		(187,241)	(239,618)
Director fees and expenses	15	(171,284)	(154,605)
Audit fees		(336,268)	(127,623)
Interest expense		-	(105,051)
Miscellaneous expenses		(63,187)	(85,267)
Depreciation	7	(60,440)	(74,239)
Custodian fees	14	(8,016)	(8,429)
		(6,929,138)	**(9,458,626)**
Change in fair value of equity investments	6	(19,398,169)	11,288,388
Foreign exchange income (loss)		(1,261,837)	1,171,175
NET (LOSS) INCOME FOR THE YEAR		**(19,726,384)**	**12,908,228**
OTHER COMPREHENSIVE INCOME			
Foreign exchange income (loss) from translation of foreign operations		-	76,556
TOTAL COMPREHENSIVE INCOME (LOSS)		**(19,726,384)**	**12,984,784**
Basic earnings (loss) per share	17	(1.19)	0.98

Notes 1 to 23 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

John Herring
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended 31 March 2012 and 2011

	Note	2012 US$	2011 US$
OPERATING ACTIVITIES			
Net (loss) income for the year		(19,726,384)	12,908,228
Items not effecting cash:			
Changes in carrying amount of share capital classified as liabilities recognised as interest income		211,566	(211,566)
Depreciation		60,440	74,239
Interest income on loans and advances		(1,063,889)	(2,208,431)
Interest expense		-	105,051
Share–based payments recognised	16	469,058	3,519,007
Change in fair value of equity investments		19,398,169	(11,288,388)
Decrease (increase) in accounts receivable and accrued income	8	2,117,962	(1,465,221)
Increase in accounts payable and accrued expenses	10	216,313	60,907
		1,683,235	1,493,826
Interest received		1,208,571	2,207,833
Interest paid		-	(633,086)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**2,891,806**	**3,068,573**
INVESTING ACTIVITIES			
Purchase and disposal of property, plant & equipment (net)	7	(5,407)	(22,664)
Loans and advances repaid	5	12,084,550	16,222,891
NET CASH FLOWS FROM INVESTING ACTIVITIES		**12,079,143**	**16,200,227**
FINANCING ACTIVITIES			
Short–term borrowings	11	-	2,599,212
Short–term borrowings repaid	11	-	(7,110,192)
Payment of cash dividends		(11,901,456)	(11,473,929)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(11,901,456)**	**(15,984,909)**
Net effect of other foreign exchange differences		-	77,094
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,069,493**	**3,360,985**
Cash and cash equivalents at start of the year		4,884,981	1,523,996
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**7,954,474**	**4,884,981**

Notes 1 to 23 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 years ended 31 March 2012 and 2011

	Note	2012 US$	2011 US$
SHARE CAPITAL			
Initial balance		16,364,833	16,361,411
Equity shares issued during the year	11	-	3,422
Final balance		**16,364,833**	**16,364,833**
SHARE PREMIUM			
Initial balance		49,657,630	49,632,507
Equity shares issued during the year	11	-	25,123
Final balance		**49,657,630**	**49,657,630**
SPECIAL RESERVE			
Initial balance		51,620,287	51,620,287
Final balance		**51,620,287**	**51,620,287**
REVALUATION RESERVE			
Initial balance		99,599	99,599
Revaluation during the year		73,600	-
Final balance		**173,199**	**99,599**
RETAINED PROFITS			
Initial balance		31,283,522	26,358,761
Net income (loss) for the year		(19,726,384)	12,908,228
Dividends paid		(11,901,456)	(11,502,474)
Share–based payments recognition	16	469,058	3,519,007
Final balance		**124,740**	**31,283,522**
FOREIGN CURRENCY TRANSLATION RESERVE			
Initial balance		-	(76,556)
Exchange differences of translation of foreign operations attributable to equity holders of the parent		-	76,556
Final balance		**-**	**-**
TOTAL EQUITY		**117,940,689**	**149,025,871**

Notes 1 to 23 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 YEARS ENDED 31 MARCH 2012 AND 2011

1. CORPORATE INFORMATION

CEIBA Investments Limited, through its subsidiaries, is an international real estate investment and development company that was incorporated in 1995 in Guernsey, Channel Islands as a Closed Ended Registered Collective Investment Scheme for the purpose of investing in Cuba. The registered office of the Company is located at Frances House, Sir William Place, St. Peter Port, Guernsey, Channel Islands GY1 4HQ. These consolidated financial statements include the accounts of CEIBA Investments Limited and its subsidiaries, which are collectively referred to as the "Company" or "CEIBA".

The principal holding and operating subsidiary of the Company is CEIBA Property Corporation Limited ("CPC") which has offices in Cuba 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, balanced in part by current income from interest–bearing financial instruments 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 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 direct and indirect equity investments in Cuban joint venture companies incorporated under and governed by *Law 77 of 1995 on Foreign Investment* that operate in the real estate segments mentioned above, and secured finance facilities.

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

These consolidated financial statements as at and for the year ended 31 March 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorised for issue by the Board of Directors on 26 September 2012.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value through the statement of comprehensive income.

2.3 Functional and presentation currency

These consolidated financial statements are presented in United States Dollars ("US$"), which is the Company's functional currency. All financial information presented in US$ has been rounded to the nearest dollar.

At 1 April 2010, the functional currency of the Company changed from Euro ("€") to US$ due to the majority of the Company's equity investments, operating income and expenses being denominated in US$ during fiscal 2011.

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.

2.4 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 financial statements, and the recognised amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the loan provision and the valuation of income producing properties and properties under development supporting 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. No loan loss provision was necessary at 31 March 2012 and 2011 (see note 20).

2.5 Changes in accounting policies

There were no changes in the accounting policies of the Company during the year.

2.6 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.

2.7 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. Cuban joint venture companies are generally granted surface rights or usufruct rights over land. Once constructed, the buildings making up a project are owned by the Cuban joint venture company, although the underlying land remains owned by the Cuban State.

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 contemplated in IAS 28.1. 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 of financial position, comprehensive income, cash flows and changes in equity include the financial statements of the Company and entities controlled by the Company (its subsidiaries) drawn up to 31 March 2012. Control is achieved where the Company has the power to govern the financial and operating activities of an investee so as to obtain benefits from its activities. The financial statements of subsidiaries are prepared for the same reporting period as the parent company.

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 2012 and 2011:

Entity Name	Country of Incorporation	Equity interest held by the Company or holding entity	
		2012	2011
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) (iv)	Guernsey	100%	100%
1.4. CEIBA MTC Properties Inc. (a) (iv)	Panama	100%	100%
1.4.1. Inmobiliaria Monte Barreto S.A. (b) (v)	Cuba	49%	49%
1.5. Mosaico Hoteles S.A. (a) (iv)	Switzerland	100%	100%
1.5.1. TosCuba S.A. (b) (vi)	Cuba	50%	50%
1.6. CEIBA Tourism Coöperatief U.A. (a) (vii)	Netherlands	100%	100%
1.6.1. Corporación Interinsular Hispana S.A. (b) (iv)	Spain	15%	66.5%
1.6.1.1. Cuba Canarias S.A. (c) (viii)	Cuba	50%	50%
1.6.2. HOMASI S.A. (b) (iv)	Spain	45%	100%
1.6.2.1. Miramar S.A. (c) (ix)	Cuba	50%	50%
2. Industrias Antillanas Limited (a) (iv)	Guernsey	100%	100%
2.1. Caricel Inc. (b) (iv)	Barbados	10%	10%
2.1.1. Intercan Inc. (c) (iv)	Barbados	100%	100%
2.1.1.1. Caripap Inc. (c) (x)	Barbados	50%	50%
2.1.1.2. Productos Sanitarios S.A. (c) (xi)	Cuba	50%	50%
3. CEIBA Finance Corporation Limited (a) (xii)	Guernsey	100%	100%

(a) Company consolidated at 31 March 2012 and 2011.
(b) Company accounted at fair value at 31 March 2012 and 2011.
(c) Underlying subsidiary 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) Joint venture company that holds the Miramar Trade Center as its principal asset.
(vi) Joint venture company incorporated to build a beach hotel in Trinidad, Cuba.
(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 Americas Hotel, Meliá Varadero Hotel and Sol Palmeras Hotel.
(ix) Joint venture company that holds the Meliá Habana Hotel as its principal asset.
(x) Trading company that imports and exports paper products primarily to/from Cuba.
(xi) Company that operates a paper mill in Cuba producing tissue paper products.
(xii) 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. Assets and liabilities denominated in foreign currencies are translated at the reporting date into US$ 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.

The exchange rate used in these consolidated financial statements at 31 March 2012 is 1 Euro = 1.334111 US$ (31 March 2011: 1 Euro = 1.41917 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 Share based payments

CEIBA International Management Ltd. (the "Investment Manager") receives fees and compensation in the form of share–based payments, whereby the Investment Manager renders services in consideration for equity instruments.

The cost of equity–settled transactions with the Investment Manager is measured by reference to the fair value at the date on which they are granted. The cost of equity–settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in the statement of comprehensive income.

The cost of cash settled transactions is measured initially at fair value at the grant date. This fair value is expensed in the statement of comprehensive income over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each statement of financial position date up to and including the settlement date, with changes in fair value recognised in the statement of comprehensive income.

3.9 Taxation

(a) Guernsey

The Company and its subsidiaries incorporated in Guernsey are exempt from Guernsey taxation on income under the provisions of the Income Tax Ordinance of Guernsey, 1989 (Exempt Bodies). However the Company is liable to pay a fixed annual fee of £600 in Guernsey.

(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. 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 regular rate of 30%. 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 pays corporate tax on its net taxable income at the general rate of 30%, regardless of whether such net income is distributed to shareholders.

(ii) 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.

(iii) 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 30% 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 30% during subsequent periods.

(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 (anticipated to be completed during the second semester of 2011), and (ii) the application of the general corporate tax rate of 30% during subsequent periods.

3.10 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 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.

3.11 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.

3.12 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.

3.13 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 and are released to retained earnings over the remaining useful life of the asset. 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.

3.14 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.

3.15 Share capital

(a) Ordinary shares

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.

On 30 March 2011 the issued shares of the Company were converted to ordinary shares of no par value. Therefore, proceeds from the issuance of ordinary shares of the Company will be recognised completely in the share capital account.

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. Unless otherwise indicated, share amounts in these consolidated financial statements have been presented on a post–share consolidation basis.

(b) Share capital classified as liabilities

Ordinary shares are classified as financial liabilities at fair value through profit or loss and shown as share capital classified as liabilities in the consolidated statement of financial position when conditions exist whereby the share capital may become redeemable due to a specific event (or non–event), on a specific date or at the option of the shareholders.

At each reporting date, adjustments are made to the carrying value of ordinary shares classified as financial liabilities through profit or loss to reflect the total equity per share of the Company under the assumption that the share capital classified as liabilities had been included within share equity. Changes in the carrying value of share capital classified as liabilities are recognised in the statement of comprehensive income.

3.16 Special reserve

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.

3.17 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2012, and have not been applied in preparing these consolidated financial statements.

(a) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 *Financial Instruments* ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

(b) IFRS 10, Consolidated Financial Statements ("IFRS 10")

In May 2011, the IASB issued IFRS 10. IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC–12, *Consolidation – Special Purpose Entities* ("SIC–12"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC–12. This new standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

(c) IFRS 11, Joint Arrangements ("IFRS 11")

In May 2011, the IASB issued IFRS 11. IFRS 11, which replaces the guidance in IAS 31, *Interests in Joint Ventures*, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring interests in jointly controlled entities to be accounted for under the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. This new standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

(d) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")

In May 2011, the IASB issued IFRS 12. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

(e) IFRS 13, Fair Value Measurement ("IFRS 13")

In May 2011, the IASB published IFRS 13. IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

(f) Amendments to IFRS 7, Disclosures – Transfers of Financial Assets ("IFRS 7")

In October 2010, the IASB issued IFRS 7. This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets. This amendment is effective for the Company's consolidated financial statements commencing 1 April 2012. The Company is currently evaluating the impact of IFRS 7 on its consolidated financial statements.

(g) Amendments to IAS 12, Deferred Tax: Recovery of Underlying Assets ("IAS 12")

In December 2010, the IASB amended IAS 12. IAS 12 will now introduce an exception to the measurement principles for deferred tax assets and liabilities related to the depreciable component of investment properties that are measured at fair value under IAS 40, *Investment Property*, and to the depreciable component of investment properties acquired in a business combination that will subsequently be measured using the fair value model. This amendment is effective for the Company's financial statements commencing 1 April 2012. The Company does not expect the amendments to IAS 12 to have a material impact on the financial statements.

(h) Amendments to IAS 28, Investments in Associates and Joint Ventures ("IAS 28")

In May 2011, the IASB issued IAS 28. IAS 28 requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method, until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires for it to be continued to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control. This amended standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IAS 28 on its consolidated financial statements.

(i) Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")

In June 2011, the IASB amended IAS 1. This amendment requires that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. This amended standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IAS 1 on its consolidated financial statements.

(j) Amendments to IAS 19, Employee Benefits ("IAS 19")

In June 2011, the IASB amended IAS 19. Adoption of the amendment is required for annual periods beginning on or after January 1, 2013, with early adoption permitted. This amendment eliminated the use of the 'corridor' approach and mandates that all remeasurement impacts be recognized in OCI. It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when a company should recognize a liability and an expense for termination benefits. This amended standard is effective for the Company's consolidated financial statements commencing 1 April 2013. The Company is currently evaluating the impact of IAS 19 on its consolidated financial statements.

(k) Amendments to IAS 32, Financial Instruments – Presentation ("IAS 32"), and IFRS 7

In December 2011, the IASB amended IAS 32 to clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The IASB also amended IFRS 7 to include new disclosure requirements for financial assets and liabilities that are offset in the consolidated balance sheets or subject to master netting arrangements or similar arrangements.

The amendments to IAS 32 are effective for fiscal periods beginning on 1 April 2014 and the amendments to IFRS 7 are effective for fiscal periods beginning on 1 April 2013. These amendments are to be applied retrospectively. The extent of the impact of adoption of the amendments is currently being evaluated by the Company.

4. CHANGES IN EQUITY INVESTMENTS DURING THE PERIOD

Corporación Interinsular Hispana S.A.

Corporación Interinsular Hispana S.A. ("CIHSA") is a Spanish company that owns a 50% equity interest in the Cuban joint venture company Cubacan, which has constructed and owns three hotels in Varadero, Cuba known as the Sol Palmeras, Meliá Varadero and Meliá Las Americas Hotels, having an aggregate total of 1,437 rooms.

In December 2011, transactions completed previously in March 2011 were reversed as the Company did not comply with certain conditions of the agreements (see below). Subsequent to the reversal, the combined economic interest of the Company in CIHSA by way of its share equity interest and the Participation Agreement acquired in fiscal 2010 was 27.75%.

In March 2011, the Company, through its subsidiary CEIBA Tourism Coöperatief U.A. ("CEIBA Tourism"), increased its net economic interest in CIHSA from 27.75% to 71.53%. The total consideration (on a pre–share consolidation basis) for the additional acquisition was settled through the issuance of 36,694,394 shares of the Company to the seller, Mexmark GmbH ("Mexmark") of which 35,977,296 shares were issued in March 2011 and 717,098 shares were issued in May 2011, resulting in a liability of US$723,480 included within the accounts payable and accrued expenses at 31 March 2011 (see note 10). The total value of the acquisition was US$41,600,000. The cost of the acquisition represents the fair value of the equity investment acquired.

As a result of the reversal of the transactions completed in March 2011 (see below), the Company's interest in the share equity of CIHSA decreased to 15% (compared to the share equity interest at 31 March 2011 of 66.5%). In addition, the Company continued to hold a quasi–equity participation in CIHSA acquired in fiscal 2010 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.

HOMASI S.A.

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

In December 2011, the transactions completed previously in March 2011 were reversed as the Company did not comply with certain conditions of the agreements (see below). Subsequent to the reversal, the combined economic interest of the Company in HOMASI by way of its share equity interest and the Participation Agreement acquired in fiscal 2010 was 51.55%.

In March 2011, the Company, through its subsidiary CEIBA Tourism, increased its net economic interest in HOMASI from 51.55% to 86.0%. The total consideration (on a pre–share consolidation basis) for the additional acquisition was settled through the issuance of 9,333,222 shares of the Company to the seller, Mexmark. The total value of the acquisition was US$10,400,000. The cost of the acquisition represents the fair value of the equity investment acquired.

As a result of the reversal of the transactions completed in March 2011 (see below), the Company's interested in the share equity of HOMASI decreased to 45% (compared to the share equity interest at 31 March 2011 of 100%). In addition, the Company's interest decreased to 25% regarding the quasi–equity participation in HOMASI in the form of a "Participation Agreement" (compared to the Participation Agreement interest at 31 March 2011 of 27%). Under this Participation Agreement HOMASI has agreed to transfer a portion of its economic interest in Miramar to the Company, whereby the Company is entitled to receive distributions prior to other dividends equivalent to 25% of HOMASI's economic interest in Miramar. HOMASI has also sold Participation Agreements representing an additional 16% of its economic interest in Miramar to third parties.

Reversal of transactions executed in March 2011

The agreements executed in March 2011 in relation to the acquisition of the additional 43.78% economic interest in CIHSA and 34.45% economic interest in HOMASI contain certain conditions, under which the Company was obligated to list its securities on the Toronto Stock Exchange ("TSX") prior to 31 December 2011 with an opening price of at least US$1.20 per share (or an equivalent proportional value if the number or nominal value of the shares are changed prior to listing). Due to these conditions, the shares issued as consideration for the above March 2011 transactions were classified as liabilities at 31 March 2011.

The Company was not able to meet the contractual deadline for listing its securities on the TSX and was unsuccessful in negotiating a suitable extension of the deadline with Mexmark, the seller of these interests. Consequently, as stipulated in the agreements, the transactions were reversed in December 2011, at which time the Company returned the shares of CIHSA and HOMASI and the rights under the Participation Agreements acquired in March 2011 and the sellers returned the shares of the Company issued for the transaction to its wholly–owned subsidiary CEIBA Tourism. The total value attributed to the reversal of the transactions was US$52,000,000, equal to the value of the March 2011 acquisitions noted above.

Conditions concerning control of the equity investments

The agreements executed in March 2011 above also contained certain conditions regarding the operations of CIHSA and HOMASI that were to remain in effect until the condition of the Company listing its securities on the TSX was met. These conditions included restrictions concerning the disposal of assets, incurring of liabilities and the distributions of dividends of CIHSA and HOMASI. As a result of these conditions, it was determined that control of CIHSA and HOMASI had not been transferred to the Company. Consequently, the Company's interests in CIHSA and HOMASI were not consolidated in the consolidated financial statements of the Company at 31 March 2011 and were recognised at fair value through profit or loss in accordance with IAS 39, on the basis of the exception contemplated in IAS 28.1.

5. LOANS AND ADVANCES

	2012 US$	2011 US$
Casa Financiera FINTUR S.A. (i)		
Loan facility – Tranche B (ii)	9,338,777	19,868,380
Banco Internacional de Comercio S.A.		
Loan facility (iii)	1,000,583	2,483,548
Other loans and advances (US$)		
Empresa Flora y Fauna (iv)	248,670	320,652
TOTAL	**10,588,030**	**22,672,580**
CURRENT PORTION	**(10,339,360)**	**(11,425,342)**
NON–CURRENT PORTION	**248,670**	**11,247,238**

(i) In July 2008, the Company participated in a €50,000,000 syndicated facility provided to Casa Financiera FINTUR S.A. ("FINTUR") which consists of two equal tranches (with different disbursement dates) of €25,000,000. Both tranches have a term of 48 months, payments of interest only for the first 12 months, and a floating interest rate of 1–month EURIBOR plus 5.9% adjusted at the time of each quarterly payment if certain conditions are met. This facility is secured by Euro–denominated off–shore tourism proceeds payable to FINTUR by certain international hotel operators managing hotels in Cuba and by selected European and other tour operators.

(ii) The participation of the Company in the second tranche of the FINTUR facility (2008 Tranche B) was €21,000,000. The principal balance outstanding at 31 March 2012 was €7,000,000 (2011: €14,000,000). The final payment of the facility will be in January 2013. The interest rate in effect for the 2011 fiscal year was 6.33%. The rate was adjusted to 7.056% on 14 April 2011 and remained in effect as at 31 March 2012.

(iii) In December 2008, the Company converted unsecured financial instruments in its favour into a new €3,000,000 facility which is guaranteed by FINTUR. The principal balance outstanding at 31 March 2012 was €750,000 (2011: €1,750,000). This facility has a term of 48 months, quarterly payments of interest only for the first 12 months, a fixed interest rate of 10.5% and will be fully repaid in December 2012.

(iv) Loans and advances to the Cuban company Empresa Flora y Fauna are in relation to the finance of the construction of two small–size ecotourism properties. These loans and advances have a fixed interest rate of 8.0% and the principal and accumulated interest is to be repaid from a percentage of the income earned by the underlying properties.

The loans and advances portfolio has the following maturities:

	2012 US$	2011 US$
Up to 30 days	2,334,694	2,483,548
Between 31 and 90 days	333,528	426,774
Between 91 and 180 days	2,668,222	2,838,340
Between 181 and 365 days	5,002,916	5,676,680
Between 1 and 2 years	-	10,998,568
No specific dates of repayment	248,670	248,670
	10,588,030	**22,672,580**

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

	2012 US$	2011 US$
Tourism financing	9,587,447	20,189,032
Banking	1,000,583	2,483,548
	10,588,030	**22,672,580**

6. EQUITY INVESTMENTS

	2012 US$	2011 US$
Monte Barreto	65,671,641	72,975,496
CIHSA (i)	20,763,003	67,971,219
HOMASI (i)	9,076,166	25,962,264
TosCuba S.A. (ii)	2,804,707	2,804,707
Caricel Inc.	225,000	225,000
	98,540,517	**169,938,686**

(i) The equity investments in CIHSA and HOMASI are comprised of equity interests and contractual interests in their net earnings as per Participation Agreements (further discussed below). The net economic interests of the Company in CIHSA and HOMASI are 27.75% and 51.55% (31 March 2011: 71.53% and 86.0%), respectively.

(ii) The Company owns a 50% share equity interest in TosCuba S.A., a Cuban joint venture company that is developing a 400 room 4–star hotel at Playa María Aguilar near the City of Trinidad, Cuba. To date, TosCuba S.A. has invested approximately US$5.3 million in the acquisition of surface rights, the development of architectural works and technical drawings, and ground preparation, of which the Company has made capital contributions of US$2,804,707 which is the estimated fair value of the investment.

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

	2012 US$	2011 US$
Initial balance	169,938,686	106,650,298
Movement during the period:		
(Reversal) acquisition – CIHSA (see note 4)	(41,600,000)	41,600,000
(Reversal) acquisition – HOMASI (see note 4)	(10,400,000)	10,400,000
Changes in fair value:		
Revaluation of equity investment – Monte Barreto	(7,303,855)	-
Revaluation of equity investment – CIHSA	(5,608,216)	10,813,611
Revaluation of equity investment – HOMASI	(6,486,098)	1,686,923
Revaluation of equity investment – TosCuba S.A.	-	(422,175)
Revaluation of equity investment – Caricel Inc.	-	(789,971)
Carrying amount at fair value	**98,540,517**	**169,938,686**

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

Monte Barreto

In successive transactions carried out between March 2004 and March 2008, the Company acquired the full foreign equity interest (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 55,530 square meters of 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 duly registered in the name of Monte Barreto at the Land Register of the City 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 in the following circumstances: (i) expiry of its term of incorporation, (ii) impossibility of carrying out its social object, (iii) agreement between the parties, (iv) total loss of the social capital of the company, and (v) bankruptcy. In the event of the liquidation of Monte Barreto, 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 derived by management based upon its estimate of future cash flows from this investment. Management has determined the reasonableness of the fair value taking into account available information relating to the underlying properties, including current working capital and the present value of future operating costs of the foreign shareholder.

Key assumptions in management's valuation include the following:

Occupancy: Occupancy of the Miramar Trade Center, the complex of six office buildings held by Monte Barreto, is estimated to be 85.7% increasing on a straight line basis over the next 21 months to achieve a permanent occupancy of 96.4% by 2014. In the prior year occupancy was estimated to remain near full occupancy during the period of the projections. 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 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.

Growth rate estimates: Due to the current monopoly position and short–term leases (1 to 2 years), rental income (excluding administration fees for services) is estimated to be US$22.72 per square meter in the first 2 years of the projections and increase by 2% for each of the remaining years of the projection period. In the prior year, rental income was estimated to be consistent with 2010 income levels in the first 2 years of the projections and increase by 3% for each of the remaining years of the projection period.

Discount rates: Discount rates are on a pre–tax basis and are based on the estimated risk of the investment. The applicable discount rate applied to the discounted cash flow approach of the projections is 12.0% (2011: 10.6%).

Capitalisation rates: A pre–tax capitalisation rate of 11% has been applied to income from 2046 onward. In the prior year, a pre–tax capitalisation rate of 7.6% was applied to income from 2016 onward.

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 10% of rental income for 2 in every 10 years. In the prior year, capital investments were estimated to be US$2,315,000 for each year of the projection period.

Surface rights: It has been assumed that the extension of the surface rights will be granted at a reasonable cost in 2046 which has been estimated to be approximately US$22,000,000, as adjusted for inflation. An estimate for the extension of the surface rights was not included in the prior year assumptions.

Taxation: It has been assumed that in the event of liquidation of the joint venture company (see above) the proceeds received by the Company would not be subject to taxation as guaranteed under the Cuban Law no. 77 of 5 September 1995 on Foreign Investment ("Foreign Investment Act").

CIHSA

Agreements executed in March 2011 in relation to the acquisition of the additional 43.78% economic interest in CIHSA contain conditions subsequent, under which the Company was obligated to list its securities on the TSX prior to 31 December 2011 with an opening price of at least US$1.20 per share (or an equivalent proportional value if the number or nominal value of the shares are changed prior to listing). The Company was not able to meet the contractual deadline for listing its securities on the TSX and was unsuccessful in negotiating a suitable extension of the deadline with Mexmark, the seller of these interests. Consequently, as stipulated in the agreements, the transactions were reversed in December 2011, at which time the Company returned the shares of CIHSA acquired in March 2011 and the sellers returned the shares of the Company issued for the transaction to its wholly–owned subsidiary CEIBA Tourism.

At 31 March 2012, the combined economic interest of the Company in CIHSA by way of its share equity interest and the Participation Agreement is 27.75% (representing a 13.875% interest in Cubacan). CIHSA is the foreign shareholder (incorporated in Spain) that owns a 50% 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, 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 are held by other foreign investors (as to 36.125%) and by the Cuban company, Corporación de Turismo y Comercio Internacional, Cubanacán S.A. ("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.

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 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 to a maximum extension of 25 years. Under a strict interpretation of these provisions, the usufruct rights relating to the three Varadero Hotels would expire on staggered dates corresponding in each case to the date that falls 25 years following the start–up of operations of each hotel.

A formal request has been made to the Cuban government in order to further clarify the expiry of the usufruct rights held by Cubacan and fix the initial term of all of the usufruct rights relating to the Cubacan hotels at 24 July 2019 (the date that falls 25 years following the start–up of operations of the Meliá Las Americas Hotel, the last of the three Varadero Hotels to be completed). Such a request was made to the relevant Cuban authorities and is presently pending.

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.

Key assumptions used in the estimated fair value of CIHSA:

The fair value of the equity investment in CIHSA is derived by management based upon its estimate of future cash flows from the underlying investment in the Cuban joint venture company, Cubacan. Management has determined the reasonableness of the fair value taking 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 the foreign shareholder. Key assumptions in management's valuation include the following:

Occupancy: Average annual room occupancies during the first year of the projection period for the hotels are estimated to be 78% and then 80% for each year thereafter for the Meliá Las Americas; 81.8% and then 80.0% thereafter for the Meliá Varadero; and 86.8% and then 86.0% thereafter for the Sol Palmeras. In the prior year, average annual room occupancy for all the hotels was estimated to be 82%.

ADR: The average daily rate per guest during the first year of the projection period for the hotels is estimated to be US$114.79, US$90.74 and US$77.56 for the Meliá Las Americas, Meliá Varadero; and Sol Palmeras, respectively. In the prior year, the average daily rate per guest during the first year of the projection period for all three hotels was estimated to be US$79.25.

Growth rate estimates: Income is estimated to increase by 7% in the first year of the projections and then by 3% for each of year thereafter for the Meliá Las Americas and Sol Palmeras. For the Meliá Varadero, income is estimated to increase by 2% in the first year of the projections and then by 3% for each of year thereafter. In the prior year, income of the hotels was estimated to increase by 2% to 3.5% in the first 5 years of the projections and increase by 3% for each of the remaining years of the projection period.

Discount rates: Discount rates are on a pre–tax basis and are based on the estimated risk of the investment. The applicable discount rate applied to the discounted cash flow approach of the projections is 12.0% (2011: 11.4%).

Capitalisation rates: A pre–tax capitalisation rate of 10% has been applied to the year 11 income. In the prior year, a capitalisation rate of 8.4% was applied to income from 2016 onward.

Capital investments: Assumptions of future capital investments of the hotels required as necessary to maintain and/or replace property and equipment have been included in the projections at a rate of 5% of total annual revenue. In the prior year, capital investments were estimated to be US$4,623,000 for each year of the projection period.

Surface rights: It has been assumed that the extension of the surface rights will be granted at a reasonable cost in 2019 which has been estimated (as adjusted for inflation) 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. An estimate for the extension of the surface rights was not included in the prior year assumptions.

Taxation: It has been assumed that in the event of liquidation of the joint venture company (see above) the proceeds received by the Company would not be subject to taxation as guaranteed under the Foreign Investment Act.

HOMASI

Agreements executed in March 2011 in relation to the acquisition of the additional 34.45% economic interest in HOMASI contain conditions subsequent, under which the Company was obligated to list its securities on the TSX prior to 31 December 2011 with an opening price of at least US$1.20 per share (or an equivalent proportional value if the number or nominal value of the shares are changed prior to listing). The Company was not able to meet the contractual deadline for listing its securities on the TSX and was unsuccessful in negotiating a suitable extension of the deadline with Mexmark, the seller of these interests. Consequently, as stipulated in the agreements, the transactions were reversed in December 2011, at which time the Company returned the shares of HOMASI and the rights under the Participation Agreements acquired in March 2011 and the sellers returned the shares of the Company issued for the transaction to its wholly–owned subsidiary CEIBA Tourism.

At 31 March 2012, the combined economic interest of the Company in HOMASI by way of its share equity interest and the Participation Agreement is 51.55% (representing a 25.775% interest in Miramar). HOMASI is the foreign shareholder (incorporated in Spain) that owns a 50% 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 are held by other foreign investors (as to 24.225%) and by 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 2023. All decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders.

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 upon expiry of the initial term or any renewal thereof, the valuation of assets will be made by agreement between the parties, or by an independent valuator chosen by the parties in the case of disagreement. 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.

Key assumptions used in the estimated fair value of HOMASI:

The fair value of the equity investment in HOMASI is derived by management based upon its estimate of future cash flows from the underlying investment in the Cuban joint venture company, Miramar. Management has determined the reasonableness of the fair value taking into account available market information relating to the underlying hotel property, including historical cash flows generated by the underlying hotel property, current working capital and the present value of future operating costs of the foreign shareholder. Key assumptions in management's valuation include the following:

Occupancy: Average annual room occupancy during the first year of the projection period for the hotel is estimated to be 82.8% and then increase to 83% for each year thereafter. In the prior year, average annual room occupancy for the hotel was estimated to be 76% the first year of the projection period.

ADR: The average daily rate per guest during the first year of the projection period for the hotel is estimated to be US$81.93. In the prior year, the average daily rate per guest during the first year of the projection period was estimated to be US$82.03.

Growth rate estimates: Income of the hotel is estimated to increase by 4% in the first 3 years of the projections and then increase by 3% for each of the remaining years of the projection period. . In the prior year, income of the hotel was estimated to increase by 2% to 3.5% in the first 5 years of the projections and increase by 3% for each of the remaining years of the projection period.

Discount rates: Discount rates are on a pre–tax basis and are based on the estimated risk of the investment. The applicable discount rate applied to the discounted cash flow approach of the projections is 12.0% (2011: 9.0%).

Capitalisation rates: A pre–tax capitalisation rate of 10% has been applied to the year 11 income. In the prior year, a capitalisation rate of 6.0% was applied to income from 2016 onward.

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 5% of total revenue annually. In the prior year, capital investments were estimated to be US$2,061,000 for each year of the projection period.

Surface rights: 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 approximately US$5,500,000, adjusted for inflation. An estimate for the extension of the surface rights was not included in the prior year assumptions.

Taxation: It has been assumed that in the event of liquidation of the joint venture company (see above) the proceeds received by the Company would not be subject to taxation as guaranteed under the Foreign Investment Act.

Sensitivity to changes in fair value assumptions of equity investments

The estimated fair values of the equity investments are most sensitive to changes in discount rates, capitalisation rates and timing or variability of cash flows. There are reasonable possible changes to these key assumptions which would cause a change in the fair values of the equity investments. The Company has estimated that a reasonable range of discount rates to calculate the estimated fair value of its equity investments is 10.0% to 14.0%, with capitalisation rates of 8.0% to 12.0%.

The estimated fair values of the equity investments using both a discount rate and capitalisation rate of 2.0% higher and 2.0% lower, than the rates used to estimate the fair values presented in these consolidated financial statements, are set out in the following table:

	+ 2.0% US$	- 2.0% US$
Monte Barreto	56,207,875	79,442,554
CIHSA	20,074,921	29,534,971
HOMASI	7,431,256	11,569,981

Dividend income from equity investments

Dividend income attributable to the equity investments above during the year is as follows:

	2012 US$	2011 US$
Monte Barreto	3,846,698	5,133,653
CIHSA	1,455,293	1,462,502
HOMASI	520,307	342,984
	5,822,298	**6,939,139**

7. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles US$	Leasehold improvements US$	Office furniture / equipment US$	Works of art US$	Total US$
Cost:					
At 1 April 2011	326,498	92,468	83,846	234,200	**737,012**
Additions	-	-	22,664	-	**22,664**
Disposals	-	-	(1,011)	-	**(1,011)**
At 31 March 2011	326,498	92,468	105,499	234,200	**758,665**
Additions	-	-	1,940	4,000	**5,940**
Revaluation	-	-	-	73,600	**73,600**
Disposals	-	-	(2,228)	-	**(2,228)**
At 31 March 2012	326,498	92,468	105,211	311,800	**835,977**
Accumulated Depreciation:					
At 1 April 2011	158,177	85,309	63,901	-	**307,387**
Additions	54,929	7,159	12,151	-	**74,239**
Disposals	-	-	(473)	-	**(473)**
At 31 March 2011	213,106	92,468	75,579	-	**381,153**
Additions	49,730	-	10,710	-	**60,440**
Disposals	-	-	(1,695)	-	**(1,695)**
At 31 March 2012	262,836	92,468	84,594	-	**439,898**
Net book value:					
At 31 March 2012	63,662	-	20,617	311,800	**396,079**
At 31 March 2011	113,392	-	29,920	234,200	**377,512**

8. ACCOUNTS RECEIVABLE AND ACCRUED INCOME

	2012 US$	2011 US$
Dividends receivable – Monte Barreto	-	2,082,875
Dividends receivable – CIHSA	-	173,061
Accrued interest income	204,297	348,979
Receivable from the Investment Manager	65,472	-
Other income receivable (i)	442,437	388,941
Other accounts receivable	210,059	191,053
	922,265	**3,184,909**
Current portion	**(831,553)**	**(3,094,072)**
Non–current portion	**90,712**	**90,837**

(i) In accordance with agreements completed in March 2010, specifically relating to the acquisition of the 15% share equity interest in CIHSA and 45% share equity interest in HOMASI, other income receivable of 2012 and 2011 represents the difference between actual 2011 and 2010 calendar year dividends of CIHSA and HOMASI, respectively, earned by the Company and dividend amounts guaranteed to the Company by the seller, Mexmark. See also note 15.

Accounts receivable and accrued income have the following maturities:

	2012 US$	2011 US$
Up to 30 days	280,833	373,044
Between 31 and 90 days	472,910	1,100,489
Between 91 and 180 days	32,218	6,325
Between 181 and 365 days	45,592	1,614,214
Over 365 days	90,712	90,837
	922,265	**3,184,909**

9. CASH AND CASH EQUIVALENTS

	2012 US$	2011 US$
Bank current accounts (i)	5,286,252	4,884,981
Short–term fixed deposits (ii)	2,668,222	-
	7,954,474	**4,884,981**

(i) Balance without restriction
(ii) 1–month term deposit available in cash next day on demand

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2012 US$	2011 US$
Acquisition payable	-	723,480
Accrued audit fees	258,000	60,041
Accrued legal fees	80,000	-
Accrued directors fees	42,150	50,094
Deferred revenue	31,097	72,983
Other accrued expenses	25,365	52,116
Other accounts payable	24,064	9,129
	460,676	**967,843**

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

	2012 US$	2011 US$
Up to 30 days	122,676	171,030
Between 31 and 90 days	338,000	796,813
	460,676	**967,843**

11. SHARE CAPITAL, SHARE PREMIUM AND SHARE CAPITAL CLASSIFIED AS LIABILITIES

Authorised

The Company has the power to issue an unlimited number of shares. On 30 March 2011, the issued shares of the Company were converted from ordinary shares having a nominal value of €0.10 each to 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 2010	132,212,352	16,361,411	49,632,507
Shares issued during the period as share dividends (i)	26,248	3,422	25,123
Share capital and share premium at 31 March 2011	**132,238,600**	**16,364,833**	**49,657,630**
Consolidation of shares at 15 August 2011 (ii)	13,223,840	16,364,833	49,657,630
Share capital and share premium at 31 March 2012	**13,223,840**	**16,364,833**	**49,657,630**
SHARE CAPITAL CLASSIFIED AS LIABILITIES			
Share capital classified as liabilities at 1 April 2010	-	-	-
Issuance of shares – CIHSA acquisition (note 4)	35,977,296	4,961,766	35,914,754
Issuance of shares – HOMASI acquisition (note 4)	9,333,222	1,287,180	9,112,820
Adjustment to carrying amount (iii)	-	-	(211,566)
Share capital classified as liabilities at 31 March 2011	**45,310,518**	**6,248,946**	**44,816,008**
Issuance of shares – CIHSA acquisition (note 4)	717,098	98,798	624,682
Adjustment to carrying amount (iii)	-	-	211,566
Share capital classified as liabilities at 14 August 2011	46,027,616	6,347,744	45,652,256
Consolidation of shares at 15 August 2011 (ii)	4,602,761	6,347,744	45,652,256
Reversal of CIHSA acquisition (iv)	(3,669,439)	(5,060,564)	(36,539,436)
Reversal of HOMASI acquisition (iv)	(933,322)	(1,287,180)	(9,112,820)
Share capital classified as liabilities at 31 March 2012	-	-	-

* Figures representing ordinary shares prior to 15 August 2011 are presented on a pre–share consolidation basis.

(i) On 3 December 2010, the Company paid a dividend with the option to shareholders to receive the proceeds in cash at a rate of €0.0657 (US$0.087) per share, or in shares at a rate of 1 ordinary share per 12.5 ordinary shares held. As a result of this dividend, €8,664,799 (US$11,473,929) was paid by the Company in cash and 26,248 ordinary shares were issued totalling US$28,545.

(ii) 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.

(iii) The carrying amount of share capital classified as liabilities was adjusted to reflect its fair value based on the total equity per share of the Company at 31 March 2011, under the assumption that the share capital classified as liabilities had been included within share equity. Upon the reversal of the acquisitions of the interests in CIHSA and HOMASI (see note 4), the adjustment was reversed. Changes in the carrying value of share capital classified as liabilities are recognised in the statement of comprehensive income.

(iv) In December 2011, the acquisitions of the interests in CIHSA and HOMASI executed in March 2001 were reversed (see note 4). At that time, the sellers returned the shares of the Company issued for the transaction to its wholly–owned subsidiary CEIBA Tourism. These shares were subsequently cancelled by the Company on 30 March 2012.

12. MANAGEMENT FEES AND INVESTMENT MANAGER'S INTERESTS

The Company's investments are managed by the Investment Manager. The Investment Manager's duties effectively commenced from 1 July 2002 under an investment management agreement that may be terminated by six months' prior written notice to be given by either party. Effective 1 January 2008, the Company renegotiated certain terms of the Investment Management Agreement ("IMA") in order to lock in and fully commit the management team in Havana.

The Investment Manager is entitled to receive an annual base fee in the amount of 2.5% of the average quarterly total assets under management of the Company (defined to mean the aggregate of the Company's assets less current liabilities, excluding borrowings and performance fees), calculated and payable at the beginning of each quarter.

The Investment Manager also receives a performance fee, payable annually at the rate of 20% of the uplift in the net asset value ("NAV") per share excluding any liability in respect of performance fees (which increase includes the increase of the profit and loss and the capital account of the Company) with a high watermark (whereby the net asset value per share at the end of the fiscal year will be carried forward to future periods for the calculation until a higher net asset value per share is obtained), after adjusting for the value of any distributions made, exclusive of value added tax or any similar tax where appropriate. The performance fee is payable in shares ("Performance Shares") calculated at the NAV per share of the audited financial statements at the financial year–end of the Company for the year in respect of which the performance fee is payable. There was no performance fee earned for the year ended 31 March 2012.

With respect to the financial years falling in the period between 1 April 2008 and 31 March 2013, the Company will on an annual basis, issue in favour of the Investment Manager such number of IM Warrants (see note 16) as will confer the right to subscribe for IM Warrant Shares representing 2.0% of the outstanding shares of the Company at the relevant financial year–end. The IM Warrants will be calculated and issued as soon as practicable following the financial year–end and will have a subscription price equal to the audited NAV per share at the financial year–end in respect of which they are issued.

Any and all Performance Shares, IM Warrants and IM Warrant Shares issued in favour of the Investment Manager will be subject to a lock–up period (the "Lock–Up Period") equal to the remaining term of the IM Warrant entitlement period (scheduled to end on 31 March 2013). During the Lock–Up Period, the Performance Shares, the IM Warrants and the IM Warrant Shares may not be sold or otherwise transferred to any third party without the prior written consent of the Board.

Management and performance fees for the year are included in the consolidated statement of comprehensive income.

13. 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:

- 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.

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

- 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.

			31 March 2012 US$		
	Tourism / Leisure	Commercial property	Finance	Other	Total
Total assets	35,866,842	68,947,216	13,261,207	326,100	**118,401,365**
Total liabilities	(65,278)	(105,000)	(285,398)	(5,000)	**(460,676)**
Total net assets	**35,801,564**	**68,842,216**	**12,975,809**	**321,100**	**117,940,689**
Allocated income	2,787,899	3,846,698	1,156,437	71,726	**7,862,760**
Allocated expenses (i)	(14,099,554)	(11,422,384)	(720,531)	(84,838)	**(26,327,307)**
Foreign exchange loss	-	-	-	-	**(1,261,837)**
Total (loss) profit	**(11,311,655)**	**(7,575,686)**	**435,906**	**(13,112)**	**(19,726,384)**
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss)	**(11,311,655)**	**(7,575,686)**	**435,906**	**(13,112)**	**(19,726,384)**
Other segment information:					
Property, plant & equipment expenditure	587	395,492	-	-	**396,079**
Depreciation	(276)	(60,164)	-	-	**(60,440)**

	Tourism / Leisure	Commercial property	31 March 2011 US$ Finance	Other	Total
Total assets	97,765,321	78,766,837	24,301,510	225,000	**201,058,668**
Total liabilities	(51,879,545)	(17,000)	(133,752)	(2,500)	**(52,032,797)**
Total net assets	**45,885,776**	**78,749,837**	**24,167,758**	**222,500**	**149,025,871**
Allocated income	14,564,396	5,133,653	2,076,034	(578,404)	**21,195,679**
Allocated expenses (i)	(4,112,332)	(4,188,866)	(1,126,147)	(31,281)	**(9,458,626)**
Foreign exchange income	-	-	-	-	**1,171,175**
Total profit (loss)	**10,452,064**	**944,787**	**949,887**	**(609,685)**	**12,908,228**
Other comprehensive income					
Foreign exchange income from translation of foreign operations	-	-	-	-	**76,556**
Total comprehensive income (loss)	**10,452,064**	**944,787**	**949,887**	**(609,685)**	**12,984,784**
Other segment information:					
Property, plant & equipment expenditure	-	377,512	-	-	**377,512**
Depreciation	(547)	(72,158)	-	(1,534)	**(74,239)**

(i) Allocated expenses include an allocation of expenses from the accounts of the parent company based on the net assets of each segment that are attributable to the equity holders of the parent. These expenses include management fees, performance fees, the IM Warrant expense and Directors' fees and expenses.

14. ADMINISTRATION AND CUSTODIAN FEES

Ardel Fund Services Limited ("Ardel") 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, Ardel is entitled to receive an administration fee from the Company, computed and paid monthly in arrears. The fee is subject to a minimum of €90,000 per annum and is calculated per annum at a rate of: (i) 0.180% of the NAV where the NAV is between €0.00 and €40,000,000, and (ii) 0.135% of the NAV where the NAV is above €40,000,000. In addition, the Company has agreed to reimburse Ardel its expenses. Included within the administration fees and expenses are administration fees earned by Ardel of US$268,432 (2011: US$217,604). In addition, Ardel receives from the Company a monthly fee of £417 (US$667) for custodian services.

The registrar of the Company is Ansons Registrars Limited ("Ansons"). Ansons receives from the Company an annual base fee of £4,000 (US$6,217), plus transactional and service fees when incurred.

15. RELATED PARTIES DISCLOSURES

Compensation of Directors

Each Director receives a fee of €9,000 (US$12,007) per annum with the Chairman receiving €25,000 (US$33,353). The Chairman and Directors also receive €1,700 (US$2,268) 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 established with Directors.

Transactions with Directors and shareholders

Northview Investment Fund Limited is a shareholder of the Company and is also a participant in the syndicated facilities with Casa Financiera FINTUR S.A.

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 Investment Manager, CEIBA International Management Ltd., which receives compensation from the Company in the form of management fees, performance fees and IM Warrants.

The Company, through its subsidiary, has an agreement with the Investment Manager for the use of office space, furnishings, equipment, and communication facilities. For the year ended 31 March 2012, the Company earned total fees for the above of US$50,066 (compared to US$47,575 for fiscal 2011). These fees are accounted for as other income.

The Company, through its subsidiary, has an agreement with a Director of the Company, for the use of office space, furnishings, equipment, communication facilities and other services. For the year ended 31 March 2012, the Company earned total fees for the above of US$42,482 (compared to US$44,772 for fiscal 2010). These fees are accounted for as other income.

In relation to the agreements completed in March 2010 concerning the acquisition of the 15% equity interest in CIHSA and the 45% equity interest in HOMASI, the seller Mexmark (a major shareholder of the Company during the period of March to December 2011), has guaranteed to the Company average annual dividends totalling US$1,287,216 applicable to these equity interests for each calendar year of 2010, 2011 and 2012. If the total dividends received from CIHSA and HOMASI applicable to these equity interests are less than the guaranteed amount, Mexmark is obligated to pay the Company the difference. The amounts received under this guarantee, if any, are accounted for by the Company as other income. For the year ended 31 March 2012 the amount earned under this guarantee was US$442,437 (2011: US$388,941). Amounts that are received under this guarantee may require to be returned to Mexmark in part or in their entirety to the extent that the dividends received from CIHSA and HOMASI during the guarantee period exceed the agreed upon average annual dividends.

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 selling and operational costs and for the year ended 31 March 2012 amounted to US$193,472, compared to US$193,736 for fiscal 2011.

Directors' interests in the share capital

Jaime García–Andrade has an interest in 17,733 shares.

Sir John Morgan does not have any interest in the share capital of the Company.

Colin Kingsnorth is a director and shareholder of Laxey Partners Limited ("Laxey"). Laxey holds 25,748 shares. Funds managed by Laxey hold 2,659,922 shares.

Sebastiaan A.C. Berger is a director and shareholder of companies that hold 110,988 shares and 75,000 shares, respectively.

Enrique Rottenberg has an interest in a company that holds 340,000 shares.

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

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

Colin Kingsnorth, Sebastiaan A.C. Berger and Enrique Rottenberg also hold interests in and are directors of the Investment Manager, CEIBA International Management Ltd., which holds 558,444 shares as well as 256,888 Investment Manager Warrants of the Company (a further 883,999 Investment Manager Warrants have vested in favour of the Investment Manager but have not yet been issued by the Company).

16. SHARE–BASED PAYMENTS

The expenses recognised for services received during the year related to equity–settled share–based payments are shown in the following table:

	2012 US$	2011 US$
Performance fees	-	(2,649,546)
IM Warrants (i)	(469,058)	(869,461)
	(469,058)	**(3,519,007)**

(i) The fair value of the IM Warrants (see description below) estimated by using the Black–Scholes option–pricing model, was US$1.774 (2011: US$2.485 per warrant). The assumptions underlying the Black–Scholes formula are as follows:

	2012	2011
Stock price	US$8.919	US$11.270
Strike price	US$8.919	US$11.270
Years to maturity	2.0	3.0
Risk free rate	0.4%	1.0%
Volatility	35%	30.1%

The share–based payments and share option (warrants) plans are described below.

Warrants 2007

Pursuant to the Warrant Instrument 2007 dated 12 February 2008, the Company created 12,500,000 Warrants 2007, each giving the right to subscribe for one new ordinary share at a subscription price of €12.00 per share and exercisable on subscription dates falling in April and November in each of the years 2008, 2009 and 2010. Of the total number of Warrants 2007 created, 10,273,220 Warrants 2007 were issued on a 1–for–1 zero consideration basis in favour of the shareholders appearing on the register of the Company at the close of business on 19 December 2007, and 2,000,000 Warrants 2007 were issued on a 1–for–1 zero consideration basis in favour of the shareholders that participated in the March 2008 placing. In April 2008, an additional 14,400 warrants were issued in relation to placing costs and 556 warrants were exercised. Therefore, the total number of Warrants 2007 issued and outstanding as at 31 March 2010 was 12,287,064. These outstanding warrants expired on 8 November 2010 without being exercised.

IM Warrants

Pursuant to the Investment Management Agreement, with respect to the financial years falling in the period between 1 April 2008 and 31 March 2013, the Company will, on an annual basis, issue in favour of the Investment Manager such number of warrants as will confer the right to subscribe for new ordinary shares ("IM Warrant Shares"), representing 2% of the outstanding shares of the Company at the relevant financial year–end. The IM Warrants will have a subscription price equal to the NAV / share included of the audited financial statements at the financial year end in respect of which they are issued. The first IM Warrant entitlement vested in favour of the Investment Manager as at 31 March 2009, with further IM Warrant entitlements vesting on 31 March of each subsequent year up to and including 31 March 2013. All IM Warrants and IM Warrant Shares are subject to a lock–up period until 31 March 2013 during which they cannot be sold or otherwise transferred to any third party without the prior written consent of the Board, unless the Investment Management Agreement is terminated or certain other events occur. All IM Warrants will expire on 31 March 2014. The IM Warrant entitlement of the Investment Manager may be accelerated in certain circumstances. For the years ended 31 March 2012, 2011 and 2010, 264,477, 355,098 and 264,424 IM Warrants, respectively, vested in favour of the Investment Manager but have not yet been issued by the Company. These unissued IM Warrants have not been included in the table below.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, warrants during the year ended:

	2012		2011	
	Number	WAEP US$	Number	WAEP US$
Outstanding at the start of the period	876,410	11.349	12,808,376	16.032
Vested during the period	264,477	8.919	355,098	11.270
Exercised during the period	-	-	-	-
Expiring during the period	-	-	12,287,064	16.240
Outstanding at the end of the period	**1,140,877**	**10.625**	**876,410**	**11.349**
Issued	256,888	11.215	256,888	11.193
Pending to be issued	883,999	10.453	619,522	11.108
Exercisable at the end of the period	Nil	-	Nil	-

The weighted average contractual life remaining of the share–based payments outstanding at 31 March 2012 is 2.0 years (2011: 3.0 years).

The exercise price for all share–based payments issued and outstanding as at 31 March 2012 was €8.406 or US$11.215 (2011: €8.406 or US$11.193).

17. EARNINGS (LOSS) PER SHARE

The earnings (loss) per share has been calculated on a weighted–average basis and is arrived at by dividing the net income (loss) for the period attributable to shareholders by the weighted–average number of shares in issue. Warrants issued and outstanding at 31 March 2012 and 2011 are anti–dilutive; therefore, fully diluted earnings per share have not been disclosed. Figures are shown on a post–share consolidation basis (see note 11).

	2012 US$	2011 US$
Weighted average of ordinary shares in issue	16,572,012	132,222,038
Net income (loss) for the year	(19,726,384)	12,908,228
Basic and diluted earnings (loss) per share	(1.19)	0.98

18. 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 2012 are $193,432.

The rental charges paid under operating leases accounted for in selling and operational costs of the statement of comprehensive income for the year ended 31 March 2012 amounted to US$193,472 (2011: US$193,736).

Internalisation of Management

On 27 June 2011, the Company and the Investment Manager executed agreements to terminate the services of the Investment Manager, whereby the Investment Manager Agreement ("IMA") pursuant to which the Investment Manager has been managing the Company will be terminated, with effect from the last day of the month during which the Company receives conditional approval from the TSX to list its ordinary shares on the TSX.

Under the terms of the IMA Termination Agreement, the Investment Manager will receive the following compensation:

- 600,000 shares of the Company, of which 300,000 will be payable on the termination date of the IMA and 300,000 will be payable on the date that falls 1 year following the date of execution of the IMA Termination Agreement, and

- 1,200,000 Termination Warrants (each granting the right to acquire one share of the Company at a subscription price equal to the final audited net asset value per share of the Company as at 31 March 2011).

As of the termination date, the Investment Manager will immediately waive its entitlement to (i) the performance fee earned under the IMA for the year ended 31 March 2011 and for all subsequent periods; and (ii) all IM Warrants under the existing IMA (see note 16).

19. 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. The Investment Manager 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.

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$. The Investment Manager 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 2012 is the following:

Effect of the variation in the foreign exchange rate	Income (loss) US$
+15%	2,740,574
+20%	3,654,099
-15%	-2,740,574
-20%	-3,654,099

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 the Investment Manager 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 2012				
Equity investments (US$)	98,540,517	-	-	98,540,517
Loans and advances (€)	10,339,360	1,000,583	9,338,777	-
Loans and advances (US$)	248,670	248,670	-	-
Cash at bank (€)	7,817,233	2,668,222	3,036,780	2,112,231
Cash at bank (US$)	129,540	-	-	129,540
Cash on hand (US$)	7,701	-	-	7,701
31 MARCH 2011				
Equity investments (US$)	169,938,686	-	-	169,938,686
Loans and advances (€)	22,351,928	2,483,548	19,868,380	-
Loans and advances (US$)	320,652	320,652	-	-
Cash at bank (€)	3,976,740	-	657,912	3,318,828
Cash at bank (US$)	902,984	-	-	902,984
Cash on hand (US$)	5,257	-	-	5,257

The weighted–average interest rate of loans and advances is 7.4% (31 March 2011: 6.81%). The average period for which the floating interest rates are fixed is three months.

The sensitivity of the income (loss) for the next 12 months as a result of a variation of the floating interest rate (1–month EURIBOR) in relation to the floating rate assets is the following:

Effect of the variation in the interest rate	Income (loss) and equity US$
+15%	7,568
+20%	10,091
-15%	(7,568)
-20%	(10,091)

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.

Credit risk with regard to loans and advances exists because a significant portion of these loans is to one debtor (FINTUR). In order to minimize the credit risk, the repayment of these facilities is secured by Euro–denominated offshore tourism proceeds payable to FINTUR by certain international hotel operators managing hotels in Cuba and by selected European and Latin America tour operators.

Maximum exposure to credit risk

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

	2012 US$	2011 US$
Loans and advances	10,588,030	22,672,580
Equity investments	98,540,517	169,938,686
Accounts receivable and accrued income	922,265	3,184,909
Cash and cash equivalents	7,954,474	4,884,981
Total maximum exposure to credit risk	**118,005,286**	**200,681,156**

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 (with the exception of the financial institution located in Trinidad and Tobago which has been determined by Standard & Poor's):

	Credit Rating	2012 US$	2011 US$
Cash at bank			
Cuba	Caa2	127,813	902,984
Guernsey	Aa3	602,113	655,591
The Netherlands	Aa3	2,434,667	11,520
Spain	Ba1	4,780,453	3,307,309
Trinidad and Tobago	BBB-/A-3	1,727	2,320
		7,946,773	**4,879,724**
Cash on hand			
Cuba		7,701	5,257
		7,701	**5,257**
Total cash and cash equivalents		**7,954,474**	**4,884,981**

Guarantees received

The amount and type of guarantees required depends on an assessment of the credit risk of the counterparty. For certain loans and advances the Company has obtained additional securities in the form of guarantees from other companies and the allocation of the collections of cash flows (see note 5). 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 comprise 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 statement of financial position.

Management assesses that the liquidity risk of the Company is low, because of the high liquidity in cash and cash equivalents and the practically non–material amount of liabilities payable in cash. However, in case of an unforeseen need for funds, the Company has access to credit facilities from financial institutions that may allow short–term flexibility in the administration of its liquidity.

As at the issuance date of the accompanying consolidated financial statements, the Company is subject to some uncertainty arising from certain macro–economic issues which affected Cuba from 2008 to 2011. The fall in nickel prices and high cost of oil and agricultural imports during the first half 2008 combined with the financial impact of several severe hurricanes which hit the island and the world financial crisis have led to a reduction of economic growth, a tightening of liquidity and consequently have caused some delays in the international transfer of funds from Cuban financial institutions. The Company's management is confident that these issues will not materially impact upon the Company during the following year.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When 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 2012 and 2011 to a total of US$117,940,689 and US$200,090,825 (including share capital classified as liabilities), respectively. The Company is not subject to external capital requirements.

20. USE OF ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Determining fair values

The determination of fair values for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 3.10 (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 3.10 (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 2012 US$			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Equity investments	-	-	98,540,517	98,540,517
	-	**-**	**98,540,517**	**98,540,517**

	31 March 2011 US$			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Equity investments	-	-	169,938,686	169,938,686
	-	**-**	**169,938,686**	**169,938,686**
Financial liabilities at fair value through profit or loss				
Share capital classified as liabilities	-	-	51,064,954	51,064,954
	-	**-**	**51,064,954**	**51,064,954**

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	**Share capital classified as liabilities**	**Total**
Balance at 1 April 2011	169,938,686	(51,064,954)	118,873,732
Total losses recognised in income or loss	(19,398,169)	(211,566)	(19,609,735)
Purchases and additions	-	(723,480)	(723,480)
Transaction reversal (see note 4)	(52,000,000)	52,000,000	-
Balance at 31 March 2012	**98,540,517**	**-**	**98,540,517**
Total losses for the period included in income or loss relating to assets and liabilities held at the end of the reporting period	(19,398,169)	-	(19,398,169)
	(19,398,169)	**-**	**(19,398,169)**

Gains related to unlisted private equity investments are recognised as change in fair value of equity investments and gains related to share capital classified as liabilities were recognised as interest income 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$. The majority of the Company's income, equity investments and transactions are denominated in US$.

21. 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 2012 US$			
	Note	Designated at fair value through profit or loss	Loans and receivables	Other liabilities	Total carrying amount
Loans and advances	5	-	10,588,030	-	10,588,030
Equity investments	6	98,540,517	-	-	98,540,517
Accounts receivable and accrued income	8	-	922,265	-	922,265
Cash and cash equivalents	9	-	7,954,474	-	7,954,474
		98,540,517	**19,464,769**	**-**	**118,005,286**
Accounts payable and accrued expenses	10	-	-	460,676	460,676
		-	**-**	**460,676**	**460,676**

		31 March 2011 US$			
	Note	Designated at fair value through profit or loss	Loans and receivables	Other liabilities	Total carrying amount
Loans and advances	5	-	22,672,580	-	22,672,580
Equity investments	6	169,938,686	-	-	169,938,686
Accounts receivable and accrued income	8	-	3,184,909	-	3,184,909
Cash and cash equivalents	9	-	4,884,981	-	4,884,981
		169,938,686	**30,742,470**	**-**	**200,681,156**
Accounts payable and accrued expenses	10	-	-	967,843	967,843
Share capital classified as liabilities	11	51,064,954	-	-	51,064,954
		51,064,954	**-**	**967,843**	**52,032,797**

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.

There were no reclassifications of financial assets during the year ended 31 March 2012 (2011: nil).

22. INVESTORS HOLDING GREATER THAN 10% INTEREST

As at 31 March 2012, 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 1,841,711 shares of the Company, representing 16.04%, 15.75% and 13.93%, respectively, of the total consolidated shares outstanding of 13,223,840.

As at 31 March 2011, Mexmark GmbH held 4,531,051 shares, 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 1,841,711 shares in the Company, representing 25.52%, 11.94%, 11.73% and 10.37%, respectively, of the total shares outstanding of 17,754,911.

23. SUBSEQUENT EVENTS

Board composition

Sir John Morgan, a Director of the Company, passed away on 24 June 2012.

At the meeting of the Board of Directors held on 25 June 2012, the following changes were made to the composition of the Board of the Company:

- Jaime García–Andrade resigned as a Director and Chairman of the Company.
- John Anthony Herring was appointed as the new Chairman of the Board of Directors.

Sebastiaan A.C. Berger Director	John Herring Director